The unaudited pro forma combined financial statements reflect pro forma adjustments that are described above and in the accompanying notes and are based on available information and certain assumptions that we believe are reasonable under the circumstances, and the actual results could differ materially from these anticipated results. In our opinion, all adjustments that are necessary to present fairly the unaudited pro forma consolidated data have been made. The unaudited pro forma combined financial statements are presented for informational purposes only and do not purport to be indicative of what would have occurred had the JBS Packerland Acquisition actually been consummated at the beginning of the period presented, nor are they necessarily indicative of our future consolidated operating results.

You should read the following unaudited pro forma combined financial statements in conjunction with, and the data is qualified by reference to, "Management's discussion and analysis of financial condition and results of operations" and the financial statements and accompanying notes included elsewhere in this prospectus.

Unaudited pro forma combined statement of operations for the fiscal year ended December 28, 2008

in thousands, except earnings per share	JBS USA Holdings, Inc. Fiscal year ended December 28, 2008 Historical (+)	JBS Packerland December 31, 2007 through October 22, 2008 (a)(i) Historical (+)	JBS Packerland Adjustment for 50% equity interest in Five Rivers (b) (-)	JBS Packerland Adjustment for assets not acquired (c)(i) (-)	Five Rivers December 31, 2007 through October 22, 2008 (a)(ii) Historical (+)	Five Rivers Adjustment for assets not acquired (c)(ii) (-)	Adjustment for transaction (+)	Notes	JBS USA Holdings, Inc. Fiscal year ended December 28, 2008 Pro forma
Net sales	$12,362,281	$2,548,224	—	$4,923	$1,461,140	$912,920	$(8,011)	(d)	$15,445,791
Cost of goods sold	11,917,777	2,397,551	—	4,949	1,511,462	988,814	4,724	(d),(e)	14,837,751
Gross profit (loss)	444,504	150,673	—	(26)	(50,322)	(75,894)	(12,735)		608,040
Selling, general and administrative expenses	148,785	78,793	—	24,017	11,093	9	4,052	(e)	218,697
Foreign currency transaction losses	75,995	—	—	—	—	—	—		75,995
Other (income) expense	(10,107)	44,465	39,139	5,555	(208)	(74)	—		(10,470)
Loss on sales of property, plant and equipment	1,082	107	—	—	131	224	—		1,096
Interest expense, net	36,358	30,837	—	31,005	16,940	16,940	46,431	(f)	82,621
Total expenses, net	252,113	154,202	39,139	60,577	27,956	17,099	50,483		367,939
Income (loss) from continuing operations before	192,391	(3,529)	(39,139)	(60,603)	(78,278)	(92,993)	(63,218)		240,101
Income tax expense	31,287	2,222	—	2,222	—	—	16,699	(g)	47,986
Net income (loss)	$161,104	$(5,751)	$(39,139)	$(62,825)	$(78,278)	$(92,993)	$(79,917)		$192,115
Basic and diluted net income (loss) per share of common stock	$1,611,040.00								$1,921,150.00

(a) Represents the historical results of

(i) JBS Packerland, and

(ii) Five Rivers

for the period from December 31, 2007 through October 22, 2008.

(b) Represents the elimination of the 50% equity interest in Five Rivers from the historical results of JBS Packerland for the period December 31, 2007 through October 22, 2008. On a pro forma basis, the results of Five Rivers are reflected on a fully consolidated basis as part of the JBS Packerland Acquisition.

(c) Reflects the elimination of assets not acquired for

(i) JBS Packerland and

(ii) Five Rivers.

The adjustment for assets not acquired includes (1) revenue and expenses associated with cattle owned by Smithfield Beef Group, Inc. that were retained by Smithfield Foods, Inc., (2) revenue and expenses associated with cattle owned by Five Rivers that were retained by Smithfield Foods, Inc., (3) the elimination of corporate overhead charge by Smithfield Foods, Inc. and (4) other assets and insignificant businesses not acquired and liabilities not assumed.

(d) Reflects the elimination of $8.0 million of intercompany sales and $8.0 million of cost of goods sold between JBS Packerland and the legacy Swift Beef segment for the period from December 31, 2007 through October 22, 2008.

(e) Represents the adjustment of $12.7 million to historical cost of goods sold and to selling, general and administrative expenses of $4.1 million to reflect depreciation and amortization expense based on the estimated fair values and useful lives of identified tangible and intangible assets for JBS Packerland and Five Rivers based on a preliminary third-party valuation report. The purchase price allocation is preliminary pending completion of independent valuations of identified tangible and intangible assets acquired and certain liabilities acquired, including, but not limited to deferred taxes. The allocation of the purchase price presented below is preliminary and subject to change. The allocation presented below reflects the estimated fair value of the individual assets and liabilities as of October 23, 2008 (in thousands), and the following table details the purchase price components:

Purchase price allocation:	
Purchase price paid to previous shareholders	$537,068
Fees and direct expenses	26,134
Total purchase price	$563,202
Preliminary purchase price allocation:	
Current assets and liabilities	$ 43,052
Property, plant and equipment(i)	423,955
Deferred tax liabilities	(142,997)
Goodwill	95,998
Intangible assets(ii)	138,023
Other noncurrent assets and liabilities, net	5,171
Total purchase price allocation	$563,202

(i) Property, plant and equipment was recorded at fair value at the date of the JBS Packerland Acquisition. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures, office equipment and other	5 to 7 years
Machinery and equipment	5 to 15 years
Buildings and improvements	15 to 40 years
Leasehold improvements	shorter of useful life or the lease term

(ii) Intangible assets include customer relationships and customer contracts resulting from the JBS Packerland Acquisition that are being amortized on an accelerated basis over 21 and 10 years, respectively. These represent management's estimates of the period of expected economic benefit and annual customer profitability.

(f) Reflects the following adjustments to interest expense, net relating to the transactions:

Debt issuance amortization, 11.625% senior unsecured notes due 2014(i)	$ 467
Debt discount accretion, 11.625% senior unsecured notes due 2014(ii)	7,802
Interest expense, 11.625% senior unsecured notes due 2014(iii)	65,209
Interest expense, intercompany debt(iv)	(27,047)
Total Interest expense, net(v)	$46,431

(i) Includes pro forma interest expense for the amortization of debt issuance costs on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through December 28, 2008, calculated on a straight-line basis.

(ii) Includes pro forma interest expense for the accretion of the bond discount on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through December 28, 2008, calculated on a straight-line basis.

(iii) Includes pro forma interest expense on $560.9 million ($519.6 million of proceeds plus $39.0 million of bond discount and $2.3 million of debt issuance cost) of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through December 28, 2008.

(iv) Includes the reduction of pro forma interest expense for the period from December 31, 2007 through December 28, 2008 on our consolidated intercompany loans from JBS S.A. due to a $519.6 million reduction in the aggregate principal amount of those intercompany loans using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014.

(v) We have applied the adjustments in clauses (i), (ii) and (iii) above to $560.9 million in proceeds, bond discount and debt issuance costs of our 11.625% senior unsecured notes due 2014 because that is the amount of debt we would have to have issued to repay the portion of our intercompany loans from JBS S.A. described in clause (iv) above. The total principal amount of our 11.625% senior secured notes due 2014 is $700.0 million, and our pro forma interest expense accordingly does not purport to be indicative of what our interest expense will be in the future.

(g) Reflects the tax effect of the pro forma adjustments at an estimated 35% effective tax rate.

Unaudited pro forma combined statement of operations for the fiscal quarter ended March 29, 2009

in thousands, except earnings per share	JBS USA Holdings, Inc. March 29, 2009 Historical	Adjustments (+)	Notes	JBS USA Holdings, Inc. March 29, 2009 Pro forma
Net sales	$ 3,196,339	$ —		$ 3,196,339
Cost of goods sold	3,123,358	—		3,123,358
Gross profit	72,981	—		72,981
Selling, general and administrative expenses	61,598	—		61,598
Foreign currency transaction gains	(5,075)	—		(5,075)
Other income, net	(1,475)	—		(1,475)
Loss on sales of property, plant and equipment	180	—		180
Interest expense, net	14,592	10,024	(a)	24,616
Total expenses	69,820	10,024		79,844
Income (loss) from continuing operations before income tax	3,161	(10,024)		(6,863)
Income tax expense (benefit)	909	(3,509)	(b)	(2,600)
Net income (loss)	$ 2,252	$ (6,515)		$ (4,263)
Basic and diluted net income (loss) per share of common stock	$ 22,250.00			$ (42,630.00)

(a) Reflects the following adjustments to interest expense, net relating to the transactions:

Debt issuance amortization, 11.625% senior unsecured notes due 2014(i)	$ 117
Debt discount accretion, 11.625% senior unsecured notes due 2014(ii)	1,950
Interest expense, 11.625% senior unsecured notes due 2014(iii)	16,302
Interest expense, intercompany debt(iv)	(8,345)
Total interest expense, net(v)	$ 10,024

(i) Includes pro forma interest expense for the amortization of debt issuance costs on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 29, 2008 through March 29, 2009, calculated on a straight-line basis.

(ii) Includes pro forma interest expense for the accretion of the bond discount on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period December 29, 2008 through March 29, 2009, calculated on a straight-line basis.

(iii) Includes pro forma interest expense for the period December 29, 2008 through March 29, 2009 on $560.9 million ($519.6 million of proceeds plus $39.0 million of bond discount and $2.3 million of debt issuance cost) of our 11.625% senior unsecured notes due 2014.

(iv) Includes the reduction of pro forma interest expense on our intercompany loans from JBS S.A. due to the $519.6 million reduction in the aggregate principal amount of those intercompany loans using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014.

(v) We have applied the adjustments in clauses (i), (ii) and (iii) above to $560.9 million in proceeds, bond discount and debt issuance costs of our 11.625% senior unsecured notes due 2014 because that is the amount of debt we would have to have issued to repay the portion of our intercompany loans from JBS S.A. described in clause (iv) above. The total principal amount of our 11.625% senior secured notes due 2014 is $700.0 million, and our pro forma interest expense accordingly does not purport to be indicative of what our interest expense will be in the future.

(b) Reflects the tax effect of the pro forma adjustments at an estimated 35% effective tax rate.

Unaudited pro forma combined balance sheet as of March 29, 2009

	JBS USA Holdings, Inc.			
in thousands	**Historical**	**Adjustments**	**Notes**	**Pro forma**
Assets				
Current assets:				
Cash and cash equivalents	$ 156,737	$ (2,415)	(a)	$ 154,322
Trade accounts receivable, net of allowance for doubtful accounts of $4,142	514,160	—		514,160
Inventories	650,026	—		650,026
Other current assets	77,555	—		77,555
Total current assets	1,398,478	(2,415)		1,396,063
Property, plant, and equipment, net	1,241,055	—		1,241,055
Goodwill	149,093	—		149,093
Other intangibles, net	299,097	—		299,097
Other assets	221,092	2,915	(b)	224,007
Total assets	$ 3,308,815	$ 500		$3,309,315
Liabilities and stockholder's equity				
Current liabilities:				
Short-term debt	$ 71,428	—		$ 71,428
Current portion of long-term debt	4,103	—		4,103
Accounts payable, including book overdrafts	273,547	—		273,547
Accrued liabilities	303,691	(31,225)	(c)	272,466
Total current liabilities	652,769	(31,225)		621,544
Long-term debt, less current portion	901,517	31,725	(d)	933,242
Other non-current liabilities	359,590			359,590
Total liabilities	1,913,876	500		1,914,376
Stockholder's equity:				
Common stock, 500,000,000 shares authorized, 100 issued and outstanding	—	—		—
Additional paid-in capital	1,400,159	—		1,400,159
Retained earnings	51,764	—		51,764
Accumulated other comprehensive (loss)	(56,984)	—		(56,984)
Total stockholder's equity	1,394,939	—		1,394,939
Total liabilities and stockholder's equity	$ 3,308,815	$ 500		$3,309,315

(a) Reflects the pro forma use of cash which was used to pay a portion of the debt issuance costs which were not paid from the proceeds of the issuance of our 11.625% senior unsecured notes due 2014.

(b) Reflects debt issuance costs of $2.9 million related to the issuance of our 11.625% senior unsecured notes due 2014. These debt issuance costs will be capitalized and amortized on a straight-line basis over a period of five years.

(c) Reflects the reduction of accrued interest on our intercompany loans, a portion of which were repaid using the net proceeds of our 11.625% senior unsecured notes due 2014.

(d) Reflects the principal amount of our 11.625% senior unsecured notes due 2014 reduced by (1) original issue discount on our 11.625% senior unsecured notes due 2014 of $48.7 million, (2) a $100.0 million reduction in outstanding borrowings under our senior secured revolving credit facility using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014, and (3) a $519.6 million reduction in the aggregate principal amount of our intercompany loans using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014.

Management's discussion and analysis of financial condition and results of operations

Overview

JBS USA Holdings, Inc.

We are a global leader in beef and pork processing with approximately $15.4 billion in net sales for the fiscal year ended December 28, 2008 on a pro forma basis. In terms of daily slaughtering capacity, we are among the leading beef and pork processors in the United States and we have been the number one processor of beef in Australia for the past 15 years. As a standalone company, we would be the largest beef processor in the world. We also own and operate the largest feedlot business in the United States.

We process, prepare, package and deliver fresh, processed and value-added beef and pork products for sale to customers in over 60 countries on six continents. Our operations consist of supplying fresh meat products, processed meat products and value-added meat products. Fresh meat products include refrigerated beef and pork processed to standard industry specifications and sold primarily in boxed form. Our processed meat offerings, which include beef and pork products, are cut, ground and packaged in a customized manner for specific orders. Additionally, we process lamb and mutton products. Our value-added products include moisture-enhanced, seasoned, marinated and consumer-ready products. We also provide services to our customers designed to help them develop more comprehensive and profitable sales programs. Our customers are in the food service, international, further processor and retail distribution channels. We also produce and sell by-products that are derived from our meat processing operations, such as hides and variety meats, to customers in the clothing, pet food and automotive industries, among others.

Our business operations are organized into two segments:

- our Beef segment, through which we conduct our domestic beef processing business, including the beef operations we acquired in the JBS Packerland Acquisition, and our international beef, lamb and sheep processing businesses that we acquired in the Tasman Acquisition; and
- our Pork segment, through which we conduct our domestic pork and lamb processing business.

We also present "Corporate and other" in our financial statements, which include certain revenues and expenses not directly attributable to the primary segments, as well as eliminations resulting from the consolidation process.

We are a wholly owned indirect subsidiary of JBS S.A., the world's largest beef producer, which has a daily slaughtering capacity of 73,940 head of cattle. In the fiscal quarter ended March 29, 2009, we represented approximately 78% of JBS S.A.'s gross revenues. Over the past few years, JBS S.A. has acquired several U.S. and Australian beef and pork processing companies and slaughterhouses, which now comprise JBS USA Holdings, Inc. and its subsidiaries:

- on July 11, 2007, JBS S.A. acquired Swift Foods Company (our predecessor company, which was subsequently renamed JBS USA Holdings, Inc.), which we refer to as the Swift Acquisition;
- on May 2, 2008, we acquired substantially all of the assets of the Tasman Group Services, Pty. Ltd., or the Tasman Group, which we refer to as the Tasman Acquisition; and
- on October 23, 2008, we acquired Smithfield Beef Group, Inc. (which we subsequently renamed JBS Packerland), which included the 100% acquisition of Five Rivers. We refer to this transaction as the JBS Packerland Acquisition.

Critical accounting policies and estimates

The preparation of consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of certain accounting estimates we consider critical. See Note 5, "Basis of presentation and accounting policies," to our audited combined financial statements included elsewhere in this prospectus for a detailed discussion of these and other accounting policies.

Contingent liabilities

From time to time we are subject to lawsuits, investigations and other claims related to wage and hour/labor, livestock procurement, securities, environmental, product, taxes and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. A determination of the amount of reserves and disclosures required, if any, for these contingencies is made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is reasonably possible or probable. Due to the unpredictable nature of these lawsuits, investigations, and claims, our contingent liabilities reflect uncertainties. The eventual outcome will result from future events, and determination of current reserves requires estimates and judgments related to future changes in facts and circumstances, differing interpretations of the law and assessments of the amount of damages, and the effectiveness of strategies or other factors beyond our control. We have not made any material changes in the accounting methodology used to establish our contingent liabilities during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our contingent liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Marketing and advertising costs

We incur advertising, retailer incentive and consumer incentive costs to promote products through marketing programs. These programs include cooperative advertising, volume discounts, in-store display incentives, coupons and other programs. Marketing and advertising costs are charged in the period incurred. We accrue costs based on the estimated performance, historical utilization and redemption of each program. Cash consideration given to customers is considered a reduction in the price of our products, and thus is recorded as a reduction to sales. The remainder of marketing and advertising costs is recorded as a selling, general and administrative expense. Recognition of the costs related to these programs contains uncertainties due to the judgment required to estimate the potential performance and redemption of each program. These estimates are based on many factors, including experience of similar promotional programs. We have not made any material changes in the accounting methodology used to establish our marketing accruals during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our marketing accruals. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Accrued self-insurance

We are self-insured for employee medical and dental benefits and purchase insurance policies with deductibles for certain losses related to worker's compensation and general liability claims. We purchase stop-loss coverage in order to limit our exposure to any significant level of certain claims. Self-insured losses are accrued based upon periodic assessments of estimated settlements for known and anticipated claims. We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our self-insurance liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material. A 10% increase in our estimated self-insurance liability at March 29, 2009 would increase the amount we recorded for our self-insurance liability by approximately $15.4 million.

Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Examples include a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition. When evaluating long-lived assets for impairment, we compare the carrying value of the asset to the asset's estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset. The impairment is the excess of the carrying value over the fair value of the long-lived asset. Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows to determine fair value. We have not made any material changes in the accounting methodology used to evaluate the impairment of long-lived assets during the last three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material.

Impairment of goodwill and other non-amortizing intangible assets

Goodwill impairment is determined using a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of an operating unit, which for us is a reportable segment, with its carrying amount, including goodwill. If the fair value of a segment exceeds its carrying amount, goodwill of the segment is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a segment exceeds its fair value, a second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the segment is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the segment had been acquired in a business combination and the fair value of the segment was the purchase price paid to acquire the segment).

For our other non-amortizing intangible assets, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We have elected to make the last day of the fourth quarter the annual impairment assessment date for goodwill and other intangible assets. However, we could be required to evaluate the recoverability of goodwill and other intangible assets prior to the required annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, cash flows, or upon divestiture of a significant component of the business.

We estimate the fair value of our segments using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various judgmental assumptions about sales, operating margins, growth rates and discount rates. Assumptions about sales, operating margins and growth rates are based on our budgets, business plans, economic projections, anticipated future cash flows and marketplace data. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period.

While estimating the fair value of our Beef and Pork segments, we assumed operating margins in future years in excess of the margins realized in the most current year. The fair value estimates for these segments assume normalized operating margin assumptions and improved operating efficiencies based on long-term expectations and margins historically realized in the beef and chicken industries.

Other intangible asset fair values have been calculated for trademarks using a royalty rate method and using the present value of future cash flows for patents and in-process technology. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. Our impairment analysis contains uncertainties due to uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions.

We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill and other intangible assets during the last three years. As a result of the first step of the 2008 goodwill impairment analysis, the fair value of each segment exceeded its carrying value. The second step could have resulted in an impairment loss for goodwill.

While we believe we have made reasonable estimates and assumptions to calculate the fair value of the segments and other intangible assets, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step which could result in a material impairment of our goodwill.

Income taxes

We estimate total income tax expense based on statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we earn income. Federal income taxes include an estimate for taxes on earnings of foreign subsidiaries expected to be remitted to the United States and be taxable, but not for earnings considered indefinitely invested in the foreign subsidiary. Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded when it is likely a tax benefit will not be realized for a deferred tax asset. We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. This analysis is performed in accordance with the requirements of Financial Accounting Standards Board Interpretation No. 48, “Accounting for Uncertainty in Income Taxes,” or FIN 48, which we adopted on May 28, 2007. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. Changes in projected future earnings could affect the recorded valuation allowances in the future. Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax regulations across the tax jurisdictions where we operate. Our analysis of unrecognized tax benefits contain uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds of FIN 48. We do not believe there is a reasonable likelihood there will be a material change in the tax related balances or valuation allowances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. To the extent we prevail in matters for which FIN 48 liabilities have been established, or are required to pay amounts in excess of our recorded FIN 48 liabilities, our effective tax rate in a given financial statement period could be materially affected. Any change to our valuation allowance will impact our effective tax rate in a given financial statement period and could materially impact our tax expense. An unfavorable tax settlement would require use of our cash and result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the period of resolution.

Recent accounting pronouncements

In February 2008, the FASB issued FASB Staff Position (FSP) No. 157-2, which defers the effective date of SFAS No. 157, “Fair Value Measurements,” for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity’s financial statements on a recurring basis, at least annually. We will be required to adopt for these nonfinancial assets and nonfinancial liabilities as of December 29, 2008. We believe the adoption of SFAS No. 157 deferral provisions will not have a material impact on our financial position results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R),” or SFAS No. 167. SFAS No. 167 provides for enhanced financial reporting by enterprises involved with variable interest entities and is effective for fiscal years beginning after November 15, 2009. We are currently evaluating the impact, if any, of SFAS No. 167 on our financial position, results of operations and cash flows.

Factors affecting our results of operations

Our results of operations have been influenced and will continue to be influenced by a variety of factors. Our management monitors a number of metrics and indicators that affect our operations, including the following:

- production volume,
- plant capacity utilization,
- sales volume,
- selling prices of beef and pork products,
- customer demands and preferences (see “Risk factors—Risks relating to our business and the beef and pork industries—Changes in consumer preferences could adversely affect our business”),
- commodity futures board prices for livestock (see “Risk factors—Risks relating to our business and the beef and pork industries—Our results of operations may be negatively impacted by fluctuations in the prevailing market prices for livestock” and Note 6, “Derivative financial instruments,” to our unaudited consolidated financial statements included in this prospectus),
- spread between livestock prices and selling prices for finished goods,
- utility prices and trends,
- livestock availability,
- production yield,

- currency exchange rate fluctuations (in particular, between the U.S. dollar and the Australian dollar) (see "Risk factors—Risks relating to our business and the beef and pork industries—Our export and international operations expose us to political and economic risks in foreign countries, as well as to risks related to currency fluctuations"), 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 and pork industries—Our export and international operations expose us to political and economic risks in foreign countries, as well as to risks related to currency fluctuations."

Our operating results are also influenced by seasonal factors, which impact the price that we pay for livestock as well as the ultimate price at which we sell our products.

In the beef industry, the seasonal demand for beef products is highest in the summer and fall months as weather patterns permit more outdoor activities and there is typically an increased demand for higher value items that are grilled, such as steaks. Both live cattle prices and boxed beef prices tend to be at seasonal highs during the summer and fall. Because of higher consumption, more favorable growing conditions and the housing of animals in feedlots for the winter months, there are generally more cattle available in the summer and fall. In Australia, seasonal demand does not fluctuate as significantly as it does in the United States.

The pork industry has similar seasonal cycles but in different months. It takes an average of 11 months from conception for a hog to reach market weight. Generally, sows are less productive in summer months, resulting in fewer hogs available in the spring and early summer, which causes prices of hogs and boxed pork to rise, but production to fall. The highest demand for pork occurs from October to March, as hog availability and holiday occasions increase the demand for hams, tenderloins and other higher value pork products. During the quarter ended March 29, 2009, seasonal demand followed normal historical patterns.

We believe that our results of operations are not materially affected by moderate changes in the inflation rate. Inflation and changing prices did not have a material effect on our operations in fiscal years 2008, 2007 and 2006. Severe increases in inflation, however, could affect the global and U.S. economies and could have an adverse effect on our business, financial condition and results of operations.

Other factors that impact the results of our operations include outbreaks of livestock 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.

RESULTS OF OPERATIONS

Our current fiscal year is based on the 52- or 53-week period ending on the last Sunday in December. Our predecessor company's fiscal year was based on the 52- or 53-week period ending on the last Sunday in May. We present financial statements for the following periods:

- the fiscal year ended December 24, 2006,
- the 198 days from December 25, 2006 through July 10, 2007,
- the 173 days from July 11, 2007 (the date of the Swift Acquisition) through December 30, 2007,
- the fiscal year ended December 28, 2008, and
- the fiscal quarters ended March 30, 2008 and March 29, 2009.

The Swift Acquisition closed on July 11, 2007, and the financial statements for the 198 days from December 25, 2006 to July 10, 2007 represent the period between the end of the last day of the fiscal year ended December 24, 2006 and the day prior to the closing of the Swift Acquisition. The periods ended prior to July 11, 2007 are referred to as the "predecessor" periods. The financial statements for the 173-day period from July 11, 2007 through December 30, 2007 represent the period from the date of the Swift Acquisition through December 30, 2007. The periods ended subsequent to July 10, 2007 are referred to as the "successor" periods.

On May 26, 2006, we completed the sale of our non-fed cattle business, including our operating plant assets in Omaha, Nebraska and our idled Nampa, Idaho assets. Due to our significant continuing involvement with the non-fed processing facilities through a raw material supply agreement, the operating results related to these plants have been reflected in our continuing operations through the fiscal year ended December 24, 2006.

Our consolidated results of operations for the 198-day period ended July 10, 2007 and the 173-day period ended December 30, 2007 are not fully comparable to our results for the fiscal year ended December 24, 2006 due to the change in cost basis and recapitalization that occurred on July 11, 2007.

Our consolidated results of operations for the fiscal year ended December 28, 2008 are not fully comparable to our results of operations for the combined 198-day period ended July 10, 2007 and the 173-day period ended December 30, 2007 due to the (1) change in cost basis and recapitalization that occurred on July 11, 2007, (2) Tasman Acquisition that closed on May 2, 2008 and (3) JBS Packerland Acquisition that closed on October 23, 2008.

Our consolidated results of operations for the fiscal quarter ended March 29, 2009 are not fully comparable to our results of operations for the fiscal quarter ended March 30, 2008 due to the (1) Tasman Acquisition that closed on May 2, 2008 and (2) JBS Packerland Acquisition that closed on October 23, 2008.

Prior to the Tasman Acquisition, we had significant operations in northern Australia through our legacy Australian subsidiaries. As a result, even prior to the Tasman Acquisition, the value of the Australian dollar as compared to the U.S. dollar had an effect on our Australian operations.

Supplemental financial data

The following table presents segment results for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007, the 173 days ended December 30, 2007, the fiscal year ended December 28, 2008, and the fiscal quarters ended March 30, 2008 and March 29, 2009.

	Predecessor		Successor			
in thousands	**Fiscal year ended December 24, 2006**	**198 days ended July 10, 2007**	**173 days ended December 30, 2007**	**Fiscal year ended December 28, 2008**	**Fiscal quarter ended March 30, 2008**	**Fiscal quarter ended March 29, 2009**
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
Net sales:						
Beef	$ 7,576,136	$ 3,757,295	$ 3,942,231	$ 9,975,510	$ 1,935,142	$ 2,680,205
Pork	2,152,583	1,234,133	1,063,644	2,438,049	535,509	526,283
Corporate and other	(37,287)	(20,804)	(16,891)	(51,278)	(8,994)	(10,149)
Total	**$ 9,691,432**	**$ 4,970,624**	**$ 4,988,984**	**$ 12,362,281**	**$ 2,461,657**	**$ 3,196,339**
Depreciation, amortization expense and goodwill impairment(1):						
Beef	$ 65,443	$ 32,913	$ 25,627	$ 68,721	$ 14,114	$ 26,568
Pork	23,679	11,925	9,617	23,653	5,025	6,784
Total	**$ 89,122**	**$ 44,838**	**$ 35,244**	**$ 92,374**	**$ 19,139**	**$ 33,352**

(1) The fiscal year ended December 24, 2006 included a $4.5 million goodwill impairment charge.

Fiscal quarter ended March 29, 2009 compared to fiscal quarter ended March 30, 2008

Net sales. Net sales is defined as gross sales (amounts invoiced to customers) less any sales returns and allowances. We grant allowances that are customary in our business. Net sales for the fiscal quarter ended March 29, 2009 totaled $3,196.3 million as compared to net sales of $2,461.7 million for the fiscal quarter ended March 30, 2008. Net sales for the fiscal quarter ended March 29, 2009 increased $734.7 million, or 29.8%, as compared to the fiscal quarter ended March 30, 2008, primarily reflecting an overall 10% increase in sales volume, which was partially offset by a 6.1% overall decrease in sales prices. Excluding the JBS Packerland and Tasman Acquisitions, net sales would have been $2,307.1 million for the fiscal quarter ended March 29, 2009, representing a decrease of $154.5 million. This sales price decrease reflected a 7.3% decrease in Beef segment prices, partially offset by a 4.6% increase in Pork segment prices. Volumes increased in our Beef segment by 49.4% driven by the JBS Packerland and Tasman Acquisitions (a 1.6% decrease excluding the JBS Packerland and Tasman Acquisitions primarily due to market conditions, including demand), and a 6.1% decrease in our Pork segment related to overall market conditions, including demand and margins. The addition of smalls in Australia for the period ended March 29, 2009 was the primary driver of the decline in per unit selling prices. For calculation of the price changes in the period subsequent to the Tasman Acquisition, we utilized a 12 to 1 ratio of smalls to cattle equivalents based on relative weights. The value of the Australian dollar as compared to the U.S. dollar decreased 27.0% between the two periods which negatively affected net sales from our international operations included in our Beef segment.

Cost of goods sold. Cost of goods sold totaled $3,123.4 million for the fiscal quarter ended March 29, 2009 as compared to $2,451.4 million for the fiscal quarter ended March 30, 2008. Cost of goods sold increased $671.9 million, or 27.4%, for the fiscal quarter ended March 29, 2009 as compared to the fiscal quarter ended March 30, 2008. Excluding the JBS Packerland and Tasman Acquisitions, cost of goods sold would have been $2,268.7 million for fiscal quarter ended March 29, 2009, representing a decrease of $182.7 million. Cost of goods sold increased 34.6% in our Beef segment as a result of a 49.4% increase in slaughter volumes (primarily attributable to the JBS Packerland and Tasman Acquisitions), offset by a 1.6% decrease in slaughter volumes at the legacy Swift beef facilities and an 11.7% decrease in cattle prices and further offset by a 0.2% decrease in cost of goods sold in our Pork segment (which was driven by a 6.1% decrease in hog slaughter volumes, partially offset by a 7.2% increase in hog prices). Although total cost of goods sold increased quarter over quarter due to increased Beef segment production volume, we demonstrated reductions in per head cost for the following categories: freight costs, hourly wages including overtime, utilities costs (driven by lower natural gas prices), repairs and maintenance costs and storage costs.

Gross margin percentages. Gross margin percentage (gross profit as a percent of net sales) was 2.3% for the fiscal quarter ended March 29, 2009 as compared to 0.4% for the fiscal quarter ended March 30, 2008. The increase in gross margin percentage reflects a 2.7 percentage point increase in our Beef segment, partially offset by a decrease of 1.6 percentage points in our Pork segment. Margin enhancements in our Beef segment reflect cost reductions due to renegotiation of supply contracts, elimination of certain third-party service providers (including cattle hotelling, lab services and maintenance service providers) and the insourcing of these items at lower cost, operational yield enhancements which generated additional pounds to sell from each carcass and improved margins due to enhanced product mix resulting from increased volume sold to international markets where products like the special cuts described above generate a higher return. Margin declines in our Pork segment were driven by a 7.2% increase in hog prices, which could not be fully passed on through higher selling prices, especially for rendered products used for fuel for which demand and prices decreased due to lower petroleum product prices between the corresponding periods. Excluding the JBS Packerland and Tasman Acquisitions, gross margin percentage would have been 1.7% for fiscal quarter ended March 29, 2009, representing an increase of 1.3% year over year.

Selling, general and administrative expenses. Selling, general and administrative expenses were $61.6 million for the fiscal quarter ended March 29, 2009 as compared to $31.0 million for the fiscal quarter ended March 30, 2008. These expenses increased by $30.6 million, or 98.4%. Excluding the JBS Packerland and Tasman Acquisitions, selling, general and administrative expenses increased $19.4 million, or 62.4%, when compared to the same period in the prior year. During the fiscal quarter ended March 29, 2009, we reached an agreement to terminate our efforts to acquire National Beef Packing Company, LLC, or National Beef, and as a result, we paid a breakage fee to the shareholders of National Beef totaling $19.9 million, and we recorded as an expense the related incurred legal costs totaling an additional $1.0 million. These non-recurring costs of $20.9 million were recorded in selling, general and administrative expenses in the “Corporate and other” segment. This increase was partially offset by the effect of the depreciation of 27.0% in the value of the Australian dollar as compared to the U.S. dollar between the comparative fiscal quarters.

Foreign currency transaction, net. Foreign currency transaction, net for the fiscal quarter ended March 29, 2009 was a gain of $5.1 million as compared to a gain of $12.6 million for the fiscal quarter ended March 30, 2008. This $7.5 million change related to the effects of the variation in the value of the Australian dollar as compared to the U.S. dollar on our U.S. dollar-denominated intercompany note payable and receivable within Australia. The value of the Australian dollar as compared to the U.S. dollar depreciated 24.4% between the two period ends.

Interest expense, net. Interest expense, net for the fiscal quarter ended March 29, 2009 was $14.6 million as compared to $8.1 million for the fiscal quarter ended March 30, 2008. This increase of $6.5 million related to additional borrowings under our intercompany loans and our revolving credit facility. As part of the Tasman Acquisition, we also assumed incremental debt. The additional borrowings were used to finance our working capital needs following the JBS Packerland and Tasman Acquisitions in 2008. In addition, the average interest rate applicable to these borrowings was slightly higher in the 2009 period as compared to the 2008 period. See Note 16, "Subsequent event," to our unaudited consolidated financial statements included elsewhere in this prospectus and "—Liquidity and capital resources."

Income tax expense, net. Income tax expense, net for the fiscal quarter ended March 29, 2009 was $0.9 million as compared to $5.6 million for the fiscal quarter ended March 30, 2008. The expense for both periods relates mainly to our Australian operations as we had established a valuation allowance in the United States. Therefore, the $4.7 million decrease related to a decrease in our international income.

Net income (loss). As a result of the factors discussed above, our net income for the fiscal quarter ended March 29, 2009 increased to income of $2.3 million from a loss of $18.1 million for the fiscal quarter ended March 30, 2008.

Beef segment

Net sales. Net sales totaled $2,680.2 million for the fiscal quarter ended March 29, 2009 as compared to $1,935.1 million for the fiscal quarter ended March 30, 2008. Net sales increased by $745.1 million, or 38.5%, as a result of an increase in production volume of 49.4%, which was partially offset by a 7.3% decrease in selling prices. For calculation of the price changes in the period subsequent to the Tasman Acquisition, we have used a 12 to 1 ratio of smalls to cattle equivalents based on relative weights. Increases in production related primarily to the JBS Packerland and Tasman Acquisitions, partially offset by a 1.6% decrease in volume from the legacy Swift beef facilities between the two quarters. Excluding the JBS Packerland and Tasman Acquisitions, net sales would have been $1,791.0 million for the fiscal quarter ended March 29, 2009, representing a decrease of $144.2 million, or 7.4%, primarily driven by the 27.0% depreciation of the Australian dollar compared to the U.S. dollar between the two quarters.

Cost of goods sold. Cost of goods sold totaled $2,619.6 million in the fiscal quarter ended March 29, 2009 as compared to $1,945.6 million in the fiscal quarter ended March 30, 2008. This increase of $673.9 million, or 34.6%, resulted from a 49.4% increase in slaughter volumes (primarily attributable to the JBS Packerland and Tasman Acquisitions, offset by a 1.6% decrease in slaughter volumes at the legacy Swift beef facilities), further offset by an 11.7% decrease in cattle prices. Excluding the JBS Packerland and Tasman Acquisitions, cost of goods sold would have been $1,764.9 million for fiscal quarter ended March 29, 2009, representing a decrease of $180.7 million. The increase in cost of goods sold was also offset by the 27.0% percent decrease in the value of the Australian dollar as compared to the U.S. dollar. Notwithstanding the overall increase in cost of goods sold, on a cost per head basis, reductions occurred in hourly production overtime, maintenance costs, freight (driven by lower diesel fuel prices) and utilities (driven by lower natural gas prices).

Gross margin percentages. Gross margin percentage (gross profit as a percent of net sales) was 2.3% for the fiscal quarter ended March 29, 2009 as compared to (0.5)% for the fiscal quarter ended March 30, 2008. Excluding the JBS Packerland and Tasman Acquisitions, gross margin percentage would have been 1.5% for the fiscal quarter ended March 29, 2009, representing a 2.0 percentage point increase. The margin improvement in our Beef segment was driven by improvements in the product mix resulting from identification of higher value markets for certain products, coupled with manufacturing cost reductions and improved operational efficiency, as further described in the discussion of our consolidated results above.

Selling, general and administrative expenses. Selling general and administrative expenses were $28.6 million for the fiscal quarter ended March 29, 2009 as compared to $19.7 million for the fiscal quarter ended March 30, 2008. This increase of $8.9 million, or 45.4%, resulted primarily from the JBS Packerland and Tasman Acquisitions. Excluding the JBS Packerland and Tasman Acquisitions, selling, general and administrative expenses totaled $17.4 million for the fiscal quarter ended March 29, 2009, a decrease of $2.3 million from the fiscal quarter ended March 30, 2008. The decrease was partially due to the 27.0% depreciation in the value of the Australian dollar as compared to the U.S. dollar between the comparative quarters.

Depreciation and amortization expense. Depreciation and amortization expense for the fiscal quarter ended March 29, 2009 was $26.6 million as compared to $14.1 million for the fiscal quarter ended March 30, 2008. This increase of $12.5 million, or 88.2%, related to the JBS Packerland and Tasman Acquisitions. Excluding the JBS Packerland and Tasman Acquisitions, depreciation and amortization would have decreased $0.5 million, or 3.9%, resulting primarily from the depreciation recorded on assets placed in service, offset by the impact of assets fully depreciated during the period. See Note 4, "Property, plant and equipment," to our unaudited consolidated financial statements included in this prospectus for more information about how this depreciation and amortization is reflected in our financial statements.

Pork segment

Net sales. Net sales totaled $526.3 million for the fiscal quarter ended March 29, 2009 as compared to $535.5 million for the fiscal quarter ended March 30, 2008. This decrease in of $9.2 million, or 1.7%, as compared to the fiscal quarter ended March 30, 2008, was primarily due to an overall 6.1% decrease in volume, partially offset by a 4.6% overall increase in sales prices.

Cost of goods sold. Cost of goods sold totaled $ 513.9 million for the fiscal quarter ended March 29, 2009 as compared to $514.8 million for the fiscal quarter ended March 30, 2008. This decrease of $0.8 million, or 0.2%, was primarily a result of a 6.1% decrease in our Pork segment slaughter volumes partially offset by a 7.2% increase in hog prices. The following cost categories were reduced on a per head basis: storage, freight (driven by lower diesel fuel prices) and utilities (driven by lower natural gas prices and increased alternative fuel credits).

Gross margin percentages. Gross margin percentage (gross profit as a percentage of net sales) was 2.3% for the fiscal quarter ended March 29, 2009 as compared to 3.9% for the fiscal quarter ended March 30, 2008. This decrease of 1.6 percentage points reflects lower sales margins. Gross margin percentage was impacted by a 7.2% increase in hog prices. Sales margins were also negatively impacted by lower rendered product prices driven by lower petroleum prices. The following cost categories were reduced on a per head basis: storage, freight (driven by lower diesel fuel prices) and utilities (driven by lower natural gas prices and increased alternative fuel credits), each of which helped to partially offset the increase in hog costs.

Selling, general, and administrative expenses. Selling, general, and administrative expenses were $12.0 million for the fiscal quarter ended March 29, 2009 as compared to $11.4 million for the fiscal quarter ended March 30, 2008. These expenses increased by $0.6 million, or 5.9%.

Depreciation and amortization. Depreciation and amortization expense for the fiscal quarter ended March 29, 2009 was $6.8 million as compared to $5.0 million for the fiscal quarter ended March 30, 2008. This increase of $1.8 million, or 35%, resulted primarily from the depreciation recorded on assets placed in service, partially offset by the impact of assets fully depreciated during the period. See Note 4, "Property, plant and equipment," to our unaudited consolidated financial statements included in this prospectus for more information about how this depreciation and amortization is reflected in our financial statements.

The 173-day period from July 11, 2007 through December 30, 2007 (successor) compared to the fiscal year ended December 28, 2008 (successor)

Net sales. Net sales in the 173-day period from July 11, 2007 through December 30, 2007 (successor) were $4,989.0 million compared to $12,362.3 million for the fiscal year ended December 28, 2008 (successor). Net sales per day increased due to per day volume increases of 12.1%, partially offset by a price decline of 6.4%.

Cost of goods sold. Cost of goods sold totaled $11,917.8 million for the fiscal year ended December 28, 2008 (successor) as compared to $5,013.1 million for the 173-day period from July 11, 2007 through December 30, 2007 (successor). This increase was due to the per day volume increases of 12.1%, partially offset by a price decline of 10.7%. In addition, the increase is also attributable to the JBS Packerland and Tasman Acquisitions, coupled with the 28.3% appreciation in the Australian dollar relative to the U.S. dollar between the two periods.

Gross margin percentages. Gross margin percentage (gross profit as a percentage of net sales) in the 173-day period from July 11, 2007 through December 30, 2007 (successor) was (0.5)% compared to 3.6% for the fiscal year ended December 28, 2008 (successor). The increase in gross margin percentage in the more recent period was due principally to continuing improvements in production throughput, operating costs, efficiency and product yields as employees hired subsequent to the December 12, 2006 investigation by the U.S. Department of Homeland Security's Immigration and Customs Enforcement division, or the ICE event, gained the ability to perform at the level of pre-ICE event production employees. See "Risk factors—Risks relating to our business and the beef and pork industries—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 due to our compliance with labor laws could adversely affect our business."

Selling, general and administrative expenses. Selling, general and administrative expenses in the 173-day period from July 11, 2007 through December 30, 2007 (successor) were $60.7 million compared to $148.8 million for the fiscal year ended December 28, 2008 (successor). Selling, general and administrative expenses per day increased due to the JBS Packerland and Tasman Acquisitions, more than offsetting the favorable impact of the company's de-layering of management effective July 13, 2007 and the renegotiation of professional service contracts in the areas of audit, tax and legal services. In addition, the Australian dollar appreciated relative to the U.S. dollar by 28.3% between the two periods.

Foreign currency transaction, net. Foreign currency transaction, net was a net $5.2 million gain in the 173-day period from July 11, 2007 to December 30, 2007 as compared to a net $76.0 million loss in the fiscal year ended December 28, 2008. The foreign currency transaction loss resulted from the depreciation of the Australian dollar relative to the U.S. dollar by 22.1% between the two period ends applied against a $250 million intercompany note payable between JBS Swift Australia Pty Ltd and its U.S. parent company.

Interest expense, net. Interest expense, net for the 173-day period from July 11, 2007 through December 30, 2007 (successor) was $34.3 million compared to $36.4 million for the fiscal year ended December 28, 2008 (successor). This increase of 5.9% in the more recent period as compared to the prior period reflects the fact that borrowings decreased an average of $393.2 million due primarily to improved operating cash flows, as well as a one-time cost of $12.7 million incurred in the 2007 period associated with an unconsummated debt offering in July 2007.

Income tax expense (benefit). Income tax expense, net for the 173-day period from July 11, 2007 through December 30, 2007 (successor) was $1.0 million as compared to $31.2 million for the fiscal year ended December 28, 2008. This $30.2 million increase is related primarily to a change in our valuation allowance due to the JBS Packerland Acquisition in which we acquired additional deferred income tax liabilities.

Net income (loss). As a result of the factors discussed above, we had net income for the fiscal year ended December 28, 2008 of $161.1 million as compared to an $111.6 million net loss for the 173-day period from July 11, 2007 to December 30, 2007.

The 198-day period from December 25, 2006 to July 10, 2007 (predecessor) compared to the fiscal year ended December 24, 2006 (predecessor)

Net sales. Net sales for the 198-day period from December 25, 2006 to July 10, 2007 (predecessor) were $4,970.6 million compared to $9,691.4 million for the fiscal year ended December 24, 2006 (predecessor). Net sales per day decreased due to volume decreases of 5.2% offset by price increases of 5.6%. In addition, the value of the Australian dollar as compared to the U.S. dollar decreased 7.1% between the two periods.

Cost of goods sold. Cost of goods sold totaled $4,920.6 million for the 198-day period from December 25, 2006 to July 10, 2007 (predecessor) as compared to $9,574.7 million for the fiscal year ended December 24, 2006 (predecessor). Cost of goods sold per day decreased due to volume decreases of 5.2%, partially offset by price increases of 5.9%. In addition, the value of the Australian dollar as compared to the U.S. dollar decreased 7.1% between the two periods.

Gross margin percentages. Gross margin percentage (gross profit as a percentage of net sales) for the 198-day period from December 25, 2006 to July 10, 2007 (predecessor) was 1.0% as compared to 1.2% for the fiscal year ended December 24, 2006 (predecessor). This decrease in gross margin percentage in the more recent period was due principally to the negative impact of the ICE event on production throughput, operating costs, efficiency and product yields as lesser-trained replacement workers were not able to perform at the level of pre-ICE event production employees. See "Risk factors—Risks relating to our business and the beef and pork industries—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 due to our compliance with labor laws could adversely affect our business."

Selling, general and administrative expenses. Selling, general and administrative expenses for the 198-day period from December 25, 2006 to July 10, 2007 (predecessor) were $92.3 million as compared $158.8 million for the fiscal year ended December 24, 2006 (predecessor). Selling, general and administrative expense per day increased between the two periods primarily as a result of the one-time costs of approximately $13.0 million incurred relating sell-side expenses incurred by our predecessor in connection with the Swift Acquisition, including legal costs, employee severance costs and employee retention bonuses accrued as earned in the days immediately prior to the acquisition. These costs were partially offset by a decrease of 7.1% in the value of the Australian dollar as compared to the U.S. dollar between the two periods.

Interest expense. Interest expense for the 198-day period December 25, 2006 to July 10, 2007 (predecessor) was $66.4 million as compared to $118.8 million for the fiscal year ended December 24, 2006 (predecessor). Interest expense on a per day basis increased 2.8% in the more recent period as compared to the prior fiscal year as borrowings had increased an average of $136.4 million due primarily to negative operating cash flows resulting from the ICE event impact on production volumes.

Income tax expense (benefit). Income tax benefit, net for the 198-day period from December 25, 2006 to July 10, 2007 (predecessor) was $18.4 million as compared to $37.3 million for the fiscal year ended December 24, 2006. This $18.9 million decrease related primarily to a change in our valuation allowance due to our history of losses in the United States.

Net loss. As a result of the factors described above, we recorded a net loss for the 198-day period ended July 10, 2007 of $83.0 million, as compared to a net loss incurred in the fiscal year ended December 24, 2006 of $117.4 million.

Pro forma results of operations

Our consolidated results of operations for the fiscal quarter ended March 29, 2009 are not fully comparable to our results of operations for the fiscal quarter ended March 30, 2008 due to (1) the Tasman Acquisition that closed on May 2, 2008 and (2) the JBS Packerland Acquisition that closed on October 23, 2008.

In addition, our consolidated results of operations for the fiscal year ended December 28, 2008 are not fully comparable to our results of operations for the fiscal year ended December 30, 2007 due to (1) the change in cost basis and recapitalization that occurred on July 11, 2007 in connection with the Swift Acquisition, (2) the Tasman Acquisition that closed on May 2, 2008 and (3) the JBS Packerland Acquisition that closed on October 23, 2008.

In light of these transactions, as well as the offering and sale of our 11.625% senior unsecured notes due 2014 that occurred in April 2009, and in order to facilitate an analysis of our financial information, we are presenting pro forma statements of operations for the fiscal quarter ended March 29, 2009 and for the fiscal year ended December 28, 2008. See “Unaudited pro forma financial statements.”

We are also presenting supplementary pro forma statements of operations for the following periods for comparative purposes:

- the fiscal quarter ended March 30, 2008 as if (a) our offering of our 11.625% senior unsecured notes due 2014 and the application of proceeds therefrom, and (b) the JBS Packerland Acquisition, in each case, had occurred at the beginning of the period presented; and
- the fiscal year ended December 30, 2007 as if (a) the change in cost basis and recapitalization that occurred on July 11, 2007 in connection with the Swift Acquisition and (b) the JBS Packerland Acquisition, in each case, had occurred at the beginning of the period presented.

The following unaudited pro forma statements of operations tables reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions that we believe are reasonable under the circumstances, and the actual results could differ materially from these anticipated results. In our opinion, all adjustments that are necessary to present fairly the unaudited pro forma consolidated data have been made. The following unaudited pro forma statements of operations tables are presented for informational purposes only and do not purport to be indicative of what would have occurred had the JBS Packerland Acquisition, Tasman Acquisition, Swift Acquisition or the offering of our 11.625% senior unsecured notes due 2014 and the application of the proceeds therefrom actually been consummated at the beginning of the period presented, nor are they necessarily indicative of our future consolidated operating results.

Unaudited pro forma combined statement of operations for the fiscal quarter ended March 29, 2009

in thousands, except for earnings per share	JBS USA Holdings, Inc. March 29, 2009 Historical	Adjustments (+)	Notes	JBS USA Holdings, Inc. March 29, 2009 Pro forma
Net sales	$ 3,196,339	$ —		$ 3,196,339
Cost of goods sold	3,123,358	—		3,123,358
Gross profit	72,981	—		72,981
Selling, general and administrative expenses	61,598	—		61,598
Foreign currency transaction gains	(5,075)	—		(5,075)
Other income	(1,475)	—		(1,475)
Loss on sales of property, plant and equipment	180	—		180
Interest expense, net	14,592	10,024	(a)	24,616
Total expenses	69,820	10,024		79,844
Income (loss) from continuing operations before income tax	3,161	(10,024)		(6,863)
Income tax expense (benefit)	909	(3,509)	(b)	(2,600)
Net income (loss)	$ 2,252	$ (6,515)		$ (4,263)
Basic and diluted net income (loss) per share	$ 22,520.00			$ (42,630.00)

(a) Reflects the following adjustments to interest expense, net relating to the transactions:

Debt issuance amortization, 11.625% senior unsecured notes due 2014(i)	$ 117
Debt discount accretion, 11.625% senior unsecured notes due 2014(ii)	1,950
Interest expense, 11.625% senior unsecured notes due 2014(iii)	16,302
Interest expense, intercompany debt(iv)	(8,345)
Total interest expense, net(v)	$ 10,024

(i) Includes pro forma interest expense for the amortization of debt issuance costs on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 29, 2008 through March 29, 2009, calculated on a straight-line basis.

(ii) Includes pro forma interest expense for the accretion of the bond discount on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 29, 2008 through March 29, 2009, calculated on a straight-line basis.

(iii) Includes pro forma interest expense for the period from December 29, 2008 through March 29, 2009 on $560.9 million ($519.6 million of proceeds plus $39.0 million of bond discount and $2.3 million of debt issuance cost) of our 11.625% senior unsecured notes due 2014.

(iv) Includes the reduction of pro forma interest expense for our intercompany loans due to the $519.6 million reduction in the aggregate principal amount of those intercompany loans using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014.

(v) We have applied the adjustments in clauses (i), (ii) and (iii) above to $560.9 million in proceeds, bond discount and debt issuance costs of our 11.625% senior unsecured notes due 2014 because that is the amount of debt we would have to have issued to repay the portion of our intercompany loans from JBS S.A. described in clause (iv) above. The total principal amount of our 11.625% senior secured notes due 2014 is $700.0 million, and our pro forma interest expense accordingly does not purport to be indicative of what our interest expense will be in the future.

(b) Reflects the tax effect of the pro forma adjustments at an estimated 35% effective tax rate.

Unaudited pro forma combined statement of operations for the fiscal quarter ended March 30, 2008

	JBS USA Holdings, Inc.	JBS Packerland	JBS Packerland	JBS Packerland	Five Rivers	Five Rivers			JBS USA Holdings, Inc.
	December 31, 2007 through March 30, 2008	December 31, 2007 through March 30, 2008 (a)(i)	Adjustment for 50% equity interest in Five Rivers (b)	Adjustment for assets not acquired (c)(i)	December 31, 2007 through March 30, 2008 (a)(ii)	Adjustment for assets not acquired (c)(ii)	Adjustment for transaction		December 31, 2007 through March 30, 2008
	Historical	Historical			Historical			Notes	Pro forma
in thousands, except earnings per share	(+)	(+)	(-)	(-)	(+)	(-)	(+)		
Net sales	$ 2,461,657	$ 729,130	$ —	$ 775	$ 480,701	$ 325,614	$ (960)	(d)	$ 3,344,139
Cost of goods sold	2,451,413	696,897	—	(3,389)	473,618	329,215	2,705	(d),(e)	3,298,807
Gross profit	10,244	32,233	—	4,164	7,083	(3,601)	(3,665)		45,332
Selling, general and administrative expenses	31,042	22,168	—	6,319	3,473	—	1,202	(e)	51,566
Foreign currency transaction gains	(12,614)	—	—	—	—	—	—		(12,614)
Other income (expense)	(3,782)	2,136	884	1,290	(78)	42	—		(3,940)
Loss on sales of property, plant and equipment	19	1	—	—	2	—	—		22
Interest expense, net	8,108	10,352	—	10,402	5,453	5,453	12,172	(f)	20,230
Total expenses	22,773	34,657	884	18,011	8,850	5,495	13,374		55,264
Loss from continuing operations before income tax	(12,529)	(2,424)	(884)	(13,847)	(1,767)	(9,096)	(17,037)		(9,932)
Income tax expense (benefit)	5,613	558	—	558	—	—	907	(g)	6,520
Net income (loss)	$ (18,142)	$ (2,982)	$ (884)	$ (14,405)	$ (1,767)	$ (9,096)	$ (17,946)		$ (16,452)
Basic and diluted net income (loss) per share	$ (181,420.00)								$ (164,520.00)

(a) Represents the historical results of

(i) JBS Packerland, and

(ii) Five Rivers

for the period from December 31, 2007 through March 30, 2008.

(b) Represents the elimination of the 50% equity interest in Five Rivers from the historical results of JBS Packerland for the period December 31, 2007 through March 30, 2008. On a pro forma basis, the results of Five Rivers are reflected on a fully consolidated basis as part of the JBS Packerland Acquisition.

(c) Reflects the elimination of assets not acquired for

(i) JBS Packerland, and

(ii) Five Rivers.

The adjustment for assets not acquired includes (1) revenue and expenses associated with cattle owned by Smithfield Beef Group, Inc. that were retained by Smithfield Foods, Inc., (2) revenue and expenses associated with cattle owned by Five Rivers that were retained by Smithfield Foods, Inc., (3) the elimination of corporate overhead charge by Smithfield Foods, Inc. and (4) other assets and insignificant businesses not acquired and liabilities not assumed.

(d) Reflects the elimination of $0.9 million of intercompany sales and $0.9 million of cost of goods sold between JBS Packerland and our legacy Swift Beef segment for the period from December 31, 2007 through March 30, 2008.

(e) Represents the adjustment of $3.6 million to historical cost of goods sold and $1.2 million for selling, general and administrative expense to reflect depreciation and amortization expense based on the estimated fair values and useful lives of identified tangible and intangible assets for JBS Packerland and

Five Rivers based on a preliminary third-party valuation report. The purchase price allocation is preliminary pending completion of independent valuations of identified tangible and intangible assets acquired and certain liabilities acquired, including, but not limited to deferred taxes. The allocation of the purchase price presented below is preliminary and subject to change. The allocation presented below reflects the estimated fair value of the individual assets and liabilities as of October 23, 2008 (in thousands), and the following table details the purchase price components:

Purchase price allocation:	
Purchase price paid to previous shareholders	$537,068
Fees and direct expenses	26,134
Total purchase price	$563,202
Preliminary purchase price allocation:	
Current assets and liabilities	$43,052
Property, plant and equipment(i)	423,955
Deferred tax liabilities	(142,997)
Goodwill	95,998
Intangible assets(ii)	138,023
Other noncurrent assets and liabilities, net	5,171
Total purchase price allocation	$563,202

(i) Property, plant and equipment was recorded at fair value at the date of the JBS Packerland Acquisition. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures, office equipment and other	5 to 7 years
Machinery and equipment	5 to 15 years
Buildings and improvements	15 to 40 years
Leasehold improvements	shorter of useful life or the lease term

(ii) Intangible assets include customer relationships and customer contracts resulting from the JBS Packerland Acquisition that are being amortized on an accelerated basis over 21 and 10 years, respectively. These represent management's estimates of the period of expected economic benefit and annual customer profitability.

(f) Reflects the following adjustments to interest expense, net relating to the transactions:

Debt issuance amortization, 11.625% senior unsecured notes due 2014(i)	$117
Debt discount accretion, 11.625% senior unsecured notes due 2014(ii)	1,950
Interest expense, 11.625% senior unsecured notes due 2014(iii)	16,302
Interest expense, other debt(iv)	(6,197)
Total Interest expense, net(v)	$12,172

(i) Includes pro forma interest expense for the amortization of debt issuance costs on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through March 30, 2008, calculated on a straight-line basis.

(ii) Includes pro forma interest expense for the accretion of the bond discount on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through March 30, 2008, calculated on a straight-line basis.

(iii) Includes pro forma interest expense on $560.9 million ($519.6 million of proceeds plus $39.0 million of bond discount and $2.3 million of debt issuance cost) of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through March 30, 2008.

(iv) Includes the reduction of pro forma interest expense for the period from December 31, 2007 through March 30, 2008 on our outstanding bank debt and intercompany loans from JBS S.A. due to a $519.6 million reduction in the aggregate principal amount of those intercompany loans using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014.

(v) We have applied the adjustments in clauses (i), (ii) and (iii) above to $560.9 million in proceeds, bond discount and debt issuance costs of our 11.625% senior unsecured notes due 2014 because that is the amount of debt we would have to have issued to repay the portion of our intercompany loans from JBS S.A. described in clause (iv) above. The total principal amount of our 11.625% senior secured notes due 2014 is $700.0 million, and our pro forma interest expense accordingly does not purport to be indicative of what our interest expense will be in the future.

(g) Reflects the tax effect of the pro forma adjustments at an estimated 35% effective tax rate.

Pro forma fiscal quarter ended March 29, 2009 compared to the pro forma fiscal quarter ended March 30, 2008

Net sales. Net sales were $3,196.3 million for the pro forma fiscal quarter ended March 29, 2009 as compared to $3,344.1 million for the pro forma fiscal quarter ended March 30, 2008. Net sales decreased by $147.8 million, or 4.4%, due to a sales price decrease of 10.6% in Beef segment prices coupled with a decrease in slaughter volumes of 1.6% in the legacy Swift beef facilities and a 6.1% decrease in hog slaughter volumes in our Pork segment, which was partially offset by a 4.6% increase in Pork segment prices. The addition of smalls in Australia for the period ended March 29, 2009 was the primary driver of the decline in per unit selling prices in our Beef segment. For calculation of the price changes in the period subsequent to the Tasman Acquisition, we have used a 12 to 1 ratio of smalls to cattle equivalents based on relative weights. The value of the Australian dollar as compared to the U.S. dollar declined 27.0% between the two periods. The 1.6% decrease in slaughter volumes was primarily due to overall differences in market conditions, including demand and margins, and the 6.1% decrease in the Pork segment was primarily due to overall differences in market conditions, including demand and margins.

Cost of goods sold. Cost of goods sold totaled $3,123.4 million for the pro forma fiscal quarter ended March 29, 2009 as compared to $3,298.8 million for the pro forma fiscal quarter ended March 30, 2008. Cost of goods sold decreased $175.5 million, or 5.3%, for the pro forma fiscal quarter ended March 29, 2009 as compared to the pro forma fiscal quarter ended March 30, 2008. Cost of goods sold declined in our Beef segment as a result of an 11.7% decrease in cattle prices coupled with a 1.6% decrease in slaughter volumes in the legacy Swift beef facilities. In addition, we recorded a 0.2% decrease in cost of goods sold in our Pork segment driven by a 6.1% decrease in slaughter volumes, partially offset by a 7.2% increase in hog prices. We demonstrated reductions in per head cost for the following categories: lower freight costs, hourly wages including overtime, utilities costs (driven by lower natural gas prices), repairs and maintenance costs and storage costs.

Gross margin percentages. Gross margin percentage (gross profit as a percentage of net sales) was 2.3% for the pro forma fiscal quarter ended March 29, 2009 as compared to 1.4% for the pro forma fiscal quarter ended March 30, 2008. This increase reflected improvements in sales markets which place higher value on certain cuts, reductions in our operating costs and improvements in plant efficiency and yields. The increase also reflects a margin increase of 1.4% in our Beef segment, partially offset by a margin decrease of 1.5% in our Pork segment. Margin enhancements in our Beef segment reflect cost reductions due to renegotiation of supply contracts, elimination of certain third- party service providers (including cattle hotelling, lab services, and maintenance service providers) and the insourcing of these items at lower cost, operational yield enhancements which generated additional pounds to sell from each carcass and improved margins due to enhanced product mix resulting from the increases in volumes sold to international markets where products like the special cuts described above generate a higher return. Margin declines in our Pork segment were driven by a 7.2% increase in hog prices which could not be fully passed on through higher selling prices, especially for rendered products used for fuel for which demand and prices were lower due to lower petroleum product demand and prices from period to period.

Selling, general and administrative expenses. Selling, general and administrative expenses were $61.6 million for the pro forma fiscal quarter ended March 29, 2009 as compared to $51.6 million for the pro forma fiscal quarter ended March 30, 2008. These expenses increased by $10.0 million, or 19.4%. During the pro forma fiscal quarter ended March 29, 2009, we reached an agreement to terminate our efforts to acquire National Beef, and as a result, we paid a breakage fee to the shareholders of National Beef totaling $19.9 million, and we recorded as an expense the related incurred legal costs totaling an additional $1.0 million. These non-recurring costs, totaling $20.9 million were recorded in selling, general and administrative expenses in the “Corporate and other” segment. This increase was partially offset by the effect of the depreciation of 27.0% in the value of the Australian dollar as compared to the U.S. dollar between the comparative fiscal quarters.

Foreign currency transaction, net. Foreign currency transaction, net for the pro forma fiscal quarter ended March 29, 2009 was a gain of $5.1 million as compared to a gain of $12.6 million for the pro forma fiscal quarter ended March 30, 2008. This $7.5 million decrease related to the variation in the value of the Australian dollar as compared to the U.S. dollar on our U.S. dollar-denominated intercompany note payable and receivable within Australia. The value of the Australian dollar as compared to the U.S. dollar depreciated 24.4% between the two period ends.

Interest expense, net. Interest expense was $24.6 million for the pro forma fiscal quarter ended March 29, 2009 as compared to $20.2 million for the pro forma fiscal quarter ended March 30, 2008. Interest expense increased by $4.4 million, or 21.8%, due primarily to increased borrowings under our revolving credit facility in 2009 that accrued interest at a higher average interest rate than the interest rate applicable to our intercompany loans in 2008.

Income tax expense, net. Income tax expense, net for the pro forma fiscal quarter ended March 29, 2009 was a benefit of $2.6 million as compared to an expense of $6.5 million for the pro forma fiscal quarter ended March 30, 2008. The expense for both periods relates mainly to our Australian operations as we had established a valuation allowance in the United States. Therefore, the $9.1 million decrease related to a decrease in our international income.

Net income. Our pro forma net income for the fiscal quarter ended March 29, 2009 was a loss of $4.3 million compared to a loss of $16.5 million in the prior period as a result of the factors described above.

Unaudited pro forma combined statement of operations for the fiscal year ended December 28, 2008

in thousands, except earnings per share	JBS USA Holdings, Inc. Fiscal year ended December 28, 2008 Historical (+)	JBS Packerland December 31, 2007 through October 22, 2008 (a)(i) Historical (+)	JBS Packerland Adjustment for 50% equity interest in Five Rivers (b) (-)	JBS Packerland Adjustment for assets not acquired (c)(i) (-)	Five Rivers December 31, 2007 through October 22, 2008 (a)(ii) Historical (+)	Five Rivers Adjustment for assets not acquired (c)(ii) (-)	Adjustment for transaction (+)	Notes	JBS USA Holdings, Inc. Fiscal year ended December 28, 2008 Pro forma
Net sales	$ 12,362,281	$ 2,548,224	$ —	$ 4,923	$ 1,461,140	$ 912,920	$ (8,011)	(d)	$ 15,445,791
Cost of goods sold	11,917,777	2,397,551	—	4,949	1,511,462	988,814	4,724	(d),(e)	14,837,751
Gross profit (loss)............	444,504	150,673	—	(26)	(50,322)	(75,894)	(12,735)		608,040
Selling, general and administrative expenses	148,785	78,793	—	24,017	11,093	9	4,052	(e)	218,697
Foreign currency transaction losses...........	75,995	—	—	—	—	—	—		75,995
Other income, net................	(10,107)	44,465	39,139	5,555	(208)	(74)	—		(10,470)
Loss on sales of property, plant and equipment.....	1,082	107	—	—	131	224	—		1,096
Interest expense, net................	36,358	30,837	—	31,005	16,940	16,940	46,431	(f)	82,621
Total expenses ...	252,113	154,202	39,139	60,577	27,956	17,099	50,483		367,939
Income (loss) from continuing operations before...........	192,391	(3,529)	(39,139)	(60,603)	(78,278)	(92,993)	(63,218)		240,101
Income tax expense	31,287	2,222	—	2,222	—	—	16,699	(g)	47,986
Net income (loss)	$ 161,104	$ (5,751)	$ (39,139)	$ (62,825)	$ (78,278)	$ (92,993)	$ (79,917)		$ 192,115
Basic and diluted net income (loss) per share............	$ 1,611,040.00								$ 1,921,150.00

(a) Represents the historical results of

(i) JBS Packerland, and

(ii) Five Rivers

for the period from December 31, 2007 through October 22, 2008.

(b) Represents the elimination of the 50% equity interest in Five Rivers from the historical results of JBS Packerland for the period December 31, 2007 through October 22, 2008. On a pro forma basis, the results of Five Rivers are reflected on a fully consolidated basis as part of the JBS Packerland Acquisition.

(c) Reflects the elimination of assets not acquired for

(i) JBS Packerland, and

(ii) Five Rivers.

The adjustment for assets not acquired includes (1) revenue and expenses associated with cattle owned by Smithfield Foods, Inc. that were retained by Smithfield Foods, Inc., (2) revenue and expenses associated with cattle owned by Five Rivers that were retained by Smithfield Foods, Inc., (3) the elimination of corporate overhead charge by Smithfield Foods, Inc. and (4) other assets and insignificant businesses not acquired and liabilities not assumed.

(d) Reflects the elimination of $8.0 million of intercompany sales and $8.0 million of cost of goods sold between JBS Packerland and our Beef segment for the period from December 31, 2007 through October 22, 2008.

(e) Represents the adjustment of $12.7 million to historical cost of goods sold and to selling, general and administrative expense of $4.1 million to reflect depreciation and amortization expense based on the estimated fair values and useful lives of identified tangible and intangible assets for JBS Packerland and Five Rivers based on a preliminary third-party valuation report. The purchase price allocation is preliminary pending completion of independent valuations of identified tangible and intangible assets acquired and certain liabilities acquired, including, but not limited to deferred taxes. The allocation of the purchase price presented below is preliminary and subject to change. The allocation presented below reflects the estimated fair value of the individual assets and liabilities as of October 23, 2008 (in thousands), and the following table details the purchase price components:

Purchase price allocation:	
Purchase price paid to previous shareholders	$537,068
Fees and direct expenses	26,134
Total purchase price	$563,202
Preliminary purchase price allocation:	
Current assets and liabilities	$43,052
Property, plant and equipment(i)	423,955
Deferred tax liabilities	(142,997)
Goodwill	95,998
Intangible assets(ii)	138,023
Other noncurrent assets and liabilities, net	5,171
Total purchase price allocation	$563,202

(i) Property, plant and equipment was recorded at fair value at the date of the JBS Packerland Acquisition. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures, office equipment and other	5 to 7 years
Machinery and equipment	5 to 15 years
Buildings and improvements	15 to 40 years
Leasehold improvements	shorter of useful life or the lease term

(ii) Intangible assets include customer relationships and customer contracts resulting from the JBS Packerland Acquisition that are being amortized on an accelerated basis over 21 and 10 years, respectively. These represent management's estimates of the period of expected economic benefit and annual customer profitability.

(f) Reflects the following adjustments to interest expense, net relating to the transactions:

Debt issuance amortization, 11.625% senior unsecured notes due 2014(i)	$ 467
Debt discount accretion, 11.625% senior unsecured notes due 2014(ii)	7,802
Interest expense, 11.625% senior unsecured notes due 2014(iii)	65,209
Interest expense, intercompany debt(iv)	(27,047)
Total Interest expense, net(v)	$46,431

(i) Includes pro forma interest expense for the amortization of debt issuance costs on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through December 28, 2008, calculated on a straight-line basis.

(ii) Includes pro forma interest expense for the accretion of the bond discount on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through December 28, 2008, calculated on a straight-line basis.

(iii) Includes pro forma interest expense on $560.9 million ($519.6 million of proceeds plus $39.0 million of bond discount and $2.3 million of debt issuance cost) of our 11.625% senior unsecured notes due 2014 for the period from December 31, 2007 through December 28, 2008.

(iv) Includes the reduction of pro forma interest expense for the period from December 31, 2007 through December 28, 2008 on our consolidated intercompany loans from JBS S.A. due to a $519.6 million reduction in the aggregate principal amount of those intercompany loans using a portion of the net proceeds of our 11.625% senior unsecured notes due 2014.

(v) We have applied the adjustments in clauses (i), (ii) and (iii) above to $560.9 million in proceeds, bond discount and debt issuance costs of our 11.625% senior unsecured notes due 2014 because that is the amount of debt we would have to have issued to repay the portion of our intercompany loans from JBS S.A. described in clause (iv) above. The total principal amount of our 11.625% senior secured notes due 2014 is $700.0 million, and our pro forma interest expense accordingly does not purport to be indicative of what our interest expense will be in the future.

(g) Reflects the tax effect of the pro forma adjustments at an estimated 35% effective tax rate.

Unaudited pro forma combined statement of operations for the fiscal year ended December 30, 2007

in thousands, except earnings per share	JBS USA Holdings, Inc. Dec. 25, 2006 to July 10, 2007 (a) Historical (+)	JBS USA Holdings, Inc. July 11, 2007 to Dec. 30, 2007 (a) Historical (+)	JBS Packerland Dec. 25, 2006 through Dec. 30, 2007 (b)(i) Historical (+)	JBS Packerland Adjust-ment for 50% equity interest in Five Rivers (c) (-)	JBS Packerland Adjust-ment for assets not acquired (d)(i) (-)	Five Rivers Dec. 25, 2006 through Dec. 30, 2007 (b)(ii) Historical (+)	Five Rivers Adjust-ment for assets not acquired (d)(ii) (-)	Adjust-ment for trans-action (+)	Notes	JBS USA Holdings, Inc. Dec. 25, 2006 to Dec. 30, 2007 Pro forma
Net sales	$ 4,970,624	$ 4,988,984	$ 2,823,496	$ —	$ 8,083	$1,995,238	$1,410,422	$ (6,091)	(e)	$ 13,353,746
Cost of goods sold	4,920,594	5,013,084	2,750,464	—	41,475	1,941,093	1,393,107	18,917	(e),(f),(g)	13,209,570
Gross profit (loss)	50,030	(24,100)	73,032	—	(33,392)	54,145	17,315	(25,008)		144,176
Selling, general and administrative expenses	92,333	60,727	60,850	—	1,938	12,953	—	10,012	(f),(g)	234,937
Foreign currency transaction gains	(527)	(5,201)	—	—	—	—	—	—		(5,728)
Other income, net	(3,821)	(3,581)	(7,635)	(7,446)	(79)	(1,996)	(54)	—		(9,454)
(Gain) loss on sales of property, plant and equipment	(2,946)	182	133	—	—	324	—	—		(2,307)
Interest expense, net	66,383	34,340	41,056	—	41,056	27,972	28,136	(13,974)	(h)	86,585
Total expenses	151,422	86,467	94,404	(7,446)	42,915	39,253	28,082	(3,962)		304,033
Income (loss) from continuing operations before income tax	(101,392)	(110,567)	(21,372)	7,446	(76,307)	14,892	(10,767)	(21,046)		(159,857)
Income tax expense (benefit)	(18,380)	1,025	—	—	—	—	—	18,236	(i)	881
Net income (loss)	$ (83,012)	$ (111,592)	$ (21,372)	$ 7,446	$ (76,307)	$ 14,892	$ (10,767)	$(39,282)		$ (160,738)
Basic and diluted net income (loss) per share(j)	N/A	$(1,115,920.00)								$(1,607,380.00)

(a) Represents the historical results of JBS USA Holdings, Inc. for the period from December 25, 2006 through July 10, 2007 (predecessor) and the period from July 11, 2007 through December 30, 2007 (successor).

(b) Represents the historical results of

(i) JBS Packerland, and

(ii) Five Rivers

for the period from December 25, 2006 through December 30, 2007.

(c) Represents the elimination of the 50% equity interest in Five Rivers from the historical results of JBS Packerland for the period from December 25, 2006 through December 30, 2007. On a pro forma basis, the results of Five Rivers are reflected on a fully consolidated basis as part of the JBS Packerland Acquisition.

(d) Reflects the elimination of assets not acquired for

(i) JBS Packerland, and

(ii) Five Rivers.

The adjustment for assets not acquired includes (1) revenue and expenses associated with cattle owned by Smithfield Beef Group, Inc. that were retained by Smithfield Foods, Inc., (2) revenue and expenses associated with cattle owned by Five Rivers that were retained by Smithfield Foods, Inc., (3) the elimination of corporate overhead charge by Smithfield Foods, Inc. and (4) other assets and insignificant businesses not acquired and liabilities not assumed.

(e) Reflects the elimination of $6.1 million of intercompany sales and $6.1 million of cost of goods sold between JBS Packerland and our legacy Swift Beef segment for the period from December 25, 2006 through December 30, 2007.

(f) Represents the adjustment of $15.4 million to historical cost of goods sold and to selling, general and administrative expenses of $4.7 million to reflect an increase in depreciation and amortization expense based on the estimated fair values and useful lives of identified tangible and intangible assets for JBS Packerland and Five Rivers, based on a preliminary third-party valuation report. The purchase price allocation is preliminary pending completion of independent valuations of identified tangible and intangible assets acquired and certain liabilities acquired, including, but not limited to deferred taxes. The allocation of the purchase price presented below is preliminary and subject to change. The allocation presented below reflects the estimated fair value of the individual assets and liabilities as of October 23, 2008 (in thousands), and the following table details the purchase price components:

Purchase price allocation:	
Purchase price paid to previous shareholders	$537,068
Fees and direct expenses	26,134
Total purchase price	$563,202
Preliminary purchase price allocation:	
Current assets and liabilities	$43,052
Property, plant and equipment(i)	423,955
Deferred tax liabilities	(142,997)
Goodwill	95,998
Intangible assets(ii)	138,023
Other noncurrent assets and liabilities, net	5,171
Total purchase price allocation	$563,202

(i) Property, plant and equipment was recorded at fair value at the date of the JBS Packerland Acquisition. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures, office equipment and other	5 to 7 years
Machinery and equipment	5 to 15 years
Buildings and improvements	15 to 40 years
Leasehold improvements	shorter of useful life or the lease term

(ii) Intangible assets include customer relationships and customer contracts resulting from the JBS Packerland Acquisition which are being amortized on an accelerated basis over 21 and 10 years, respectively. These represent management's estimates of the period of expected economic benefit and annual customer profitability.

(g) Represents the adjustment of $9.6 million to historical cost of goods sold and $5.3 million to selling, general and administrative expenses to reflect depreciation and amortization expense based on the fair values and useful lives of identified tangible and intangible assets for the Swift Acquisition. The aggregate purchase price for the acquisition was $1,470.6 million (including approximately $48.5 million of transaction costs). We accounted for the acquisition in accordance with the Statement of Financial Accounting Standard No. 141, *Business Combinations*.

(h) Reflects the following adjustments to interest expense, net relating to the transactions:

Debt issuance amortization, 11.625% senior unsecured notes due 2014(i)	$ 467
Debt discount accretion, 11.625% senior unsecured notes due 2014(ii)	7,802
Interest expense, 11.625% senior unsecured notes due 2014(iii)	65,209
Interest expense, predecessor(iv)	(102,573)
Interest expense, successor(v)	15,121
Total Interest expense, net(vi)	$ (13,974)

(i) Includes pro forma interest expense for the amortization of debt issuance costs on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 25, 2006 through December 30, 2007, calculated on a straight-line basis.

(ii) Includes pro forma interest expense for the accretion of the bond discount on $560.9 million of our 11.625% senior unsecured notes due 2014 for the period from December 25, 2006 through December 30, 2007, calculated on a straight-line basis.

(iii) Includes pro forma interest expense on $560.9 million ($519.6 million of proceeds plus $39.0 million of bond discount and $2.3 million of debt issuance cost) of our 11.625% senior unsecured notes due 2014 for the period from December 25, 2006 through December 30, 2007.

(iv) Includes pro forma elimination of predecessor interest expense for the period from December 25, 2006 through December 30, 2007 related to debt that was repaid in connection with the Swift Acquisition.

(v) Includes pro forma interest expense related to the residual outstanding balance of $230.4 million on unsecured bank loans resulting from the reduction of an initial $750.0 million in aggregate principal amount of those unsecured bank loans in connection with the Swift Acquisition reduced by the pro forma application of the net proceeds of $519.6 million in aggregate principal amount of 11.625% senior unsecured notes due 2014, calculated using an average interest rate of 6.37%.

(vi) We have applied the adjustments in clauses (i), (ii) and (iii) above to $560.9 million in proceeds, bond discount and debt issuance costs of our 11.625% senior unsecured notes due 2014 because that is the amount of debt we would have to have issued to repay the portion of our intercompany loans from JBS S.A. described in clause (v) above. The total principal amount of our 11.625% senior secured notes due 2014 is $700.0 million, and our pro forma interest expense accordingly does not purport to be indicative of what our interest expense will be in the future.

(i) Reflects the tax effect of the pro forma adjustments at an estimated 35% effective tax rate.

(j) The capital structure of our predecessor company was significantly different from our capital structure. Prior to this offering, our capital structure consists of 100 common shares issued and outstanding, and we do not have any warrants or options that may be exercised. Accordingly, we do not believe our predecessor company's earnings per share information is meaningful to investors and have not included such information.

Pro forma fiscal year ended December 28, 2008 (53 weeks) compared to the pro forma fiscal year ended December 30, 2007 (52 weeks)

Net sales. Net sales were $15,445.8 million for the pro forma fiscal year ended December 28, 2008 as compared to $13,353.7 million for the pro forma fiscal year ended December 30, 2007. Net sales increased by $2,092.0 million, or 15.7%, primarily reflecting an overall 7.3% increase in volume combined with a 3.9% overall increase in sales prices. The volume increase was primarily due to an additional week of operating activity in the fiscal year ended December 28, 2008, coupled with increases in production volumes from the ramp-up of the Greeley plant's second shift commencing in September 2007. The sales price increase included a 4.1% increase in Beef prices and a 2.2% increase in Pork prices. Volumes increased 13.0% in our Beef segment and 3.8% in our Pork segment. The volume increases in our Pork segment occurred across all of our facilities. The volume increases in our Beef segment were driven primarily by adding the second shift of production at our Greeley plant, but they also included volume increases at all of our Beef segment plants in the United States. In part, these volume increases were attributable to the return in mid-year 2008 of the South Korean beef market, as well as the identification of markets which maximize the margin of certain cuts, such as short rib to South Korea, *picanha* to Brazil, and the introduction of Australian meat to South American markets. For calculation of the price changes in the period subsequent to the Tasman Acquisition, we have used a 12 to 1 ratio of smalls to cattle equivalents based on relative weights. The value of the Australian dollar average exchange rate relative to the U.S. dollar declined 0.1% between the two periods, which negatively affected net sales from our Australian operations in U.S. dollar terms.

Cost of goods sold. Cost of goods sold totaled $14,837.8 million for the pro forma fiscal year ended December 28, 2008 as compared to $13,209.6 million for the pro forma fiscal year ended December 30, 2007. The increase, of $1,628.2 million, or 12.3%, was partially due to an additional week of operating activity in the fiscal year ended December 28, 2008. Cost of goods sold increased 13.7% in our Beef segment as a result of a 0.6% increase in cattle prices and a 13.0% increase in slaughter volumes, coupled with a 5.6% increase in our Pork segment driven by a 1.7% increase in hog prices and a 3.8% increase in slaughter volumes. Although total cost of sales increased year over year due to increased production volumes, we demonstrated reductions in per head cost for the following categories: renegotiation of contracts, operational performance improvements, packaging, freight, hourly labor, overtime, maintenance, contract services and operating supplies.

Gross margin percentages. Gross margin percentage (gross profit as a percentage of net sales) was 3.9% for the pro forma fiscal year ended December 28, 2008 as compared to 1.1% for the pro forma fiscal year ended December 30, 2007. This increase reflects improvements in sales to markets which place higher value on certain cuts, reductions in our operating costs and improvements in plant efficiency and yields. This increase reflects a margin increase of 3.4% in our Beef segment and a margin increase of 0.5% in our Pork segment. Margin enhancements in our Beef segment reflect cost reductions due to the renegotiation of supply contracts, elimination of certain third-party service providers (including cattle hotelling, lab services and maintenance service providers) and the insourcing of these items at lower cost, operational yield enhancements which generated additional pounds to sell from each carcass and improved margins due to enhanced product mix resulting from the increases in volumes sold to international markets where products like the special cuts described above generate a higher return.

Selling, general and administrative expenses. Selling, general and administrative expenses were $218.7 million for the pro forma fiscal year ended December 28, 2008 as compared to $234.9 million for the pro forma fiscal year ended December 30, 2007. These expenses decreased by $16.2 million, or 6.9%. The reduction in selling, general and administrative costs was a result of increased management focus on spending, the elimination of outside consultants, reductions in professional service fees and reductions in the number of executive management personnel in mid-2007 for which a full year of cost savings is reflected in fiscal 2008, partially offset by the inclusion of higher management incentives in fiscal 2008 due to improved business performance. In addition, the 0.1% decrease in the value of the Australian dollar relative to the U.S. dollar between the periods contributed to the decrease in expenses, partially offset by the additional week of operating expenses for the period ended December 28, 2008.

Foreign currency transaction, net. Foreign currency transaction, net for the pro forma fiscal year ended December 28, 2008 was a loss of $76.0 million as compared to a gain of $5.7 million for the pro forma fiscal year ended December 30, 2007. This decrease of $81.7 million related to the variation in the exchange rate relating to the U.S. dollar-denominated intercompany note payable and receivable in Australia. The value of the Australian dollar relative to the U.S. dollar decreased 20.1% between the two periods.

Interest expense, net. Interest expense, net was $82.6 million for the pro forma fiscal year ended December 28, 2008 as compared to $86.6 million for the pro forma fiscal year ended December 30, 2007. Interest expense, net decreased by $4.0 million, or 4.6%, due primarily to reduced borrowings.

Income tax expense, net. Income tax expense, net for the pro forma fiscal year ended December 28, 2008 was $48.0 million as compared to $1.0 million for the pro forma fiscal year ended December 30, 2007. This $47.0 million decrease is related primarily to a change in our valuation allowance due to the JBS Packerland Acquisition in which we acquired additional deferred tax liabilities.

Net income. Our pro forma net income for the fiscal year ended December 28, 2008 was $192.1 million as compared to a net loss of $160.7 million for the fiscal year ended December 30, 2007.

Liquidity and capital resources

Our ongoing operations require the availability of funds to service debt, fund working capital needs, invest in our business, and pay our liabilities. We currently finance and expect to continue to finance these activities through cash flow from operations and from amounts available under our senior secured revolving credit facility.

As of March 29, 2009, we had working capital of $745.7 million compared to $829.1 million as of December 28, 2008. The decrease from December 2008 is primarily due to normal seasonality factors in the beef and pork industries. Our average Days Inventory Outstanding, or DIO, and Days Sales Outstanding, or DSO, for the fiscal quarter ended March 29, 2009 were 18.9 and 14.6, respectively, compared to 20.1 and 16.2, respectively, for the fiscal quarter ended March 30, 2008. We consider accounts receivable and inventory to be readily convertible to cash and an additional source of cash liquidity as compared to companies and industries with longer DSO or DIO.

We believe that cash on hand, cash flows from operations, availability under our senior secured revolving credit facility and other long-term borrowings will be sufficient to meet ongoing operating requirements, make scheduled principal and interest payments on debt, and fund ordinary capital expenditures for the foreseeable future. Our ability to generate sufficient cash, however, is subject to certain general economic, financial, industry, legislative, regulatory and other factors beyond our control. Capital expenditures for 2009 are expected to approximate $150 million, of which approximately 50% is expected to be for maintenance and the remainder for major renewals, improvements and the development of new processing capabilities. We anticipate that we may spend approximately $1.5 billion to $2.0 billion from 2010 through 2012, of which approximately $500 million is expected to be for maintenance, major renewals, improvements and the development of new processing capabilities, and the remainder, or approximately $1.0 to 1.5 billion, may be used to fund our strategy to enhance our direct distribution capabilities.

Cash flows

Operating activities. Net cash provided by (used in) operating activities increased to $282.1 million for the fiscal year ended December 28, 2008 as compared to $(110.7) million for the 173-day period from July 11, 2007 through December 30, 2007 (successor) and $(107.8) million for the 198-day period December 25, 2006 to July 10, 2007 (predecessor), respectively. The primary source of operational cash flow improvements was improved operational results between the periods driven by increased volumes, higher sales margins and lower operating costs, coupled with a deferred revenue advance payment of $175.0 million. See "—External sources of liquidity and description of indebtedness—Customer advance payment relating to raw material supply agreement."

Net cash provided by (used in) operating activities increased by $179.9 million to $51.0 million for the fiscal quarter ended March 29, 2009 as compared to $(128.9) million for the fiscal quarter ended March 30, 2008. The increase is attributable to improved margins which are the result of improvements in our sales product mix, identification of higher value markets for certain of our products, reduction in our manufacturing costs and improved operational efficiencies including year-over-year inventory management.

Investing activities. Cash used in investing activities totaled $783.7 million for the fiscal year ended December 28, 2008 as compared to cash used of $39.4 million for the 173-day period July 11, 2007 through December 30, 2007 (successor) and $27.8 million for the 198-day period December 25, 2006 to July 10, 2007 (predecessor), respectively. The primary factors in the increase in investments were the JBS Packerland and Tasman Acquisitions during the fiscal year ended December 28, 2008.

Cash used in investing activities totaled $206.4 million for the fiscal year quarter ended March 29, 2009 as compared to cash used of $15.4 million for the fiscal quarter ended March 30, 2008. The increase in cash used was primarily due to the issuance by us of a $171.3 million note receivable to an unconsolidated affiliate. The cash we loaned to the affiliate was used to acquire live cattle to feed in the Five Rivers feedlots and ultimately to be delivered for processing to our Beef segment plants. See "Certain relationships and related party transactions—Arrangements with J&F Oklahoma—Cattle purchase and sale agreement."

Financing activities. For the fiscal year ended December 28, 2008, cash provided by financing activities totaled $571.3 million, as compared to cash provided by financing activities of $346.7 million for the 173-day period July 11, 2007 through December 30, 2007 (successor) and $100.5 million for the 198-day period December 25, 2006 to July 10, 2007 (predecessor), respectively. The primary source of the increase in financing activities was the increase in capital contributions from our parent and intercompany borrowings as compared to the prior year periods.

Cash provided by financing activities totaled $55.7 million for the fiscal quarter ended March 29, 2009, an increase of $22.1 million from the fiscal quarter ended March 30, 2008. The increase resulted primarily from increased borrowings under our senior secured revolving credit facility in the current year while the prior year funding was from investments from JBS S.A., net of payments on outstanding debt.

External sources of liquidity and description of indebtedness

Our primary financing objective is to maintain a balance sheet that provides the flexibility to pursue our business strategy. To finance our working capital needs, we utilize cash flow from operations and borrow from our senior secured revolving credit facility in addition to a combination of equity and long-term debt to finance non-current assets.

Senior secured revolving credit facility

On November 5, 2008, we entered into a senior secured revolving credit facility that allows borrowings up to $400.0 million, and terminates on November 5, 2011. On April 22, 2009, we entered into an amendment to our senior secured revolving facility that allows us to request an increase in the size of the facility to $500.0 million, to the extent we receive additional commitments.

Up to $75.0 million of the revolving credit facility is available for the issuance of letters of credit. Borrowings that are index rate loans will bear interest at a per annum rate equal to the prime rate plus a margin of 2.25% while LIBOR rate loans will bear interest at a per annum rate equal to the applicable LIBOR rate plus a margin of 3.25%. At March 29, 2009, the rates were 5.50% and 3.75%, respectively. Upon approval by the lender, LIBOR rate loans may be taken for one, two-, or three-month terms (or six months at the discretion of the agent under our senior secured revolving credit facility).

Availability. Availability under our senior secured revolving credit facility is subject to a borrowing base. The borrowing base is based on certain of our domestic wholly owned subsidiaries' assets as described below, with the exclusion of Five Rivers. The borrowing base consists of percentages of eligible accounts receivable, inventory, and supplies and less certain eligibility and availability reserves. As of March 29, 2009, our borrowing base totaled $303.6 million.

Security and guarantees. Borrowings made by us and all guarantees of those borrowings are collateralized by a first priority perfected lien and interest in accounts receivable, inventory, and general intangibles related thereto and proceeds of the foregoing.

Covenants. Our 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 1.15 to 1.00. The fixed charge coverage ratio is defined as the ratio of EBITDA to fixed charges, each as defined in our senior secured revolving credit facility. This ratio is only applicable if borrowing availability falls below the minimum threshold, which is the greater of 20% of the aggregate commitments or $70.0 million. Our senior secured revolving credit facility also contains negative covenants that limit our ability and the ability of our subsidiaries to, among other things:

- make capital expenditures greater than $175.0 million per year;
- incur additional indebtedness;
- create 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

- enter into sale/leaseback transactions.

Events of default. Our senior secured revolving credit facility also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in our 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 ERISA matters. If an event of default occurs the lenders under our 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 our senior secured revolving credit facility. At March 29, 2009, we were in compliance with all covenants.

11.625% senior unsecured notes due 2014

Our wholly owned subsidiaries JBS USA, LLC and JBS USA Finance, Inc. issued 11.625% notes due 2014 in an aggregate principal amount of $700.0 million on April 27, 2009. These notes are guaranteed by JBS S.A., us, JBS Hungary Holdings Kft. (a wholly owned, indirect subsidiary of JBS S.A., the selling stockholder in this offering and our direct controlling stockholder), and each of our U.S. restricted subsidiaries that guarantee our senior secured revolving facility (subject to certain exceptions). 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.

Covenants. The indenture for the 11.625% senior unsecured notes due 2014, contains customary negative covenants that limit our, JBS USA, LLC’s and restricted subsidiaries’ ability to, among other things:

- incur additional indebtedness subject to complying with certain net debt to EBITDA incurrence ratios;
- 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.

Guarantee of 10.50% senior notes due 2016 of JBS S.A.

On August 4, 2006, JBS S.A. issued 10.50% senior notes due 2016, or the 2016 Notes, in an aggregate principal amount of $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, beginning on February 4, 2007. The principal amount of the 2016 Notes is payable in full on August 4, 2016.

Guarantees. The indenture governing the 2016 Notes requires any significant subsidiary (any subsidiary constituting at least 20% of JBS S.A.’s total assets or annual gross revenues, as shown on the latest financial statements of JBS S.A.) to guarantee all of JBS S.A.’s obligations under the 2016 Notes. The 2016 Notes are guaranteed by JBS Hungary Holdings Kft. (a wholly owned, indirect subsidiary of JBS S.A., the selling stockholder in this offering and our direct controlling stockholder), our company and our subsidiaries, JBS USA Holdings, Inc., JBS USA, LLC and Swift Beef Company. Additional subsidiaries of JBS S.A. (including our subsidiaries) may be required to guarantee the 2016 Notes in the future.

Covenants. The indentures, for the 10.50% senior notes due 2016 contain customary negative covenants that limit the ability of JBS S.A. and its subsidiaries (including us) to, among other things:

- incur additional indebtedness;
- incur liens;
- sell or dispose of assets;
- pay dividends or make certain payments to JBS S.A.'s shareholders;
- permit restrictions on dividends and other restricted payments by its 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 indentures also contain 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.

Unsecured Australian revolving credit facility

Our Australian subsidiary Swift Australia Pty Limited, entered into an Australian dollar denominated, or A$120 million unsecured revolving credit facility on February 26, 2008 to fund working capital and letter of credit requirements. Under this facility, A$80 million can be borrowed for cash needs, and A$40 million is available to fund letters of credit. Borrowings are made at the cash advance rate (BBSY) plus a margin of 0.975% plus a commitment fee of 0.1%. This credit facility contains certain financial covenants which require JBS Holdco Australia Pty Ltd and its subsidiaries to maintain predetermined ratio levels related to interest coverage, debt coverage, tangible net worth and current assets to current liabilities. As of March 29, 2009, Swift Australia Pty Limited was in compliance with all covenants and had U.S.$34.6 million outstanding. This facility will terminate on October 1, 2009. We intend to seek to refinance this facility. The lenders under this facility may terminate the facility if the ratings of JBS S.A. are downgraded.

Secured Australian credit facility

Our Australian subsidiary Swift Australia (Southern) Pty Limited (formerly known as Tasman Group Services Pty Ltd A.C.N.), entered into an A$80 million secured revolving credit facility on May 2, 2008. Under this facility, up to (1) A$50 million can be borrowed to provide funding relating to the Tasman Acquisition, (2) A$15 million may be used to provide working capital and to fund letters of credit, and (3) A$15 million may be used to finance payroll and general expenses. This credit facility contains covenants that limit the borrowers' ability to, among other things, repay loans, make redemptions of equity, create liens, raise any financial accommodation from any other party, merge with or acquire another company or entity and dispose of assets. The credit amount is secured by certain registered mortgages and a subordination agreement over intercompany loan providers. As of March 29, 2009, we were in compliance with all covenants and had U.S. $36.8 million outstanding. This facility will terminate on October 1, 2009. We intend to seek to refinance this facility.

Cactus bonds

On May 15, 2007, we entered into an Installment Bond Purchase Agreement with the city of Cactus, Texas. Under this agreement, we committed to purchase up to $26.5 million of bonds from the city of Cactus, which are being issued to fund improvements to the city's sewer system, which is used by our beef processing plant located in Cactus, Texas. We will purchase the bonds in installments as improvements are completed through an anticipated date of June 2010. The interest rate on the bonds is six-month LIBOR plus 350 basis points. The bonds mature on June 1, 2032 and are subject to annual mandatory sinking fund redemption payments beginning on June 1, 2011. We have purchased $12.0 million in bonds as of March 31, 2009 and expect to purchase the remaining $14.5 million in 2009.

Related party debt

As of March 31, 2009, we owed an aggregate of $658.6 million under various intercompany loans from JBS S.A., which were subsequently assigned to JBS HU Liquidity Management LLC (Hungary), a wholly owned, indirect subsidiary of JBS S.A. The proceeds of these intercompany loans were used to fund our operations, the Tasman Acquisition and the JBS Packerland Acquisition. On April 27, 2009, in connection with the issuance of the 11.625% senior unsecured notes due 2014 by our subsidiary JBS USA LLC, these intercompany loan agreements were consolidated into one loan agreement, the maturity dates of the principal of the intercompany loans were extended to April 18, 2019, and the interest rate was changed from approximately 6.5% to 12% per annum. The net proceeds of the offering of the 11.625% senior unsecured notes due 2014 (other than $100.0 million) were used to repay accrued interest and a portion of the principal on these intercompany loans. As of May 31, 2009, we owed an aggregate principal amount of $133.0 million under the consolidated intercompany loan agreement. In addition, we recently entered into an additional intercompany term loan agreement in the aggregate principal amount of $6.0 million on the same terms as the consolidated intercompany loan agreement.

Customer advance payment relating to raw material supply agreement

On October 22, 2008, we received an advance cash payment of $175 million relating to a raw material supply agreement entered into on February 27, 2008 pursuant to which we granted a customer the exclusive right to collect a certain beef fabrication by-product from all of our U.S. beef plants for the term of the agreement. This customer advance payment is recorded as deferred revenue in our audited financial statements and is amortized as sales revenue as the agreed upon by-product is delivered to the customer over the term of the agreement. The customer advance payment is secured by a note agreement, which bears interest at two-month LIBOR plus 200 basis points and provides the lender with an option to convert the outstanding amount of the loan under the note agreement into our common stock upon the occurrence and continuance of any event of default under the note agreement.

Dividend restrictions

Certain covenants of our debt agreements include restrictions on our ability to pay dividends. As of December 28, 2008 and March 29, 2009, we had $22.7 million and $17.7 million, respectively, of retained earnings available to pay dividends.

Covenant compliance

JBS S.A. pro forma net debt to EBITDA ratio

The terms and conditions of (1) our 11.625% senior unsecured notes due 2014 and (2) JBS S.A.'s 10.50% senior notes due 2016 both include a covenant prohibiting JBS S.A. and its subsidiaries, including us, from incurring any debt (subject to certain exceptions) unless JBS S.A.'s pro forma net debt to EBITDA ratio at the date of such incurrence is less than 4.5 to 1.0.

The terms and conditions of both of these notes define:

- the Net Debt to EBITDA ratio as the ratio of JBS S.A.'s Net Debt to JBS S.A.'s EBITDA for the then most recently concluded period of four consecutive fiscal quarters, subject to adjustments for asset dispositions and investments made during the period;
- Net Debt at any time as the aggregate amount of debt of JBS S.A. and its subsidiaries (including us) less the sum of cash, cash equivalents and marketable securities recorded as current assets (except for any capital stock in any person); and
- EBITDA for any period as to JBS S.A. and its subsidiaries (on a consolidated basis) as
  - aggregate net income (or loss) *plus*
  - current and deferred income tax and social contribution; *minus*
  - non-operating income (expense), net; *plus*
  - equity in the earnings (loss) of subsidiary companies; *plus*
  - financial income (expenses), net; *plus*
  - any depreciation or amortization;

as each such item is reported on the most recent financial statements or financial information prepared in accordance with generally accepted accounting principles in Brazil.

JBS S.A. has informed us that it believes it will be able to comply with this financial ratio for the foreseeable future to the extent that it or any of its subsidiaries decides to incur debt.

JBS USA, LLC pro forma net debt to EBITDA ratio

In addition, our 11.625% senior unsecured notes due 2014 include a covenant prohibiting our subsidiary, JBS USA, LLC and its subsidiaries that are guaranteeing the 11.625% senior unsecured notes due 2014 from incurring any debt or issuing any disqualified capital stock (subject to certain exceptions) unless JBS USA, LLC's pro forma net debt to EBITDA ratio at the date of such incurrence and the application of the proceeds therefrom, would be less than 3.0 to 1.0. The co-issuers of our 11.625% senior unsecured notes due 2014 were our wholly-owned subsidiaries JBS USA, LLC and JBS USA Finance, Inc.

The calculation of the net debt to EBITDA ratio thereunder is calculated based on the net debt and EBITDA of JBS USA, LLC and its restricted subsidiaries, and not our company.

The terms and conditions of these notes define:

- the Net Debt to EBITDA ratio as of any date of determination (the "Calculation Date") the ratio of JBS USA, LLC's Net Debt as of the Calculation Date to consolidated EBITDA for JBS USA, LLC and its restricted subsidiaries for the period of the then most recently concluded period of four consecutive fiscal quarters, subject to adjustments for asset dispositions and investments made during the period;
- Net Debt at any time as the aggregate amount of debt of JBS USA, LLC and its restricted subsidiaries less the sum of cash, cash equivalents and marketable securities recorded as current assets (except for any capital stock in any person); *provided* that Net Debt shall include the aggregate principal amount of JBS S.A.'s 10.50% senior notes due 2016 and any other debt of JBS S.A. that may be guaranteed by JBS USA, LLC or its restricted subsidiaries; and
- consolidated EBITDA of JBS USA, LLC and its restricted subsidiaries for any period as

  (1) consolidated net income for such period, subject to certain adjustments, *minus*

  (2) the sum of:

    (a) income tax credits;

    (b) interest income;

    (c) gain from extraordinary items;

    (d) any aggregate net gain (but not any aggregate net loss) arising from the sale, exchange or other disposition of capital assets by JBS USA, LLC and its restricted subsidiaries (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities); and

    (e) any other non-cash gains that have been added in determining consolidated net income,

in each case to the extent included in the calculation of consolidated net income of JBS USA, LLC in accordance with GAAP, but without duplication, *plus*

  (3) the sum of:

    (a) any provision for income taxes;

    (b) consolidated interest expense;

    (c) loss from extraordinary items;

    (d) depreciation and amortization;

    (e) any aggregate net loss (but not any aggregate net gain) arising from the sale, exchange or other disposition of capital assets by JBS USA, LLC (including any fixed assets, whether tangible or intangible);

(f) amortized debt discount;

(g) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of JBS USA, LLC or its restricted subsidiaries of any equity interests; and

(h) any other non-cash losses that have been deducted in determining consolidated net income (other than non-cash losses related to write-downs or write-offs of accounts receivable or inventory);

in each case to the extent included in the calculation of consolidated net income of JBS USA, LLC in accordance with GAAP, but without duplication, and as further adjusted to exclude certain non-cash items and non-recurring items.

For purposes of this covenant, consolidated net income is adjusted to exclude, among other things, (1) income from restricted subsidiaries to the extent that the payment of dividends or similar distributions by the restricted subsidiaries is not permitted by law or any agreement to which the restricted subsidiaries are parties, (2) income of any entity in which JBS USA, LLC has a joint interest, except to the extent of the dividends or other distributions actually paid to JBS USA, LLC or one of its wholly owned restricted subsidiaries and (3) certain non-cash items and non-recurring items.

As mentioned above, the calculation of our net debt to EBITDA ratio is calculated based on the net debt and EBITDA of JBS USA, LLC and its restricted subsidiaries, and not our net debt and EBITDA. We had Adjusted EBITDA of $537.7 million on a pro forma basis in the fiscal year ended December 28, 2008 and $66.1 million in the fiscal quarter ended March 29, 2009. For these same periods, JBS USA, LLC and its restricted subsidiaries had Adjusted EBITDA of $398.2 million and $67.1 million, respectively. The main differences between our Adjusted EBITDA and JBS USA, LLC and its restricted subsidiaries' Adjusted EBITDA are that JBS USA, LLC's Adjusted EBITDA excludes (1) Five Rivers' consolidated net income because Five Rivers is currently an unrestricted subsidiary under the 11.625% senior unsecured notes due 2014 and (2) the payment by us (and not JBS USA, LLC) of a one-time breakage fee to the shareholders of National Beef totaling $19.9 million as full and final settlement of any and all liabilities relating to the potential acquisition of National Beef in the first quarter ended March 29, 2009 that we (and not JBS USA, LLC) recorded as a non-recurring expense. For the Five Rivers' assets that we acquired, Five Rivers had consolidated pro forma net income of $9.6 million for the period from January 1, 2008 through October 22, 2008 and $2.9 million for the period from October 23, 2008 through December 28, 2008.

We had net debt of $657.6 million on a pro forma basis as of December 28, 2008 and $854.5 million on a pro forma basis as of March 29, 2009. We calculated pro forma net debt as of December 28, 2008 as pro forma total debt of $910.0 minus pro forma cash and cash equivalents of $252.4 million and pro forma net debt as of March 29, 2009 as total debt of $1,008.8 million minus cash and cash equivalents of $154.3 million. For these same periods, JBS USA, LLC and its restricted subsidiaries had net debt of $(35.1) million and $161.8 million, respectively. JBS USA, LLC calculated net debt as of December 28, 2008 as total debt of $219.7 million minus cash and cash equivalents of $254.8 million and net debt as of March 29, 2009 as total debt of $318.5 million minus cash and cash equivalents of $156.7 million. The main differences between our net debt and the net debt of JBS USA, LLC and its restricted subsidiaries are that (1) JBS USA, LLC's net debt excludes Five Rivers' debt and cash because Five Rivers is an unrestricted subsidiary and (2) JBS USA, LLC's guarantee of JBS S.A.'s 10.50% senior notes due 2016 would also be included in JBS USA, LLC's net debt (and not in ours) for purposes of calculating its net debt to EBITDA ratio.

For the four fiscal quarters ended June 30, 2009, JBS USA, LLC had a net debt to EBITDA ratio of to 1.00. We cannot assure you that JBS USA, LLC will not need to incur additional indebtedness at a time when its net debt to EBITDA ratio is equal to or greater than 3.0 to 1.0. JBS USA, LLC's compliance with this covenant could limit its flexibility in planning for, or reacting to changes in, our business by limiting the funds that we can seek to borrow or raise in the capital markets to pursue capital expenditures, acquisitions, our distribution strategy or other plans.

We have included this calculation of JBS USA, LLC's net debt, EBITDA and net debt to EBITDA ratio, as we believe that this ratio is important to investors, and the indenture governing our 11.625% senior unsecured notes due 2014 is a material debt agreement for us.

Contractual obligations

The following table summarizes our contractual obligations as of December 28, 2008:

in millions	2009	2010	2011	2012	2013	After year 5	Total
Contractual obligations:							
Revolving credit facilities	$ 67.0	$ —	$ 114.7	$ —	$ —	$ —	$ 181.7
Related party debt	—	658.6	—	—	—	—	658.6
Deferred revenue	18.0	18.0	18.0	18.0	18.0	83.2	173.2
Interest(1)	59.8	54.2	12.1	6.3	6.0	15.8	154.2
Capital lease obligations	3.2	3.0	2.6	2.3	2.4	13.2	26.7
Operating leases(2)	17.4	13.4	11.0	4.9	4.1	5.1	55.9
Installment note payable	1.3	1.3	0.9	0.9	6.9	—	11.3
Purchase obligations:							
Livestock procurement(3)	3,395.2	1,035.1	862.4	710.2	483.7	99.1	6,585.7
Cactus bonds(4)	14.5	—	—	—	—	—	14.5
Other(5)	—	—	—	—	—	16.2	16.2
Total contractual obligations	**$ 3,576.4**	**$ 1,783.6**	**$ 1,021.7**	**$ 742.6**	**$ 521.1**	**$ 232.6**	**$ 7,878.0**

(1) Interest expense assumes the continuation of interest rates and outstanding borrowings under our credit facilities as of December 28, 2008.

(2) Excludes amounts associated with operating leases having remaining non-cancelable lease terms of one year or less.

(3) Represents hog and cattle purchase agreements with certain hog and cattle producers. The number of animals that we will be obligated to purchase is based on minimum quantity commitments to the extent the agreements contain those commitments, or management estimates based on past history for such hog and cattle purchases. The contracts are subject to market pricing at delivery. Due to the uncertainty of market prices at the time of future delivery we have estimated market prices based on futures contracts and applied those prices to all years. Cattle purchase agreements are short-term contracts with renewal options. Therefore, cattle purchase commitments have only been estimated through year one. See Note 13, "Commitments and contingencies" to our audited consolidated financial statements included in this prospectus.

(4) On May 15, 2007, we entered into an Installment Bond Purchase Agreement with the City of Cactus, Texas, or the City. Under this agreement, we committed to purchase up to $26.5 million of bonds from the City, which are being issued to fund improvements to its sewer system, which is used by our beef processing plant located in Cactus, Texas. We will purchase the bonds in installments as improvements are completed through an anticipated date of June 2010. The interest rate on the bonds is six-month LIBOR plus 350 basis points. The bonds mature on June 1, 2032 and are subject to annual mandatory sinking fund redemption payments beginning on June 1, 2011. We have purchased $12.0 million in bonds as of December 28, 2008 and expect to purchase the remaining $14.5 million in 2009.

(5) Includes certain obligations for capital expenditures and other insignificant purchase obligations.

The following table summarizes our contractual obligations, on a pro forma basis as of March 29, 2009, giving effect to the offering and sale of our 11.625% senior unsecured notes due 2014 and the application of the proceeds therefrom as if they had occurred on March 29, 2009 (including the use of a portion of the proceeds of our 11.625% senior unsecured notes due 2014 to repay $100.0 million of borrowings under our secured revolving credit facility):

in millions	2009	2010	2011	2012	2013	After year 5	Total
Contractual obligations:							
Revolving credit facilities	$ 71.4	$ —	$ 110.2	$ —	$ —	$ —	$ 181.6
11.625% senior unsecured notes due 2014	—	—	—	—	—	700.0	700.0
Related party debt	—	—	—	—	—	139.0	139.0
Deferred revenue	13.6	18.0	18.0	18.0	18.0	83.2	168.8
Interest(1)	113.1	111.0	110.7	104.4	104.0	99.2	642.4
Capital lease obligations	2.3	3.0	2.7	2.2	2.4	13.4	26.0
Operating leases(2)	13.1	13.8	11.4	5.1	4.4	5.4	53.2
Installment note payable	1.1	1.3	0.9	0.9	6.6	—	10.8
Purchase obligations:							
Livestock procurement(3)	3,178.8	1,088.1	808.8	722.2	489.3	98.2	6,385.4
Cactus bonds(4)	14.5	—	—	—	—	—	14.5
Other(5)	—	—	—	—	—	16.2	16.2
Total contractual obligations	**$ 3,407.9**	**$ 1,235.2**	**$ 1,062.7**	**$ 852.8**	**$ 624.7**	**$ 1,154.6**	**$ 8,337.9**

(1) Interest expense assumes the continuation of interest rates and outstanding borrowings under our credit facilities as of March 29, 2009.

(2) Excludes amounts associated with operating leases having remaining non-cancelable lease terms of one year or less.

(3) Represents hog and cattle purchase agreements with certain hog and cattle producers. The number of animals that we will be obligated to purchase is based on minimum quantity commitments to the extent the agreements contain those commitments, or management estimates based on past history for such hog and cattle purchases. The contracts are subject to market pricing at delivery. Due to the uncertainty of market prices at the time of future delivery we have estimated market prices based on futures contracts and applied those prices to all years. Cattle purchase agreements are short-term contracts with renewal options. Therefore, cattle purchase commitments have only been estimated through year one. See Note 12, "Commitments and contingencies" to our unaudited consolidated financial statements included in this prospectus.

(4) On May 15, 2007, we entered into an Installment Bond Purchase Agreement with the City of Cactus, Texas, or the City. Under this agreement, we committed to purchase up to $26.5 million of bonds from the City, which are being issued to fund improvements to its sewer system which is utilized by our beef processing plant located in Cactus, Texas. We will purchase the bonds in installments as improvements are completed through an anticipated date of June 2010. The interest rate on the bonds is six-month LIBOR plus 350 basis points. The bonds mature on June 1, 2032 and are subject to annual mandatory sinking fund redemption beginning on June 1, 2011. We have purchased $12.0 million in bonds as of December 28, 2008 and expect to purchase the remaining $14.5 million in 2009.

(5) Includes certain obligations for capital expenditures and other insignificant purchase obligations.

Off-balance sheet arrangements

As of March 29, 2009, we did not have any significant off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

However, as of March 29, 2009, we did have the following guarantees and keepwell obligations that are not recorded on our balance sheet: (1) our guarantee of JBS S.A.'s 10.5% senior notes due 2016 described under "—Liquidity and capital resources—External sources of liquidity and description of indebtedness—Guarantee of 10.5% senior notes due 2016 of JBS S.A." and (2) Five Rivers' obligation under a keepwell agreement to pay up to $250.0 million of the obligations of J&F Oklahoma under J&F Oklahoma's credit facility described in "Certain relationships and related party transactions—Arrangements with J&F Oklahoma—Guarantee of J&F Oklahoma revolving credit facility."

Quantitative and qualitative disclosures about market risk

Market risk relating to our operations results primarily from changes in commodity prices, interest rates and foreign exchange rates, as well as credit risk concentrations. To address certain of these risks, we enter into various derivative transactions as described below. If a derivative instrument is accounted for as a hedge, as defined by Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS No. 133(R)), depending on the nature of the hedge, changes in the fair value of the instrument either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value, as defined by SFAS No. 133(R), is recognized immediately. Additionally, we hold certain positions, primarily in grain and livestock futures, that either do not meet the criteria for hedge accounting or are not designated as hedges. These positions are marked to market, and the unrealized gains and losses are reported in earnings at each reporting date. Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in net sales. Changes in market value of derivatives used in our risk management activities surrounding inventories on hand or anticipated purchases of inventories are recorded in cost of sales.

The sensitivity analyses presented below are the measures of potential losses of fair value resulting from hypothetical changes in market prices related to commodities. Sensitivity analyses do not consider the actions we may take to mitigate our exposure to changes, nor do they consider the effects such hypothetical adverse changes may have on overall economic activity. Actual changes in market prices may differ from hypothetical changes.

Commodity risk

We utilize various raw materials in our operations, including cattle, hogs, and energy, such as natural gas, electricity and diesel fuel, which are all considered commodities. We consider these raw materials generally available from a number of different sources and believe we can obtain them to meet our requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, we purchase derivatives in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs for periods of up to 12 months. We may enter into longer-term derivatives on particular commodities if deemed appropriate. As of December 28, 2008 and March 29, 2009, we had derivative positions in place covering less than 1% and 2.5% of anticipated cattle needs and 11% and 14%, respectively, of anticipated hog needs, in each case through December 2009.

We use derivatives for the purpose of mitigating exposure to market risk, such as changes in commodity prices and foreign currency exchange rates. We use exchange-traded futures and options to hedge livestock commodities. The fair value of derivative assets is recognized within other current assets, while the fair value of derivative liabilities is recognized within accrued liabilities. The fair value of derivatives at December 28, 2008 and March 29, 2009 are as follows:

in thousands	**As of December 28, 2008**	**As of March 29, 2009**
Assets:		
Commodity derivatives	$42,087	$23,582
Foreign currency rate derivatives	12,002	14,463
Total fair value, assets	$54,089	$38,045
Liabilities:		
Commodity derivatives	$16,392	$7,056
Foreign currency rate derivatives	592	5,246
Total fair value, liabilities	$16,984	$12,302
Net commodity derivatives	$25,695	$16,526
Net foreign currency rate derivatives	11,410	9,217
Total net fair value	$37,105	$25,743

As of December 28, 2008 and March 29, 2009, the net deferred amount of derivative losses recognized in accumulated other comprehensive income was $0.3 million and $90,000, net of tax. We anticipate these amounts will be transferred out of accumulated other comprehensive income and recognized within earnings over the next 12 months.

Interest rate risk

As of December 28, 2008 and March 29, 2009, we had fixed-rate debt of $19.0 million and $17.8 million, respectively, with a weighted average interest rate of 8.4% for each period. We have exposure to changes in interest rates on this fixed-rate debt. Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical 10% decrease in interest rates. A hypothetical 10% decrease in interest rates would have increased the fair value of our fixed-rate debt by approximately $0.4 million at March 29, 2009 and $0.4 million at December 28, 2008. The fair values of our debt were estimated based on quoted market prices and/or published market interest rates.

As of December 28, 2008 and March 29, 2009, we had variable rate debt of $859.3 million and $959.2 million, respectively, with a weighted average interest rate of 6.2% and 5.8%, respectively. A hypothetical 10% increase in interest rates effective at March 29, 2009, and December 28, 2008, would have increased interest expense by approximately $5.6 million for the fiscal quarter ended March 29, 2009 and $5.3 million for the fiscal year ended December 28, 2008.

Foreign currency risk

We have foreign exchange gain/loss exposure from fluctuations in foreign currency exchange rates primarily as a result of a U.S. dollar-denominated intercompany note between two of our subsidiaries located in Australia. The primary currency exchange rate to which we have exposure is the U.S. dollar to Australian dollar exchange rate due to: (1) our significant investment in our Australian subsidiaries and (2) sales denominated in currencies other than U.S. dollars. While we use foreign currency forward contracts to mitigate price risk on committed future deliveries, we have elected not to use foreign currency forward contracts to mitigate the risk related to our investment in Australia, primarily since the effect of these fluctuations is non-cash in nature and the purchase of forward contracts would have a cash cost. In addition, the definition of EBITDA used by our lending institutions eliminates foreign currency gains and losses prior to calculating covenant compliance. In the future we may elect to enter into forward contracts to mitigate this foreign currency risk.

Sensitivity analysis

The following sensitivity analysis table estimates our exposure to changes in the fair value of commodity price derivatives and foreign currency exchange rate derivatives at December 28, 2008 and March 29, 2009. The sensitivity analysis reflects the impact of a hypothetical 10% adverse change in the fair value of applicable commodity prices and foreign exchange currency rates and excludes the underlying items that are being hedged, such as future sales commitments or future livestock commitments.

in thousands	As of December 28, 2008	As of March 29, 2009
Fair value:		
Commodity derivatives	$25,695	$16,526
Foreign currency rate derivatives	11,410	9,217
Total	$37,105	$25,743
Estimated fair value volatility (-10%):		
Commodity derivatives	$17,680	$11,607
Foreign currency rate derivatives	25,391	18,865
Total	$43,071	$30,472

Business

Overview

We are a global leader in beef and pork processing with approximately $15.4 billion in net sales for the fiscal year ended December 28, 2008 on a pro forma basis. In terms of daily slaughtering capacity, we are among the leading beef and pork processors in the United States and we have been the number one processor of beef in Australia for the past 15 years. As a standalone company, we would be the largest beef processor in the world. We also own and operate the largest feedlot business in the United States. We process, prepare, package and deliver fresh, processed and value-added beef and pork products for sale to customers in over 60 countries on six continents. Our operations consist of supplying fresh meat products, processed meat products and value-added meat products. Fresh meat products include refrigerated beef and pork processed to standard industry specifications and sold primarily in boxed form. Our processed meat offerings, which include beef and pork products, are cut, ground and packaged in a customized manner for specific orders. Additionally, we process lamb and mutton products. Our value-added products include moisture-enhanced, seasoned, marinated and consumer-ready products. We also provide services to our customers designed to help them develop more comprehensive and profitable sales programs. Our customers are in the food service, international, further processor and retail distribution channels. We also produce and sell by-products that are derived from our meat processing operations, such as hides and variety meats, to customers in the clothing, pet food and automotive industries, among others.

Prior to 2002, our predecessor was owned and operated by a multinational food company and not operated as a raw material supplier for the processed portions of its business. From 2002 to 2007, we were owned by a private equity company that pursued a strategy of restricting our capital expenditures and maximizing dividends, including reducing the operations at our Greeley, Colorado plant to a single shift and selling five feedlot facilities, two cow slaughter facilities, and an Australian beef patty making and distribution facility.

We are a wholly owned indirect subsidiary of JBS S.A., the world's largest beef producer, which has a daily slaughtering capacity of 73,940 head of cattle. In the fiscal quarter ended March 29, 2009, we represented approximately 78% of JBS S.A.'s gross revenues. Over the past few years, JBS S.A. has acquired several U.S. and Australian beef and pork processing companies and slaughterhouses, which now comprise JBS USA Holdings, Inc. and its subsidiaries:

- on July 11, 2007, JBS S.A. acquired Swift Foods Company (our predecessor company, which was subsequently renamed JBS USA Holdings, Inc.), which we refer to as the Swift Acquisition;
- on May 2, 2008, we acquired substantially all of the assets of the Tasman Group Services, Pty. Ltd., or the Tasman Group, which we refer to as the Tasman Acquisition; and
- on October 23, 2008, we acquired Smithfield Beef Group, Inc. (which we subsequently renamed JBS Packerland), which included the 100% acquisition of Five Rivers. We refer to this transaction as the JBS Packerland Acquisition.

In the United States, we conduct our operations through eight beef processing facilities, three pork processing facilities, one lamb processing facility, one case-ready beef and pork facility, one hide tannery, seven leased regional distribution centers, two grease-producing facilities, and 11 feedlots operated by Five Rivers, which supply approximately 30% of our fed cattle needs. In Australia, we operate ten beef and small animals processing facilities, including the largest and what we believe is the most technologically advanced facility in the country, and five feedlots which supply approximately 18% of our fed cattle needs. Our small animals processing facilities in Australia process hogs, lamb and sheep, or smalls. Our Australian facilities are strategically located to access raw materials in a cost effective manner and to service our global customer base. We have the capacity to process approximately 28,600 cattle, 48,500 hogs and 4,500 lambs daily in the United States and 8,690 cattle and 15,000 smalls daily in Australia based on our facilities' existing configurations.

Our business operations are organized into two segments:

- our Beef segment, through which we conduct our domestic beef processing business, including the beef operations we acquired in the JBS Packerland Acquisition, and our international beef, lamb and sheep processing businesses that we acquired in the Tasman Acquisition; and
- our Pork segment, through which we conduct our domestic pork and lamb processing business.

We had consolidated net sales of $15.4 billion on a pro forma basis in the fiscal year ended December 28, 2008, and we had consolidated net sales of $3.2 billion in the fiscal quarter ended March 29, 2009. In the same periods, we had gross profit of $608.0 million on a pro forma basis and $73.0 million, respectively, and Adjusted EBITDA of $531.8 million on a pro forma basis and $66.1 million, respectively. Our net income for the fiscal year ended December 28, 2008 was $192.1 million on a pro forma basis and $2.3 million for the fiscal quarter ended March 29, 2009. Our Beef and Pork segments represented 84% and 16%, respectively, of our net sales on a pro forma basis during the fiscal year ended December 28, 2008, and 84% and 16%, respectively, of our net sales during the fiscal quarter ended March 29, 2009.

Industry overview

Beef

United States

Beef products are second to chicken as the largest source of meat protein in the United States. The United States has the largest grain-fed cattle industry in the world and is the world's largest producer of beef, which is primarily high-quality grain-fed beef for domestic and export use. The domestic beef industry is characterized by daily price changes based on seasonal consumption patterns and overall supply and demand for beef and other proteins in the United States and abroad. Cattle prices vary over time and are impacted by inventory levels, the production cycle, weather and feed prices, 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. Vertically integrated beef processors can be subjected to significant working capital demands, since cattle typically feed in the yards for 90-180 days without any revenue generation until processed. Additionally, as cattle on feed consume feed with a replacement price that is subject to market changes, vertically integrated beef processors have direct financial exposure to the volatility in corn and other feedstock prices. Pure U.S. beef processors generally purchase cattle in the spot market or pursuant to market-priced supply arrangements from feedlot operators, process the cattle in their own facilities and sell the beef at spot prices. Cattle are usually purchased at market prices and held for less than a day before processing, thus such processors are not exposed to changing market prices over as great a time span as vertically integrated beef processors. Pure beef processors are primarily "spread" operators, and their operating profit is largely determined by plant operating efficiency rather than by fluctuations in prices of cattle and beef.

During the past few decades, consumer demand for beef products in the United States has been in line with population growth, which is the primary driver of aggregate demand. Export demand has fluctuated widely due to the closing of certain international markets following the discovery of isolated cases of BSE (also commonly referred to as mad cow disease), in 2003 and 2004, and the sporadic re-opening of such markets. We believe that consumer demand for U.S. exports in developing countries is driven by population growth compounded by economic growth. As consumers' economic circumstances improve, they increasingly shift their diets to protein. Industry-wide export sales have been ramping up from 2004 through mid-2009, trending toward pre-2003 levels.

Between 2006 and January 2008, our largest U.S. beef competitor eliminated two million head per year of slaughter capacity in four plants. This represented a reduction of nearly 7% of total U.S. industry-wide capacity and has helped improve the supply/demand balance of beef in the U.S. and export markets.

Australia

Australia has traditionally been a supplier of grass-fed beef. Grass is a much cheaper feed source than grain. With the vast amount of land in Australia available for cattle raising and feeding, grass is the predominant feeding method. Australia also has a grain-fed beef cattle sector which primarily supplies processed cattle for export to Japan and South Korea and to the domestic market. Grain-fed cattle accounted for 27% of the adult cattle slaughter in 2008, representing 34% of total beef production in Australia. The majority of cattle slaughtered in Australia are range or grass-fed and not finished in the feedlots. Australia has been one of the leading beef export countries for more than a decade. We believe that approximately 75% of exports have historically been sold to the United States, Japan and South Korea, but Australian beef has been increasingly exported to Russia, Taiwan, Mexico, Chile and the United Arab Emirates, among other countries. Although Australian meat packers, including our Australian operations, benefited from the closure of many markets to North American beef as a result of BSE detections in North American cattle, Australian exports have remained strong following the reopening of international markets to North American beef.

Global exports

We sell our products in over 60 countries on six continents, and exports accounted for approximately 24% of our sales in 2008 on a pro forma basis and 21% of our sales for the fiscal quarter ended March 29, 2009. The international beef market is divided into two blocks based on factors that include common sanitary criteria, such as restrictions on imports of fresh beef from countries that permit foot-and-mouth disease, or FMD, vaccination programs or beef treated with growth hormones.

The United States has been an FMD-free country since the eradication of the disease, and it does not implement vaccination programs. However, the United States treats most of their cattle with growth hormones, and, accordingly, the European Union and several other countries have banned imports of beef treated with growth hormones from the United States.

In contrast, Brazil and Argentina have prohibited the use of growth hormones on their cattle. JBS S.A. is a large exporter of beef to the European Union.

We believe that our U.S. export operations of fresh beef today do not directly compete with our parent company's Brazilian and Argentine export operations of fresh beef in our main export destinations. Consequently, we do not have formal arrangements with JBS S.A. to coordinate our exports in our export markets. However, to the extent that sanitary restrictions change in the future, we could become direct competitors of our parent company in certain export markets.

We do compete with JBS S.A. to a limited degree, however, for example, to the extent that our Australian operations export to the European Union, the Middle East and Southeast Asia, which are also export markets for JBS S.A. We do not believe our Australian business' competition with JBS S.A. in these markets has a material adverse effect on our current business.

Pork

Pork products are the most widely consumed meat in the world. Pork is the third largest source of meat protein in the United States, behind chicken and beef. The United States, which is widely regarded as a world leader in food safety standards, is the third largest producer worldwide, behind China and the European Union, and one of the largest exporters of pork products.

The domestic pork industry is characterized by daily price changes based on seasonal consumption patterns and overall supply/demand for pork and other meats in the United States and abroad. Generally, domestic and worldwide consumer demand for pork products drive pork processors' long-term demand for hogs. To operate profitably, hog processors seek to acquire or raise hogs at the lowest possible costs and minimize processing costs by maximizing plant operating rates. Hog prices vary over time and are impacted by inventory levels, the production cycle, weather and feed prices, among other factors.

Pork processors include vertically integrated companies, which own and raise hogs on feed for use in their processing facilities, and pure processors, who do not own hogs on feed. Vertically integrated pork processors can be subjected to significant financial impact from working capital demands, since hogs feed in the yards for approximately 180 days without revenue generation until processed. Additionally, 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. 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. Finished hogs are typically purchased at market prices and held for less than one day before processing, thus pure processors are not exposed to changing market prices over as great a time span as vertically integrated processors. Pure pork processors are primarily "spread" operators, and their operating profit is largely determined by plant operating efficiency and not by fluctuations in prices of hogs and pork.

While affected by seasonal consumption patterns, demand for pork has remained consistently strong. During the past few decades, population growth has been the primary driver of increased aggregate pork product demand in the United States. We believe that consumer demand for U.S. exports in developing countries is driven by population growth compounded by economic growth: as consumers' economic circumstances improve, they increasingly shift their diets to protein. To satisfy the growing global demand, U.S. pork exports have more than tripled in the past decade. The top three leading export markets for U.S. pork and pork variety meats are Japan, Mexico and Canada.

Competitive strengths

We are well positioned as a leading meat processor in the U.S. and Australia. We have implemented significant operational improvements over the last several years, resulting in increases in throughput, additional value-added products, improved food safety and industry-leading worker safety. Our competitive strengths include:

Scale and leading market positions in beef and pork industries

As a standalone company we would be the largest beef processor in the world. In terms of daily slaughtering capacity, we are among the leading beef and pork processors in the United States and we have been the number one processor of beef in Australia for the past 15 years. With a slaughtering capacity of 37,290 heads per day in beef, 48,500 heads per day in hogs and over 19,500 heads per day in smalls, our scale provides us with operational flexibility to:

- source our products based on the most favorable conditions of input costs,
- diversify our operations to minimize sanitary risk, and
- attain proximity to our raw materials and end customers given our geographical reach, saving freight and storage costs.

During the past few decades, consumer demand for beef and pork products in the United States has been increasing primarily as a result of population growth. Global protein demand has remained strong due to continued population growth and economic growth in developing countries. Despite the current economic recession, we believe protein demand will continue to increase in the long-term in conjunction with rising living standards and a growing middle class in developing countries. As part of JBS S.A., the world's leading beef producer, and given the industry's significant barriers to entry, we believe we are well-positioned to serve this growing global demand.

Diversified business model with international reach

Our business is well diversified across proteins and all major distribution channels, as well as geographically with respect to production and distribution.

- *Diversified protein offerings:* We sell beef, pork and lamb products. Selling multiple proteins offers us the opportunity to cross-sell to our customers and to diversify typical industry risks such as industry cycles, the impact of species-based diseases and changes in consumer protein preferences. As a result of our multiple proteins, our businesses, when taken as a whole, are less likely to be severely impacted by issues affecting any one protein. Additionally, our JBS Packerland beef processing facilities are engineered to provide us with the flexibility to process a variety of cattle, which allows further diversification of our beef product offerings. For example, our JBS Packerland facilities are engineered to process both cattle raised for beef production and cattle bred for dairy production. This flexibility enables us to shift our operations on a daily basis between beef and dairy cattle depending on market availability, seasonal demand and relative margin attractiveness, setting us apart from many beef processing facilities in the United States.
- *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, which service restaurant and hotel chains and other institutional customers). We sell our products to over 6,000 customers worldwide with no customer accounting for more than 4.5% of our net sales. This reduces our dependence on any market or customer and provides multiple channels for potential growth. In the retail segment, we further benefit from a variety of widely recognized brands, including *Swift*, *Swift Premium*, *Swift Angus Select*, *Swift Premium Black Angus, Miller Blue Ribbon Beef* and *G.F. Swift 1855* among others. We also manufacture products for some of our main customers' private label brands.
- *Geographic diversification:* We sell our products in over 60 countries on six continents. During fiscal 2008, on a pro forma basis, and the fiscal quarter ended March 29, 2009, we had international sales of $3.8 billion and $0.7 billion, respectively. Overall, exports accounted for approximately 24% of our sales in 2008 on a pro forma basis and 21% of our sales for the fiscal quarter ended March 29, 2009. Exports are an important part of our strategy and a competitive advantage. In fiscal 2008, we supplied Japan and South Korea with 36% and 47% of their total beef imports, respectively, according to Meat & Livestock Australia Limited. We believe we were the largest supplier of beef imported into Japan and South Korea in 2008. Our imports of beef to the United States from Australia totaled 32% of total Australian beef imports to the United States during fiscal 2008. Our geographic diversification enables us to reduce exposure to any one market and concurrently have access to all export markets. Additionally, having access to international markets allows us to potentially generate higher returns as many of our export products, such as tongue, heart, kidney and other variety meats, garner higher demand and pricing in foreign markets, particularly in Asia.

  Our processing platforms in the United States and Australia, which are two major beef producing countries, provide us with enough geographic diversification and operating flexibility to satisfy demand depending on market conditions and sanitary restrictions. For example, our facilities in Dinmore, Beef City, Brooklyn and Longford, Australia accommodate non-hormone-treated fed cattle allowing us to market our products to the European Union (which prohibits imports of hormone-treated products). Accordingly, each of these facilities is eligible to ship to the European Union. We also benefit from greater international market access through our Worthington pork plant, which is one of only three facilities in the United States certified for export to the European Union. Additionally, our JBS Packerland facilities are located near major metropolitan areas, resulting in lower freight costs relative to cattle processing facilities in more rural locations.

While the closure of foreign markets to U.S. beef in 2003 negatively impacted the U.S. beef industry, our Australian beef operation retained access to those markets and benefited from reduced competition. Furthermore, we have a U.S. sales office which annually sources over $160 million of meat products from our Australian facilities into the U.S. market—products that provide U.S. customers, particularly in the food service and further processing channels, with a source of lean protein.