Environmental expenditures and remediation liabilities

Environmental expenditures that relate to current or future operations and which improve operational capabilities are capitalized at time of incurrence. Expenditures that relate to an existing or prior condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remediation efforts are probable and the costs can be reasonably estimated.

Foreign currency

For foreign operations, the local currency is the functional currency. Translation into US dollars is performed for assets and liabilities at the exchange rates as of the balance sheet date. Income and expense accounts are translated at average exchange rates for the period. Adjustments resulting from the translation are reflected as a separate component of other comprehensive income (loss). Transaction gains and losses on US dollar denominated intercompany borrowings between the Australian subsidiaries and the Australian parent are recorded in earnings. Translation gains and losses on US dollar denominated intercompany borrowings between the Australian subsidiaries and the US parent and which are deemed to be part of the investment in the subsidiary are recorded in other comprehensive income. The balance of foreign currency translation adjustment in accumulated other comprehensive income at December 28, 2008 and March 29, 2009 was a loss of $(61.1) million and a gain of $4.0 million, respectively.

Income taxes

JBS USA Holdings calculates its interim income tax provision in accordance with Statement of Financial Accounting Standards No. 109, ("FAS 109"), *Accounting for Income Taxes*, and *Accounting for Income Taxes in Interim Periods* ("FIN 18"). The tax expense recognized for the thirteen weeks ended March 29, 2009 primarily relates to foreign taxes, US federal taxes and other state and local tax expenses in the US. Beginning with the adoption of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* ("FIN 48") as of May 28, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. JBS USA Holdings recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision.

Fair value of financial instruments

The carrying amounts of JBS USA Holdings' financial instruments, including cash and cash equivalents, short-term trade receivables, and payables, approximate their fair values due to the short-term nature of the instruments. Existing long-term debt was recorded at fair value as of the date of the Acquisition and the Company believes this approximates its fair value at March 29, 2009. Long-term debt incurred since the Acquisition was recorded at fair value at the date of incurrence and is considered to be fair value at March 29, 2009 due to the proximity of the balance sheet date to the issuance of the debt and its variable interest rate (see Note 7).

Revenue recognition

The Company's revenue recognition policies are based on the guidance in Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition in Financial Statements*. Revenue on product sales is recognized when title and risk of loss are transferred to customers (upon delivery based on the terms of sale), when the price is fixed or determinable, and when collectability is reasonably assured, and pervasive evidence of an arrangement exists. The Company recognizes sales net of applicable provisions for discounts, returns and allowances which are accrued as product is invoiced to customers who participate in such programs based on contract terms and historical and current purchasing patterns.

Advertising costs

Advertising costs are expensed as incurred. Advertising costs were $1.3 million and $1.0 million for the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively.

Research and development

The Company incurs costs related to developing new beef and pork products. These costs include developing improved packaging, manufacturing, flavor enhancing, and improving consumer friendliness of meat products. The costs of these research and development activities are less than 1% of total consolidated net sales for the thirteen weeks ended March 30, 2008 and March 29, 2009 and are expensed as incurred.

Shipping costs

Pass-through finished goods delivery costs reimbursed by customers are reported in net sales while an offsetting expense is included in cost of goods sold.

Comprehensive income

Comprehensive income consists of net income, foreign currency translation, and adjustments from derivative financial instruments.

Net income per share

We present dual computations of net income (loss) per share. The basic computation is based on weighted average common shares outstanding during the period. The diluted computation reflects the same calculation as the basic computation as the Company does not have potentially dilutive common stock equivalents.

Derivatives and hedging activities

JBS USA Holdings accounts for its derivatives and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Financial Instruments and Hedging Activities,* ("SFAS No. 133"), and its related amendment, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. The Company uses derivatives (e.g., futures and options) for the purpose of mitigating exposure to changes in commodity prices and foreign currency exchange rates. The fair value of each derivative is recognized in the balance sheet within current assets or current liabilities. Changes in the fair value of derivatives are recognized immediately in the statement of operations for derivatives that do not qualify for hedge accounting. For derivatives designated as a hedge and used to hedge an existing asset or liability, both the derivative and hedged item are recognized at fair value within the balance sheet with the changes in both of these fair values being recognized immediately in the statement of operations. For derivatives designated as a hedge and used to hedge an anticipated transaction, changes in the fair value of the derivatives are deferred in the balance sheet within accumulated other comprehensive income to the extent the hedge is effective in mitigating the exposure to the related anticipated transaction. Any ineffectiveness is recognized immediately in the statement of operations. Amounts deferred within accumulated other comprehensive income are recognized in the statement of operations upon the completion of the related underlying transaction.

Gains and losses from energy and livestock derivatives related to purchases are recognized in the statement of operations as a component of cost of goods sold upon change in fair value. While management believes these instruments help mitigate various market risks, they are not designated and accounted for as hedges under SFAS No. 133 as a result of the extensive recordkeeping requirements of this statement. Gains and losses from foreign currency derivatives and livestock derivatives related to future sales are recognized in the statement of operations as a component of net sales or as a component of other comprehensive income upon change in fair value.

Adoption of new accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("SFAS No. 161"), which provides for enhanced disclosures about the use of derivatives and their impact on a Company's financial position and results of operations. JBS USA Holdings, Inc. adopted SFAS No. 161 in the thirteen weeks ended March 29, 2009. The adoption did not have a material impact on its financial position, results of operations, or cash flows (see Note 6).

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS No. 141(R)"). SFAS No. 141(R) is intended to provide greater consistency in the accounting and reporting of business combinations. SFAS 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction and any non-controlling interest in the acquiree at the acquisition date, measured at fair value at that date. This includes the measurement of the acquirer's shares issued as consideration in a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gains and loss contingencies, the recognition of capitalized in–process research and development, the accounting for acquisition related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance and deferred taxes. One significant change in this statement is the requirement to expense direct costs of the transaction, which under existing standards are included in the purchase price of the acquired company. This statement also established disclosure requirements to enable the evaluation of the nature and financial effect of the business combination. SFAS No. 141(R) is effective for business combinations consummated after December 31, 2008. Also effective, as a requirement of the statement, after December 31, 2008 any adjustments to uncertain tax positions from business combinations consummated prior to December 31, 2008 will no longer be recorded as an adjustment to goodwill, but will be reported in income. SFAS No. 141(R) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008; therefore, we expect to adopt SFAS No. 141(R) for any business combinations entered into beginning in fiscal year 2009.

Recently issued 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* (SFAS 157), 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. The Company will be required to adopt for these nonfinancial assets and nonfinancial liabilities as of December 29, 2008. The Company believes the adoption of SFAS 157 deferral provisions will not have a material impact on the Company's financial position results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ("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.

NOTE 5. Accrued liabilities

Accrued liabilities consist of the following (in thousands):

	December 28, 2008	March 29, 2009
Salaries	$ 74,528	$ 66,165
Self insurance reserves	24,265	27,475
Taxes	15,825	12,884
Freight	38,645	35,406
Interest	19,672	29,930
Other	110,134	99,396
Total	$283,069	$271,256

Other accrued liabilities consist of items that are individually less than 5% of total current liabilities.

NOTE 6. Derivative financial instruments

The Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157") which defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. The criterion that is set forth in this standard is applicable to the fair value measurement where it is permitted or required under other accounting pronouncements.

SFAS No. 157 defines fair value as the exit price, which is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. SFAS No. 157 establishes a three-tier fair value hierarchy that prioritizes inputs to valuation techniques used for fair value measurement.

- Level 1 consists of observable market data in an active market for identical assets or liabilities.
- Level 2 consists of observable market data, other than that included in Level 1, that is either directly or indirectly observable.
- Level 3 consists of unobservable market data. The input may reflect the assumptions of the Company, not a market participant, if there is little available market data and the Company's own assumptions are considered by management to be the best available information.

  In the case of multiple inputs being used in fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

The adoption of SFAS No. 157 has not resulted in any significant changes to the methodologies used for fair value measurement. The Company uses derivatives for the purpose of mitigating exposure to market risk, such as changes in commodity prices and foreign currency exchange rates. The Company uses exchange-traded futures and options to hedge livestock commodities. The Company uses foreign currency positions, which are actively quoted by an independent financial institution, to mitigate the risk of foreign currency fluctuations in the markets in which it conducts business.

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 measurements that are performed on a recurring basis fall within the level 1 of the fair value hierarchy. The amounts are as follows:

	Level 1	
	December 28, 2008	**March 29, 2009**
Assets:		
Commodity derivatives	$42,087	$23,582
Foreign currency rate derivatives	12,002	14,463
Total	$54,089	$38,045
Liabilities:		
Commodity derivatives	$16,392	$7,056
Foreign currency rate derivatives	592	5,246
Total	$16,984	$12,302

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

The following table presents the impact of derivative instruments on the Consolidated Statement of Operations for the thirteen weeks ended March 30, 2008 and March 29, 2009 (in thousands):

Derivatives not designated as hedging instruments	**Location of gain/(loss) recognized in income**	**Amount of gain/(loss) recognized in income thirteen weeks ended**	
		March 30, 2008	**March 29, 2009**
Commodity contracts	Net Sales	$(9,923)	$6,114
Foreign exchange contracts	Net Sales	(1,364)	17,651
Commodity contracts	Cost of Goods Sold	$22,618	$47,558
Foreign exchange contracts	Cost of Goods Sold	—	—
Total derivative gain		$ 11,331	$71,323

As of March 29, 2009, the net deferred amount of derivative gains recognized in accumulated other comprehensive income was $90 thousand, net of tax. The company estimates these amounts will be transferred out of accumulated other comprehensive income and recognized within earnings over the next twelve months.

NOTE 7. Long-term debt and loan agreements

JBS USA Holdings and its direct and indirect subsidiaries have entered into various debt agreements in order to provide liquidity to operate the business on a go forward basis and, through the loan payable to JBS to fund the Acquisition of Smithfield. As of December 28, 2008 and March 29, 2009, debt outstanding consisted of the following (in thousands):

	December 28, 2008	March 29, 2009
Short-term debt		
Secured credit facilities	$ 36,186	$ 36,828
Unsecured credit facilities	30,826	34,600
Total short-term debt	67,012	71,428
Current portion of long-debt:		
Installment note payable	1,264	1,008
Capital lease obligations	3,235	3,095
Total current portion of long-term debt	4,499	4,103
Long-term debt:		
Loans payable to JBS	658,588	658,597
Installment note payable	10,025	9,793
Senior credit facilities	114,673	210,187
Capital lease obligations	23,522	22,940
Long-term debt, less current portion	806,808	901,517
Total debt	$878,319	$977,048

The aggregate minimum principal maturities of debt for each of the five fiscal years and thereafter following March 29, 2009, are as follows (in thousands):

For the fiscal years ending December	Minimum principal maturities
2009 (remaining)	$ 74,792
2010	662,898
2011	213,791
2012	3,186
2013	8,990
Thereafter	13,391
Total minimum principal maturities	$977,048

As of March 29, 2009, JBS USA Holdings had approximately $283.7 million of secured debt outstanding and approximately $26.7 million of outstanding letters of credit. The availability under our revolving credit facilities was $120.3 million as of March 29, 2009.

A summary of the components of interest expense, net is presented below (in thousands):

	Thirteen weeks ended	
	March 30, 2008	March 29, 2009
Interest on:		
Unsecured bank loans (approximately, 5.4% and -%)	$8,175	$ —
Unsecured credit facility (approximately, 7.4% and 5.1%)	209	42
Loans payable to JBS (approximately, -% and 6.4%)	—	10,621
Capital lease interest	227	381
Bank fees	98	383
Other miscellaneous interest charges (i)	185	1,973
Debt issuance cost amortization	606	1,123
Secured credit facility (US) (approximately, -% and 4.2%)	—	1,763
Secured credit facility (AU) (approximately, -% and 5.6%)	—	445
Less:		
Capitalized interest	(114)	(176)
Interest income	(1,278)	(1,963)
Total interest expense, net	$8,108	$14,592

(i) Includes installment note interest expense of $0.20 million and $0.06 million as of March 30, 2008 and March 29, 2009, respectively.

Description of indebtedness

Senior Credit Facilities—On November 5, 2008, JBS USA, LLC ("JBS USA"), an indirect wholly owned subsidiary of JBS USA Holdings entered into a secured revolving loan credit agreement (the "Credit Agreement") that allows borrowings up to $400.0 million, and terminates on November 5, 2011. 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 the prime rate plus a margin of 2.25%, the all-in rate as of March 29, 2009 was 5.50%, while LIBOR rate loans will bear interest at the applicable LIBOR rate, plus a margin of 3.25%, the all-in rate as of March 29, 2009 was 3.75%. At March 29, 2009, the borrowings totaled $210.2 million. 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).

Availability. Availability under the Credit Agreement is subject to a borrowing base. The borrowing base is based on certain of JBS USA domestic wholly owned subsidiaries' assets as described below, with the exclusion of JBS Five Rivers Cattle Feeding. 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 JBS USA are guaranteed by JBS Holdings and all domestic subsidiaries except Fiver Rivers are collateralized by a first priority perfected lien and interest in accounts receivable, inventory, and supplies.

Covenants. The Credit Agreement contains customary representations and warranties and a financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.15 to 1.00. 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. The Credit Agreement also contains negative covenants that limit the ability of JBS USA and its subsidiaries to, among other things:

- have capital expenditures greater than $175 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 or cancel certain indebtedness;
- dissolve, consolidate, merge, or acquire the business or assets of other entities;

- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates and certain permitted joint ventures;
- agree to restrictions on the ability of the subsidiaries to make dividends;
- agree to enter into negative pledges in favor of any other creditor; and
- enter into sale/leaseback transactions and operating leases.

The Credit Agreement also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Credit Agreement, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien, and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest, and fees and exercise remedies under the collateral documents relating to the Credit Agreement. At March 29, 2009, JBS USA was in compliance with all covenants.

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

Installment note payable—The installment note payable relates to JBS USA Holdings' financing of a capital investment. The note bears interest at LIBOR, the rate as of March 29, 2009 was 0.49% plus a fixed margin of 1.75% per annum with payments due on the first of each month and matures on August 1, 2013.

Unsecured credit facility—Swift Australia entered into an Australian dollar ("A") denominated $120 million unsecured 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 2.00% (includes commitment fee of 1.40%), the all-in rate as of March 29, 2009 was 5.10%. The credit facility contains certain financial covenants which require the Company to maintain predetermined ratio levels related to interest coverage, debt coverage and tangible net worth. As of March 29, 2009, the Company is in compliance with all covenants and has USD $34.6 million outstanding. This facility will terminate on October 1, 2009. We intend to seek to refinance this facility.

Secured credit/ multi-option bridge facility—JBS Southern entered into an Australian dollar denominated $80 million secured multi-option bridge facility on July 2, 2008 to fund working capital and letter of credit requirements. JBS Southern property and plant assets secure this bridge facility. Under this facility A$65 million can be borrowed for cash needs and to fund letters of credit. The remaining A$15 million is used to facilitate daily transactional limits. Borrowings are made at the cash advance rate (BBSY) plus a margin of 1.60%, the all-in rate as of March 29, 2009 was 5.60%. The multi-option bridge facility contains covenants and obligations which require the company to comply. As of March 29, 2009, the Company is in compliance with all covenants and has USD $36.8 million outstanding. This facility originally had a fixed term and was set to expire on December 31, 2008. This facility's term has been extended to September 30, 2009. We intend to seek to renew this facility.

The following four loan agreements sum to the $750 million described as debt related to the Acquisition in Note 2. As indicated below, as of March 29, 2009, there were no outstanding balances with respect to these four loan agreements.

$250 million loan agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured loan agreement with interest payable semi-annually based on six month LIBOR plus a margin of 1.50% with a maturity date of June 30, 2008. The loan agreement contained customary representations and warranties. The loan agreement was guaranteed by JBS SA. On February 22, 2008, this debt was repaid by the Company using cash received from its parent which has been reflected as an additional capital contribution.

$150 million loan agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured loan agreement with interest payable semi-annually based on six month LIBOR plus a margin of 0.75%. The loan matured on June 30, 2008. The loan agreement contained customary representations, warranties and covenants. The loan agreement was guaranteed by JBS. On February 27, 2008 this debt was repaid by the Company using cash received from its parent which has been reflected as an additional capital contribution.

$250 million credit agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured credit agreement with interest payable quarterly based on three month LIBOR plus a margin of 0.75%. The agreement matured on July 7, 2008. The credit agreement contained customary representations, warranties and negative covenants. There were no maintenance financial covenants but the agreement contained an incurrence Consolidated Net Indebtedness to EBITDA ratio of 3.75 to 1.00 prior to December 31, 2007 and 3.60 to 1.00 commencing on January 1, 2008 and ending on the Maturity Date. The credit agreement was guaranteed by JBS. On July 3, 2008 this credit agreement was repaid with funds received from JBS through a loan repayable to JBS.

$100 million loan agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured loan agreement. The original 182 day loan agreement with interest payable at maturity based on six month LIBOR plus a margin of 0.8% matured on January 7, 2008. On January 3, 2008, an extension and modification agreement was signed changing the maturity date to July 7, 2008 and increasing the margin to 1.50%. The loan agreement contained customary representations, warranties and covenants. The loan agreement was guaranteed by JBS. On July 7, 2008 this loan agreement was repaid with funds received from JBS through a loan repayable to JBS.

The five loan agreements listed below sum to $750 million and are reflected in the line item "Loans Payable to JBS" in the table at the beginning of this footnote. After issuance, the Company repaid $91.4 million leaving a remaining balance owed as of March 29, 2009 of $658.6 million.

$100 million loan payable to JBS HU Liquidity—On April 28, 2008, the Company entered into an unsecured loan agreement with its parent, JBS, for $100 million with a maturity date of April 28, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, the all-in rate as of March 29, 2009 was 6.08%; however the parties have reached an agreement to defer the 2008 interest payment. The funds received from this loan were used to fund the purchase of Tasman Group (see Note 2). On March 27, 2009, this loan was assigned to JBS HU Liquidity Management LLC, a subsidiary of JBS, which is organized in the country of Hungary.

$25 million loan payable to JBS HU Liquidity—On May 5, 2008, the Company entered into an unsecured loan agreement with JBS for $25 million with a maturity date of May 5, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, the all-in rate of as of March 29, 2009 was 6.15%; however the parties have reached an agreement to defer the 2008 interest payment. The funds received were used to fund operations. On March 27, 2009, this loan was assigned to JBS HU Liquidity Management LLC, a subsidiary of JBS, which is organized in the country of Hungary.

$25 million loan payable to JBS HU Liquidity—On June 10, 2008, the Company entered into an unsecured loan agreement with JBS for $25 million with a maturity date of June 10, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, the all-in rate as of March 29, 2009 was 5.94%; however the parties have reached an agreement to defer the 2008 interest payment. The funds received from this loan were used to fund operations. On March 27, 2009, this loan was assigned to JBS HU Liquidity Management LLC, a subsidiary of JBS, which is organized in the country of Hungary.

$350 million loan payable to JBS HU Liquidity—On June 30 2008, the Company entered into an unsecured loan agreement with JBS totaling $350 million with a maturity date of June 30, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, for $250 million the all-in rate as of March 29, 2009 was 6.12% and for $100 million the rate as of March 29, 2009 was 6.13%. The funds received were used to pay outstanding unsecured bank debt. On March 27, 2009, this loan was assigned to JBS HU Liquidity Management LLC, a subsidiary of JBS, which is organized in the country of Hungary.

$250 million loan payable to JBS HU Liquidity—On October 21, 2008, the Company entered into an unsecured loan agreement with JBS for $250 million with a maturity date of October 21, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%. As of March 29, 2009 the all-in rate was 7.13%. The funds received were used for the acquisition of Smithfield Beef and Five Rivers (see Note 3). On March 27, 2009, this loan was assigned to JBS HU Liquidity Management LLC, a subsidiary of JBS, which is organized in the country of Hungary.

See Note 16 regarding subsequent event issuance of $700 million 11.625% senior unsecured notes by a subsidiary in April 2009.

Capital and operating leases—JBS USA Holdings and certain of its subsidiaries lease the corporate headquarters in Greeley, Colorado under capital lease; six distribution facilities located in New Jersey, Florida, Nebraska, Arizona, Colorado and Texas; marketing liaison offices in the US, Korea, Japan, Mexico, China, and Taiwan; its distribution centers and warehouses in Australia; and a variety of equipment under operating lease agreements that expire in various years between 2008 and 2019. Future minimum lease payments at March 29, 2009, under capital and non-cancelable operating leases with terms exceeding one year are as follows (in thousands):

	Capitalized lease obligations	Noncancellable operating lease obligations
For the fiscal years ending December		
2009 (remaining)	$ 3,311	$13,063
2010	4,190	13,813
2011	3,585	11,402
2012	2,957	5,129
2013	2,874	4,355
Thereafter	13,618	5,415
Net minimum lease payments	30,535	$53,177
Less: Amount representing interest	(4,500)	
Present value of net minimum lease payments	$26,035	

Rent expense associated with operating leases was $4.9 million and $10.4 million for the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively.

Note 8. Defined contribution plans

Defined contribution plans

The Company sponsors two tax-qualified employee savings and retirement plans (the “401(k) Plans”) covering its US based employees, both union and non-union. Pursuant to the 401(k) Plans, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Plans. The 401(k) Plans provide for additional matching contributions by the Company, based on specific terms contained in the 401(k) Plans. On July 8, 2008, the Company amended its 401(k) Plans described above by eliminating the immediate vesting and instituting a five year vesting schedule for all non-production employees and reducing the maximum Company match to an effective 2% from the former rate of 5%. The trustee of the 401(k) Plans, at the direction of each participant, invests the assets of the 401(k) Plans in participant designated investment options. The 401(k) Plans are intended to qualify under Section 401 of the Internal Revenue Code. The Company’s expenses related to the matching provisions of the 401(k) Plans totaled approximately $1.9 million and $1.2 million for the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively. One of the Company’s facilities participates in a multi-employer pension plan. The Company’s contributions to this plan, which are included in cost of goods sold in the statement of operations, were $81 thousand and $72 thousand for the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively. The Company also made contributions totaling $14 thousand and $28 thousand for the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively, to a multiemployer pension related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement. As these payments are made, they are recorded as a reduction of the pre-acquisition contingency.

Employees of Swift Australia do not participate in the Company’s 401(k) Plans. Under Australian law, Swift Australia contributes a percentage of employee compensation to a superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian “Superannuation Act of 1997”. As the funds are administered by a third party, once this contribution is made to the Superannuation fund, Swift Australia has no obligation for payments to participants or oversight of the fund. The Company’s expenses related to contributions to this fund totaled $3.1 million and $3.8 million for the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively.

Note 9. Deferred revenue

On October 22, 2008 we received a deposit in cash from a customer of $175 million for the customer to secure an exclusive right to collect a certain byproduct of the beef fabrication process in all of our US beef plants. This agreement was formalized in writing as the Raw Material Supply agreement on February 27, 2008. The customer advance payment was recorded as deferred revenue. As byproduct is delivered to the customer over the term of the agreement the deferred revenue is recognized as revenue in the statement of operations. To provide customers with security, in the unlikely event the Company was to default on our commitment, the payment is evidenced by a note which bears interest at 2 month LIBOR plus 200 basis points. In the event of default the note provides for a conversion into shares of common stock of JBS USA Holdings based on a formula stipulated in the note agreement. Assuming default had occurred on March 29, 2009 the conversion right under the promissory note would have equaled 11.34% of the outstanding common stock, equal to 11.34 shares. The note contains affirmative and negative covenants which require the Company to among other things: maintain defined market share; maintain certain tangible net worth levels; and comply in all material respects with the raw material supply agreement. The unamortized balance at March 29, 2009 was approximately $168.8 million.

Note 10. Related party transactions

JBS USA Holdings enters into transactions in the normal course of business with affiliates of JBS. Sales to affiliated companies included in net sales in the statement of operations for the thirteen weeks ended March 30, 2008 and March 29, 2009 were $5.4 million and $109.4 million, respectively. Amounts owed to JBS USA Holdings by affiliates as of March 30, 2008 and March 29, 2009 totaled approximately $5.8 million and $219.4 million, respectively. Purchases from affiliated companies included in the statement of operations for the thirteen weeks ended March 30, 2008 and March 29, 2009 were $0.4 million and $16.6 thousand, respectively. No amounts were due to affiliates by JBS USA Holdings at December 28, 2008 and March 29, 2009 related to these purchases.

The Company had a $0.6 million receivable from an unconsolidated affiliate at December 28, 2008 related to the funding of debt issuance costs on behalf of the affiliate, which was repaid in January 2009.

For the thirteen weeks ended March 30, 2008, the Company recorded $22 thousand of rental income related to real property leased to two of its executive officers. For the thirteen weeks ended March 29, 2009, the Company had no rental income related to real property leased to executive officers. At December 28, 2008 and at March 29, 2009, no balances were due to the Company related to these transactions.

The Company had a $25 thousand receivable from an executive officer at December 28, 2008, which was repaid on January 12, 2009.

The Company has a $50 thousand receivable from an executive officer at March 29, 2009 (see Note 16).

JBS USA Holdings received capital contributions from its parent of $450.0 million during the fifty-two weeks ended December 28, 2008, $50 million was used to fund operations and $400.0 million was used to repay debt. During the fifty-two weeks ended December 28, 2008, the Company entered into various intercompany loans with JBS. These were contributed to JBS USA and used to fund operations and complete the Tasman Acquisition and Smithfield Acquisition (see Notes 3, 4, and 7).

Guarantees—JBS SA has notes payable outstanding of approximately $300 million at March 29, 2009 that are due in 2016. 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.), 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 2016 Notes 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 for the 2016 Notes 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.

Cattle supply and feeding agreement—Five Rivers is party to a cattle supply and feeding agreement with an unconsolidated affiliate (“the Unconsolidated Affiliate”). Five Rivers feeds and takes care of cattle owned by the Unconsolidated Affiliate. The Unconsolidated Affiliate pays Five Rivers for the cost of feed and medicine at cost plus a yardage fee on a per head per day basis. Beginning on June 23, 2009 or such earlier date on which Five Rivers’ feed yards are at least 85% full of cattle and ending on October 23, 2011, the Unconsolidated Affiliate agrees to maintain sufficient cattle on Five Rivers’ feed yards so that such feed yards are at least 85% full of cattle at all times. The agreement commenced on October 23, 2008 and continues until the last of the cattle on Five Rivers’ feed yards as of October 23, 2011 are shipped to the Unconsolidated Affiliate, a packer or another third party.

Cattle purchase and sale agreement—On October 7, 2008 JBS USA, LLC became party to a cattle purchase and sale agreement with the Unconsolidated Affiliate. Under this agreement, the Unconsolidated Affiliate agrees to sell to JBS USA, LLC, and JBS USA, LLC agrees to purchase from the Unconsolidated Affiliate, at least 500,000 cattle during each year from 2009 through 2011. The price paid by JBS USA, LLC is determined pursuant to JBS USA, LLC’s pricing grid in effect on the date of delivery. The grid used for the Unconsolidated Affiliate is identical to the grid used for unrelated third parties. If the cattle sold by the Unconsolidated Affiliate in a quarter result in a breakeven loss (selling price below accumulated cost to acquire the feeder animal and fatten it to delivered weight) then JBS USA, LLC will reimburse 40% of the average per head breakeven loss incurred by the Unconsolidated Affiliate on up to 125,000 head delivered to JBS USA, LLC in that quarter. If the cattle sold by the Unconsolidated Affiliate in a quarter result in a breakeven gain (selling price above the accumulated cost to acquire the feeder animal and fatten it to delivered weight), then JBS USA, LLC will receive from the Unconsolidated Affiliate an amount of cash equal to 40% of that per head gain on up to 125,000 head delivered to JBS USA, LLC in that quarter. There were no payments under the loss/profit sharing provisions of this agreement for the thirteen weeks ended March 29, 2009.

Guarantee of unconsolidated affiliate’s revolving credit facility—The Unconsolidated Affiliate has a $600.0 million secured revolving credit facility with a commercial bank. Its parent company has entered into a keep-well agreement with its subsidiary (the Unconsolidated Affiliate) whereby it will make contributions to the Unconsolidated Affiliate if the Unconsolidated Affiliate is not in compliance with its financial covenants under this credit facility. If the Unconsolidated Affiliate defaults on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, Five Rivers is obligated for up to $250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. This credit facility and the guarantee thereof are secured solely by the assets of the Unconsolidated Affiliate and the net assets of Five Rivers. This credit facility matures on October 7, 2011. This credit facility is used to acquire cattle which are then fed in the Five Rivers feed yards pursuant to the cattle supply and feeding agreement described above. The finished cattle are sold to JBS USA, LLC under the cattle purchase and sale agreement discussed above.

Credit facility to the unconsolidated affiliate—Five Rivers is party to an agreement with the Unconsolidated Affiliate pursuant to which Five Rivers has agreed to loan up to $200.0 million in revolving loans to the Unconsolidated Affiliate. The loans are used by the Unconsolidated Affiliate to acquire feeder animals which are placed in Five Rivers feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% or base rate plus 1.0% and interest is payable at least quarterly. This credit facility matures October 7, 2011. During the thirteen weeks ended March 29, 2009, average borrowings were approximately $149.0 million and total interest accrued was approximately $1.6 million which was recognized as interest income on the statement of operations. As of March 29, 2009 the balance of the note was $171.4 million including accrued interest of $40 thousand.

Variable interest entities—As of March 29, 2009 the Company holds variable interests in the Unconsolidated Affiliate, which is considered a variable interest entity under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*. The Company has determined that it is not the primary beneficiary of the Unconsolidated Affiliate but has significant variable interests in the entity. The Company's significant variable interests are listed below and discussed further above:

- Five Rivers has agreed to provide up to $200 million in loans to the Unconsolidated Affiliate;
- Five Rivers' guarantee of up to $250 million of the Unconsolidated Affiliate's borrowings under its revolving credit facility plus certain other obligations and costs, which is secured by and limited to the net assets of Five Rivers; and
- JBS USA, LLC's rights and obligations under the cattle purchase and sale agreement.

The Company's maximum exposure to loss related to these variable interests is limited to the lesser of the net assets of Five Rivers (including loans made to the Unconsolidated Affiliate) or $250 million plus certain other obligations and costs. As of March 29, 2009, the carrying value of Five Rivers' net assets is $334.8 million. Potential losses under the terms of the cattle purchase and sale agreement depend on future market conditions.

Note 11. Income taxes

The pre-tax income (loss) on which the provision for income taxes was computed is as follows (in thousands):

	Thirteen weeks ended	
	March 30, 2008	**March 29, 2009**
Domestic	$(28,962)	$2,720
Foreign	16,433	441
Total	$(12,529)	$3,161

Income tax expense includes the following current and deferred provisions (in thousands):

	Thirteen weeks ended	
	March 30, 2008	**March 29, 2009**
Current provision:		
Federal	$ —	$211
State	183	93
Foreign	5,255	501
Total current tax expense	5,438	805
Deferred provision:		
Federal	161	104
State	14	—
Foreign	—	—
Total deferred tax expense	175	104
Total income tax expense	$5,613	$909

Temporary differences that gave rise to a significant portion of the deferred tax assets (liabilities) include federal and state net operating loss carryforwards, foreign capital loss carryforwards, foreign exchange gain and depreciable and amortizable assets.

The total amount of the deferred tax assets (liabilities) are as follows (in thousands):

	December 28, 2008	**March 29, 2009**
Total deferred tax liability	$(305,915)	$(306,505)
Total deferred tax asset	210,389	210,704
Valuation allowance	(42,826)	(42,826)
Net deferred tax assets	167,563	167,878
Net deferred tax liability	$(138,352)	$(138,627)

At December 28, 2008, JBS USA Holdings has recorded deferred tax assets of $141.0 million for loss carryforwards expiring in the years 2009 through 2029. In addition, JBS USA Holdings has $14.3 million of tax credits of which $10.3 million will expire in the years 2009 through 2028 and $4.0 million will carryforward indefinitely.

Section 382 of the Internal Revenue Code of 1986, as amended, imposes an annual limit on the ability of a corporation that undergoes an “ownership change” to use its net operating losses to reduce its tax liability. JBS USA Holdings experienced an ownership change in January of 2007 and July of 2007. JBS USA Holdings believes that its net operating losses exceed the Section 382 limitation in the amount of $14 million.

The valuation allowance as of December 28, 2008 and March 29, 2009 was primarily related to loss and credit carryforwards that, in the judgment of management, will not be realized. Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 28, 2008 and March 29, 2009 will be allocated to income tax expense, pursuant to FAS 141R.

JBS USA Holdings deems all of its foreign investments to be permanent in nature and does not provide for taxes on permanently reinvested earnings. It is not practicable to determine the amount of incremental taxes that might arise were these earnings to be remitted.

JBS USA Holdings follows the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”). JBS USA Holdings’ unrecognized tax benefits are $8.1 million, the recognition of which would not have a material impact on the effective rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at December 28, 2008	$8,100
Additions based on tax positions related to the current period	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	—
Settlements	(40)
Balance at March 29, 2009	$8,060

JBS USA Holdings recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision. As of December 28, 2008, accrued interest and penalties were $5 thousand. As of March 29, 2009, accrued interest and penalty amounts related to uncertain tax positions were reduced to zero as a result of a settlement. The unrecognized tax benefit and related penalty and interest balances at March 29, 2009 are not expected to change within the next twelve months.

JBS USA Holdings files income tax returns in the U.S. and in various states and foreign countries. JBS USA Holdings has been audited for US Federal income tax purposes through the May 2004 tax year. No other major jurisdictions where JBS USA Holdings operates have been under audit.

Note 12. Commitments and contingencies

Swift Beef is a defendant in a lawsuit entitled United States of America, ex rel, Ali Bahrani v. ConAgra, Inc., ConAgra Foods, Inc., ConAgra Hide Division, ConAgra Beef Company and Monfort, Inc., filed in the United States District Court for the District of Colorado in May 2000 by the relator on behalf of the United States of America and himself for alleged violations of the False Claims Act. Under the False Claims Act, a private litigant, termed the “relator,” may file a civil action on the United States government’s behalf against another party for violation of the statute, which, if proven, would entitle the relator to recover a portion of any amounts recovered by the government. The lawsuit alleges that the defendants violated the False Claims Act by forging and/or improperly altering USDA export certificates used from 1991 to 2002 to export beef, pork, poultry and bovine hides to foreign countries. The lawsuit seeks to recover three times the actual damages allegedly sustained by the government, plus per-violation civil penalties.

On December 30, 2004, the United States District Court granted the defendants’ motions for summary judgment on all claims. The United States Court of Appeals for the Tenth Circuit reversed the summary judgment on October 12, 2006 and remanded the case to the trial court for further proceedings consistent with the court’s opinion. Defendants filed a Motion for Rehearing En Banc on October 26, 2006. On May 10, 2007, the Tenth Circuit denied that motion.

Issues in the case were bifurcated and two separate jury trials were held, the first trial centering on beef certificates was held from April 28, 2008, to April 29, 2008 and the second trial centering on bovine hide certificates was held from March 9 to March 19, 2009. Following the April trial, a verdict with respect to the beef certificates was returned ruling in favor of the Company on all counts. Following the March trial, a verdict with respect to the bovine hide certificates was returned ruling in favor of Company on 99.5% of the claims. Specifically, Company prevailed with respect to approximately 995 bovine hide certificates and the relator prevailed with respect to only 5 certificates. Based on the False Claims Act, this verdict resulted in a judgment against Company of $28 thousand. The relator's right to appeal the March trial verdict lapses in the second fiscal quarter of 2009.

The Company is also a party to a number of other lawsuits and claims arising out of the operation of its businesses. Management believes the ultimate resolution of such matters should not have a material adverse effect on the Company's financial condition, results of operations, or liquidity. Attorney fees are expensed as incurred.

Commitments

JBS USA Holdings enters into purchase agreements for livestock which require the purchase of either minimum quantities or the total production of the facility over a specified period of time. At March 29, 2009, the Company had commitments to purchase 31.9 million hogs through 2014 and approximately 29% or approximately 2.2 million of our estimated cattle needs through short-term contracts. As the final price paid cannot be determined until after delivery, the Company has estimated market prices based on Chicago Mercantile Exchange traded futures contracts and applied those to either the minimum quantities required per the contract or management's estimates of livestock to be purchased under certain contracts to determine its estimated commitments for the purchase of livestock, which are as follows (in thousands):

Estimated livestock purchase commitments for fiscal years ended:	
2009 (remaining)	$3,178,822
2010	1,088,085
2011	808,777
2012	722,241
2013	489,297
Thereafter	98,176

Through use of these contracts, the Company purchased approximately 69% of its hog slaughter needs during the thirteen weeks ended March 29, 2009.

Note 13. Business segments

JBS USA Holdings is organized into two operating segments, which are also the Company's reportable segments: Beef and Pork. In the Beef segment, we conduct our domestic and international beef processing business, including the beef operations we acquired in the JBS Packerland Acquisition in 2008 and the beef, lamb, and sheep operations we acquired in the Tasman Acquisition in 2008. In the Pork segment, we conduct our domestic pork and lamb processing business. Segment operating performance is evaluated by the Chief Operating Decision Maker ("CODM"), as defined in SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*, based on Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"). EBITDA is not intended to represent cash from operations as defined by GAAP and should not be considered as an alternative to cash flow or operating income as measured by GAAP. JBS USA believes EBITDA provides useful information about operating performance, leverage, and liquidity. The accounting policies of the segments are consistent with those described in Note 4. All intersegment sales and transfers are eliminated in consolidation.

On November 5, 2008, the Company entered into a new asset based revolving credit facility (see Note 7). The definition of EBITDA contained in that agreement requires EBITDA to be calculated as net income adding back taxes, depreciation, amortization and interest and excluding certain non-cash items which affect net income. The Company has changed its definition of EBITDA to align with the definition contained in that agreement and as such the amounts below reflect the new definition.

Beef—The majority of Beef's revenues are generated from US and Australian sales of fresh meat, which include chuck cuts, rib cuts, loin cuts, round cuts, thin meats, ground beef, and other products. In addition, Beef also sells beef by-products to the variety meat, feed processing, fertilizer, automotive, and pet food industries. Furthermore, Australia's Foods Division produces value-added meat products including toppings for pizzas. On May 2, 2008, JBS Southern completed the Tasman Acquisition and now operates six processing facilities and one feedlot which are reported in the Beef segment (see Note 2). On October 23, 2008, the Company completed the Smithfield Acquisition adding four plants and eleven feedlots which are reported in the Beef segment (see Note 3).

Pork—A significant portion of Pork's revenues are generated from the sale of products predominantly to retailers of fresh pork including trimmed cuts such as loins, roasts, chops, butts, picnics, and ribs. Other pork products, including hams, bellies, and trimmings are sold predominantly to further processors who, in turn, manufacture bacon, sausage, and deli and luncheon meats. The remaining sales are derived from by-products and from further-processed, higher-margin products. The lamb slaughter facility is included in Pork and accounts for less than 1% of total net sales.

Corporate and other—Includes certain revenues, expenses, and assets not directly attributable to the primary segments, as well as eliminations resulting from the consolidation process.

	Thirteen weeks ended	
	March 30, 2008	**March 29, 2009**
	(in thousands)	**(in thousands)**
Net sales		
Beef	$1,935,142	$2,680,205
Pork	535,509	526,283
Corporate and other	(8,994)	(10,149)
Total	$2,461,657	$3,196,339
Depreciation and amortization		
Beef	$ 14,114	$ 26,568
Pork	5,025	6,784
Total	$ 19,139	$33,352
EBITDA		
Beef	$ (13,517)	$ 59,670
Pork	15,640	7,478
Corporate	—	(20,938)
Total	2,123	46,210
Depreciation and amortization	(19,139)	(33,352)
Interest expense, net	(8,108)	(14,592)
Foreign currency transaction gains	12,614	5,075
Loss on sales of property, plant and equipment	(19)	(180)
Income (loss) before income tax expense	(12,529)	3,161
Income tax expense	5,613	909
Net income (loss)	$(18,142)	$2,252
Capital expenditures		
Beef	$ 8,727	$ 26,897
Pork	2,949	8,292
Total	$ 11,676	$ 35,189

Sales by geographical area based on the location of the facility recognizing the sale (in thousands):

	Thirteen weeks ended	
	March 30, 2008	**March 29, 2009**
Net sales		
United States	$2,072,651	$2,817,070
Australia	389,006	379,269
Total	$2,461,657	$3,196,339

Sales to unaffiliated customers by location of customer (in thousands):

	Thirteen weeks ended	
	March 30, 2008	**March 29, 2009**
United States	$1,772,254	$2,533,813
Japan	145,485	155,387
Australia	104,041	106,748
Mexico	127,122	97,924
China	55,501	67,295
Other	257,254	235,172
Total	$2,461,657	$3,196,339

No single customer or supplier accounted for more than 10% of net sales or cost of goods sold, respectively, during the thirteen weeks ended March 29, 2009.

Corporate and other—Includes certain assets not directly attributable to the primary segments as well as the parent companies' investment in each operating subsidiary. Also includes eliminations resulting from the consolidation process.

Total assets by segments (in thousands):

	December 28, 2008	**March 29, 2009**
	(in thousands)	**(in thousands)**
Total assets		
Beef	$2,838,619	$2,760,533
Pork	519,995	524,553
Corporate and other	(43,043)	23,729
Total	$3,315,571	$3,308,815

Long-lived tangible assets by location of assets (in thousands):

	December 28, 2008	**March 29, 2009**
Long-lived assets:		
United States	$ 906,044	$1,108,901
Australia	360,400	364,687
Other	83	97
Total	$1,266,527	$1,473,685

Long-lived assets consist of (1) property, plant, and equipment, net of depreciation, and (2) other assets less debt issuance costs of $12.5 million and $11.5 million as of December 28, 2008 and March 29, 2009, respectively.

Note 14. Supplemental guarantor information

JBS USA Holdings' income and cash flow is generated by its subsidiaries. As a result, funds necessary to meet the Company's debt service obligations, including its obligations as Guarantor under the unsecured debt due 2014 of its subsidiary JBS USA, LLC (see Note 16) are provided in large part by distributions or advances from its subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as JBS USA Holding's financial condition and operating requirements and those of certain domestic subsidiaries, could limit the Company's ability to obtain cash for the purpose of meeting its debt service obligation including the payment of principal and interest on the unsecured debt offering due 2014.

The following condensed financial statements set forth JBS USA Holdings' balance sheets as of December 28, 2008 and March 29, 2009, statements of earnings for the thirteen weeks ended March 30, 2008 and March 29, 2009 and statements of cash flows for the thirteen weeks ended March 30, 2008 and March 29,2009. Effective with the date of the debt issuance, JBS USA, LLC's unsecured debt offering due 2014 has been guaranteed by JBS USA Holdings (the "Parent Guarantor"), JBS USA, LLC (the "Issuer") and each of JBS USA Holding's domestic subsidiaries (the "Subsidiary Guarantors"), excluding Five Rivers Cattle Feeding. The financial information is presented under the following column headings: Parent Guarantor, Issuer, Subsidiary Guarantors, and Subsidiary Non-Guarantors. "Subsidiary Non-

Guarantors" include the foreign subsidiaries of JBS USA Holdings, which include Swift Refrigerated Foods S.A. de C.V., Kabushiki Kaisha SAC Japan, Swift Australia Pty. Ltd, and the domestic subsidiary, Five Rivers Cattle Feeding. For purposes of this Guarantor/Non guarantor presentation, investments in JBS USA Holdings' subsidiaries are accounted for on the equity method. Accordingly, entries necessary to consolidate the Parent Guarantor, the Issuer, and all of its subsidiaries are reflected in the eliminations column. Separate complete financial statements of the Issuer and the Subsidiary Guarantors would not provide additional material information that would be useful in assessing the financial composition of the Issuer or the Subsidiary Guarantors.

All of the Subsidiary Guarantors are wholly-owned subsidiaries of JBS USA, LLC and their guarantees are full and unconditional, and joint and several. There are no provisions in the indentures governing the unsecured debt due 2014 or other existing agreements that would prevent holders of guaranteed obligations from taking immediate action against the Parent Guarantor or any Subsidiary Guarantor in the event of default. The ability of the Subsidiary Guarantors to pay dividends or make loans or other payments to JBS USA Holdings' depends on their earnings, capital requirements, and general financial condition. The Parent Guarantor is a holding company with no operations of its own, and its assets consist of financing costs associated with, and the member's interest of, JBS USA, LLC. Consequently, its ability to pay amounts under its guarantee depends on the earnings and cash flows of JBS USA, LLC and its subsidiaries and the ability of these entities to pay dividends or advance funds to the Parent Guarantor.

Condensed consolidating balance sheet

December 28, 2008

(in thousands)

	JBS USA Holdings parent guarantor	JBS USA, LLC issuer	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations/ adjustments	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 36	$ 32,096	$ 4,372	$ 218,281	$ —	$ 254,785
Accounts receivables, net	—	100,752	404,446	181,324	(97,537)	588,985
Net intercompany receivables	—	889,097	—	21,786	(910,883)	—
Inventories, net	—	—	440,696	208,304	—	649,000
Deferred income taxes, net	—	—	14,544	21	(9,160)	5,405
Other current assets	373	21,704	87,384	14,972	(38,912)	85,521
Total current assets	409	1,043,649	951,442	644,688	(1,056,492)	1,583,696
Property, plant and equipment, net	—	—	810,684	418,632	—	1,229,316
Notes receivable	—	—	1,541	89	—	1,630
Other assets	11,640	104,661	432,888	66,344	(114,604)	500,929
Net investment in and advances to subsidiaries	2,322,622	1,410,127	—	—	(3,732,749)	—
Total assets	$2,334,671	$2,558,437	$2,196,555	$1,129,753	$(4,903,845)	$3,315,571
Liabilities and stockholder's equity						
Current liabilities:						
Short-term debt	$ —	$ —	$ —	$ 67,012	$ —	$ 67,012
Current portion of long term debt	—	920	2,028	1,551	—	4,499
Current portion of deferred revenue	10,400	302	24,916	2,601	—	38,219
Net Intercompany payable	—	—	910,883	—	(910,883)	—
Accounts payable	96,291	—	112,354	81,397	(97,345)	192,697
Book overdraft	—	8,377	134,878	17,277	—	160,532
Accrued liabilities able	17,366	81,246	157,353	66,209	(39,105)	283,069
Deferred income taxes, net	1,182	7,977	—	8,587	(9,159)	8,587
Total current liabilities	125,239	98,822	1,342,412	244,634	(1,056,492)	754,615
Long-term debt, excluding current portion	658,588	123,968	21,960	2,292	—	806,808
Deferred revenue, excluding current portion	162,594	8	462	—	—	163,064
Deferred income taxes, net	—	—	263,890	1,384	(114,604)	150,670
Other noncurrent liabilities						
Commitments and contingencies	—	13,017	17,656	21,491	—	52,164
Total liabilities	946,421	235,815	1,646,380	269,801	(1,171,096)	1,927,321
Total stockholder's equity	1,388,250	2,322,622	550,175	859,952	(3,732,749)	1,388,250
Total liabilities and stockholder's equity	$2,334,671	$2,558,437	$2,196,555	$1,129,753	$(4,903,845)	$3,315,571

Condensed consolidating balance sheet
March 29, 2009
(in thousands)

	JBS USA Holdings parent guarantor	JBS USA, LLC issuer	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations/ adjustments	Total
Assets						
Current assets:						
Cash and cash equivalents......	$ 36	$ 95,697	$ 8,674	$ 52,330	$ —	$ 156,737
Accounts receivables, net........	—	142,905	348,037	164,387	(141,169)	514,160
Net intercompany receivables	—	874,470	—	28,262	(902,732)	—
Inventories, net	—	—	433,096	216,930	—	650,026
Deferred income taxes, net......	—	—	14,263	21	(9,159)	5,125
Other current assets	10,179	26,210	70,114	13,628	(47,701)	72,430
Total current assets	10,215	1,139,282	874,184	475,558	(1,100,761)	1,398,478
Property, plant and equipment, net	—	—	816,597	424,458	—	1,241,055
Notes receivable	—	895,000	1,415	171,356	(895,000)	172,771
Other assets................................	13,888	102,392	427,791	66,940	(114,500)	496,511
Net investment in and advances to subsidiaries.........................	2,350,412	538,417	—	—	(2,888,829)	—
Total assets	$2,374,515	$2,675,091	$ 2,119,987	$1,138,312	$(4,999,090)	$3,308,815
ilities and stockholder's equity						
Current liabilities:						
Short-term debt.......................	$ —	$ —	$ —	$ 71,428	$ —	$ 71,428
Current portion of long-term debt....................................	—	920	1,608	1,575	—	4,103
Current portion of deferred revenue..............................	10,400	238	10,876	2,198	—	23,712
Net intercompany payable	—	—	902,732	—	(902,732)	—
Accounts payable....................	123,070	—	69,221	83,394	(123,070)	152,615
Book overdraft.........................	—	6,983	103,694	10,255	—	120,932
Accrued liabilities	27,974	77,287	166,281	65,514	(65,800)	271,256
Deferred incomes taxes, net....	1,182	7,977	—	8,723	(9,159)	8,723
Total current liabilities..........	162,626	93,405	1,254,412	243,087	(1,100,761)	652,769
Long-term debt, excluding current portion	658,597	219,252	21,743	1,925	—	901,517
Notes payable	—	—	895,000	—	(895,000)	—
Deferred revenue, excluding current portion.........................	158,353	8	362	—	—	158,723
Deferred income taxes, net	—	—	263,890	1,384	(114,500)	150,774
Other noncurrent liabilities	—	12,014	16,337	21,742	—	50,093
Total liabilities	979,576	324,679	2,451,744	268,138	(2,110,261)	1,913,876
Total stockholder's equity....	1,394,939	2,350,412	(331,757)	870,174	(2,888,829)	1,394,939
Total liabilities and stockholder's equity.........	$2,374,515	$2,675,091	$2,119,987	$1,138,312	$(4,999,090)	$3,308,815

Statements of operations
Thirteen weeks ended March 30, 2008
(in thousands)

	JBS USA Holdings parent guarantor	JBS USA, LLC issuer	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations/ adjustments	Total
Net sales	$ —	$ —	$2,072,651	$389,006	$ —	$2,461,657
Cost of goods sold	—	—	2,071,626	379,787	—	2,451,413
Gross profit	—	—	1,025	9,219	—	10,244
Selling, general and administrative expenses	—	—	26,765	4,277	—	31,042
Foreign currency translation gains	—	—	(26)	(12,588)	—	(12,614)
Other income	—	—	(3,543)	(239)		(3,782)
Loss/(gain) on sales of property, plant and equipment	—	—	(151)	170		19
Interest expense, net	8,772	—	(305)	(359)	—	8,108
Income (loss) before income taxes	(8,772)	—	(21,715)	17,958	—	(12,529)
Income tax expense	—	—	1,827	3,786	—	5,613
Income (loss) before equity in earnings of consolidated subsidiaries	(8,772)	—	(23,542)	14,172	—	(18,142)
Equity in earnings of consolidated subsidiaries	(9,370)	(9,370)	—	—	18,740	—
Net income (loss)	$(18,142)	$(9,370)	$ (23,542)	$ 14,172	$18,740	$ (18,142)

Thirteen weeks ended March 29, 2009

(in thousands)

	JBS USA Holdings parent guarantor	JBS USA, LLC issuer	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations/ adjustments	Total
Net sales	$ —	$ —	$2,670,436	$525,903	$ —	$3,196,339
Cost of goods sold	—	—	2,611,139	512,219	—	3,123,358
Gross profit	—	—	59,297	13,684	—	72,981
Selling, general and administrative expenses	20,938	—	31,704	8,956	—	61,598
Foreign currency translation gains	—	—	(93)	(4,982)	—	(5,075)
Other income	—		(1,138)	(337)		(1,475)
Loss/(gain) on sales of property, plant and equipment	—		61	119		180
Interest expense, net	12,217	—	3,134	(759)	—	14,592
Income (loss) before income taxes	(33,155)	—	25,629	10,687	—	3,161
Income tax expense	(12,035)	—	9,791	3,153	—	909
Income (loss) before equity in earnings of consolidated subsidiaries	(21,120)	—	15,838	7,534	—	2,252
Equity in earnings of consolidated subsidiaries	23,372	23,372	—	—	(46,744)	—
Net income (loss)	$ 2,252	$23,372	$ 15,838	$ 7,534	$(46,744)	$ 2,252

Statement of cash flows

Thirteen weeks ended March 30, 2008

(in thousands)

	JBS USA Holdings parent guarantor	JBS USA, LLC issuer	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations/ adjustments	Total
Net cash flows provided by (used in) operating activities	$ (23,376)	$ (4,159)	$(124,219)	$ 22,843	$ —	$(128,911)
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(150)	(8,422)	(3,104)	—	(11,676)
Proceeds from sales of property, plant, and equipment	—	—	4	36	—	40
Investment activity with subsidiaries	(26,624)	—	—	—	26,624	—
Investment in bonds	—	(4,900)	—	—	—	(4,900)
Proceeds from sale of non-operating property	—	—	1,160	—	—	1,160
Net cash flows provided by (used in) investing activities	(26,624)	(5,050)	(7,258)	(3,068)	26,624	(15,376)
Cash flows from financing activities:						
Payments of short-term debt	(400,000)	—	—	(16,980)	—	(416,980)
Payments of long term debt and capital lease obligation	—	(118)	(250)	—	—	(368)
Change in overdraft balances	—	(6,224)	(4,293)	—	—	(10,517)
Capital contributions	450,000	50,000	—	—	(50,000)	450,000
Dividend payment to parent	—	(23,376)	—	—	23,376	—
Net investments and advances/(distributions)	—	(124,490)	134,543	(10,053)	—	—
Net cash flows provided by (used in) financing activities	50,000	(104,208)	130,000	(27,033)	(26,624)	22,135
Effect of exchange rates on cash	—	—	—	634	—	634
Net change in cash and cash equivalents	—	(113,417)	(1,477)	(6,624)	—	(121,518)
Cash and cash equivalents, beginning of period	37	184,012	2,047	12,787	—	198,883
Cash and cash equivalents, end of period	$ 37	$ 70,595	$ 570	$ 6,163	$ —	$ 77,365

Statement of cash flows
Thirteen weeks ended March 29, 2009
(in thousands)

	JBS USA Holdings parent guarantor	JBS USA, LLC issuer	Subsidiary guarantors	Subsidiary non-guarantors	Eliminations/ adjustments	Total
Net cash flows provided by operating activities	$ —	$(31,317)	$ 56,315	$ 26,005	$—	$ 51,003
Cash flows from investing activities:						
Purchase of property, plant and equipment	—	—	(26,712)	(8,477)	—	(35,189)
Proceeds from sales of property, plant and equipment	—	—	—	15	—	15
Issuance of notes receivable	—	—	—	(171,266)	—	(171,266)
Net cash flows provided by (used in) investing activities	—	—	(26,712)	(179,728)	—	(206,440)
Cash flows from financing activities:						
Net borrowings (payments) of revolving credit facility	—	95,514	—	1,292	—	96,806
Payments of short-term debt	—	—	(257)	(77)	—	(334)
Payments of long-term debt and capital lease obligations	—	(230)	(566)	(386)	—	(1,182)
Change in overdraft balances	—	(1,394)	(31,185)	(7,022)	—	(39,601)
Net investments and advances/ (distributions)	—	1,028	6,707	(7,735)	—	—
Net cash flows provided by (used in) financing activities	—	94,918	(25,301)	(13,928)	—	55,689
Effect of exchange rates on cash	—	—	—	1,700	—	1,700
Net change in cash and cash equivalents	—	63,601	4,302	(165,951)	—	(98,048)
Cash and cash equivalents, beginning of period	36	32,096	4,372	218,281	—	254,785
Cash and cash equivalents, end of period	$36	$ 95,697	$ 8,674	$ 52,330	$—	$ 156,737

Note 15. Terminated acquisition

On February 29, 2008, JBS USA Holdings entered into an agreement with National Beef to acquire all of the outstanding membership interests for a combination of approximately $465.0 million cash, $95.0 million in JBS common stock (the purchase price) and the assumption of debt.

On October 20, 2008, the United States Department of Justice (“DOJ”) filed an injunction to stop the Company’s planned acquisition of National Beef.

On February 18, 2009, an agreement was reached with the sellers of National Beef whereby JBS USA Holdings will terminate the acquisition process of National Beef effective February 23, 2009. All related litigation with the DOJ was terminated. As a result of the agreement JBS USA Holdings agreed to reimburse the seller’s shareholders a total $19.9 million as full and final settlement of any and all liabilities related to the potential acquisition. This payment including related legal costs is reflected in Corporate and other segment for the thirteen weeks ended March 29, 2009.

Note 16. Subsequent events

On April 27, 2009 the Credit Agreement was amended to allow the execution of the senior unsecured notes of JBS USA, LLC described below. Under the amendment, the existing limitation on distributions between JBS USA, LLC and JBS USA Holdings was amended to allow for the proceeds of the senior unsecured bond offering, less transaction expenses and $100.0 million retained by JBS USA, LLC to be remitted to JBS USA Holdings as a one time distribution. Also, the unused line fee was increased from 37.5 basis points to 50 basis points.

On April 27, 2009, JBS USA, LLC, a wholly owned subsidiary, issued $700 million of senior unsecured notes. Interest on these notes accrues at a rate of 11.625% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2009. The principal amount of these notes is payable in full on May 1, 2014. The proceeds net of expenses were $650.8 million and were used to repay $100.0 million on the Credit Agreement and the balance was used to repay intercompany debt and accrued interest owed to JBS S.A. These notes are guaranteed by JBS S.A., us, JBS Hungary Holdings Kft. (a wholly owned, indirect subsidiary of JBS S.A.), and each of our U.S. restricted subsidiaries that guarantee our senior secured revolving facility (subject to certain exceptions).

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

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

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

On April 27, 2009, JBS USA Holdings refinanced its five separate intercompany notes with JBS HU Liquidity Management LLC into one note with a stated interest rate of 12% and a 10 year maturity.

On April 28, 2009, the Company received $50 thousand; including principal plus interest from an executive officer (see Note 10).

Beginning in mid-April 2009 the world press began publicizing the occurrence of regionalized influenza outbreaks which were linked on a preliminary basis to a hybrid avian/swine/human virus. As a result commencing on April 14, 2009 several foreign countries including Russia, Thailand, Ukraine, Communist China, and the Philippines closed their borders to some or all pork produced in the affected states in the USA or other affected regions in the world. The company is not able to assess whether or when the influenza outbreak might lessen or whether or when additional countries might impose restrictions on the importation of pork products from the USA, nor whether or when the existing import bans might be lifted.

On April 24, 2009, the Company issued a forgivable promissory note in the amount of $235 thousand to an officer of the Company. The note bears interest at 5.25% and will be forgiven in four equal installments on the anniversary date of the loan as long as the executive continues to be an employee. If the employee is terminated for cause the entire note balance plus accrued interest will be due and payable on the termination date.

BDO Seidman, LLP
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Board of Directors
JBS USA Holdings, Inc.
Greeley, Colorado

We have audited the accompanying consolidated balance sheet of JBS USA Holdings, Inc. as of December 28, 2008 and the related consolidated statements of operations, stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JBS USA Holdings, Inc. at December 28, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Seidman, LLP

Dallas, Texas
July 21, 2009

JBS USA Holdings, Inc.
An indirect subsidiary of JBS S.A.
Consolidated balance sheet
December 28, 2008

(dollars in thousands, except per share data)

Assets	
Current assets:	
Cash and cash equivalents	$ 254,785
Accounts receivable, net of allowance for doubtful accounts of $4,142	588,985
Inventories, net	649,000
Deferred income taxes, net	5,405
Other current assets	85,521
Total current assets	1,583,696
Property, plant, and equipment, net	1,229,316
Goodwill	147,855
Other intangibles, net	304,967
Notes Receivable	1,630
Deferred income taxes, net	15,500
Other assets	32,607
Total assets	$3,315,571
Liabilities and stockholder's equity	
Current liabilities:	
Short-term debt	$ 67,012
Current portion of long-term debt	4,499
Current portion of deferred revenue	38,219
Accounts payable	192,697
Book overdraft	160,532
Deferred income taxes, net	8,587
Accrued liabilities	283,069
Total current liabilities	754,615
Long-term debt, excluding current portion	806,808
Deferred revenue	163,064
Deferred income taxes, net	150,670
Other non-current liabilities	52,164
Total liabilities	1,927,321
Commitments and contingencies	
Stockholder's equity:	
Common stock: par value $.01 per share, 500,000,000 authorized, 100 shares issued and outstanding	—
Additional paid-in capital	1,400,159
Retained earnings	49,512
Accumulated other comprehensive loss	(61,421)
Total stockholder's equity	1,388,250
Total liabilities and stockholder's equity	$3,315,571

The accompanying notes are an integral part of this consolidated financial statement.

JBS USA Holdings, Inc.
An indirect subsidiary of JBS S.A.

Consolidated statement of operations
For the fifty-two weeks ended December 28, 2008

(dollars in thousands, except per share data)

	The fifty-two weeks ended December 28, 2008
Gross sales	$12,424,274
Less deductions from sales	(61,993)
Net sales	12,362,281
Cost of goods sold	11,917,777
Gross profit	444,504
Selling, general, and administrative expenses	148,785
Foreign currency transaction losses	75,995
Other income, net	(10,107)
Loss on sales of property, plant, and equipment	1,082
Interest expense, net	36,358
Income before income tax expense	192,391
Income tax expense	31,287
Net income	$161,104
Income per common share:	
Basic	$1,611,040.00
Diluted	$1,611,040.00
Weighted average shares:	
Basic	100
Diluted	100

The accompanying notes are an integral part of this consolidated financial statement.

JBS USA Holdings, Inc.
An indirect subsidiary of JBS S.A.
Consolidated statement of cash flows for the fifty-two weeks ended December 28, 2008
(dollars in thousands)

Cash flows from operating activities:	
Net income	$ 161,104
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	75,756
Amortization of intangibles	16,618
Amortization of debt issuance costs	1,815
Loss on sale of property, plant, and equipment	1,082
Deferred income taxes	5,686
Foreign currency transaction gains	(13,065)
Change in assets and liabilities, net of impact of acquisitions:	
Restricted cash	31,479
Accounts receivable, net	(74,445)
Inventories	(84,489)
Other current assets	(30,088)
Accounts payable and accrued liabilities	15,928
Noncurrent assets	(1,513)
Noncurrent liabilities	1,279
Deferred revenue	175,000
Net cash flows provided by operating activities	282,147
Cash flows from investing activities:	
Purchases of property, plant, and equipment	(118,320)
Proceeds from sales of property, plant, and equipment	530
Investment in bonds	(1,000)
Proceeds from sale of nonoperating real property	2,537
Notes receivable and other	(89)
Acquisition of businesses, net of cash acquired	(667,397)
Net cash flows used in investing activities	(783,739)
Cash flows from financing activities:	
Net borrowings of revolver	127,926
Proceeds from debt issuance	750,000
Payments of short-term debt	(750,106)
Payments of long-term debt and capital lease obligations	(3,577)
Change in overdraft balances	10,251
Investment from parent	450,000
Debt issuance costs	(13,229)
Net cash flows provided by financing activities	571,265
Effect of exchange rate changes on cash	(13,771)
Net change in cash and cash equivalents	55,902
Cash and cash equivalents, beginning of period	198,883
Cash and cash equivalents, end of period	$ 254,785
Non-cash investing and financing activities:	
Construction in process under deemed capital lease	$ 9,166
Reduction of long-term debt	$ 90,910
Debt assumed from Tasman acquisition	$ 52,137
Supplemental information:	
Cash paid for interest	$ 34,895
Cash paid for income taxes	$ 11,735

The accompanying notes are an integral part of this consolidated financial statement

JBS USA Holdings, Inc.

An indirect subsidiary of JBS S.A.

Consolidated statement of stockholder's equity
For the fifty-two weeks ended December 28, 2008

(dollars in thousands)

	Common stock issued/ outstanding	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income/(loss)	Total stockholder's equity
Balance at December, 30, 2007	100	$—	$ 950,159	$(111,592)	$ 251	$ 838,818
Capital contributions	—	—	450,000	—	—	450,000
Comprehensive income (loss):						
Net income	—	—	—	161,104	—	161,104
Derivative financial instrument adjustment, net of tax of $39	—	—	—	—	55	55
Foreign currency translation adjustment	—	—	—	—	(61,727)	(61,727)
Total comprehensive income						99,432
Balance at December 28, 2008	100	$—	$1,400,159	$49,512	$(61,421)	$1,388,250

The accompanying notes are an integral part of this consolidated financial statement.

Note 1. Description of business

JBS USA Holdings, Inc. ("JBS USA Holdings" or the "Company"), formerly known as JBS USA, Inc. is a Delaware corporation. On December 29, 2008, JBS USA, was renamed JBS USA, LLC and converted from a C corporation to a limited liability company. The operations of the Company and its subsidiaries constitute the operations of JBS USA Holdings as reported under accounting principles generally accepted in the United States of America ("GAAP"). JBS USA Holdings, Inc. ("JBS USA Holdings") owns 100% of the issued and outstanding capital stock of JBS USA. JBS USA Holdings, Inc. is an indirect subsidiary of JBS S.A., a Brazilian company ("JBS").

JBS USA Holdings processes, prepares, packages, and delivers fresh, further processed and value-added beef, pork and lamb products for sale to customers in the United States and in international markets. JBS USA Holdings sells its meat products to customers in the foodservice, international, further processor, and retail distribution channels. The Company also produces and sells by-products that are derived from its meat processing operations, such as hides and variety meats, to customers in various industries.

JBS USA Holdings conducts its domestic beef and pork processing businesses through its wholly owned subsidiaries Swift Beef Company ("Swift Beef"), Swift Pork Company ("Swift Pork") and JBS Packerland ("JBS Packerland"), formerly known as Smithfield Beef Group and its Australian beef business through Swift Australia Pty. Ltd. ("Swift Australia"). We have two reportable segments comprised of Beef and Pork which, for the fifty-two weeks ended December 28, 2008, represented approximately 80.6% and 19.4% of net sales, respectively. The Company operates eight beef processing facilities, three pork processing facilities, one lamb slaughter facility, one value-added facility, and eleven feedlots in the United States and ten processing facilities and five feedlots in Australia. Three of the processing facilities in Australia process lamb, mutton and veal along with beef and a fourth processes only lamb, mutton and veal.

Note 2. Acquisition and refinancing of Swift Foods Company

On July 11, 2007, JBS acquired the Company (the "Acquisition"). Concurrent with the closing of the Acquisition, the entity formerly known as Swift Foods Company was renamed JBS USA, Inc. During the third quarter of the current fiscal year, this entity was renamed JBS USA Holdings, Inc. The aggregate purchase price for the Acquisition was $1,470.6 million (including approximately $48.5 million of transaction costs). The Company also refinanced its debt, the debt of its subsidiaries, and the outstanding debt assumed in the Acquisition which collectively were paid off using proceeds from $750 million of various debt instruments (see Note 8) and additional equity contributions from JBS. As a result of the Acquisition, the consolidated financial statements of JBS USA Holdings provided herein reflect the acquisition being accounted for as a purchase in accordance with Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations* ("SFAS No. 141") and push down accounting was applied in accordance with the guidance in Staff Accounting Bulletin ("SAB") No. 54 to the consolidated financial statements.

Note 3. Acquisition of Tasman Group

On March 4, 2008, JBS Southern Australia Pty. Ltd ("JBS Southern"), an indirect subsidiary of JBS USA Holdings entered into an agreement with Tasman Group Services, Pty. Ltd. ("Tasman Group") to purchase substantially all of the assets of Tasman Group in an all cash transaction ("Tasman Acquisition") and the purchase was completed on May 2, 2008. The assets acquired include six processing facilities and one feedlot located in Southern Australia. This acquisition provides additional capacity to continue to meet customer demand. The aggregate purchase price for the Tasman Acquisition was $117.3 million (including approximately $8.6 million of transaction costs), as shown below. JBS Southern also assumed approximately $52.1 million of outstanding debt (see Note 8). The consolidated financial statements of the Company provided herein reflect the Tasman Acquisition being accounted for as a purchase in accordance with SFAS No. 141. The results of the Tasman Group are included in the Company's statement of operations from the date of acquisition.

The purchase price allocation is preliminary pending completion of independent valuations of assets and liabilities acquired in the area of identified intangibles and certain liabilities including, but not limited to deferred taxes. As such, the allocation of 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 May 2, 2008 (in thousands).

Purchase price paid to previous shareholders	$108,786
Fees and direct expenses	8,555
Total purchase price	$117,341
Purchase price allocation:	
Current assets and liabilities	$(27,942)
Property, plant, and equipment	157,396
Deferred tax liability	(3,539)
Goodwill	—
Other noncurrent assets and liabilities, net	(8,574)
Total purchase price allocation	$117,341

Note 4. Acquisition of Smithfield Beef Group & Five Rivers Cattle Feeding

On March 4, 2008, JBS and Smithfield Foods, Inc ("Smithfield Foods") entered into a Stock Purchase Agreement ("Smithfield Agreement"). Pursuant to the Smithfield Agreement, JBS executed through the Company the acquisition of Smithfield Beef Group, Inc. ("Smithfield Beef") for $563.2 million in cash (including $26.1 million of transaction related costs) and contributed its ownership in Smithfield Beef to the Company (Smithfield Acquisition). The purchase included 100% of Five Rivers Ranch Cattle Feeding LLC ("Five Rivers"), which was held by Smithfield Beef in a 50/50 joint venture with Continental Grain Company ("CGC," formerly ContiGroup Companies, Inc.). On October 23, 2008, the acquisition of Smithfield Beef was completed. In conjunction with the closing of this purchase Smithfield Beef was renamed JBS Packerland and Five Rivers was renamed JBS Five Rivers Cattle Feeding LLC ("JBS Five Rivers"). The assets acquired include four processing plants and eleven feedlots. This acquisition provides additional capacity to continue to meet customer demand.

The purchase excluded substantially all live cattle inventories held by Smithfield Beef and Five Rivers as of the closing date, together with the associated debt. The excluded live cattle were raised by JBS Five Rivers after closing for a negotiated fee.

The consolidated financial statements of the Company reflect the acquisition being accounted for as a purchase in accordance with SFAS No. 141. The acquired goodwill is treated as non-deductible for tax purposes. The results of Smithfield Beef and JBS Five Rivers are included in the Company's statement of operations from the date of acquisition.

The purchase price allocation is preliminary pending completion of independent valuations of assets and liabilities acquired including, but not limited to deferred taxes. As such, the allocation of 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).

Purchase price paid to previous shareholders	$ 537,068
Fees and direct expenses	26,134
Total purchase price	$ 563,202
Purchase price allocation:	
Current assets and liabilities	$ 44,146
Property, plant, and equipment	423,955
Deferred tax liability	(142,997)
Goodwill	94,904
Intangible assets (see Note 5)	138,023
Other noncurrent assets and liabilities, net	5,171
Total purchase price allocation	$ 563,202

Had the Smithfield Acquisition occurred at the beginning of fiscal 2008, unaudited pro forma net sales, net income and net income per share would have been $15.4 billion, $222.3 million and $2,222,960.00 respectively.

Note 5. Basis of presentation and accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of estimates

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) using management's best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments. Significant estimates made by the Company include the allowance for doubtful accounts, reserves related to inventory obsolescence or valuation, insurance accruals, and income tax accruals.

Fiscal year

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Sunday in December. The consolidated financial statements have been prepared for the fifty-two weeks ended December 28, 2008.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying value of these assets approximates their fair market value. Financial instruments which potentially subject JBS USA Holdings to concentration of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of Federal Deposit Insurance Corporation insurance limits. JBS USA Holdings places its temporary cash investments with high quality financial institutions. The Company believes no significant credit risk exists with respect to these cash investments.

Accounts receivable and allowance for doubtful accounts

The Company has a diversified customer base which includes some customers who are located in foreign countries. The Company controls credit risk related to accounts receivable through credit worthiness reviews, credit limits, letters of credit, and monitoring procedures.

The Company evaluates the collectability of its accounts receivable based on a general analysis of past due receivables, and a specific analysis of certain customers which management believes will be unable to meet their financial obligations due to economic conditions, industry-specific conditions, historic or anticipated performance, and other relevant circumstances. The Company continuously performs credit evaluations and reviews of its customer base. The Company will provide an allowance for an account when collectability is not reasonably assured. The Company believes this process effectively mitigates its exposure to bad debt write-offs; however, if circumstances related to changes in the economy, industry, or customer conditions change, the Company may need to subsequently adjust the allowance for doubtful accounts.

The Company adheres to customary industry terms of net seven days. The Company considers all domestic accounts over 14 days as past due and all international accounts over 30 days past due. Activity in the allowance for doubtful accounts is as follows (in thousands):

Balance at December 30, 2007	$1,389
Fair value of allowance on acquired business	1,714
Bad debt expense	1,470
Write-offs, net of recoveries	(375)
Effect of exchange rates	(56)
Balance, end of period	$4,142

Inventories

Inventories consist primarily of product, livestock, and supplies. Product inventories are considered commodities and are primarily valued based on quoted commodity prices, which approximate net realizable value less cost to complete. Due to a lack of equivalent commodity market data Australian product inventories are valued based on the lower of cost or net realizable value less cost to sell. Livestock inventories are valued on the basis of the lower of first-in, first-out cost or market. Costs capitalized into livestock inventory include cost of feeder livestock, direct materials, supplies, and feed. Cattle and hogs are reclassified from livestock to work in progress at time of slaughter. Supply inventories are carried at historical cost. The components of inventories are as follows at December 28, 2008 (in thousands):

Livestock	$106,288
Product inventories:	
Raw material	16,599
Work in progress	53,115
Finished goods	386,399
Supplies	86,599
	$649,000

Other current assets

Other current assets include prepaid expenses which are amortized over the period the Company expects to receive the benefit.

Property, plant and equipment

Property, plant and equipment was recorded at fair value at the respective dates of the Acquisition, the Tasman Acquisition and the Smithfield Acquisition. Subsequent additions are recorded at cost. 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

The costs of developing internal-use software are capitalized and amortized when placed in service over the expected useful life of the software. Major renewals and improvements that extend the useful life of the asset are capitalized while maintenance and repairs are expensed as incurred. The Company has historically and currently accounts for planned major maintenance activities as they are incurred in accordance with the guidance in the Financial Accounting Standards Board, (“FASB”) Staff Position (“FSP”) AUG Air-1: *Accounting for Planned Major Maintenance Activities*. Upon the sale or retirement of assets, the cost and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gains or losses are reflected in earnings. Applicable interest charges incurred during the construction of assets are capitalized as one of the elements of cost and are amortized over the assets’ estimated useful lives. The Company capitalized $1.0 million of interest charges during the fifty-two weeks ended December 28, 2008. Assets held under capital lease are classified in property, plant, and equipment and amortized over the lease term. Capital lease amortization is included in depreciation expense. As of December 28, 2008, JBS USA Holdings had $28.5 million in commitments outstanding for capital projects including $14.5 million related to the Installment Bond Purchase Agreement, as discussed in Other Assets.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value, the Company compares the asset’s estimated future cash flows, discounted to present value using a risk-adjusted discount rate, to its current carrying value and records a provision for impairment as appropriate.

Property, plant, and equipment, net are comprised of the following (in thousands) at December 28, 2008:

Land	$ 143,253
Buildings, machinery, and equipment	1,022,324
Property and equipment under capital lease	17,339
Furniture, fixtures, office equipment, and other	38,867
Construction in progress	88,732
	1,310,515
Less accumulated depreciation and amortization	(81,199)
	$1,229,316

Accumulated depreciation includes accumulated amortization on capitalized leases of approximately $3.1 million as of December 28, 2008. For the fifty-two weeks ended December 28, 2008, the Company recognized $64.6 million and $27.8 million of depreciation and amortization expense in cost of goods sold and selling, general, and administrative expenses in the statement of operations, respectively.

JBS USA Holdings monitors certain asset retirement obligations in connection with its operations. These obligations relate to clean-up, removal or replacement activities and related costs for "in-place" exposures only when those exposures are moved or modified, such as during renovations of its facilities. These in-place exposures include asbestos, refrigerants, wastewater, oil, lubricants and other contaminants common in manufacturing environments. Under existing regulations, JBS USA Holdings is not required to remove these exposures and there are no plans or expectations of plans to undertake a renovation that would require removal of the asbestos, nor the remediation of the other in place exposures at this time. The facilities are expected to be maintained and repaired by activities that will not result in the removal or disruption of these in place exposures. As a result, there is an indeterminate settlement date for these asset retirement obligations because the range of time over which JBS USA Holdings may incur these liabilities is unknown and cannot be reasonably estimated. Therefore, JBS USA Holdings cannot reasonably estimate and has not recorded the fair value of the potential liability.

Other assets

Prior to the Acquisition, Swift Beef entered into an Installment Bond Purchase Agreement (the "Purchase Agreement") with the City of Cactus, Texas (the "City") effective as of May 15, 2007. Under the Purchase Agreement, Swift Beef agreed to purchase up to $26.5 million of the "City of Cactus, Texas Sewer System Revenue Improvement and Refunding Bonds, Taxable Series 2007" to be issued by the City (the "Bonds") . The Bonds are being issued by the City to finance improvements to its sewer system (the "System") which is utilized by Swift Beef's processing plant located in Cactus, Texas (the "Plant") as well as other industrial users and the citizens of the community of Cactus. Swift Beef will purchase the Bonds in installments upon receipt of Bond installment requests from the City as the System improvements are completed through an anticipated completion date of June 2010. The interest rate on the Bonds is the six-month LIBOR plus 350 basis points, or 6.04% at December 28, 2008. The Bonds mature on June 1, 2032 and are subject to annual mandatory sinking fund redemption beginning on June 1, 2011. The principal and interest on the Bonds will be paid by the City from the net revenues of the System. At December 28, 2008, Swift Beef held $12.0 million of the Bonds, which fall within Level 3 of the value hierarchy in accordance with SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157").

On May 21, 2007, in connection with the purchase of the Bonds, Swift Beef entered into a Water & Wastewater Services Agreement (the "Wastewater Agreement") with the City under which the City will provide water and wastewater services for the Plant at the rates set forth in the Wastewater Agreement. Swift Beef's payments for the City's treatment of wastewater from the Plant will include a capacity charge in the amount required to be paid by the City to pay the principal of, and interest on, the Bonds.

The Company has evaluated the impact of the FASB Emerging Issues Task Force ("EITF") No. 01-08, *Determining Whether an Arrangement Contains a Lease*, as well as EITF No. 97-10, *The Effect of Lessee Involvement in Asset Construction*, and has determined that it will be required to reflect the wastewater treatment facility as a capital asset (similar to a capital leased asset) as it will be the primary user of the wastewater facility based on projections of volume of throughput. As the City spends funds to construct the facility, the Company will record construction in process and the related construction financing. At December 28, 2008, $8.8 million had been recognized as construction in process and construction financing by the Company.

Debt issuance costs

Costs related to the issuance of debt are capitalized and amortized using the straight-line method to interest expense over the period the debt is outstanding. In conjunction with the Acquisition of JBS USA Holdings, $1.8 million of fees were capitalized and included in other assets. JBS USA Holdings wrote off $0.9 million of these costs during the fifty-two weeks ended December 28, 2008 as the amount under the related loan agreement was repaid in full (see Note 8).

On November 5, 2008, JBS USA Holdings entered into a $400.0 million revolving credit facility (see Note 8). The debt issuance cost associated with this facility is being amortized using the straight-line method over the life of the agreement.

Goodwill and other intangibles

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment at least on an annual basis or more frequently if impairment indicators arise, as required by SFAS No. 142, *Goodwill and Other Intangible Assets*. Identifiable intangible assets with definite lives are amortized over their estimated useful lives. Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a purchase business combination. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141, *Business Combination,* and after December 15, 2008 in accordance with SFAS No. 141R as discussed in *Recently Issued Accounting Pronouncements*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. The Company estimates the fair value of its reporting units using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Following is a rollforward of goodwill by segment for the fifty-two weeks ended December 28, 2008 (in thousands):

	December 30, 2007	Adjustments	Translation gain	December 28, 2008
Beef	$52,565	$ 83,826	$(2,566)	$133,825
Pork	43,780	(29,750)	—	14,030
Total	$96,345	$ 54,076	$(2,566)	$147,855

The adjustments to goodwill are primarily related to the goodwill generated from the Smithfield Acquisition of $94.9 million (see Note 4) coupled with the release of the valuation allowance on deferred tax assets from the Acquisition of $42.9 million (see Note 12).

Other identifiable amortizing intangible assets consist of the following at December 28, 2008 (in thousands):

	Initial gross carrying amount	Adjustments	Accumulated amortization	Net carrying amount
Amortizing:				
Customer relationships	$129,000	$ 69,000	$(18,104)	$179,896
Customer contracts	15,400	6,078	(2,004)	19,474
Patents	5,200	(2,300)	(282)	2,618
Rental contract	3,507	—	(573)	2,934
Deferred revenue	1,483	—	(459)	1,024
Mineral rights	742	—	(65)	677
Subtotal amortizing intangibles	155,332	72,778	(21,487)	206,623
Non-amortizing:				
Trademark	33,300	50,800	—	84,100
Water rights	2,100	12,144	—	14,244
Subtotal non-amortizing intangibles	35,400	62,944	—	98,344
Total intangibles	$190,732	$135,722	$(21,487)	$304,967

The adjustments to intangibles result primarily from the Smithfield Acquisition (see Note 4). The adjustment to patents of $2.3 million reflects the impairment of a patent that no longer has a useful life.

The customer relationship intangible and customer contract intangible resulting from the Acquisition are amortized on an accelerated basis over 12 and 7 years respectively. The customer relationship and customer contract intangibles resulting from the Smithfield Acquisition are 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. Patents consist of exclusive marketing rights and are being amortized over the life of the related agreements on a straight line basis, which range from 6 to 20 years. For the fifty-two weeks ended December 28, 2008, the Company recognized $16.6 million of amortization expense. Based on amortizing assets recognized as of December 28, 2008, amortization expense for each of the next five years is estimated as follows (in thousands):

Estimated amortization expense for fiscal years ending (in thousands):	
2009	$20,502
2010	19,879
2011	18,964
2012	17,400
2013	15,299

Overdraft balances

The majority of JBS USA Holdings bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are included in the trade accounts payable balance, and the change in the related balance is reflected in financing activities on the statement of cash flows.

Insurance

JBS USA Holdings is self-insured for employee medical and dental benefits and purchases insurance policies with deductibles for certain losses relating to worker's compensation and general liability. The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of certain claims. Self-insured losses are accrued based upon periodic assessments of estimated settlements for known and anticipated claims, any resulting adjustments to previously recorded reserves are reflected in current period earnings. JBS USA Holdings has recorded a prepaid asset with an offsetting liability to reflect the amounts estimated as due for insured claims incurred and accrued but not yet paid to the claimant by the third party insurance company in accordance with SFAS No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

Environmental expenditures and remediation liabilities

Environmental expenditures that relate to current or future operations and which improve operational capabilities are capitalized at time of incurrence. Expenditures that relate to an existing or prior condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remediation efforts are probable and the costs can be reasonably estimated.

Foreign currency

For foreign operations, the local currency is the functional currency. Translation into US dollars is performed for assets and liabilities at the exchange rates as of the balance sheet date. Income and expense accounts are translated at average exchange rates for the period. Adjustments resulting from the translation are reflected as a separate component of other comprehensive income (loss). Transaction gains and losses on US dollar denominated revolving intercompany borrowings between the Australian subsidiaries and the US parent are recorded in earnings. Translation gains and losses on US dollar denominated intercompany borrowings between the Australian subsidiaries and the US parent and which are deemed to be part of the investment in the subsidiary are recorded in other comprehensive income (loss). The balance of foreign currency translation adjustment in accumulated other comprehensive income at December 28, 2008 was a cumulative loss of $(61.1) million.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. JBS USA allocates current and deferred taxes as if it were a separate taxpayer. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Beginning with the adoption of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* ("FIN 48"), as of May 28, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. JBS USA Holdings recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision.

Fair value of financial instruments

The carrying amounts of JBS USA Holdings' cash and cash equivalents, short-term trade receivables, and payables, approximate their fair values due to the short-term nature of the instruments. Existing long-term debt was recorded at fair value as of the date of the Acquisition (see Note 2) and the Company believes this approximates its fair value at December 28, 2008. Long-term debt incurred since the Acquisition was recorded at fair value at the date of incurrence and is considered to be fair value at December 28, 2008 due to the proximity of the balance sheet date to the issuance of the debt and its variable interest rate (see Note 8).

Revenue recognition

The Company's revenue recognition policies are based on the guidance in Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition in Financial Statements*. Revenue on product sales is recognized when title and risk of loss are transferred to customers (upon delivery based on the terms of sale), when the price is fixed or determinable, and when collectability is reasonably assured, and pervasive evidence of an arrangement exists. The Company recognizes sales net of applicable provisions for discounts, returns and allowances, which are accrued as product is invoiced to customers who participate in such programs based on contract terms and historical and current purchasing patterns.

Advertising costs

Advertising costs are expensed as incurred. Advertising costs were $5.6 million for the fifty-two weeks ended December 28, 2008.

Research and development

The Company incurs costs related to developing new beef and pork products. These costs include developing improved packaging, manufacturing, flavor enhancing, and improving consumer friendliness of meat products. The costs of these research and development activities are less than 1% of total consolidated net sales for the fifty-two weeks ended December 28, 2008 and are expensed as incurred.

Shipping costs

Pass-through finished goods delivery costs reimbursed by customers are reported in net sales while an offsetting expense is included in cost of goods sold.

Comprehensive income

Comprehensive income consists of net income, foreign currency translation, and adjustments from derivative financial instruments.

Net income per share

We present dual computations of net income (loss) per share. The basic computation is based on weighted average common shares outstanding during the period. The diluted computation reflects the same calculation as the basic computation as the Company does not have potentially dilutive common stock equivalents.

Derivatives and hedging activities

JBS USA Holdings accounts for its derivatives and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Financial Instruments and Hedging Activities,* ("SFAS No. 133"), and its related amendment, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. The Company uses derivatives (e.g., futures and options) for the purpose of mitigating exposure to changes in commodity prices and foreign currency exchange rates. The fair value of each derivative is recognized in the balance sheet within current assets or current liabilities. Changes in the fair value of derivatives are recognized immediately in the statement of operations for derivatives that do not qualify for hedge accounting. For derivatives designated as a hedge and used to hedge an existing asset or liability, both the derivative and hedged item are recognized at fair value within the balance sheet with the changes in both of these fair values being recognized immediately in the statement of operations. For derivatives designated as a hedge and used to hedge an anticipated transaction, changes in the fair value of the derivatives are deferred in the balance sheet within accumulated other comprehensive income to the extent the hedge is effective in mitigating the exposure to the related anticipated transaction. Any ineffectiveness is recognized immediately in the statement of operations. Amounts deferred within accumulated other comprehensive income are recognized in the statement of operations upon the completion of the related underlying transaction.

Gains and losses from energy and livestock derivatives related to purchases are recognized in the statement of operations as a component of cost of goods sold upon change in fair value. While management believes these instruments help mitigate various market risks, they are not designated and accounted for as hedges under SFAS No. 133 as a result of the extensive recordkeeping requirements of this statement. Gains and losses from foreign currency derivatives and livestock derivatives related to future sales are recognized in the statement of operations as a component of net sales or as a component of other comprehensive income upon change in fair value.

Recently issued accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS No. 161"), which provides for enhanced disclosures about the use of derivatives and their impact on a Company's financial position and results of operations. This statement is effective for JBS USA Holdings for fiscal year 2009. The Company does not expect the adoption of SFAS No. 161 to have a material impact on its financial position, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS No. 141(R)"). SFAS No. 141(R) is intended to provide greater consistency in the accounting and reporting of business combinations. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction and any non-controlling interest in the acquiree at the acquisition date, measured at fair value at that date. This includes the measurement of the acquirer's shares issued as consideration in a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gains and loss contingencies, the recognition of capitalized in–process research and development, the accounting for acquisition related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance and deferred taxes. One significant change in this statement is the requirement to expense direct costs of the transaction, which under existing standards are included in the purchase price of the acquired company. This statement also established disclosure requirements to enable the evaluation of the nature and financial effect of the business combination. SFAS No. 141(R) is effective for business combinations consummated after December 31, 2008. Also effective, as a requirement of the statement, after December 31, 2008 any adjustments to uncertain tax positions from business combinations consummated prior to December 31, 2008 will no longer be recorded as an adjustment to goodwill, but will be reported in income. During the thirteen weeks ended December 28, 2008, the Company expensed $1.9 million of cost previously capitalized related to the pending acquisition of National Beef Packing Company ("National Beef") as the transaction did not close prior to December 15, 2008.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. The provisions of SFAS No. 157 define fair value, establish a framework for measuring fair value in generally accepted accounting principles and expand disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007, with the exception of nonfinancial assets and liabilities that are not currently recognized or disclosed at fair value in the financial statements on a recurring basis, for which SFAS No. 157 is effective for fiscal years beginning after November 15, 2008. Our adoption of SFAS 157 No. on January 1, 2008 did not have a significant effect on our consolidated financial position, results of operations, or cash flows.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ("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.

Note 6. Accrued liabilities

Accrued liabilities consist of the following at December 28, 2008 (in thousands):

Self insurance reserves .	$ 24,265
Salaries .	74,528
Taxes	15,825
Freight	38,645
Interest	19,672
Other .	110,134
Total .	$283,069

Other accrued liabilities consist of items that are individually less than 5% of total current liabilities.

Note 7. Derivative financial instruments

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

On December 31, 2007, the beginning of the current fiscal year, the Company adopted SFAS No. 157, which defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. The standard is applicable to the fair value measurement where it is permitted or required under other accounting pronouncements.

SFAS No. 157 defines fair value as the exit price, which is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. SFAS No. 157 establishes a three-tier fair value hierarchy that prioritizes inputs to valuation techniques used for fair value measurement.

- Level 1 consists of observable market data in an active market for identical assets or liabilities.
- Level 2 consists of market data, other than that included in Level 1, that is either directly or indirectly observable.
- Level 3 consists of unobservable market data. The input may reflect the assumptions of the Company, not a market participant, if there is little available market data and the Company's own assumptions are considered by management to be the best available information.

  In the case of multiple inputs being used in fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

The adoption of SFAS No. 157 has not resulted in any significant changes to the methodologies used for fair value measurement. The Company uses derivatives for the purpose of mitigating exposure to market risk, such as changes in commodity prices and foreign currency exchange rates. The Company uses exchange-traded futures and options to hedge livestock commodities. The Company uses foreign currency positions, which are actively quoted by an independent financial institution, to mitigate the risk of foreign currency fluctuations in the markets in which it conducts business.

The fair value of derivative assets is recognized within other current assets while the fair value of derivative liabilities is recognized within accrued liabilities. At December 28, 2008, the fair value of derivatives recognized within other current assets was $54.1 million. The fair value of derivatives recognized within accrued liabilities was $17.0 million. The fair value measurements that are performed on a recurring basis fall within the level 1 of the fair value hierarchy. The amounts are as follows:

	Level 1
	December 28, 2008
Assets:	
Commodity derivatives	$42,087
Foreign currency rate derivatives	12,002
Total fair value	$54,089
Liabilities:	
Commodity derivatives	$16,392
Foreign currency rate derivatives	592
Total fair value	$16,984

As of December 28, 2008, the net deferred amount of derivative loss recognized in accumulated other comprehensive income was $0.3 million, net of tax. The Company anticipates these amounts will be transferred out of accumulated other comprehensive income and recognized within earnings over the next 12 months.