Offering Circular

JBS S.A.

(incorporated in the Federative Republic of Brazil)

US$300,000,000 10.50% NOTES DUE 2016

Interest payable on August 4 and February 4
Issue Price: 100.0%

JBS S.A., or the Issuer, is offering US$300,000,000 aggregate principal amount of its notes due 2016 bearing interest of 10.50% per annum. The notes will mature on August 4, 2016. Interest will be payable in arrears on August 4 and February 4 of each year, commencing on February 4, 2007. The notes will be unsecured and will rank equally with all other unsecured unsubordinated indebtedness of the Issuer.

The Issuer may redeem the notes before their stated maturity, at its option, upon the occurrence of certain specified tax events in the Federative Republic of Brazil, or Brazil. For a more detailed description of the notes, see "Description of the Notes."

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange. See "Listing and General Information." Notes that are sold to qualified institutional buyers will be eligible for trading in The PORTAL Market.

Investing in the notes involves risks. See "Risk Factors" starting on page 13 for a discussion of certain information that you should consider before investing in the notes.

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or any state securities laws, and are being offered (1) inside the United States to qualified institutional buyers in accordance with Rule 144A under the Securities Act, or Rule 144A, and (2) in "offshore transactions" within the meaning of Regulation S under the Securities Act, or Regulation S. For more information about restrictions on transfer of the notes, see "Transfer Restrictions."

Delivery of the notes in book-entry form through The Depository Trust Company, or DTC, and its direct and indirect participants, including Clearstream Banking, S.A. Luxembourg, or Clearstream, and Euroclear Bank S.A./N.V., or Euroclear, as operator of the Euroclear System, will be made on or about August 4, 2006.

Joint Book-Runners and Joint Lead Managers

ING Wholesale Banking **JPMorgan**

July 28, 2006

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The Issuer, having made all reasonable inquiries, confirms that the information contained in this offering circular with regard to it is true and accurate in all material respects, that the opinions and intentions it expresses in this offering circular are honestly held, and that there are no other facts the omission of which would make this offering circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer accepts responsibility accordingly.

The information set forth in this offering circular is provided by the Issuer and not by ING Bank N.V., London Branch, or J.P. Morgan Securities Inc., or collectively, the lead managers, and neither of the lead managers is making any representation or warranty, express or implied, as to the accuracy or completeness of such information, nor accepts any liability whatsoever for the form and content of the offering circular, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by either lead manager, whether as to the past or the future. Neither of the lead managers has independently verified any of such information or assumes any responsibility for the accuracy or completeness of the information contained in this offering circular.

This offering circular may only be used for the purposes for which it has been prepared.

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any note offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Issuer or any of its respective subsidiaries or that the information set forth in this offering circular is correct at any date subsequent to the date of this offering circular.

This offering circular has been prepared by the Issuer solely for use in connection with the proposed offering of the notes. The Issuer, as well as the lead managers, reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering circular. No person is authorized to give any information or to make any representation not contained in this offering circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Issuer or the lead managers. By accepting delivery of this offering circular, prospective investors agree to the foregoing and to make no photocopies of this offering circular.The distribution of this offering circular and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Issuer and the lead managers to inform themselves about and to observe any such restrictions. See "Transfer Restrictions" for information concerning certain transfer restrictions applicable to the notes.

Prospective investors acknowledge that:

- they have been afforded an opportunity to request from the Issuer, and to review, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained in this offering circular;

- they have not relied on the lead managers or any person affiliated with the lead managers in connection with their investigation of the accuracy of such information or their investment decision; and

- no person has been authorized to give any information or to make any representation concerning the Issuer or the notes other than those as set forth in this offering circular. If given or made, any such other information or representation should not be relied upon as having been authorized by them or the lead managers.

In connection with the issuance of the notes, J.P. Morgan Securities Inc., or the stabilizing manager, or persons acting on behalf of the stabilizing manager, may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilizing manager (or persons acting on behalf of the stabilizing manager) will undertake any stabilization action. Such stabilization, if commenced, may be discontinued at any time and will end after a limited period.

In making an investment decision, prospective investors must rely on their own examination of the business of the Issuer and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering circular. Any representation to the contrary is a criminal offense.

The offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this offering circular under the caption "Transfer Restrictions." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

IN ADDITION, THE ISSUER HAS NOT AUTHORIZED ANY OFFER OF NOTES TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995, AS AMENDED, OR THE REGULATIONS. ACCORDINGLY, THE NOTES MAY NOT LAWFULLY BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM, EXCEPT TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESSES OR OTHERWISE IN CIRCUMSTANCES THAT DO NOT AND WILL NOT RESULT IN AN

OFFER TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE REGULATIONS OR THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR THE FSMA.

FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE "TRANSFER RESTRICTIONS." THIS OFFERING CIRCULAR HAS ALSO BEEN PREPARED IN THE CONTEXT OF AN APPLICATION FOR ADMISSION TO TRADING ON THE ALTERNATIVE MARKET (EURO MTF) OF THE LUXEMBOURG STOCK EXCHANGE.

See "Risk Factors" for a description of certain factors relating to an investment in the notes, including information about the Issuer's business. None of the Issuer, the lead managers or any of their representatives is making any representation to any prospective investor regarding the legality of an investment in the notes under applicable legal investment or similar laws. Prospective investors should consult with their own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, THE ISSUER HEREBY INFORMS YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. THIS DESCRIPTION IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF THE NOTES, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The notes will be available initially only in book-entry form. The Issuer expects that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, the DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. The Issuer expects the Regulation S global notes, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through Clearstream and Euroclear, as operator of the Euroclear System, or other participants. After the initial issuance of the global note, certificated notes may be issued in registered form under certain limited circumstances. See "Form of Notes—Issuance of Certificated Notes."

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering circular, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

MARKET DATA

The Issuer has obtained the market and competitive position data, including market forecasts, used throughout this offering circular from internal surveys, market research, publicly available information and industry publications. The Issuer includes data from reports prepared by itself; Datamark Ltda., or Datamark, a Brazilian consulting firm that specializes in consumer products; the United States Department of Agriculture, or the USDA; the Brazilian Ministry of Agriculture (*Ministério da Agricultura*); the Brazilian Association of Processed Meat Exporting Companies (*Associação Brasileira das Indústrias Exportadores de Carnes Industrializados*), or ABIEC; the Rabobank Group (the Rabobank Group consists of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA in Amsterdam, its affiliated Rabobanks, Interpolis NV in Tilburg, Robeco Group NV in Rotterdam, De Lage Landen International BV in Eindhoven, Schretlen & Co NV in Amsterdam, Effectenbank Stroeve NV in Amsterdam, FGH Bank NV in Utrecht, Rabohypotheekbank NV in Amsterdam, Onderlinge Waarborgmaatschappij Rabobanken BA in Amsterdam and their group companies), or Rabobank; Fortune Magazine, or Fortune; the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE; and the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES. Industry publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Issuer nor the lead managers make any representation as to the accuracy of such information.

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer has been advised by its Brazilian legal counsel, Pinheiro Neto Advogados, that a final conclusive judgment for the payment of money rendered by any New York state or federal court sitting in New York City in respect of the notes would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction), and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been previously ratified by the Superior Court of Justice of Brazil (*Superior Tribunal de Justiça*), such ratification being available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;
- the judgment contemplates an order to pay a determined sum of money;
- the judgment is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment is authenticated by the Brazilian consulate in the State of New York;
- the judgment is translated into Portuguese by a certified translator; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes.

The Issuer has also been advised that:

- civil actions may be brought before Brazilian courts in connection with this offering circular based solely on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against the Issuer (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action); and
- the ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law. In addition, a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil must grant a pledge to guarantee the payment of the defendant's legal fees and court expenses, except in case of collection claims based on an instrument (which do not include the notes issued hereunder) that may be enforced in Brazilian courts without the review of its merit (*titulo executivo extrajudicial*) or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering circular contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 with respect to the Issuer. Many of the forward-looking statements contained in this offering circular can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others. These statements appear in a number of places in this offering circular and include, but are not limited to, statements regarding the intent, belief or current expectations of the Issuer with respect to:

- its strategic direction and future operation;
- the implementation of its principal operating strategy;
- its acquisitions, joint ventures, strategic alliances or divestiture plans;
- the implementation of its financing strategy and capital expenditure plan;
- the competitive nature of the industry in which it is operating;
- the cost and availability of financing;
- the performance of the Brazilian and Argentine economies generally;
- the exchange rates between Brazilian and foreign currencies and Argentine and foreign currencies;
- developments in, or changes to, the laws, regulations and governmental policies governing the Issuer's business and products, including environmental and sanitary liabilities;
- the declaration or payment of dividends;
- the factors discussed under "Risk Factors" in this offering circular;
- other factors or trends affecting the Issuer's financial conditions or results of operations; and
- other statements contained in this offering circular regarding matters that are not historical facts.

Forward-looking statements are only the Issuer's current expectations and are based on its management's beliefs and assumptions and on information currently available to management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those identified under "Risk Factors" in this offering circular. These risks and uncertainties include factors relating to the Brazilian and Argentine economies, securities and foreign exchange markets, which exhibit volatility and can be adversely affected by developments in other countries, factors relating to the Brazilian, Argentine and international beef industry, the Brazilian hygiene and cleaning products industry, and changes in their regulatory environment and factors relating to the highly competitive markets in which the Issuer operates. Forward-looking statements speak only as of the date they are made, and the Issuer does not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

The independent auditors of the Issuer have not examined or compiled the forward-looking statements, and, accordingly, do not provide any assurance with respect to such statements. Prospective investors should consider these cautionary statements together with any written or oral forward-looking statements that the Issuer may issue in the future.

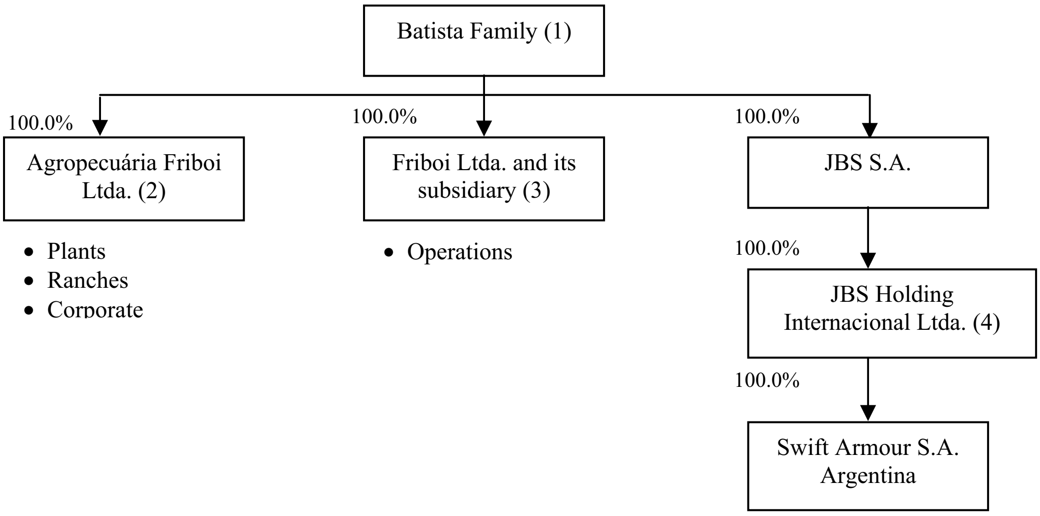
PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this offering circular to the "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil. All references to "U.S. dollars," "dollars" or "US$" are to U.S. dollars. All references to "Argentine *pesos,*" "*pesos*" or "P$" are to the Argentine *peso*, the official currency of Argentina.

On July 27, 2006, the exchange rate for *reais* into U.S. dollars was R$2.190 to US$1.00 based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The selling rate was R$2.172 per US$1.00 at March 31, 2006, R$2.340 to US$1.00 at December 31, 2005, R$2.666 to US$1.00 at March 31, 2005, R$2.654 to US$1.00 at December 31, 2004, and R$2.889 to US$1.00 at December 31, 2003. As a result of fluctuations in the *real*/U.S. dollar exchange rate, the selling rate at July 27, 2006 may not be indicative of current or future exchange rates. In addition, solely for the convenience of the reader, the Issuer has translated some amounts included in (1) "Summary," "Capitalization," "Selected Financial Information" and "Business" from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at March 31, 2006 of R$2.172 to US$1.00, and (2) "Summary," "Business" and "Principal Subsidiary" from Argentine pesos into U.S. dollars using the commercial selling rate as reported by Banco de la Nación Argentina at March 31, 2006 of P$3.082 to US$1.00. As a result, prospective investors should not read these selling rate conversions as representations that any amounts have been or could be converted into U.S. dollars or *reais* at those or any other exchange rates. See "Exchange Rates" for information regarding exchange rates for the *real* since January 1, 2001.

The Issuer's results of operations and assets and liabilities reflect the results of operations, assets and liabilities of four related companies: (1) Friboi Ltda., or Friboi; (2) the Issuer; (3) Swift Armour S.A. Argentina, or Swift; and (4) Agropecuária Friboi Ltda., or Agropecuária Friboi. In August 2005, the Issuer, at the time a non-operating holding company, acquired 100.0% of the share capital of Swift, the largest beef producer in Argentina, indirectly through another holding company, JBS Holding Internacional Ltda.

The following chart shows the corporate structure of these companies at September 1, 2005 after giving effect to the acquisition of Swift (percentage numbers reflect the percentage ownership of total share capital):



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(1) The Batista Family includes Mr. José Batista Sobrinho, together with his wife, sons and daughters. Collectively, the Batista Family owns, directly and indirectly, all of the assets of the Issuer and of a group of related companies that the Issuer refers to collectively as Grupo JBS. As Brazilian law requires at least two owners of a company, members of the Batista Family frequently also own a small portion of most of the companies in Grupo JBS.

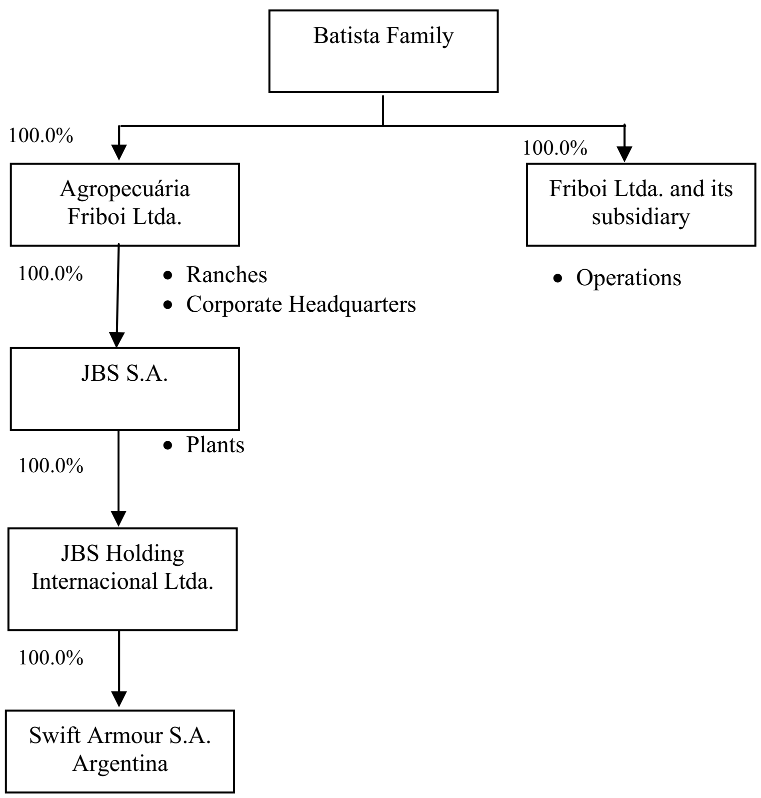
(2) On September 1, 2005, Agropecuária Friboi owned all of the slaughterhouses, beef and vegetable processing plants, canning plants, distribution warehouses, hygiene and cleaning products manufacturing facilities and cattle ranches, as well as the corporate headquarters of Grupo JBS in Brazil. Historically and through September 1, 2005, Agropecuária Friboi leased its operating assets and corporate headquarters to Friboi, as well as sold cattle from time to time to Friboi.

(3) Historically and through September 1, 2005, Friboi was the operating company of Grupo JBS. On September 1, 2005, Friboi's only subsidiary was BF Produtos Alimentícios S.A., or BF Alimentícios, a Brazilian producer of processed beef and other products that was formed in 2000 as a joint venture of Friboi and Bertin Ltda., or Bertin. In August 2004, BF Alimentícios transferred substantially all of its operating assets to Friboi, and Friboi acquired the remaining 49.0% of the total share capital of BF Alimentícios from Bertin in January 2005.

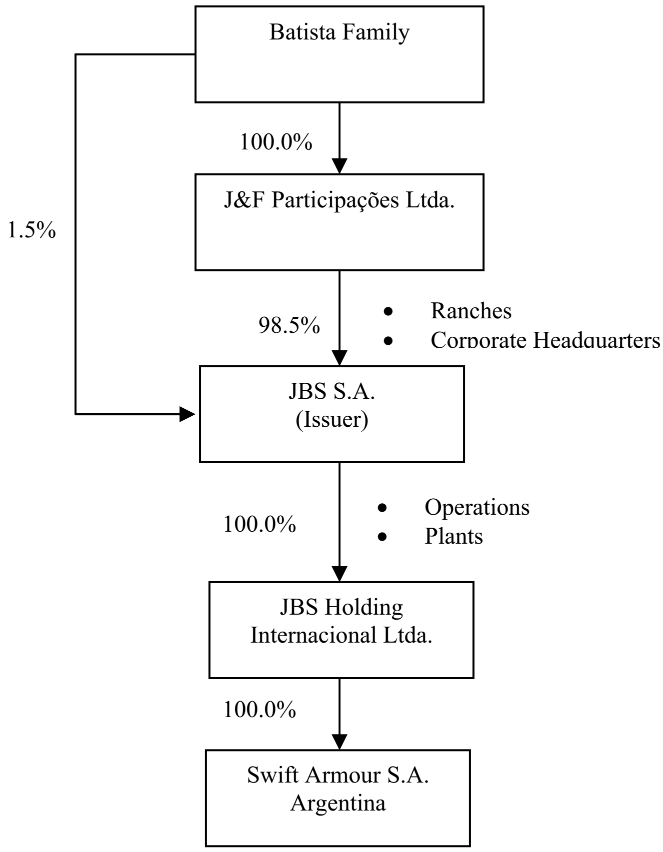
(4) JBS Holding Internacional Ltda., a limited liability company organized under the laws of Brazil, holds a 100.0% equity interest in Swift.

On December 1, 2005, Agropecuária Friboi transferred substantially all of its operating assets (other than its ranches and the corporate headquarters of Grupo JBS) to JBS S.A. in an aggregate amount of R$547.8 million in exchange for 99.9% of JBS S.A.'s total share capital. As a result of this capital contribution, Agropecuária Friboi became the controlling shareholder of JBS S.A.

The following chart shows the corporate structure of these companies after giving effect to this capital contribution.



On March 1, 2006, Agropecuária Friboi and the Batista Family contributed 99.9% of the total share capital of JBS S.A., with an aggregate value of R$508.1 million, to the share capital of Friboi, which prior to this capital contribution had total outstanding share capital in an aggregate amount of R$414.3 million, all of which was owned by the Batista Family. As a result of this capital contribution, JBS S.A. became a subsidiary of Friboi, and Friboi became a subsidiary of Agropecuária Friboi. Simultaneously with this capital contribution, Friboi merged JBS S.A. with and into itself. On March 2, 2006, Friboi converted from a limited liability company to a corporation (*sociedade anônima*) and changed its name to JBS S.A., the Issuer of the notes hereunder. On March 31, 2006, Agropecuária Friboi merged J&F Participações Ltda., then the holding company for Grupo JBS, with and into itself and changed its name to J&F Participações Ltda. The following chart shows the corporate structure of Grupo JBS after giving effect to these transactions, which corporate structure remains in effect as of the date hereof (percentage numbers reflect the percentage ownership of total share capital):



See "History and Corporate Reorganization" for more information regarding these transactions.

Financial Statements

Consolidated Financial Information and Combined JBS Financial Information and Financial Statements

In light of the corporate reorganization described above and in order to facilitate an analysis of the financial statements and financial information of the Issuer, the Issuer's management has prepared (1) consolidated financial information of the Issuer at and for the three months ended March 31, 2006 and (2) combined financial information and financial statements reflecting the results of operations, financial condition and other financial data of Friboi and Agropecuária Friboi, at and for (x) the three months ended March 31, 2005 and (y) each of the years ended December 31, 2005, 2004 and 2003, respectively. The management of the Issuer refers to this combined financial information referenced in (2) above as Combined JBS. Unless otherwise specified to the contrary, all financial information and data included in this offering circular at and for the three months ended March 31, 2005 and at and for each of the years ended December 31, 2005, 2004 and 2003 have been prepared based on a Combined JBS basis.

As the Issuer's results of operations for the three-months ended March 31, 2005 did not include the results of operations of Swift, which was acquired by JBS S.A. in August 2005, the Issuer's results of operations at and for each of the three months ended March 31, 2006 and 2005 are not fully comparable. In addition, as the Combined JBS financial statements at and for the year ended December 31, 2005 include results of Swift for the four months ended December 31, 2005, the Combined JBS results of operations in 2005 are not fully comparable with the Combined JBS results of operations in 2004. See note 4 to the Issuer's unaudited consolidated interim financial information and to the Combined JBS financial information and financial statements included elsewhere herein.

The Issuer maintains its books and records, and Friboi and Agropecuária Friboi maintained their books and records, in *reais*, and accordingly, the Issuer's financial information and the Combined JBS financial statements and financial information are presented in *reais*. The Combined JBS financial statements at and for each of the years ended December 31, 2005 and December 31, 2004 have been audited by Terco Grant Thornton Auditores Independentes Sociedade Simples, or Terco Grant Thornton, as stated in their report included elsewhere in this offering circular. The Combined JBS financial statements at and for the year ended December 31, 2003 have been audited by Trevisan Auditores Independentes, or Trevisan, as stated in their report appearing herein, and are included elsewhere in this offering circular. The Issuer's unaudited consolidated interim financial information at and for the three months ended March 31, 2006 and the unaudited Combined JBS interim financial information at and for the three months ended March 31, 2005 have been subject to a limited review by Terco Grant Thornton, as stated in their report on limited review included elsewhere in this offering circular.

The Issuer's unaudited consolidated interim financial information and the Combined JBS unaudited interim financial information and financial statements are prepared in accordance with accounting principles adopted in Brazil, or Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97 and Brazilian Law No. 10,303/01, which the Issuer refers to collectively as Brazilian Corporation Law;
- the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM; and
- the accounting standards issued by the Brazilian Institute of Independent Auditors (*Instituto dos Auditores Independentes do Brasil*), or IBRACON.

Brazilian GAAP varies in certain significant respects from accounting principles generally accepted in the United States, or U.S. GAAP. For a discussion of certain differences as they relate to the consolidated financial information of the Issuer, and the Combined JBS financial statements and financial information, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP."

Rounding

The Issuer has made rounding adjustments to reach some of the figures included in this offering circular. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

EXCHANGE RATES

Brazil

Prior to March 14, 2005, there were two legal foreign exchange markets in Brazil: (1) the commercial rate exchange market; and (2) the floating rate exchange market.

Most trade and financial foreign exchange transactions were carried out on the commercial rate exchange market. The floating rate exchange market generally applied to transactions to which the commercial market rate did not apply. Prior to February 1999, the exchange rate in each market was established independently, resulting in different rates during some periods. Since February 1, 1999, the Central Bank had placed the commercial rate exchange market and the floating rate exchange market under identical operational limits, and financial institutions operating in the commercial market were authorized to unify their positions in the two different markets, which led to a convergence in the pricing and liquidity of both markets and a reduction in the difference between their respective rates.

In March 2005, the National Monetary Council (*Conselho Monetário Nacional*), enacted Resolution No. 3,265, as well as additional regulations, that consolidated the two foreign exchange markets into a single foreign exchange market in order to make foreign exchange transactions simpler and more efficient. As a result, all foreign exchange transactions in Brazil are carried out in this single foreign exchange market through authorized financial institutions. The Issuer cannot predict the impact of the enactment of any new regulations on the foreign exchange market.

Foreign exchange rates continue to be freely negotiated, but may be influenced from time to time by Central Bank intervention. From March 1995 through January 1999, the Central Bank allowed the gradual devaluation of the *real* against the U.S. dollar. In January 1999, the Central Bank allowed the *real*/U.S. dollar exchange rate to float freely. Since then, the *real*/U.S. dollar exchange rate has been established mainly by the Brazilian interbank market and has fluctuated considerably. The Central Bank has intervened occasionally to control unstable movements in the foreign exchange rate. However, the exchange market may continue to be volatile, and the *real* may depreciate or appreciate substantially in value in relation to the U.S. dollar in the future. See “Risk Factors—Certain Factors Relating to Brazil” for further discussion of this matter.

In July 2006, the Central Bank announced that Brazilian foreign exchange regulations will be amended in order to allow Brazilian exporters of goods and services to keep a certain percentage of the proceeds received as payment for their exports outside of Brazil. The current regulations set forth that Brazilian exporters are obliged to remit to Brazil all funds received outside of Brazil as payment for their exports. The amendments will allow Brazilian exporters to (1) keep these funds abroad in accounts maintained with financial institutions located outside of Brazil, (2) invest these funds abroad or (3) use these funds for the payment of obligations of such Brazilian exporters outside of Brazil.

On July 27, 2006, the exchange rate for *reais* into U.S. dollars was R$2.190 to US$1.00 based on the selling rate as reported by the Central Bank.

The following tables show the selling rate for U.S. dollars for the periods and dates indicated, as reported by the Central Bank. The information in the “Average” column represents the average exchange rates on the last day of each month during the years and periods presented.

	Year-end	**Average**	**Low**	**High**
	(*reais* per U.S. dollar)			
Year Ended December 31,				
2001	R$2.320	R$2.352	R$1.936	R$2.801
2002	3.533	2.933	2.271	3.955
2003	2.889	3.065	2.822	3.662
2004	2.654	2.926	2.654	3.205
2005	R$2.341	R$2.434	R$2.163	R$2.762

	Month-end	Low	High
	(*reais* per U.S. dollar)		
Month Ended			
January 2006	R$2.216	R$2.212	R$2.346
February 2006	2.136	2.118	2.222
March 2006	2.172	2.107	2.224
April 2006	2.089	2.089	2.154
May 2006	2.301	2.059	2.371
June 2006	2.164	2.164	2.302
July 2006 (through July 27, 2006)	R$2.190	R$2.165	R$2.213

Source: Central Bank

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SUMMARY

This summary highlights information contained elsewhere in this offering circular. This summary may not contain all the information that may be important to investors in the notes, and the Issuer urges investors to read this entire offering circular carefully, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, the financial information of the Issuer, the Combined JBS financial information and financial statements, and the notes to those financial statements and financial information included elsewhere in this offering circular, before deciding whether to invest in the notes.

Brazil is the leading exporter of fresh and chilled beef in the world, with an approximate 25.0% market share based on export sales volumes in 2005. The Issuer has an annual slaughtering capacity of 4.5 million head of cattle, making it (1) the largest producer of beef and beef by-products in Brazil and Latin America and (2) the fourth largest producer of beef and beef by-products in the world, in each case based on annual cattle slaughtering capacity in 2005. Through Swift, the Issuer is the largest beef producer and exporter in Argentina. During the three months ended March 31, 2006, the Issuer recorded net sales revenue of R$927.3 million (US$426.9 million), gross profit of R$304.4 million (US$140.1 million) and net income of R$32.8 million (US$15.1 million). During 2005, the Issuer recorded net sales revenue of R$3,885.1 million (US$1,788.7 million), gross profit of R$1,216.6 million (US$560.1 million) and net income of R$50.8 million (US$23.4 million), in each case on a Combined JBS basis. In 2005, approximately 48.6% of the Issuer's net sales revenue was derived from export sales denominated in foreign currencies. The Issuer's net sales revenue has increased annually by an average of 35.0% from 1999 through 2005, driven by the Issuer's ability to increase its slaughtering capacity and its domestic and export beef sales.

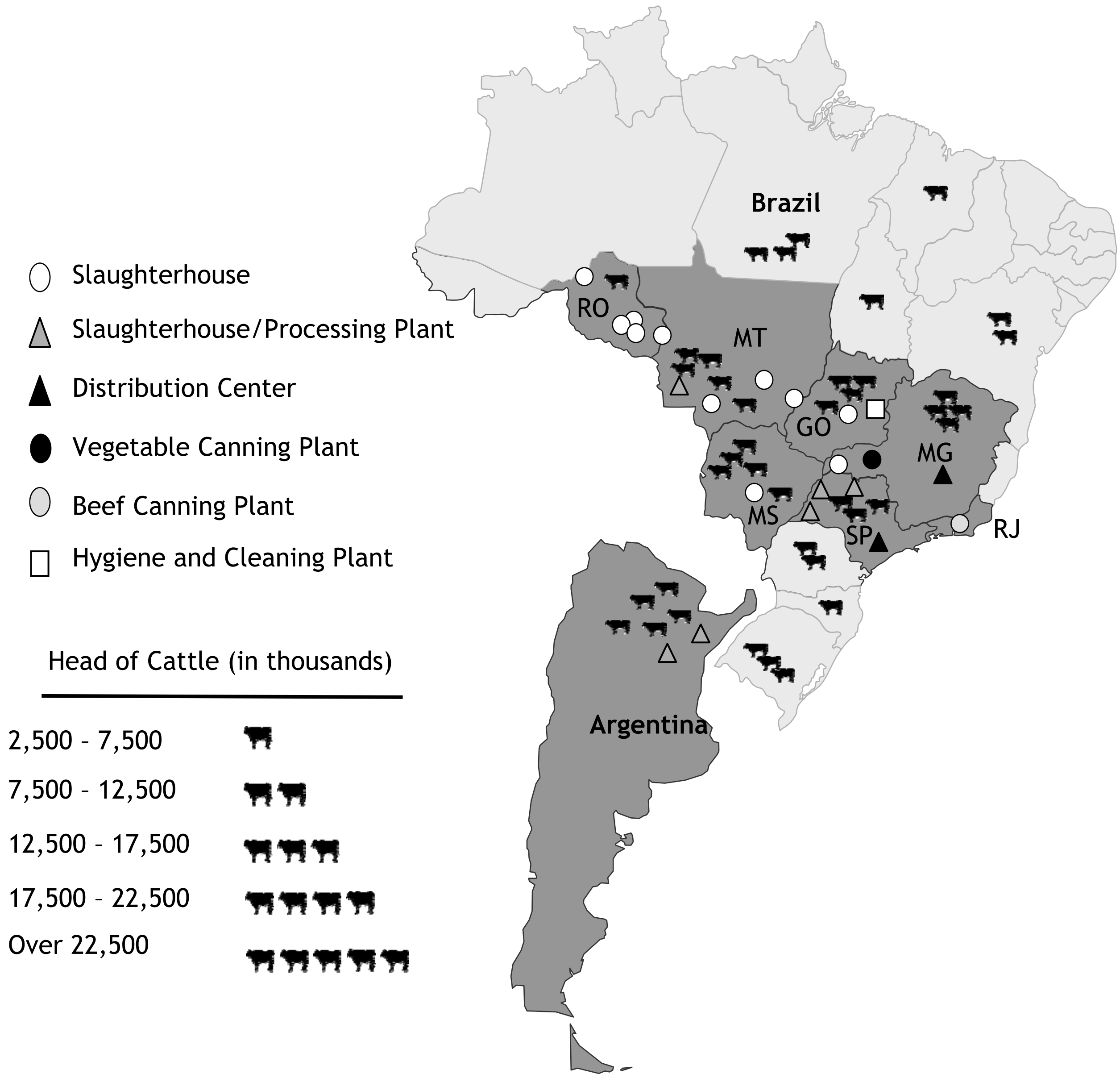
The Issuer produces, prepares, packages and delivers fresh, chilled and processed beef and beef by-products to customers in Brazil, in Argentina and abroad. Its product mix includes a large number of different cuts of fresh and chilled beef, from traditional to prime cuts, a full range of canned and cooked beef, hides and offal (the internal parts of the cattle, including the brain, heart, kidneys, liver, tongue and tripe). The Issuer also produces processed vegetable products and hygiene and cleaning products in Brazil. The Issuer has brand names that are recognized as symbols of quality and consistency in the markets where it sells its products. According to ABIEC, the Issuer has a leading market share in the Brazilian beef market. The Issuer's main export markets include Russia and countries in the European Union, or EU, Latin America and the Middle East. The Issuer also has a leading market share in the Argentine beef market, through Swift. Swift's main export markets from Argentina include the United States and countries in the European Union. See "Risk Factors—Certain Factors Relating to Argentina—Recent actions taken by the Argentine government to limit exports of fresh and processed beef have adversely affected, and may continue to adversely impact, the results of operations and financial position of Swift in Argentina."

The Issuer currently slaughters approximately 12,400 head of cattle daily in Brazil. The Issuer has geographically diversified operations in Brazil, including:

- 11 slaughterhouses located in six Brazilian states (São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, and Rondônia);
- two slaughterhouses and beef and beef by-product processing plants located in two provinces in Argentina (Entre Ríos and Santa Fé);
- four beef and beef by-product processing plants (and related slaughterhouses) in the States of Mato Grosso and São Paulo;
- two canning plants in the States of Minas Gerais and Rio de Janeiro;
- two distribution warehouses in the States of São Paulo and Minas Gerais; and
- a hygiene and cleaning products plant in the State of Goiás.

The Issuer purchases cattle from more than (1) 12,000 ranchers in Brazil located within 500 kilometers of one or more of its slaughterhouses and (2) 1,600 ranchers and from cattle markets in Argentina located within 350 kilometers of one of its two slaughterhouses. The Issuer also has its own fleet of approximately 200 double-decked trucks to transport cattle to its slaughterhouses in Brazil and approximately 141 trucks in Brazil dedicated to the transportation of containers of beef products for export.

The following map sets forth the location of the slaughterhouses, beef processing facilities, distribution centers, vegetable canning plant, beef canning plants and hygiene and cleaning products plant of the Issuer, as well as the regions in which cattle is raised in Brazil and Argentina.



The Issuer's business is divided into three divisions: Beef; Hygiene and Cleaning Products; and Transportation. All of the Issuer's revenue is generated from its Beef and Hygiene and Cleaning Products divisions. In 2005, the Beef and the Hygiene and Cleaning Products Divisions generated net sales revenue of R$3,579.2 million (92.1% of total net sales revenue) and R$305.9 million (7.9% of total net sales revenue), respectively. Fresh and processed beef (including processed vegetables) sales represented 76.9% and 23.1%, respectively, of total net sales revenue generated by the Beef Division in 2005, and export sales of chilled and processed beef products represented 52.8% of total net sales revenue generated by the Beef Division (35.5% of which was generated by fresh beef export sales and 17.3% of which was generated by processed beef export sales) in 2005.

In August 2005, JBS S.A. (through its wholly-owned subsidiary, JBS Holding Internacional Ltda.) acquired 100.0% of the share capital of Swift, the largest beef producer and beef exporter in Argentina. During the three months ended March 31, 2006, Swift recorded net sales revenue of P$139.5 million (US$45.3 million), gross profit of P$15.7 million (US$5.1 million) and a net loss of P$6.6 million (US$2.1 million). During its most recent fiscal year ended July 31, 2005 (prior to the date of its acquisition by the Issuer), Swift recorded net sales revenue of P$536.8 million (US$174.2 million), gross profit of P$36.9 million (US$12.0 million) and a net loss of P$25.1 million (US$8.1 million). The Argentine Government recently instituted a ban on the export of beef that has adversely impacted the financial condition and results of operations of Swift. However, the Issuer believes that this ban will be lifted and that its acquisition of Swift will enable the Issuer to:

- further diversify its sales mix: approximately 72.5% of Swift's net sales revenue during its most recent fiscal year ended July 31, 2005 was derived from export sales of canned and processed beef products to customers located in over 70 countries, with 15.3% of its net sales revenue generated under a four-year, renewable supply agreement (in effect through July 2008) with Campbell's Soup Company in the United States, under which Swift supplies frozen cooked beef for Campbell's "Chunky Soup;"

- continue to expand its export sales, including to the United States;

- incorporate new technology, as Swift operates the most modern beef processing plant in South America;

- increase regional integration within the Mercosur economic area (i.e., Brazil, Argentina, Paraguay and Uruguay); and

- gain additional economies of scale.

Strengths

The Issuer believes its unique competitive strengths will enable it to expand its Brazilian and worldwide market positions. These strengths include the following:

Significant Scale with Leading Industry Positions and Brand Recognition

The Issuer's geographic diversification, growing operations and leading market share in the Brazilian and the Argentine beef markets provide it with economies of scale that enable it to capitalize on opportunities as they arise with a broad range of products. The Issuer believes that it has over two times the slaughtering capacity of its nearest competitor in Brazil. The Issuer's brand names – "Friboi," "Swift," "Plata," "Cabaña Las Lilas," "Anglo" and "Mouran" – are recognized as symbols of quality and consistency in the markets in which they are sold. The Issuer's Argentine operations produce high quality, premium beef that is high in fat content, while in Brazil the Issuer produces high quality beef with a low fat content.

Generator of Foreign Currency

As exports represented 48.6% of the Issuer's net sales revenue in 2005 and 72.5% of Swift net sales revenue during its most recent fiscal year ended July 31, 2005 (prior to the date of its acquisition by the Issuer), the Issuer generates significant revenue denominated in foreign currencies. The exports of the Issuer (including Swift) are well diversified, with sales to buyers in approximately 85 different countries and with no single country representing more than 15.0% of total export sales revenue of the Issuer (including Swift).

R$805.9 million, or 46.4%, of the Issuer's total outstanding indebtedness at December 31, 2005 was denominated in currencies other than *reais*. In 2005, the Issuer's beef export sales generated R$1,889.6 million in net sales revenue, which served as a natural hedge of the Issuer's foreign currency-denominated debt. The Issuer also enters into various types of hedging arrangements through its financial trading activities, primarily commodity exchange-traded futures and forwards, in order to manage its exposure to adverse price changes for cattle and beef and its exchange rate risk.

Strategically Located Operations

The Issuer has a diversified operating base, with 15 slaughterhouses located in six Brazilian states and two slaughterhouses located in two provinces in Argentina. With production facilities in Brazil and in Argentina, the Issuer can source cattle efficiently, serve its customers cost effectively, capitalize on increasing international trade opportunities and mitigate the potential impacts of regional cattle disease outbreaks, such as the recent outbreaks in Brazil and Argentina of foot-and-mouth disease, or FMD.

High Profitability and Low Production Costs

Cattle raising costs in Brazil and Argentina are, on average, among the lowest in the global beef industry (for example, approximately 60.0% lower than average cattle raising costs in the United States), as (1) the cost of land and labor in Brazil and Argentina are significantly lower than in the United States and Europe and (2) the cost of feeding cattle in Brazil and Argentina, which are predominantly located in open pasture, is generally lower than in other major beef producing countries, where cattle feed is processed into rations and administered in closed feedlots. Accordingly, the Issuer's relatively low cost structure, efficient operating cycle, high-quality products, sound management and strategic decision-making enables it to earn generally high margins.

Product Quality and Customer Diversification

The primary raw material for any beef slaughterhouse is cattle. The Issuer purchases cattle from more than (1) 12,000 ranchers in Brazil located within 500 kilometers of one or more of its slaughterhouses and (2) 1,600 ranchers and cattle markets in Argentina located within 350 kilometers of one of its two slaughterhouses. The Issuer employs cattle buyers located throughout the principal cattle producing areas in Brazil and in Argentina. These buyers visit cattle ranches as well as purchase cattle on the open spot market. They are trained to select high quality, animals, and their performance is continually monitored by the Issuer. The Issuer purchases cattle only from selected and registered producers based on rigorous animal selection guidelines. All cattle that the Issuer acquires are inspected by veterinarians prior to processing.

The Issuer has a diversified mix of beef and other products, as well as various distribution channels and customers, with approximately 48.6% of its net sales revenue in 2005 generated from exports. From Brazil, the Issuer sells beef, beef by-products and canned vegetables to over 2,500 customers, including some of the largest retailers in Brazil, none of whom accounted for more than 3.0% of the Issuer's net sales revenue in 2005. In Argentina, 72.5% of Swift's sales were derived from exports during its fiscal year 2005 (ended in July). This diversified approach provides multiple avenues of potential growth, allowing the Issuer to adjust to the demands of the marketplace, and mitigates risks associated with individual markets.

Modern Facilities With Value-Added Capabilities

The Issuer has invested significantly in expanding its business, including acquisitions that have enhanced its processing technology and value-added product capabilities, while maintaining its high food safety standards. The Issuer makes capital expenditures in plants that it acquires as necessary to conform them to its product standards and specifications. Of the R$814.5 million in capital expenditures that the Issuer has made since 2001, the Issuer has invested R$617.4 million, or 75.8%, in production capacity increases and the acquisitions of new manufacturing and processing facilities (including Swift), and R$112.6 million, or 13.8%, in new machinery and equipment to support its capacity increases and the development of new beef products. The Issuer believes that Swift's beef processing plant in Rosário is one of the most modern plants of its kind in the world.

Vertically Integrated Hygiene and Cleaning Products Division

The Issuer supplies beef fat (a by-product of beef production) required to meet a substantial portion of the production needs for the soap-based products manufactured and sold by its Hygiene and Cleaning Products Division. This vertical integration provides the Issuer with cost savings (due to lower freight and other costs associated with raw material purchases) and an assured supply of certain raw materials, helping it to compete against its competitors in the Brazilian hygiene and cleaning products market.

Strong Domestic Demand

Brazil and Argentina both have large domestic beef markets, and each country has traditionally consumed approximately 80.0% of its respective beef production. This strong domestic demand allows the Issuer to optimize the utilization and processing of each carcass, which it believes provides it with a competitive advantage over beef producers in other markets.

Experienced Management

The Issuer's senior executive officers have significant experience in the beef processing business. For example, each of (1) Mr. José Batista Junior, president of the Issuer's board of directors and member of the Issuer's board of executive officers, (2) Mr. Joesley Mendonça Batista, vice president of the Issuer's board of directors and the Issuer's chief executive officer, and (3) Mr. Wesley Mendonça Batista, member of the Issuer's board of directors and board of executive officers and head of the fresh beef operations of the Issuer's Beef Division, have approximately 20 years of experience in the beef processing business. The Issuer's remaining executive officers and senior management that are not involved in beef operations have significant business experience in managing large Brazilian companies. During 2006, the Issuer plans to expand its board of directors with experienced and independent professionals.

Business Strategy

The key elements of the Issuer's business strategy are to:

Increase Market Share

The Issuer intends to continue investing in its facilities and logistics to increase its market share of (1) the Brazilian and Argentine domestic beef markets and the beef export market, while at the same time seeking to maintain a reasonably balanced mix of domestic and export sales, and (2) the hygiene and cleaning products market in Brazil through advertising and marketing campaigns and new product development under existing brands (including sales of hygiene and cleaning products manufactured by third parties and sold under the Issuer's brand names).

Expand Higher Margin Products

The Issuer believes that it can increase its profitability by increasing sales of its products with higher margins (prime cuts of fresh beef and processed and pre-cooked beef), with a focus on increasing its fresh beef exports to countries in the European Union, the Middle East and Asia. The Issuer also seeks to increase its sales of higher value-added beef products through loyalty programs that encourage domestic customers to consume more of its beef products.

Enhance Operating Efficiencies

The Issuer will continue to focus on increasing its profit margins by improving operating efficiencies, reducing costs, gaining economies of scale and increasing its processing yields.

Strategically Invest in Joint Ventures and Acquisitions

Notwithstanding its large scale of operations, the Issuer intends to make further investments to meet growing world demand for beef products. The Issuer will continue to monitor and evaluate attractive investment acquisition opportunities in Brazil and elsewhere.

Continue to Improve its Financial Condition

The Issuer intends to continue improving its financial condition by (1) maintaining its hedging policy to cover 95.0% of its foreign exchange rate and commodity price risks, (2) lengthening its debt maturity profile, including through refinancing its short-term debt with long-term debt on more favorable terms (for example, through the issuance of the notes), and (3) diversifying its funding sources.

The Issuer's principal executive offices and headquarters are located at Marginal Direita do Tietê, 500, 05118-100, São Paulo, SP, Brazil. Its telephone number is 55-11-3144-4000, and its facsimile is 55-11-3144-4279.

The Issuer's web site address is www.friboi.com.br. Information on its website is not incorporated by reference into this offering circular and should not be relied upon in determining whether to make an investment in the notes.

This offering circular contains certain of the Issuer's trademarks, trade names and service marks, including the Issuer's logos. Each trademark, trade name or service mark of any company appearing in this offering circular belongs to its holder.

The Offering

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

Issuer	JBS S.A.
Notes offered	US$300,000,000 aggregate principal amount of 10.50% notes due 2016.
Ranking	The notes will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness that the Issuer has and may incur. The notes will be effectively junior to the secured indebtedness of the Issuer and the indebtedness of any future subsidiaries of the Issuer.
Maturity	August 4, 2016.
Issue price	100.0%.
Interest	10.50% per annum, payable semi-annually in arrears on August 4 and February 4 of each year, commencing on February 4, 2007.
Payment of additional amounts	The Issuer will pay additional amounts in respect of any payments of interest or principal so that the amount noteholders receive after applicable Brazilian withholding tax will equal the amount that noteholders would have received if no withholding tax had been applicable, subject to certain exceptions as described under "Description of the Notes—Additional Amounts."
Tax redemption	If due to changes in Brazilian law relating to withholding taxes applicable to payment of interest, the Issuer is obligated to pay any additional amounts on the notes in excess of the additional amounts that it would pay if payments in respect of the notes were subject to withholding or deduction at a rate of 15.0% or at a rate of 25.0% (in case the holder of the notes is resident in a tax haven jurisdiction), the Issuer may redeem the outstanding notes in whole but not in part at 100.0% of the principal amount thereof, plus accrued interest to the redemption date. See "Description of the Notes—Redemption and Repurchase."
Change of control offer	Upon the occurrence of a change of control, noteholders will have the right to require the Issuer to repurchase some or all of the notes at 101.0% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. See "Description of the Notes—Covenants—Repurchase of Notes upon a Change of Control."
Delivery	The notes will be delivered on or about August 4, 2006, as described below.
Indenture	The notes will be issued under an indenture, or Indenture, between the Issuer and JPMorgan Chase Bank, N.A. (or an affiliate thereof), as trustee.

Clearance and settlement	The notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream and will trade in DTC's same day funds settlement system. Beneficial interests in the notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes" and "Form of Notes."
Form and denomination	The notes will be in fully registered form without interest coupons attached only in denominations of US$100,000 and in integral multiples of US$1,000 in excess thereof.
Certain covenants	The terms of the notes will limit the Issuer's ability and the ability of its subsidiaries (as described in "Description of the Notes") to, among other provisions: • pay dividends; • create liens; • incur additional indebtedness; • engage in a merger, sale or consolidation transaction; • enter into certain transactions with their respective equity holders or affiliates; and • sell assets. These and other covenants are subject to important exceptions and qualifications, which are described in "Description of the Notes—Covenants" in this offering circular.
Use of proceeds	The Issuer intends to use the net proceeds of this offering for the repayment of a portion of its short-term debt, as well as for capital expenditures and general corporate purposes. See "Use of Proceeds."
Transfer restrictions	There are restrictions on the offer and sale of notes and the distribution of offering material in various jurisdictions. See "Transfer Restrictions."
Trustee, transfer agent and registrar	JPMorgan Chase Bank, N.A.
Principal paying agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its London branch.
Luxembourg listing agent	J.P. Morgan Bank Luxembourg S.A.
Luxembourg listing..................................	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange. The Issuer cannot assure prospective investors, however, that this application will be accepted. The Directive of the European Parliament and the Council (2003/0045) (COD), or the Transparency Directive, regarding the harmonization of

transparency requirements relating to financial information of issuers whose securities are admitted to trading in the EU, such as the Luxembourg Stock Exchange, is now required to be implemented by EU member states. The Issuer will at all times use its reasonable efforts to maintain the listing of the notes on the alternative market (Euro MTF) of the Luxembourg Stock Exchange. If the Transparency Directive (and/or any other European or national legislation) is adopted and is implemented or takes effect in Luxembourg in a manner that would require the Issuer to publish or prepare financial statements according to accounting principles or standards that are different from Brazilian GAAP, or that would otherwise impose requirements on the Issuer that the Issuer in its reasonable discretion determines are impracticable or unduly burdensome, the Issuer, in its own discretion, may apply to delist the notes from the Luxembourg Stock Exchange. If the notes are delisted, the Issuer will use reasonable efforts to list the notes in another comparable exchange. However, there can be no assurance that the Issuer will obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.

PORTAL market .... The Issuer expects that the notes will be eligible for trading in The PORTAL Market.

Governing law .... The Indenture and the notes will be governed by the laws of the State of New York.

Ratings.. The notes have received a credit rating of "B+" from Standard & Poor's Ratings Services, or Standard & Poor's, and a credit rating of "B1" from Moody's Investors Service, Inc., or Moody's. The ratings of the notes do not constitute recommendations to buy, sell or hold the notes and may be subject to revision or withdrawal at any time by Standard & Poor's or Moody's. Prospective investors should evaluate each rating independently of the other rating of the notes.

Risk Factors

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

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary financial information contained in this offering circular consists of (1) consolidated financial information of the Issuer at and for the three months ended March 31, 2006 and (2) Combined JBS financial information at and for the three months ended March 31, 2005, in each case set forth below, has been derived from the Issuer's unaudited consolidated and combined JBS interim financial information included elsewhere in this offering circular. The summary Combined JBS financial information set forth below at and for each of the three years ended December 31, 2005 has been derived from the Combined JBS financial statements included elsewhere in this offering circular. The consolidated financial information and the JBS Combined financial statements and financial information have been prepared in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. For a discussion of certain differences as they relate to the consolidated financial information of the Issuer and the Combined JBS financial statements and financial information, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP."

The results of operations of the Issuer during the three months ended March 31, 2006 and the Combined JBS results of operations during the year ended December 31, 2005 are not indicative of the results of operations or financial condition of the Issuer for any future period or year. For more information regarding the Issuer's consolidated financial Information and the Combined JBS financial statements and financial information, see "Presentation of Financial and Other Information."

This financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Issuer's consolidated interim financial information and the Combined JBS financial statements and financial information included elsewhere in this offering circular.

(amounts expressed in millions, except percentages and financial ratios)	At and for the Three Months Ended March 31,			At and for the Years Ended December 31,			
	2006	2006	2005	2005	2005	2004	2003
		(unaudited)			(audited)		
	(in US$)[1]	(in *reais*)		(in US$)[1]	(in *reais*)		
Income Statement Data:							
Net sales revenue	US$426.9	R$927.3	R$851.8	US$1,788.7	R$3,885.1	R$3,292.0	R$1,914.0
Cost of goods sold	(286.8)	(622.9)	(598.5)	(1,228.6)	(2,668.5)	(2,262.2)	(1,393.4)
Gross profit	140.1	304.4	253.3	560.1	1,216.6	1,029.9	520.6
Selling expenses	(44.4)	(96.5)	(81.0)	(164.8)	(358.0)	(328.2)	(167.7)
General and administrative expenses	(45.3)	(98.5)	(90.6)	(196.5)	(426.8)	(356.9)	(174.8)
Financial expenses, net	(20.3)	(44.0)	(56.7)	(134.9)	(293.1)	(138.6)	(51.4)
Depreciation and amortization	(7.4)	(16.1)	(13.2)	(30.1)	(65.3)	(42.4)	(14.6)
Equity in the earnings of associated companies	—	—	—	—	—	(7.0)	6.3
Operating income	22.7	49.3	11.8	33.8	73.3	156.8	118.5
Non-operating income (expenses), net	(0.0)	(0.1)	0.6	0.8	1.8	(0.1)	0.6
Income before taxes and social contribution	22.7	49.2	12.4	34.6	75.1	156.7	119.1
Income taxes and social contribution	(7.6)	(16.4)	(5.0)	(11.2)	(24.4)	(41.7)	(39.0)
Minority interest	(0.0)	(0.0)	0.0	0.0	0.1	—	—
Net income	15.1	32.8	7.4	23.4	50.8	115.0	80.2
Balance Sheet Data:							
Cash, cash equivalents and marketable securities	203.9	442.8	332.2	175.0	380.1	232.6	259.6
Accounts receivable	240.7	522.8	500.0	190.1	412.8	497.5	287.0
Product and goods inventory	255.5	555.0	347.6	258.7	562.0	321.0	212.0
Other assets	817.4	1,775.4	1,248.0	789.9	1,715.6	1,156.0	796.4
Total assets	1,517.5	3,296.0	2,427.8	1,413.7	3,070.5	2,207.1	1,554.9
Loans and financings	895.3	1,944.6	1,242.6	799.3	1,736.0	1,138.5	752.1
Trade accounts payable	78.0	169.5	134.8	97.3	211.3	130.3	87.2
Accounts payable (acquired company)	25.3	54.9	22.2	39.6	86.0	28.1	22.0
Other liabilities	91.7	199.1	290.7	126.9	275.7	179.8	143.6
Total liabilities	1,090.3	2,368.1	1,690.3	1,063.1	2,309.0	1,476.6	1,004.9
Minority interest	–	0.1	0.1	0.1	0.3	—	—
Shareholders' equity	427.2	927.8	737.4	350.5	761.3	730.5	550.0
Total liabilities and shareholders' equity	US$1,517.5	R$3,296.0	R$2,427.8	US$1,413.7	R$3,070.5	R$2,207.1	R$1,554.9
Other Data:							
Cattle slaughtered[2]	0.8	0.8	0.8	3.0	3.0	2.6	1.7
EBITDA[3]	50.3	109.4	81.7	198.8	431.8	344.8	178.1
EBITDA margin[4]	11.8%	11.8%	9.6%	11.1%	11.1%	10.5%	9.3%
Net debt[5]	691.4	1,501.8	910.4	624.3	1,355.9	905.9	492.5
Net debt/EBITDA ratio[6]	3.3x	3.3x	2.5x	3.1x	3.1x	2.6x	2.8x
Capital expenditures	10.1	21.9	34.0	74.9	162.6	209.6	90.1

(1) Solely for the convenience of the reader, amounts in *reais* have been translated into U.S. dollars at the selling rate at March 31, 2006 of R$2.172 to US$1.00. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) In millions of head of cattle.

(3) EBITDA, a performance measure used by the management of the Issuer, is defined as net sales revenue, *less* cost of goods sold, *less* selling expenses, *less* general and administrative expenses. EBITDA is useful because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the beef industry. EBITDA is not a recognized term under Brazilian GAAP and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures or to free cash flow for discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt amortization.

	For the Three Months Ended March 31,			For the Years Ended December 31,			
	2006	2006	2005	2005	2005	2004	2003
		(unaudited)			(audited)		
	(in millions of US$)	(in millions of *reais*)		(in millions of US$)	(in millions of *reais*)		
Net sales revenue	426.9	927.3	851.8	1,788.7	3,885.1	3,292.0	1,914.0
Less:							
Cost of goods sold	(286.8)	(622.9)	(598.5)	(1,228.6)	(2,668.5)	(2,262.2)	(1,393.4)
Selling expenses	(44.4)	(96.5)	(81.0)	(164.8)	(358.0)	(328.2)	(167.7)
General and administrative expenses	(45.3)	(98.5)	(90.6)	(196.5)	(426.8)	(356.9)	(174.8)
EBITDA	50.3	109.4	81.7	198.8	431.8	344.8	178.1

(4) EBITDA margin is calculated by dividing EBITDA by net sales revenue.
(5) Net debt is calculated as follows: total debt *minus* cash, cash equivalents and marketable securities.
(6) With respect to the three months ended March 31, 2006 and 2005, the net debt to EBITDA ratio is obtained by dividing net debt at March 31, 2006 and 2005 by EBITDA for the 12 months ended March 31, 2006 and 2005, respectively.

RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below, as well as the other information in this offering circular before making an investment in the notes. The risks described below are not the only ones facing the Issuer. The business, financial condition or results of operations of the Issuer could be materially adversely affected by any of these risks. There are a number of factors, including those described below, which may adversely affect the Issuer's ability to make payment on the notes. Additional risks not presently known to the Issuer or that the Issuer currently deems immaterial may also impair its business operations. See "Cautionary Statement Regarding Forward-Looking Statements."

This offering circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this offering circular. See "Cautionary Statement Regarding Forward-Looking Statements."

Certain Factors Relating to the Issuer

Recent outbreaks of FMD in Brazil and Argentina and any additional new outbreaks of this or other cattle diseases in Brazil or Argentina may materially adversely affect the Issuer's ability to export fresh and chilled beef products, its net sales revenue, its overall results of operations and prospects, and consequently, the ability of the Issuer to make payment under the notes.

FMD is a highly contagious and infectious disease that affects cattle and other cloven-footed animals and causes fever, followed by the development of blisters mainly located in the mouth and on the feet of these animals. On October 11, 2005, Brazilian authorities detected the foot-and-mouth virus on a cattle ranch in the State of Mato Grosso do Sul, which had previously been considered free of FMD due to an ongoing vaccination program. FMD was subsequently detected in a number of surrounding cattle ranches in the State of Mato Grosso do Sul. As a result of the recent outbreak of FMD in Brazil, approximately 57 countries have indefinitely suspended or restricted fresh and chilled beef imports from Brazil. Several of these countries (including Egypt and The United Kingdom) have banned imports only from the State of Mato Grosso do Sul, while other countries (including the majority of the countries in the European Union) have also banned imports of fresh beef from the neighboring States of Paraná and São Paulo. Certain other countries (including Chile and South Africa) have suspended imports of fresh beef from all of Brazil. On April 4, 2006, Brazilian authorities detected the foot-and-mouth virus in another cattle ranch in the State of Mato Grosso do Sul. Four of the Issuer's 15 slaughterhouses, or 37.1% of its total annual cattle slaughtering capacity, and approximately 39.1% of its cattle suppliers in Brazil are located in the States of Mato Grosso do Sul and São Paulo. The Issuer does not own any assets or purchase any cattle in the State of Paraná.

In addition, in January 2006, there was an FMD outbreak in the province of Corrientes, Argentina, which is located far from the main beef producing areas of Argentina. The FMD virus has not spread to other beef producing areas of Argentina. Although the Issuer has redirected all of its production in Mato Grosso do Sul and São Paulo to the domestic market and to exports of processed beef (which are not subject to the import restrictions) in light of the ongoing suspensions and restrictions on export of fresh and chilled beef from these states, if FMD were to spread to other Brazilian states or Argentine provinces in which the Issuer maintains operations, import restrictions on beef would likely be expanded.

As fresh beef exports represented 32.7% of the Issuer's total net sales revenue in 2005, an expanded outbreak of FMD in Brazil and/or Argentina would likely materially adversely affect the Issuer's ability to export fresh and chilled beef products, its net sales revenue, its overall results of operations and prospects, and consequently, may adversely impact the ability of the Issuer to make payment under the notes.

In addition, an outbreak of bovine spongiform encephalopathy (commonly referred to as "mad cow disease"), or BSE, or other diseases affecting cattle in Brazil or Argentina could result in restrictions on domestic and export sales of the Issuer's beef products, including its processed beef products. Sales of beef products, including processed beef products, represented 92.1% of the Issuer's net sales revenue and all of Swift's net sales revenue in its fiscal year 2005, respectively, which would adversely affect the Issuer's production volumes, its ability to sell its beef products, whether domestically or abroad (including Argentina), its net sales revenue, its overall results of operations and its prospects, and accordingly, the ability of the Issuer to make payment under the notes. In addition, outbreaks of FMD, BSE or other diseases affecting cattle or concerns about such diseases, whether or not resulting in regulatory action, often lead to cancellations of orders by the Issuer's customers and to adverse publicity that may have a material adverse effect on consumer demand and, as a result, on the Issuer's results of operations and prospects, and consequently, on the ability of the Issuer to make payment under the notes.

The Issuer's operations and profitability could be adversely affected by government policies and regulations affecting the cattle sector and related industries.

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

Government policies in Brazil, Argentina and other jurisdictions may adversely affect the supply, demand for and prices of beef products, restrict the Issuer's ability to do business in its existing and target domestic and export markets and could adversely affect its results of operations, and accordingly the Issuer's ability to repay the notes. The operations of the Issuer are subject to extensive regulation and oversight by the Brazilian Ministry of Agriculture (*Ministério da Agricultura, Pecuária e Abastecimento*) and other state, local and foreign authorities regarding the processing, packaging, storage, distribution, advertising and labeling of the Issuer's products, including food safety standards. For example, on May 5, 2005, the Brazilian Ministry of Agriculture suspended exports of processed beef to the United States following recommendations made by a team of veterinarians from the United States that the Brazilian federal government improve sanitary and monitoring procedures at Brazilian slaughterhouses, as the team concluded that Brazilian government sanitary inspection teams were not adequately qualified. Although this ban was lifted by the Brazilian Ministry of Agriculture on June 29, 2005, these suspensions, as well as suspensions and restrictions imposed recently by numerous countries in light of an outbreak of FMD in Brazil and any future suspensions or restrictions, imposed by Brazilian governmental authorities or governmental authorities in other jurisdictions could have a material adverse effect on the Issuer and its results of operations.

On March 14, 2006, in an announced effort to reduce inflation, the Government of Argentina implemented a regulation to prohibit the export of all processed and fresh beef for a 180-day period (other than beef exports made under the Hilton Beef Quota). Approximately 72.5% of Swift's net sales revenue in its fiscal year 2005 was generated by exports. On May 29, 2006, the Argentine government partially lifted the ban on fresh beef exports, by allowing exports of fresh beef of up to 40% of the aggregate volume exported by the applicable Argentine beef exporter between June and December of 2005. On May 29, 2006, the Argentine government also lifted the ban on all exports of processed beef. On July 4, 2006, the Argentine government further partially lifted the ban on exports of fresh beef, by allowing unlimited exports of hindquarter beef cuts. Although the Argentine government has announced that it may fully lift the remaining beef export ban after August 1, 2006, there can be no assurance that the Argentine government will do so or that the Argentine government will not reapply all or any portion of the export ban that it had previously partially lifted. These measures may adversely impact the results of operations and financial position of Swift in Argentina, which could adversely impact the consolidated results of operations and financial condition of the Issuer.

If the Issuer's products become contaminated, it may be subject to product liability claims, product recalls and restrictions on exports that would adversely affect its business.

The beef products of the Issuer may be subject to contamination by organisms producing food-borne illnesses. These organisms are generally found in the environment, and therefore, they could be present in the Issuer's products of the Issuer through its food processing operations. For example, *E. coli* is one of many food-borne illnesses commonly associated with beef products. Once contaminated products have been shipped for distribution, illness or death may result if pathogens are present, or if the pathogens increase due to handling or temperatures, or if the pathogens are not eliminated at the point of further processing, or preparation by food service operations or consumers. The Issuer may be subject to significant liability in the jurisdictions in which its products are sold if the consumption of any of its products causes injury, illness or death, and it may encounter similar risks if a third party tampers with its products. Contamination of the Issuer's products also may create adverse publicity that could negatively affect its export sales, reputation, prospects, financial condition and results of operation.

The Issuer might be subject to penalties for antitrust violations.

On June 21, 2005, the Economic Law Secretariat (*Secretaria de Direito Econômico*, or SDE) initiated administrative proceedings against 11 Brazilian beef companies, including the Issuer and other large beef producers. The proceedings relate to allegations that these beef companies may have breached Brazilian antitrust regulations by entering into agreements to establish the price of cattle purchased by them for slaughter. Although the SDE could determine that the Issuer violated these regulations, a final binding determination on this matter can only be made by the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*, or CADE). If the SDE advises CADE that the Issuer violated these antitrust regulations and CADE ultimately confirms such determination, CADE may impose administrative penalties on the Issuer, including an administrative fine, which penalties may be material (in addition to criminal proceedings that may be commenced against the Issuer's officers and directors by a Brazilian public prosecutor). If CADE were to render an unfavorable decision, the Issuer would be entitled to challenge such decision in Brazilian courts. An adverse decision by CADE, if upheld, could result in a material adverse effect on the Issuer's results of operations, financial condition and prospects.

The operating margins of the Issuer may be negatively impacted by fluctuating raw material costs and selling prices and other factors that are outside of its control.

The operating margins of the Issuer are dependent on the purchase price of raw materials (primarily cattle) and the price at which its beef products can be sold, among other factors. These prices can vary significantly, including over relatively short periods of time, as a result of a number of factors, including the relative supply and demand for beef and the market for other protein products, including poultry and pork. The supply and market price of the cattle that constitute the principal raw material of the Issuer and represent the substantial majority of its cost of goods sold are dependent upon a variety of factors over which the Issuer has little or no control, including outbreaks of diseases such as FMD, fluctuations in the size of herds maintained by producers, the relative cost of feed, economic conditions and weather.

The Issuer does not enter into long-term sales arrangements with its customers and, as a result, the prices at which it sells its products are determined in large part by market conditions. A significant decrease in beef prices for a sustained period of time could have a material adverse effect on the net sales revenue of the Issuer and, unless its raw material costs and other costs correspondingly decrease, on its operating margins. Price swings in raw materials, and the resultant impact on the prices that the Issuer charges for its products, may materially and adversely affect its financial condition, results of operations and cash flows. If the Issuer faces increased costs, it may not be able to pass these higher costs along to its customers.

Failure to successfully implement its business strategy may impede the plans of the Issuer to increase its revenue and cash flow.

The net sales revenue, gross margins and cash flows of the Issuer may not increase as planned if it fails to implement the key elements of its growth strategy. The ability of the Issuer to successfully implement this strategy is dependent at least in part on factors beyond its control. For example, the willingness of consumers to purchase its products depends in part on economic conditions. In periods of economic uncertainty, consumers tend to purchase more private label or less-expensive products. Thus, if Brazil encounters periods of economic uncertainty, the sales volumes of the Issuer's higher quality and value-added products could suffer. Also, it may not be successful in identifying favorable domestic or international expansion opportunities, including in respect of new products offered by the Cleaning and Hygiene Products division, or in further expanding export sales. See "Business—Business Strategy."

The level of indebtedness of the Issuer could adversely affect its ability to react to changes in its business, and it may be limited in its ability to use debt to fund future capital needs.

At March 31, 2006, the Issuer had total indebtedness outstanding of R$1,944.6 million, of which R$647.2 million consisted of short-term debt (including the current portion of long-term debt) and R$1,297.4 million consisted of long-term debt. During 2006, R$533.4 million of this indebtedness is scheduled to come due. The significant level of the indebtedness and repayment profile of the Issuer could have important consequences, including the following:

- reduce the Issuer's ability to obtain any necessary additional financing in the future for working capital, capital expenditures, debt service requirements or other purposes;
- a substantial portion of the Issuer's cash flow from operations must be dedicated to pay principal and interest on its indebtedness and may not be available for other purposes;
- the Issuer's level of indebtedness could limit its flexibility in planning for, or reacting to, competition and/or changes in its business or its industries; and
- the Issuer's level of indebtedness could make it more vulnerable in the event of a downturn in its business.

The Issuer may not be able to successfully integrate future acquisitions, which could result in it not achieving the expected benefits of the acquisition, the disruption of its business and an increase in its costs.

The Issuer continually explores opportunities to acquire related businesses, some of which could be material to it. In August 2005, JBS S.A. acquired 100.0% of the share capital of Swift, the largest beef producer and beef exporter in Argentina. The Issuer intends to pursue additional selective acquisition opportunities in Brazil and elsewhere. However, management of the Issuer is unable to predict whether or when any other prospective acquisitions will occur, or the likelihood of a certain transaction being completed on favorable terms and conditions. The ability of the Issuer to continue to expand its business successfully through acquisitions depends on several factors, including its ability to identify acquisitions or access funding at an acceptable cost and to negotiate favorable transaction terms. Even if the Issuer is able to identify acquisition targets and obtain the necessary financing to make these acquisitions, it could financially overextend itself, especially if an acquisition is followed by a period of lower than projected beef prices. This may impact the ability of the Issuer to service its indebtedness, including in respect of the notes.

The Issuer may not be able to integrate effectively other businesses that it acquires or to implement successfully appropriate operational, financial and management systems and controls to achieve the benefits it expects to result from these acquisitions. The efforts of the Issuer to integrate these other businesses could be adversely affected by a number of factors beyond its control, such as regulatory developments, general economic conditions and increased competition. In addition, the process of integrating these businesses could cause interruption of, or loss of momentum in, the activities of its existing business. The diversion of its management's attention and any delays or difficulties encountered in connection with the integration of these businesses could negatively impact the business and results of operations of the Issuer. Further, the benefits that it anticipates from these acquisitions may not develop.

The failure of the Issuer to integrate other acquired businesses successfully could adversely affect its business and financial performance. Some of the Issuer's competitors have substantially greater financial and other resources than it does and also may be pursuing growth through acquisition strategies, which may reduce the likelihood that the Issuer will be successful in completing acquisitions necessary for the expansion of its business. In addition, any acquisition that the Issuer considers may be subject to antitrust and other regulatory approvals. The Issuer may not be successful in obtaining required approvals on a timely basis.

The Issuer faces competition in its business, which may adversely affect its market share and profitability.

The beef industry is highly competitive. In Brazil, the major beef competitors of the Issuer are Frigorífico Independência, Frigorífico Minerva and Bertin. In international beef markets, the Issuer competes with numerous producers, including companies based in the United States (Cargill Inc., Tyson Foods Inc., Smithfield Foods Inc. and Swift & Company), in Australia (Australian Meat, Teys Bros Pty Ltd. and Nippon Meat Packers Ltd.) and in Argentina (Finexcor S.A.). Many factors influence the competitive position of the Issuer, including its operating efficiency and the availability, quality and cost of raw materials and labor. Some of its competitors have greater financial and marketing resources, larger customer bases and greater breadth of product offerings than it does. If it is unable to remain competitive with these beef producers in the future, its market share may be adversely affected.

The Issuer's independent auditors have qualified their reports because of the method used by the group to value its trademarks and finished product and work in process inventories.

The Issuer's independent auditors have qualified their opinions in their audit and review reports included elsewhere in this offering circular because the Issuer's finished product and work in process beef inventories were not valued in accordance with Brazilian GAAP. At December 31, 2005, the value of the Issuer's finished product beef inventories was approximately R$408.3 million, as set forth in note 7 to the audited Combined JBS financial statements and to the Issuer's unaudited consolidated interim financial information included elsewhere in this offering circular. The Issuer utilizes a method in accordance with Brazilian tax regulations to value its finished products and work in process inventories, which method, while permitted under Brazilian Corporation Law, is not in accordance with Brazilian GAAP. According to this method, finished product inventories are recorded at 70.0% of the highest sales price during the relevant year or period, and work-in-process inventories are recorded at 80.0% of the value of finished product inventories for relevant year or period, respectively. This method may increase or decrease the Issuer's operating profits, depending on the highest sales price that it uses to value its inventory during the year and the expected sales price of such inventory at December 31. For a description of the method used by the Issuer to value its finished product and work in process inventories, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Presentation and Accounting Policies—Critical Accounting Policies."

In addition, on December 31, 2003, Agropecuária Friboi adjusted the value of its permanent assets, including some of its trademarks, in order to reflect the market value of these assets on its balance sheet (which is reflected in the Combined JBS balance sheet) based on an appraisal report prepared by a specialized valuation firm. However, Brazilian GAAP does not permit intangible assets, such as trademarks, to be adjusted to market value based on an appraisal report. The effect of this adjustment was a one-time increase in shareholders' equity of R$122.5 million, as well as an increase in goodwill. The Issuer's independent auditors have included an exception in their reports concerning the Combined JBS financial statements included elsewhere in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies." Accordingly, the Issuer's shareholders' equity and goodwill are overstated under Brazilian GAAP.

The Batista Family may have the ability to influence the outcome of corporate actions or decisions, which could affect the holders of the notes.

The Batista Family directly and indirectly owns and controls all of the equity capital of the Issuer and its subsidiaries. See "Management" and "Principal Shareholders." Consequently, the Batista Family has the sole power to control these companies, including the power to:

- set their management policy and exercise control over the management of these companies;
- agree to sell or in any manner transfer all or any portion of the controlling stake in these companies or any of their subsidiaries; and
- determine the outcome of any corporate action, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets and the timing and payment of any future dividends,

each of which could affect the holders of the notes.

The Issuer may face conflicts of interest in transactions with related parties.

Certain decisions involving the operations or financial structure of the Issuer, or that of its subsidiaries, may present conflicts of interest among members of the Batista Family, executive officers of these companies and the holders of the notes. The Issuer maintains accounts receivable with some of its affiliates. Commercial transactions between the Issuer and its affiliates could result in conflicting interests. The controlling equityholders or management of these companies may have an interest in pursuing transactions that, in their judgment, enhances the value of their equity investment, even though such transactions may involve increased risks to the holders of the notes. The Issuer cannot assure prospective investors that its controlling equityholders or management will be able to address these conflicts of interests or others in an impartial manner, which may have a material adverse effect on the Issuer's results of operations and prospects, and consequently, affect the ability of the Issuer to make payment under the notes.

The Issuer is privately-held and is not subject to the compliance policies required of a public company.

The Issuer is privately-held and is not subject to most of the corporate governance, financial reporting practices and policies or similar compliance procedures required of a publicly-traded company in Brazil. In addition, as a privately held corporation, the Issuer is subject to less detailed and less well-established rules and judicial precedents relating to the review of management decisions under duty of care and duty of loyalty standards in the context of restructurings, transactions with related parties and sale-of-business transactions, which may have a material adverse on the Issuer's results of operations and prospects, and consequently, affect the ability of the Issuer to make payment under the notes.

Changes in consumer preferences could adversely affect the business of the Issuer.

The food industry, in general, is subject to changing consumer trends, demands and preferences. The Issuer's products compete with other protein sources, including poultry and pork. Trends within the food industry frequently change, and the failure of the Issuer to anticipate, identify or react to changes in these trends could lead to reduced demand and price reductions for its products, among other concerns, and could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Issuer. In addition, although the Issuer's Hygiene and Cleaning Products Division has grown substantially over the years, the Issuer does not have any other line of business or other sources of revenue that would compensate it for the loss if the Issuer were unable to efficiently process and sell beef products or if the market for beef were to decline substantially. This lack of diversification means that the Issuer may not be able to adapt to changing market conditions or withstand any significant decline in the beef industry.

Compliance with environmental regulations may result in significant costs, and failure to comply with environmental regulations may result in civil as well as criminal penalties and liability for damages.

The operations of the Issuer are subject to extensive and increasingly stringent regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes. Failure to comply with these regulations can have serious adverse consequences for the Issuer, including criminal as well as civil and administrative penalties and negative publicity. The Issuer has incurred and will continue to incur capital and operating expenditures to continue to comply with these laws and regulations.

The Issuer's Cacoal 1, Cacoal 2, and Pimenta Bueno slaughterhouses, which have a combined total annual slaughtering capacity of approximately 316,800 head of cattle (or 7.1% of the Issuer's total annual slaughtering capacity, including Swift), representing approximately 2.4% of the Issuer's net sales revenue during the three months ended March 31, 2006, currently do not have all of the necessary environmental licenses to conduct their operations. Accordingly, Brazilian environmental authorities could order the Issuer to cease operating these slaughterhouses until it has obtained all of the necessary environmental licenses, which could have an adverse effect on the Issuer's business, financial condition, results of operations and cash flows. See "Business–Legal and Regulatory Matters–Environmental Policy."

Additional environmental requirements imposed in the future or the Issuer's inability to obtain environmental licenses could require the Issuer to incur significant additional costs and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The performance of the Issuer depends on favorable labor relations with its employees. Any deterioration of those relations or increase in labor costs could adversely affect the business of the Issuer.

At December 31, 2005, the Issuer had a total of 19,552 employees in Brazil and in Argentina. Almost all of these employees are represented by labor unions and collective bargaining agreements. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of the Issuer's locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Certain Factors Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy, which may impact the Issuer's business.

The Brazilian economy has been characterized by frequent, and occasionally drastic, intervention by the Brazilian government, which has often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and affect other policies have often involved wage and price controls, fluctuation of the Central Bank's base interest rates, as well as other measures, such as the freezing of bank accounts in 1990. Actions taken by the Brazilian government in relation to the economy may have important effects on Brazilian companies, including the Issuer, and on market conditions and prices of Brazilian securities. For example, in the past, the Brazilian government maintained domestic price controls, and there can be no assurances that price controls will not be reimposed in the future. The Issuer's financial condition and results of operations may also be adversely affected by the following factors and the Brazilian government's actions in response to them:

- devaluations and other exchange rate movements;
- inflation;
- energy shortages;
- interest rates;
- exchange controls and restrictions on remittances abroad;
- liquidity of the domestic capital and lending markets;
- tax policy; and
- other economic policies or developments in or affecting Brazil.

A presidential election will be held in Brazil in October 2006. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses, such as the Issuer. The campaign for the presidential election may result in changes in existing governmental policies, and the next administration – even if President Luiz Inácio Lula da Silva is reelected – may seek to implement new policies. The Issuer cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or the Issuer's business or financial performance.

Economic and market conditions in other emerging market countries may adversely affect the Brazilian economy and, therefore, the market value of the notes.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other emerging market countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, which may adversely affect the ability of the Issuer to borrow funds at an acceptable interest rate or to raise equity capital when and if there should be a need for it to do so.

For example, in 2001, after prolonged periods of recession, followed by political instability, the Argentine government announced it would not continue to service its public debt. In order to address the deteriorating economic and social crisis, the Argentine government abandoned its then-decade-old fixed dollar-*peso* exchange rate, allowing its currency to float. The Argentine *peso* subsequently devalued against the U.S. dollar. The situation in Argentina also negatively affected investors' perceptions of Brazilian securities.

Investors' perception of increased risk due to the crisis in other emerging market countries may adversely affect the Issuer's ability to borrow funds at an acceptable interest rate or raise equity capital when and if there is a need for it to do so. Adverse developments in other emerging market countries could also lead to a reduction in the market price of the notes.

Inflation, and the Brazilian government's measures to combat inflation, may contribute significantly to economic uncertainty in Brazil, the operating results of the Issuer and the market value of the notes.

Brazil has historically experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. The annual inflation rate, as measured by the General Price Index – Internal Availability (*Índice Geral de Preços – Disponibilidade Interna*), reached 2,708.0% in 1993. Although inflation rates have been substantially lower since 1994 than in previous periods, inflationary pressures persist. Inflation rates were 20.0% in 1999, 9.8% in 2000, 10.4% in 2001, 26.4% in 2002, 7.7% in 2003, 12.1% in 2004, and 1.2% in 2005, as measured by the General Price Index – Internal Availability. For the three months ended March 31, 2006, the inflation rate was 0.2%. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, restricting thereby availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions may also contribute materially to economic uncertainty in Brazil and accordingly weaken investor confidence in Brazil, thus impacting the ability of the Issuer to access the international capital markets.

Brazil may experience high levels of inflation in the future. Inflationary pressures may also curtail the ability of the Issuer to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy, which in turn could adversely affect the operations of the Issuer and the market value of the notes.

Significant volatility in the value of the real in relation to the U.S. dollar could harm the Issuer's ability to meet its U.S. dollar-denominated liabilities including interest payments on the notes and adversely affect the value of the Issuer's export sales.

The Brazilian currency has historically suffered frequent devaluations. In the past, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the exchange rates between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real*/U.S. dollar exchange rate depreciated from R$1.96 per US$1.00 at December 31, 2000 to R$2.32 at December 31, 2001 and to R$3.53 at December 31, 2002. The exchange rate reached R$3.96 per US$1.00 in October 2002. However, the economic policies initiated by the Brazilian government in 2003 helped to restore confidence in the Brazilian market. This resulted in an appreciation of the *real* in 2003 of 18.3%, to R$2.89 per US$1.00 at December 31, 2003, further appreciation of the *real* in 2004 of 8.3%, to R$2.65 per US$1.00 at December 31, 2004, and further appreciation of the *real* in 2005 of 11.7%, to R$2.34 per US$1.00 at December 31, 2005. During the three months ended March 31, 2006, the *real* further appreciated against the U.S. dollar by 7.2%, from R$2.34 to US$1.00 on December 31, 2005, to R$2.17 to US$1.00 on March 31, 2006. Volatility in the value of the *real* against foreign currencies may generate losses in the Issuer's foreign currency-denominated liabilities as well as increases in its funding costs with a negative impact on its ability to finance its operations through access to the international capital markets. The Issuer cannot assure you that there will not be further devaluations of the *real* and that any such devaluations will not impact its business in the future.

A substantial portion of the Issuer's indebtedness and some of its operating expenses are, and are expected to continue to be, denominated in or indexed to the U.S. dollar and to other foreign currencies. The Issuer's foreign currency exposure on March 31, 2006 was approximately US$492.9 million. Although the Issuer manages a portion of its exchange rate risk through foreign currency derivative instruments, its foreign currency debt obligations are not completely hedged. The Issuer is subject to risk brought about by the possibility of a devaluation of the *real* or a decline in the rate of exchange of U.S. dollars for *reais*. Unless it successfully hedges this devaluation risk, any decrease in the value of the *real* relative to the U.S. dollar could have a material adverse effect on the Issuer's business and results of operations. In addition, a devaluation or a less favorable exchange rate would effectively increase the interest expense in respect of its U.S. dollar-denominated debt and may have a material adverse effect on the Issuer's ability to make payments of interest and principal on the notes.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of the notes.

According to Law No. 10,833, enacted on December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. If a disposition of assets is interpreted to include a disposition of the notes, this law could result in the imposition of withholding taxes on a disposition of the notes by a non-resident of Brazil to another non-resident of Brazil. Because no judicial guidance as to the application of Law No. 10,833 yet exists, the Issuer is unable to predict whether an interpretation applying such tax laws to dispositions of the notes between non-residents could ultimately prevail in the courts of Brazil.

Furthermore, the Brazilian government frequently implements changes to tax regimes that affect the Issuer and its customers. These changes include changes in prevailing tax rates and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

Some of these changes may result in increases in the Issuer's tax payments, which can adversely impact industry profitability and increase the prices of its products, restrict its ability to do business in its existing and target markets and could cause its financial results to suffer. There can be no assurance that the Issuer will be able to maintain its prices and projected cash flow and profitability following increases in Brazilian taxes applicable to it, its subsidiaries and its operations.

Judgments of Brazilian courts enforcing obligations of the Issuer under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce obligations of the Issuer under the notes, the Issuer would not be required to discharge its obligations in a currency other than *reais*. Any judgment obtained against the Issuer in Brazilian courts in respect of any payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the exchange rate on (1) the date of actual payment, (2) the date on which such judgment is rendered, or (3) the actual due date of the obligations, as published by the Central Bank. There can be no assurance that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

You may not be able to enforce judgments of U.S. courts against the Issuer.

The Issuer is a corporation organized under the laws of Brazil. All of its officers reside in Brazil, and all or a significant portion of its assets may be, and substantially all of its assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon those persons or to enforce judgments against the Issuer or against the Issuer in U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. See "Enforceability of Civil Liabilities."

Controls and restrictions on foreign currency remittance could impede the Issuer's ability to make payments under the notes.

Brazilian law provides that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil and on the conversion of Brazilian currency into foreign currency. For example, for approximately six months in 1989 and early 1990, the Brazilian government restricted fund transfers that were owed to foreign equity investors and held by the Central Bank, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released. However, similar measures could be taken by the Brazilian government in the future that:

- restrict companies, such as the Issuer, from paying amounts denominated in foreign currencies; or

- require that any of those payments be made solely in reais.

The likelihood of such restrictions may be affected by the extent of Brazil's foreign currency reserves, the availability of sufficient foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole and political constraints to which Brazil may be subject, all of which are factors beyond the Issuer's control. There can be no assurances that the Central Bank will not modify its policies or that the Brazilian government will not institute restrictions or delays on payments of external debt.

There can be no assurances that the Brazilian government would not in the future impose restrictions or more restrictive exchange control policies, which could have the effect of preventing or restricting the Issuer's access to foreign currency that would be required to meet the obligations under its foreign currency-denominated liabilities, including any scheduled payments or prepayments under the notes.

Certain Factors Relating to Argentina

Recent actions taken by the Argentine government to limit exports of fresh and processed beef have adversely affected, and may continue to adversely impact, the results of operations and financial position of Swift in Argentina.

On March 14, 2006, in an announced effort to reduce inflation, the Government of Argentina implemented a regulation to prohibit the export of all processed and fresh beef for a 180-day period (other than beef exports made under the Hilton Beef Quota). Approximately 72.5% of Swift's net sales revenue in its fiscal year 2005 was generated by exports. The suspension of exports by the Argentine government resulted in Swift reducing its slaughter rate during May and June 2006 (after operating at normal rates during March and April 2006). In this connection, during May and June 2006, Swift granted leaves of absence to more than half of its workers (whose salaries during this period were subsidized by the Argentine government). On May 29, 2006, the Argentine government partially lifted the ban on fresh beef exports, by allowing exports of fresh beef of up to 40% of the aggregate volume exported by the applicable Argentine beef exporter between June and December of 2005. On May 29, 2006, the Argentine government also lifted the ban on all exports of processed beef. On July 4, 2006, the Argentine government further partially lifted the ban on exports of fresh beef, by allowing unlimited exports of hindquarter beef cuts. Since the beginning of July 2006, Swift has been operating at its usual slaughter rate, and its employees who were granted temporary leaves of absence have been recalled. Although the Argentine government has announced that it may fully lift the remaining beef export ban after August 1, 2006, there can be no assurance that the Argentine government will do so or that the Argentine government will not reapply all or any portion of the export ban that it had previously partially lifted. These measures may adversely impact the results of operations and financial position of Swift in Argentina, which could adversely impact the consolidated results of operations and financial condition of the Issuer.

Political, economic and social instability in Argentina may adversely impact Swift's business operations in Argentina.

During 2001 and 2002, Argentina went through a period of severe political, social and economic crisis and the abandonment of the peso/U.S. dollar parity has led to significant devaluation of the peso against major international currencies. Although general economic conditions have shown improvement and political protests and social disturbances have diminished considerably since the economic crisis of 2001 and 2002, the rapid and radical nature of the changes in the Argentine social, political, economic and legal environment over the past five years and the absence of a clear political consensus in favor of any particular set of economic or political policies have given rise to significant uncertainties about the country's economic and political future. It is unclear whether the economic and political instability experienced over the past five years will continue and it is possible that, despite recent economic growth, Argentina may experience another recession, higher inflation, unemployment and greater social unrest. As a result, these factors result in a material adverse effect on Swift's result of operations and financial conditions.

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

The Argentine economy has been characterized by frequent, and occasionally drastic, intervention by the Argentine government, which has often changed monetary, credit and other policies to influence Argentina's economy. The Argentine government's actions to control inflation, among other policies, have involved wage and price controls, fluctuation of the Central Bank of Argentina's base interest rates, as well as other measures, such as the freezing of bank accounts as recently as 2002. Actions taken by the Argentine government in relation to the economy may have important effects on Argentine companies, including Swift, and on market conditions.

Laws and regulations currently impacting the economy may continue to change in the future, especially as a result of the continuing economic crisis, and any changes may adversely affect Swift's business, financial condition or results of operations. Accordingly, investing in Argentine companies or companies with Argentine operations entails risks as a result of:

- changes in laws and policies of Argentina affecting foreign trade and investment;
- taxation policies, including royalty and tax increases;
- restrictions on repatriation of investments and transfer of funds abroad;
- expropriation, nationalization and forced renegotiation or modification of existing contracts; and
- civil unrest, rioting, looting, nation-wide protests, road blockades, widespread social unrest and strikes.

For example, on November 22, 2005, the Argentine government increased taxes on exports of fresh and chilled beef by Argentine companies from 5.0% to 15.0%, in an apparent effort to encourage increased beef supply to the domestic market, thereby lowering domestic beef prices (which have increased significantly in Argentina recently) and inflation rates (which reached 9.8% during the first 10 months of 2005). In addition, due in part to pressure from the international community, in December 2005, the Argentine government eliminated the average 5.0% tax rebate that was applicable to taxes paid by Argentine beef exporters prior to exporting their beef products. The Argentine government has also established minimum weight requirements for cattle to be slaughtered, which became effective on March 1, 2006.

Allocation of the Hilton Beef Quota in Argentina by the Argentine government has had and could continue to have a material adverse impact on Swift's net sales revenue and results of operations in Argentina.

The Hilton Beef Quota is an import tariff rate quota for high-quality beef established by the European Union in May 1997 as a means of compensating for import restrictions in other agricultural commodities. The in-quota tariff rate is 20.0%, compared to the full tariff of 104.0%. The current quota of approximately 60,600 tons of fresh, chilled beef is divided between six countries, with Argentina accounting for 46.0% of the quota (28,000 tons). Brazil was allocated 8.0% of the Hilton Beef Quota.

Exports pursuant to the Hilton Beef Quota have been a principal source of income for Argentine beef exporters, including Swift, representing a total of approximately US$240 million in annual export sales revenue, and the allocation of the Hilton Beef Quota among Argentine beef exporters has had and will continue to have a material impact on Argentine beef exporters. The Argentine government, through the Argentine Secretary of Agriculture, allocates the quota volume among Argentine beef exporters. Prior to 2004, the allocation criteria were largely based on a company's past performance, which favored companies such as Swift, but also were based on regional development goals and employment inequalities in different provinces within Argentina. In 2003, approximately 38.3% of the Hilton Beef Quota was allocated among five Argentine firms, with Swift accounting for 7.7% of total Hilton Beef Quota exports. In December 2003, the Argentine Secretary of Agriculture proposed a new allocation methodology in order to provide more opportunities for small- and medium-sized companies to export beef under the quota. Under the new scheme, no Argentine plant is allowed to export more than 6.0% of the total Hilton Beef Quota. This new measure, which went into effect in 2005, decreased Swift's beef export sales under the Hilton Beef Quota by 1,053 tons. As each ton of beef sold under the Hilton Beef Quota generates an income differential of approximately US$2,500, this decrease in Swift's quota allocation reduced Swift's net sales revenue by an estimated US$2.0 million, and its results of operations, contributing to Swift's P$25.1 million net loss in fiscal year 2005.

In addition, further decreases in Swift's portion of the Hilton Beef Quota, either as a result of action taken by the Argentine government or by the European Union (which reduced Argentina's quota from 38,000 tons in 2002/2003 to approximately 28,000 tons in 2003/2004 and in 2004/2005), could also materially and adversely affect Swift's net sales revenue and results of operations. Fluctuations in both Argentina's portion of the Hilton Beef Quota and in the amount of such quota allocated to Swift are outside of the control of Swift. No assurance can be given that Swift will continue to be able to export beef products under the Hilton Beef Quota in the future.

Certain Factors Relating to the Notes

An active trading market for the notes may not develop.

The notes constitute a new issuance of securities, for which there is no existing market. Although application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange, the Issuer cannot provide you with any assurances that the application will be accepted. Further, no assurance can be provided regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the results of operations and financial condition of the Issuer, prospects for other companies in the beef processing industry, political and economic developments in and affecting Brazil or Argentina, risk associated with Brazilian issuers of such type of securities and the market for similar securities. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

The Issuer may not be able to repurchase the notes upon a Change of Control.

Upon a Change of Control (as defined in "Description of the Notes—Certain Definitions"), the Issuer will be required to make an offer to repurchase the notes at a price equal to 101.0% of the principal amount thereof, together with any accrued and unpaid interest to the date of repurchase. If a Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds to pay the purchase price for all of the notes that the Issuer might be required to purchase. The Issuer's failure to purchase, or give notice of purchase of, the notes would be a default under the notes, which would result in an event of default under the Issuer's other indebtedness if such default relates to a payment default or the noteholders were to accelerate the debt under the notes. If the foregoing occurs, the Issuer may not have enough assets to satisfy all obligations under the notes and the Issuer's other indebtedness.

The obligations of the Issuer under the notes will be subordinated to certain statutory liabilities.

Under Brazilian law, the obligations of the Issuer under the notes are subordinated to certain statutory preferences. In the event of liquidation or bankruptcy of the Issuer, such statutory preferences, including post-petition claims, claims for salaries, labor accidents, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the notes.

The obligation of the Issuer to repay its senior debt and secured debt, and for the subsidiaries of the Issuer to repay their liabilities, will have priority over the obligations of the Issuer under the notes if the Issuer becomes insolvent or defaults on its senior or secured debt.

The notes will be the unsecured obligations of the Issuer and will be subordinated in right of payment to the Issuer's existing and future senior secured debt. The notes will be effectively subordinated in right of payment to all existing and future debt and to other liabilities of subsidiaries of the Issuer, and the claims of creditors of those subsidiaries, including Swift, will have priority as to the assets of those subsidiaries. The effect of this subordination is that if the Issuer is involved in a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, or upon a default in payment on, or the acceleration of, any debt, or other secured debt, the assets of the Issuer that secure debt will be available to pay obligations on the notes only after all debt under a senior credit facility and other secured debt has been paid in full from those assets. The Issuer may not have sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. At March 31, 2006, the Issuer had R$1,944.6 million of total debt outstanding, of which R$275.6 million was secured debt.

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

If the Issuer is unable to pay its indebtedness, including its obligations under the notes, then the Issuer may become subject to bankruptcy or reorganization proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of the United States or other jurisdictions. While the new Brazilian bankruptcy legislation is, in general, more favorable to creditors when compared to the prior laws governing insolvency proceedings in Brazil, there are no significant court precedents interpreting this law. The Issuer cannot predict the treatment that the notes and the noteholders would receive from Brazilian courts if the Issuer were to enter into a bankruptcy, reorganization or similar proceeding.

The notes are subject to transfer restrictions.

The notes are being offered in reliance upon an exemption from registration under the Securities Act. Therefore, the notes may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities laws. In addition, the Issuer has not authorized any offer of notes to the public in the United Kingdom within the meaning of the Regulations. Accordingly, the notes may not lawfully be offered or sold to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not and will not result in an offer to the public in the United Kingdom within the meaning of the FSMA. See "Transfer Restrictions."

USE OF PROCEEDS

The total net proceeds from the sale of the notes are estimated to be approximately US$297.0 million, after deducting commissions to be paid to the lead managers by the Issuer in connection with the offering but before the payment by the Issuer of certain other expenses related thereto. The Issuer intends to use approximately 83.3% of the net proceeds from the issuance of the notes to repay short-term debt and the remaining proceeds for capital expenditures and general corporate purposes.

CAPITALIZATION

The table below sets forth the debt and capitalization of the Issuer at March 31, 2006, derived from the Issuer's unaudited consolidated interim financial information:

- on an actual basis; and

- as adjusted to give effect to the issuance of the notes offered hereby and the repayment of short-term debt with 83.3% of the net proceeds after deducting commissions but before deduction of expenses that the Issuer must pay in connection with this offering, of approximately US$297.0 million.

Investors should read this table in conjunction with the Issuer's unaudited consolidated interim financial statements included elsewhere in this offering circular.

	At March 31, 2006			
	Actual		As Adjusted	
	(in US$)[1]	(in *reais*)	(in US$)[1]	(in *reais*)
(amounts expressed in millions)				
Cash and cash equivalents	US$20.5	R$44.5	US$70.0	R$152.0
Marketable securities	183.4	398.3	183.4	398.3
Total cash and cash equivalents and marketable securities	203.9	442.8	253.4	550.3
Short-term debt[2]	298.0	647.2	50.5	109.7
Long-term debt[3]	597.3	1,297.4	897.3	1,948.9
Shareholders' equity	427.2	927.8	427.2	927.8
Total capitalization[4]	US$1,322.5	R$2,872.4	US$1,375.0	R$2,986.4

(1) Solely for the convenience of the reader, *real* amounts at and for the period ended March 31, 2006 have been translated into U.S. dollars at the selling rate at March 31, 2006 of R$2.172 to US$1.00. See "Exchange Rates" for further information about recent fluctuations in exchange rates.
(2) Includes current portion of long-term debt.
(3) Excludes current portion of long-term debt.
(4) Total capitalization includes short-term debt, long-term debt and shareholders' equity.

There has been no material adverse change in the capitalization of the Issuer since March 31, 2006.

SELECTED FINANCIAL AND OTHER INFORMATION

The selected financial information contained in this offering circular consists of (1) consolidated financial information of the Issuer at and for the three months ended March 31, 2006 and (2) Combined JBS financial information at and for the three months ended March 31, 2005, in each case set forth below, has been derived from the Issuer's unaudited consolidated and combined JBS interim financial information included elsewhere in this offering circular. The summary Combined JBS financial information set forth below at and for the three years ended December 31, 2005 has been derived from the Combined JBS financial statements included elsewhere in this offering circular. The consolidated financial information and the JBS Combined financial statements and financial information have been prepared in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. For a discussion of certain differences as they relate to the consolidated financial information of the Issuer and the Combined JBS financial statements and financial information, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP."

The results of operations of the Issuer during the three months ended March 31, 2006 and the Combined JBS results of operations during the year ended December 31, 2005 are not indicative of the results of operations or financial condition of the Issuer for any future period or year. For more information regarding the Issuer's consolidated financial Information and the Combined JBS financial statements and financial information, see "Presentation of Financial and Other Information."

This financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Issuer's consolidated interim financial information and the Combined JBS financial statements and financial information included elsewhere in this offering circular.

	At and for the Three Months Ended March 31,			At and for the Years Ended December 31,			
	2006	2006	2005	2005	2005	2004	2003
		(unaudited)			(audited)		
	(in US$)[1]	(in *reais*)		(in US$)[1]	(in *reais*)		
(amounts expressed in millions, except percentages and financial ratios)							
Income Statement Data:							
Net sales revenue	US$426.9	R$927.3	R$851.8	US$1,788.7	R$3,885.1	R$3,292.0	R$1,914.0
Cost of goods sold	(286.8)	(622.9)	(598.5)	(1,228.6)	(2,668.5)	(2,262.2)	(1,393.4)
Gross profit	140.1	304.4	253.3	560.1	1,216.6	1,029.9	520.6
Selling expenses	(44.4)	(96.5)	(81.0)	(164.8)	(358.0)	(328.2)	(167.7)
General and administrative expenses	(45.3)	(98.5)	(90.6)	(196.5)	(426.8)	(356.9)	(174.8)
Financial expenses, net	(20.3)	(44.0)	(56.7)	(134.9)	(293.1)	(138.6)	(51.4)
Depreciation and amortization	(7.4)	(16.1)	(13.2)	(30.1)	(65.3)	(42.4)	(14.6)
Equity in the earnings of associated companies	—	—	—	—	—	(7.0)	6.3
Operating income	22.7	49.3	11.8	33.8	73.3	156.8	118.5
Non-operating income (expenses), net	(0.0)	(0.1)	0.6	0.8	1.8	(0.1)	0.6
Income before taxes and social contribution	22.7	49.2	12.4	34.6	75.1	156.7	119.1
Income taxes and social contribution	(7.6)	(16.4)	(5.0)	(11.2)	(24.4)	(41.7)	(39.0)
Minority interest	0.0	0.0	0.0	0.0	0.1	—	—
Net income	15.1	32.8	7.4	23.4	50.8	115.0	80.2
Balance Sheet Data:							
Cash, cash equivalents and marketable securities	203.9	442.8	332.2	175.0	380.1	232.6	259.6
Accounts receivable	240.7	522.8	500.0	190.1	412.8	497.5	287.0
Product and goods inventory	255.5	555.0	347.6	258.7	562.0	321.0	212.0
Taxes recoverable, net	161.4	350.5	199.9	145.2	315.3	101.2	115.3
Related parties	—	—	—	—	—	124.4	22.5
Other current assets	44.7	97.0	105.8	53.5	116.2	55.2	62.0
Other long-term assets	110.2	239.4	1.9	7.6	16.5	1.0	4.0
Permanent assets	501.2	1,088.5	940.4	583.6	1,267.5	874.2	592.5
Total assets	1,517.5	3,296.0	2,427.8	1,413.7	3,070.5	2,207.1	1,554.9
Short-term loans and financings	298.0	647.2	745.2	478.1	1,038.4	787.2	538.3
Trade accounts payable	78.0	169.5	134.8	97.3	211.3	130.3	87.2
Accounts payable (acquired company)	25.3	54.9	11.1	38.8	84.3	15.1	9.8
Taxes, labor and social liabilities	33.6	72.9	76.5	27.5	59.7	46.7	19.4
Interest attributable to shareholders' equity	18.7	40.6	11.5	15.5	33.6	18.5	—
Other current liabilities	17.6	38.3	79.9	24.4	53.1	29.0	8.7
Long-term loans and financings	597.3	1,297.4	497.3	321.2	697.6	351.3	213.8
Deferred income tax	3.9	8.4	84.2	40.3	87.5	85.6	115.5
Long-term accounts payable (acquired company)	—	—	11.1	0.8	1.7	13.0	12.2
Other long-term liabilities	17.9	38.9	38.6	19.2	41.6	—	—
Total liabilities	1,090.3	2,368.1	1,690.3	1,063.1	2,309.0	1,476.6	1,004.9
Minority interest	0.0	0.1	0.1	0.1	0.3	—	—
Shareholders' equity	427.2	927.8	737.4	350.5	761.3	730.5	550.0
Total liabilities and shareholders' equity	US$1,517.5	R$3,296.0	R$2,427.8	US$1,413.7	R$3,070.5	R$2,207.1	R$1,554.9

(amounts expressed in millions, except percentages and financial ratios)	At and for the Three Months Ended March 31,			At and for the Years Ended December 31,			
	2006	2006	2005	2005	2005	2004	2003
		(unaudited)			(audited)		
	(in US$)[1]	(in *reais*)		(in US$)[1]	(in *reais*)		
Other Data:							
Cattle slaughtered[2]	0.8	0.8	0.8	3.0	3.0	2.6	1.7
EBITDA[3]	50.3	109.4	81.7	198.8	431.8	344.8	178.1
EBITDA margin[4]	11.8%	11.8%	9.6%	11.1%	11.1%	10.5%	9.3%
Net debt[5]	691.4	1,501.8	910.4	624.3	1,355.9	905.9	492.5
Net debt/EBITDA ratio[6]	3.3x	3.3x	2.5x	3.1x	3.1x	2.6x	2.8x
Capital expenditures	10.1	21.9	34.0	74.9	162.6	209.6	90.1

(1) Solely for the convenience of the reader, Brazilian *reais* have been translated into U.S. dollars at the selling rate at March 31, 2006 of R$2.172 to US$1.00. See "Exchange Rates" for further information about recent fluctuations in exchange rates.
(2) In millions of head of cattle.
(3) EBITDA, a performance measure used by the management of the Issuer, is defined as net sales revenue *less* cost of goods sold, *less* selling expenses, *less* general and administrative expenses. EBITDA is useful because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Brazilian beef industry. EBITDA is not a recognized term under Brazilian GAAP and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures or to free cash flow for discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt amortization.

	For the Three Months Ended March 31,			For the Years Ended December 31,			
	2006	2006	2005	2005	2005	2004	2003
		(unaudited)			(audited)		
	(in millions of US$)	(in millions of *reais*)		(in millions of US$)	(in millions of *reais*)		
Net sales revenue	426.9	927.3	851.8	1,788.7	3,885.1	3,292.0	1,914.0
Less:							
Cost of goods sold	(286.8)	(622.9)	(598.5)	(1,228.6)	(2,668.5)	(2,262.2)	(1,393.4)
Selling expenses	(44.4)	(96.5)	(81.0)	(164.8)	(358.0)	(328.2)	(167.7)
General and administrative expenses	(45.3)	(98.5)	(90.6)	(196.5)	(426.8)	(356.9)	(174.8)
EBITDA	50.3	109.4	81.7	198.8	431.8	344.8	178.1

(4) EBITDA margin is calculated by dividing EBITDA by net sales revenue.
(5) Net debt is calculated as follows: total debt *minus* cash, cash equivalents and marketable securities.
(6) With respect to the three months ended March 31, 2006 and 2005, the net debt to EBITDA ratio is obtained by dividing net debt at March 31, 2006 and 2005 by EBITDA for the 12 months ended March 31, 2006 and 2005, respectively.

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

The following discussion of the Issuer's financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by reference to, the (1) Issuer's unaudited consolidated interim financial information at and for the three months ended March 31, 2006, (2) unaudited Combined JBS interim financial information at and for the three months ended March 31, 2005, (3) audited Combined JBS financial statements at and for the years ended December 30, 2005, 2004 and 2003, (4) the notes thereto included elsewhere in this offering circular, as well as (5) the information presented under the sections entitled "Presentation of Financial and Other Information" and "Selected Financial Information."

The following discussion contains forward-looking statements that involve risks and uncertainties. The Issuer's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in the sections entitled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

The discussion and analysis of the Issuer's financial condition and results of operations has been organized to present the following:

- a brief overview of the Issuer and the principal factors that influence its results of operations, financial condition and liquidity;
- a review of the Issuer's financial presentation and accounting policies, including its critical accounting policies;
- a discussion of the principal factors that influence the Issuer's results of operations;
- a discussion of the results of operations for the three months ended March 31, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003;
- a discussion of the Issuer's liquidity and capital resources, including its working capital at March 31, 2006 and its material short-term and long-term indebtedness at March 31, 2006;
- a discussion of the Issuer's off-balance sheet arrangements;
- a discussion of the Issuer's capital expenditures and contractual commitments; and
- a qualitative and quantitative discussion of market risks faced by the Issuer.

Overview

The Issuer has an annual slaughtering capacity of 4.5 million head of cattle, making it (1) the largest producer of beef and beef by-products in Brazil and Latin America and (2) the fourth largest producer of beef and beef by-products in the world, in each case based on annual cattle slaughtering capacity in 2005. Through Swift, the Issuer is also the largest beef producer and beef exporter in Argentina. During the three months ended March 31, 2006, the Issuer recorded net sales revenue of R$927.3 million (US$426.9 million), gross profit of R$304.4 million (US$140.1 million) and net income of R$32.8 million (US$15.1 million). During 2005, the Issuer recorded net sales revenue of R$3,885.1 million (US$1,788.7 million), gross profit of R$1,216.6 million (US$560.1 million) and net income of R$50.8 million (US$23.4 million). In 2005, approximately 48.6% of the Issuer's net sales revenue was derived from export sales denominated in foreign currencies.

The results of operations of the Issuer have been influenced and will continue to be influenced by a variety of factors, including:

- the growth rate of Brazilian GDP, which affects the demand for the Issuer's products in Brazil, consequently, the Issuer's domestic sales volume;

- fluctuations in cattle and beef prices;

- the Issuer's export levels;

- fluctuations in exchange rates between the real and the U.S. dollar; and

- the level of the Issuer's indebtedness and applicable interest rates.

The Issuer's financial condition and liquidity are influenced by a variety of factors, including:

- the Issuer's ability to generate cash flows from its operations;

- prevailing Brazilian and international interest rates and movements in exchange rates, which affect the Issuer's debt service requirements;

- the Issuer's ability to continue to be able to borrow funds from Brazilian and international financial institutions and to sell its debt securities in the international securities markets, which is influenced by a number of factors discussed below; and

- its capital expenditure requirements, which consist primarily of production capacity increases, the acquisition of new manufacturing and processing facilities and the purchase of new equipment.

Financial Presentation and Accounting Policies

The Issuer's unaudited consolidated interim financial information at and for the three months ended March 31, 2006 and the unaudited Combined JBS interim financial information at and for the three months ended March 31, 2005 have been subjected to a limited review by Terco Grant Thornton and are included elsewhere in this offering circular. The Combined JBS financial statements at and for the years ended December 31, 2005 and 2004 have been audited by Terco Grant Thornton, as stated in their report appearing herein, and are included elsewhere in this offering circular. The Combined JBS financial statements at and for the year ended December 31, 2003 have been audited by Trevisan, as stated in their report appearing herein and are included elsewhere in this offering circular.

The Issuer's results of operations during the three months ended March 31, 2006 and the Combined JBS results of operations during the year ended December 31, 2005 are not indicative of the results of operations or financial condition of the Issuer for any future period or year. For more information regarding the Issuer's consolidated interim financial information and the Combined JBS financial statements and financial information, see "Presentation of Financial and Other Information."

The Issuer's unaudited consolidated interim financial information and the Combined JBS financial statements and financial information have been prepared in accordance with Brazilian GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion certain differences as they relate to the combined financial information of the Issuer and the Combined JBS financial statements and financial information, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP."

The reports of both Terco Grant Thornton and Trevisan in respect of the Issuer's unaudited interim financial information and the Combined JBS financial statements and financial information included elsewhere in this offering circular contain two exceptions:

- at December 31, 2003, Agropecuária Friboi adjusted the value of its permanent assets, including its trademarks, in order to reflect the market value of these assets on its balance sheet based on an appraisal report prepared by *Brands & Values Avaliações de Marca S/C Ltda.*, or Brands & Values, a Brazilian appraisal firm. However, Brazilian GAAP does not permit intangible assets, such as trademarks, to be adjusted to market value. Accordingly, the independent auditors of the Issuer, Agropecuária Friboi and Combined JBS have included an exception to their audit reports and their reports on limited review for this deviation from Brazilian GAAP. The following table shows the effect on the Issuer and Combined JBS balance sheet when the increase in value in permanent assets following the appraisal of the trademarks is excluded from shareholders' equity.

	At March 31,		At December 31,	
	2006	2005	2005	2004
	(In millions of *reais*)			
As per Consolidated interim financial information of the Issuer and Combined JBS financial statements and financial information				
Shareholders' equity	R$927.8	R$737.4	R$761.3	R$730.5
Adjusted				
Shareholders' equity (1)	—	R$614.9	R$638.8	R$608.0

(1) All of the Issuer's trademarks were originally owned by Agropecuária Friboi, currently known as J&F Participações Ltda. On December 1, 2005, Agropecuária Friboi transferred all of its trademarks to the Issuer, together with its operating assets. The revaluation did not impact the Issuer's shareholders' equity at March 31, 2006 because Agropecuária Friboi did not transfer the revaluation reserve related to this revaluation to JBS S.A. together with its trademarks and other assets on December 1, 2005.

At March 31, 2006 and 2005 and at December 31, 2005, 2004 and 2003, independent auditors of the Issuer's unaudited interim financial information and the Combined JBS financial statements and financial information were unable to confirm certain costs related to the Issuer's finished product inventories. See "Risk Factors—Certain Factors Relating to the Issuer—The Issuer's independent auditors have expressed concern as to the method used by the group to value its trademarks and finished product and work in process inventories."

Financial Presentation and Accounting Policies

Critical Accounting Policies

The presentation of the financial condition and results of operations of the Issuer in conformity with Brazilian GAAP requires the Issuer to make certain judgments and estimates regarding the effects of matters that are inherently uncertain and that impact the carrying value of its assets and liabilities. Actual results could differ from those estimates. In order to provide an understanding about how the Issuer forms its judgments and estimates about certain future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, the Issuer has summarized the following critical accounting policies set forth below under Brazilian GAAP:

- *Revenue Recognition and Provision for Doubtful Accounts.* The Issuer recognizes net operating revenue for product sales when risk and title to the product are transferred to the customer. Transfer generally occurs at the time when the product is delivered to customers or to their freight carriers. In 2005, the Issuer recorded a provision for doubtful accounts in an aggregate amount of R$3.2 million in selling expenses, which it considered sufficient to cover any probable losses on realization of its account receivables. In order to determine the overall adequacy of the allowance for doubtful accounts, the Issuer regularly evaluates the amount and characteristics of its account receivables. The Issuer records a provision in light of past collection and write-off experience, as well as when payment delays in excess of 90 days occur, and the Issuer believes that it may not receive payment in full. The Issuer does not record a provision when the past due accounts receivable are guaranteed by a creditworthy entity or otherwise adequately secured or where there are other reasonable grounds to believe that they will be paid in full.

- *Inventories.* Inventories are mainly comprised of finished products, work in process and materials used in the production of the Issuer's products. Raw materials and other materials for consumption are recorded at their average acquisition cost, not exceeding the lesser of their market or replacement value. Inventories of materials for consumption are classified as short-term assets based on the Issuer's estimates of when they will be consumed. Finished product inventories are recorded at 70.0% of the highest sales price during the relevant period, and work-in-process inventories are recorded at 80.0% of the value of finished product inventories, which the Issuer refers to as the tax method This tax method, which is not in accordance with

Brazilian GAAP, may increase or decrease the Issuer's operating profits depending on the highest sales price that is used to value the inventory during the year and the expected sales price of such inventory at December 31. The Issuer's independent auditors were unable to ascertain the amount of any differences that could arise from a comparison between the tax method used by the Issuer to value its finished product and its work in process inventories and the production costs actually incurred by the Issuer, or the actual cost method, which is required to be used under Brazilian GAAP to value finished product and work in process inventories. Cattle owned by the Issuer are recorded at their market value at the relevant balance sheet date in accordance with prices published by the Brazilian National Producer Federation (*Federação Nacional dos Produtores),* or FNP. See "Risk Factors—Certain Factors Relating to the Issuer—The Issuer's independent auditors have expressed concern as to the method used by the Issuer to value its trademarks and its finished product and work in process inventories."

- *Impairment and Depreciation and Amortization of Permanent Assets.* As required under Brazilian GAAP, the Issuer regularly performs cash flow studies to determine if the accounting value of its assets, principally its fixed assets, is compatible with the profitability expected to be generated from these assets. If the expected cash flows of these assets are lower than the accounting value, the Issuer records a provision for impairment value of the asset. Fixed assets are regularly recognized as expenses through depreciation or amortization. The Issuer calculates depreciation using the straight-line method with annual rates that take into consideration the useful-economic and remaining service life of the assets. The Issuer periodically appraises the value of its permanent assets in order to reflect the market value of these assets on its combined balance sheet. At December 31, 2003, Agropecuária Friboi adjusted the value of its permanent assets, including its trademarks, in order to reflect the market value of these assets on its Combined JBS balance sheet based on an appraisal report prepared by Brands & Values. However, Brazilian GAAP does not permit intangible assets, such as trademarks, to be adjusted to market value based on an appraisal report. Accordingly, the independent auditors of the Issuer, Agropecuária Friboi and Combined JBS have included an exception in their audit reports and limited review reports. See "Risk Factors—Certain Factors Relating to the Issuer—The Issuer's independent auditors have expressed concern as to the method used by the Issuer to value its trademarks and its finished product and work in process inventories." See "—Presentation of Financial and Other Information."

- *Recoverable taxes.* Tax credits result from the difference between credits of ICMS (a state value-added tax) taxes received by the Issuer in connection with its purchase of goods and the debit of ICMS taxes resulting from the sales of the Issuer's products. Because products that are exported from Brazil are exempt from ICMS taxes and approximately 48.6% of the Issuer's net revenues in 2005 were derived from exports, the Issuer has accumulated ICMS tax credits in an aggregate amount of R$168.9 million at March 31, 2006, that it uses to offset ICMS tax payments and to purchase raw materials for use in the Issuer's production processes.

Principal Factors Affecting the Issuer's Results of Operations

Growth of Brazil's Gross Domestic Product and Domestic Demand for the Issuer's Products

The Issuer's domestic sales represented 51.4% of the Issuer's net sales revenue in 2005 (including domestic sales in Argentina, which represented 1.6% of the Issuer's net sales revenue in 2005). As a Brazilian company with substantially all of its operations in Brazil, the Issuer is significantly affected by economic conditions in Brazil. The Issuer's results of operations and financial condition have been, and will continue to be, affected by the growth rate of GDP in Brazil.

Because of the Issuer's significant market share in the Brazilian fresh and processed beef markets, fluctuations in Brazilian demand for these products affects the Issuer's production levels and net sales revenue. In 2003, GDP in Brazil increased by only 0.5%. In 2003, Brazilian consumption of beef decreased by 3.9%, compared to 2002. The decreased domestic consumption of beef was primarily a result of reduced economic activity.

In 2004, GDP in Brazil increased by 4.9%, the highest annual growth rate since 1994. In 2004, Brazilian consumption of beef increased by 0.6%, compared to 2003. The increased domestic consumption of beef resulted primarily from the recovery of economic activity in Brazil.

In 2005, GDP in Brazil increased by 2.3%. In 2005, Brazilian consumption of beef increased by 5.7%, compared to 2004. The increased domestic consumption of beef resulted primarily from the recovery of economic activity in Brazil in 2004 and 2005.

Brazilian GDP growth has fluctuated significantly, and the Issuer anticipates that it will likely continue to do so. The Issuer's management believes that economic growth in Brazil should positively affect its future net sales revenue and results of operations. However, continued low growth or a recession in Brazil may reduce its future net sales revenue and negatively impact its results of operations.

Effects of Fluctuations in Cattle and Beef Prices

Fluctuations in the domestic and international market price of beef significantly affect the Issuer's net operating revenue, and fluctuations in the domestic market price of cattle have significant effects on the Issuer's costs of goods sold.

Effects on Net Operating Revenue

The Issuer's domestic and international beef prices are set generally by market conditions, which the Issuer does not control. The Issuer's domestic prices are also affected by the margin that the Issuer pays to various supermarket chains that resell the Issuer's beef products in Brazil. The Issuer negotiates these margins with each supermarket chain and, depending on the supermarket chain, with each individual store within the chain.

Domestic fresh beef prices decreased by 0.9% on average from R$2,584.08 per ton in 2004 to R$2,561.29 per ton in 2005, primarily as a result of the outbreak of FMD in Mato Grosso do Sul in October 2005. The Issuer's net sales revenue from domestic fresh beef sales increased by 23.0% from R$1,207.3 million in 2004 to R$1,485.0 million in 2005, primarily as a result of increased domestic prices prior to the detection of FMD in October 2005. For example, average domestic fresh beef prices were R$2,645.86 per ton during the three months ended March 31, 2005, compared to (1) the annual average price per ton in 2005 of R$2,561.29 and (2) R$2,260.89 per ton during the same period in 2006.

Average domestic prices of processed beef decreased by 18.5% from R$13,598.62 per ton in 2004 to R$11,076.56 per ton in 2005. Accordingly, although the Issuer's net sales revenue from domestic processed beef sales increased by 36.1% from R$150.3 million in 2004 to R$204.6 million in 2005, the Issuer's domestic sales volumes of processed beef increased by 84.8% from approximately 13,800 tons in 2004 to approximately 25,500 tons in 2005.

International fresh beef prices increased by 8.0% on average from US$2,500.06 per ton in 2004 to US$2,700.87 per ton in 2005, primarily as a result of (1) the outbreak of avian influenza in Asia and Russia in 2005, (2) continuing trade restrictions on U.S. and Canadian beef exports due to BSE and (3) the detection of FMD in Mato Grosso do Sul in October 2005 and import restrictions imposed by many countries on Brazilian beef exports thereafter. However, due to the 11.7% appreciation of the *real* against the U.S. dollar in 2005, international fresh beef prices, when measured in *reais,* decreased by 10.1% on average from R$7,315.12 per ton in 2004 to R$6,573.92 per ton in 2005. Accordingly, although the Issuer's net sales revenue from export sales of fresh beef when measured in *reais* increased by 0.4% from R$1,264.4 million in 2004 to R$1,268.9 million in 2005, the Issuer's export sales volumes of fresh beef increased by 13.1% from approximately 175,000 tons in 2004 to approximately 197,900 tons in 2005.

Average international prices of processed beef increased by 13.1% on average to US$2,831.97 per ton in 2005 from US$2,502.99 per ton in 2004, primarily as a result of the same factors that affected international fresh beef prices in 2005. However, due to the 11.7% appreciation of the *real* against the U.S. dollar in 2005, international processed beef prices when measured in *reais* decreased by 5.9% from R$7,323.70 per ton in 2004 to R$6,893.02

per ton in 2005. Accordingly, although the Issuer's net sales revenue from export sales of processed beef increased by 71.9% from R$361.1 million in 2004 to R$620.7 million in 2005, the Issuer's export sales volumes of processed beef increased by 83.6% from approximately 49,900 tons in 2004 to approximately 91,600 tons in 2005.

The domestic and international market prices of the Issuer's products have fluctuated significantly, and the Issuer believes that they will continue to do so. Significant increases in the domestic and international market prices of the Issuer's products would likely increase the Issuer's net sales revenue and the Issuer's results of operations to the extent that the Issuer is able to maintain its operating margins and increased prices do not reduce sales volumes of its products. Conversely, significant decreases in the domestic and international market prices of the Issuer's products would likely reduce the Issuer's net sales revenue and the Issuer's results of operations if the Issuer is unable to increase its operating margins or these reduced prices do not result in increased sales volumes of the Issuer's products.

Effects on Cost of Sales

Cattle are the principal raw material used by the Issuer. Purchases of cattle represented 84.3% of the Issuer's total cost of goods sold in 2005. The cost of cattle varies in accordance with domestic market prices, which fluctuate depending upon the supply and demand for cattle. The Issuer generally purchases cattle in spot market transactions, and the prices that the Issuer pays for cattle are based on the per pound market price in Brazil. As a result, fluctuations in the per pound market price for cattle directly impact the cost of the Issuer's products.

The domestic per pound price of cattle has fluctuated significantly in the past, and the Issuer expects that it will continue to do so in the future. Significant increases in the price of cattle and, consequently, the cost of producing the Issuer's products, would likely reduce the Issuer's gross margins and results of operations to the extent that it is unable to pass all of these increased costs on to its customers and could result in reduced sales volumes of its products. Conversely, significant decreases in the price of cattle and, consequently, the cost of producing the Issuer's products, would likely increase the Issuer's gross margins and results of operations and could result in increased sales volumes if this lower cost leads the Issuer to lower its prices.

The Issuer hedges its exposure to changes in cattle prices. However, these hedges only protect the Issuer against fluctuations in cattle prices between the time that the cattle are contracted to be purchased and the effective date of payment for the cattle. The Issuer does not control domestic cattle prices.

Effect of Export Levels on the Issuer's Financial Performance

The Issuer generally obtains higher prices outside Brazil for its products than prevailing domestic prices. The difference in prices between the Brazilian and export markets results in part from:

- higher commodity prices in developed countries in comparison to commodity prices in developing countries;
- higher costs of transporting products outside Brazil;
- warehousing and other logistics costs; and
- tariffs and duties.

In 2005, 32.7% of the Issuer's net sales revenue was derived from export sales of fresh beef products as compared with 38.4% of its net sales revenue in 2004. The Issuer's net sales revenue from export sales of fresh beef when measured in *reais* increased by 0.4% from R$1,264.4 million in 2004 to R$1,268.9 million in 2005, primarily as a result of the 11.7% appreciation of the *real* against the U.S. dollar in 2005.

The Issuer's ability to export is a function of the level of economic growth in its export markets and other economic conditions, including prevailing inflation rates. The Issuer believes that significant growth in the global economy would likely lead to increased global demand and international market prices for beef. In addition, increased global demand for beef would enhance the Issuer's ability to export its products. Conversely, slow or negative growth of the global economy would have the opposite impact on the Issuer.

Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

The Issuer's results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because:

- a substantial portion of the Issuer's net sales revenue is linked to U.S. dollars; and

- the Issuer has significant amounts of U.S. dollar-denominated liabilities that require it to make principal and interest payments in U.S. dollars.

Virtually all of the Issuer's export sales are expressed in U.S. dollars or another foreign currency. When the *real* depreciates against the U.S. dollar, assuming the Issuer's costs and international market prices of its products remains constant, the Issuer's net sales revenue from exports increases. Conversely, when the *real* appreciates against the U.S. dollar, assuming the Issuer's costs and international market prices of its products remain constant, the Issuer's net sales revenue from exports decreases.

The Issuer's consolidated U.S. dollar-denominated indebtedness represented 55.1% of its outstanding indebtedness at March 31, 2006, excluding related party debt. As a result, when the *real* depreciates against the U.S. dollar:

- the interest costs on the Issuer's U.S. dollar-denominated indebtedness increase in *reais*, which negatively affects its results of operations in *reais*;

- the amount of the Issuer's U.S. dollar-denominated indebtedness increases in *reais*, and the Issuer's total liabilities and debt service obligations in *reais* increase; and

- the Issuer's financial expenses tend to increase as a result of foreign exchange losses that it must record.

Conversely, when the *real* appreciates against the U.S. dollar:

- the interest costs on the Issuer's U.S. dollar-denominated indebtedness decrease in *reais*, which positively affects its Issuer's results of operations in *reais*;

- the amount of the Issuer's U.S. dollar-denominated indebtedness decreases in *reais*, and the Issuer's total liabilities and debt service obligations in *reais* decrease; and

- the Issuer's financial expenses tend to decrease as a result of foreign exchange gains that it must record.

Any major devaluation of the *real* against the U.S. dollar would significantly increase the Issuer's financial expenses and short-term and long-term indebtedness, as expressed in *reais*. Conversely, any major appreciation of the *real* against the U.S. dollar would significantly decrease the Issuer's financial expenses and short-term and long-term indebtedness, as expressed in *reais*.

Export sales, which enable the Issuer to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of its U.S. dollar-denominated debt service obligations, but they do not fully match them. Accordingly, the Issuer often enters into hedging arrangements to mitigate exchange rate fluctuations in its U.S. dollar-denominated indebtedness.

Effect of Level of Indebtedness and Interest Rates

At March 31, 2006, the Issuer's total outstanding indebtedness was R$1,944.6 million. The level of the Issuer's indebtedness results in significant financial expenses that are reflected in its statement of operations. Financial expenses consist of interest expense, exchange variations of U.S. dollar and other foreign currency-denominated debt, foreign exchange losses or gains, and other items as set forth in note 15 to the Issuer's interim consolidated financial information. During the three months ended March 31, 2006, the Issuer recorded total financial expenses of R$198.1 million, of which R$41.6 million consisted of interest expense and R$60.0 million consisted of foreign exchange expenses. By contrast, during the three months ended March 31, 2005, the Issuer recorded total financial expenses of R$111.6 million, of which R$33.6 million consisted of interest expense and R$4.2 million consisted of foreign exchange expenses. The interest rates on the Issuer's indebtedness depend on a variety of factors, including prevailing Brazilian and international interest rates and risk assessments of the Issuer, the industries in which the Issuer operates and the Brazilian economy made by potential lenders to the Issuer, potential purchasers of its debt securities and the rating agencies that assess the Issuer and its debt securities.

Results of Operations

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

Three Months Ended March 31, 2006 Compared with Three Months Ended March 31, 2005

The following discussion of the Issuer's results of operations is based on the Issuer's consolidated interim financial information for the three months ended March 31, 2006 and Combined JBS interim financial information for the three months ended March 31, 2005.

The following table sets forth the Issuer's unaudited consolidated financial information for the three months ended March 31, 2006 and Combined JBS financial information for the three months ended March 31, 2005.

	Three Months Ended March 31,	
	2006	**2005**
	(in millions of *reais*) (unaudited)	
Financial Information:		
Net sales revenue	R$927.3	R$851.8
Cost of goods sold	(622.9)	(598.5)
Gross profit	304.4	253.3
Selling, general and administrative expenses	(195.0)	(171.6)
Financial income (expenses), net	(44.0)	(56.7)
Depreciation and amortization	(16.1)	(13.2)
Non-operating income (expenses), net	(0.1)	0.6
Income tax and social contribution	(16.4)	(5.0)
Net income	R$32.8	R$7.4

Net Sales Revenue

Net sales revenue increased by R$75.5 million, or 8.9%, from R$851.8 million during the three months ended March 31, 2005 to R$927.3 million during the same period in 2006, primarily as a result of a 32.3% increase in net sales revenue derived from beef exports.

Beef. Net sales revenue from beef sales increased by R$70.6 million, or 9.1%, from R$778.8 million during the three months ended March 31, 2005, to R$849.4 million during the same period in 2006. This overall increase in beef sales was caused by the net effect of:

- a 10.6% decrease in net domestic beef sales revenue from R$422.0 million during the three months ended March 31, 2005 to R$377.2 million during the same period in 2006, due to reduced beef prices in the Brazilian market driven by (1) an increase in the supply of beef from slaughterhouses that reduced their beef exports due to import restrictions in certain countries resulting from the outbreak of FMD in Brazil and therefore redirected their products to the domestic market and (2) a decrease in the price of poultry as a result of the health threat represented by the global outbreak of avian influenza; and

- a 32.3% increase in net beef export sales revenue from R$356.8 million during the three months ended March 31, 2005 to R$472.1 million during the same period in 2006, due primarily to (1) an increase in international beef prices as result of outbreaks of FMD in Brazil and Argentina that limited the supply of beef to major consumer markets serviced by the Issuer, such as the EU and Russia, (2) an increase in the demand for beef in the international markets, as consumers, particularly in the EU, shifted from poultry to beef as a protein source in response to the perceived health threat represented by the global outbreak of avian influenza and (3) an increase in beef exports by the Issuer to new countries, including as a result of the inclusion of the results of operations of Swift during the three months ended March 31, 2006.

In U.S. dollar terms, net beef export sales revenue increased by 60.8% from US$133.7 million during the three months ended March 31, 2005 to US$214.9 million during the same period in 2006, in part as a result of the appreciation of the *real* against the U.S. dollar during this period in 2006 when compared to the depreciation of the *real* against the U.S. dollar during the same period in 2005.

Hygiene and Cleaning Products. Net sales revenue from hygiene and cleaning products sales increased by R$4.9 million, or 6.7%, from R$73.1 million during the three months ended March 31, 2005 to R$78.0 million during the same period in 2006, primarily due to a 14.9% increase in the average prices of the Issuer's hygiene and cleaning products during the three months ended March 31, 2006 (when compared to the same period in 2005).

Cost of Goods Sold

Cost of goods sold increased by R$24.4 million, or 4.1%, from R$598.5 million during three months ended March 31, 2005 to R$622.9 million during the same period in 2006, due to a 1.8% increase in the cost of beef sold and a 36.2% increase in the cost of hygiene and cleaning products sold. As a percentage of sales, cost of goods sold decreased from 70.3% during the three months ended March 31, 2005 to 67.2% during the same period in 2006.

Beef. Cost of beef sold increased by R$10.3 million, or 1.8%, from R$559.7 million during the three months ended March 31, 2005, to R$570.0 million during the same period in 2006, due mainly to Swift's of cost of goods sold being included in the Issuer's results of operations during the three months ended March 31, 2006. Swift's principal products are processed beef products, which have a higher average cost of production when compared to the cost of producing fresh beef products.

Hygiene and Cleaning Products. Cost of hygiene and cleaning products sold increased by R$14.0 million, or 36.2%, from R$38.8 million during the three months ended March 31, 2005 to R$52.9 million during the same period in 2006, primarily as a result of the introduction and sale of new value-added products under the Issuer's existing brand names.

Gross Profit

Gross profit increased by R$51.1 million, or 20.2%, from R$253.3 million during the three months ended March 31, 2005 to R$304.4 million during the same period in 2006, and gross margin increased to 32.8% during the three months ended March 31, 2006 from 29.7% during the same period in 2005.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by R$23.5 million, or 13.7%, from R$171.6 million during the three months ended March 31, 2005 to R$195.0 million during the same period in 2006. Selling expenses increased by R$15.5 million, or 19.2%, from R$81.0 million during the three months ended March 31, 2005 to R$96.5 million during the same period in 2006, primarily due to an increase in the Issuer's sales personnel and marketing expenses, in connection with the marketing of the Issuer's hygiene and cleaning products (including new product launches), during the three months ended March 31, 2006.

General and administrative expenses increased by R$7.9 million, or 8.7%, from R$90.6 million during the three months ended March 31, 2005 to R$98.5 million during the same period in 2006, mainly as a result of increases in personnel-related costs (hiring of additional executive officers and administrative employees) and fees paid to auditors and other consultants in connection with the Issuer's corporate reorganization. See "History and Corporate Reorganization."

Financial Expenses, Net

Net financial expenses decreased by R$12.7 million, or 22.4%, from R$56.7 million during the three months ended March 31, 2005 to R$44.0 million during the same period in 2006, due primarily to the net effect of the following factors:

- a R$8.3 million decrease in net discounts granted to customers;
- a R$2.7 million increase in net interest expenses;
- a R$11.6 million increase in net financial income incurred in respect of derivative instruments; and
- a R$ 5.4 million increase in net income from monetary variations.

Depreciation and Amortization

Depreciation and amortization increased by R$2.9 million, or 22.0%, from R$13.2 million during the three months ended March 31, 2005 to R$16.1 million during the same period in 2006, as a result of investments in new equipment and assets to meet increasing domestic and international demand for beef products.

Non-Operating Income (Expenses), Net

Non-operating income (expenses), net, was an expense of R$0.1 million during the three months ended March 31, 2006, compared to income of R$0.6 million during the same period in 2005, as a result of reduced asset sales during the three months ended March 31, 2006.

Income and Social Contribution Taxes

Income and social contribution taxes increased from R$5.0 million during the three months ended March 31, 2005 to R$16.4 million during the same period in 2006, primarily due to higher taxable income during the three months ended March 31, 2006.

Net Income

As a result of the foregoing, net income increased by R$25.4 million, or 343.2%, from R$7.4 million during the three months ended March 31, 2005 to R$32.8 million during the same period in 2006.

Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

The following discussion of the Issuer's results of operations is based on Combined JBS financial information for the years ended December 31, 2005 and 2004.

The following table sets forth Combined JBS financial information for each of the years ended December 31, 2005 and 2004.

	Year Ended December 31,	
	2005	**2004**
	(in millions of *reais*) (audited)	
Financial Information:		
Net sales revenue	R$3,885.1	R$3,292.0
Cost of goods sold	(2,668.5)	(2,262.2)
Gross profit	1,216.6	1,029.9
Selling and administrative expenses	(784.9)	(685.0)
Financial expenses, net	(293.1)	(138.6)
Depreciation and amortization	(65.3)	(42.4)
Equity in the earnings of subsidiaries	—	(7.0)
Non-operating income (loss), net	1.8	(0.1)
Income tax and social contribution	(24.4)	(41.7)
Net income	R$50.8	R$115.0

Net Sales Revenue

Net sales revenue increased by R$593.1 million, or 18.0%, from R$3,292.0 million in 2004 to R$3,885.1 million in 2005, primarily as a result of a 23.0% increase in net domestic beef sales revenue, and by a 17.5% increase in net beef export sales revenue (expressed in *reais*), which was offset by a 1.0% decrease in net hygiene and cleaning products sales revenue.

Beef. Net sales revenue from beef sales increased by R$596.1 million, or 20.0%, from R$2,983.1 million in 2004 to R$3,579.2 million in 2005. This overall increase in beef sales was caused by the effect of:

- a 17.5% increase in net beef export sales revenue due primarily to an increase in international beef prices as a result of restrictions on the importation of Brazilian and Argentine beef by important beef export markets, the inclusion of four months of Swift's results of operations and the results of operations of BF Alimentícios, in 2005. In U.S. dollar terms, net beef export sales revenue increased by 41.2%, from US$555.5 million in 2004 to US$784.6 million in 2005, due to the appreciation of the *real* against the U.S. dollar; and

- a 23.0% increase in net domestic sales revenue due in part to (1) the acquisition by the Issuer of the remaining 49.0% of the total share capital of BF Alimentícios that it did not own and (2) a 5.7% increase in average per capita beef consumption in Brazil from 34.8 kilograms per person in 2004 to 36.8 kilograms per person in 2005.

Hygiene and Cleaning Products. Net sales revenue from hygiene and cleaning products sales decreased by R$3.0 million, or 1.0%, from R$308.9 million in 2004 to R$305.9 million in 2005, primarily due to a decrease in average domestic hygiene and cleaning products prices, which offset an increase in hygiene and cleaning products sales volumes.

Cost of Goods Sold

Cost of goods sold increased by R$406.3 million, or 18.0%, from R$2,262.2 million in 2004 to R$2,668.5 million in 2005, due to a 21.8% increase in the cost of beef sold, which was offset in part by a 20.5% decrease in cost of hygiene and cleaning products sold. As a percentage of net sales, cost of sales was maintained at approximately 68.7% in 2005.

Beef. Cost of beef sold increased by R$448.4 million, or 21.8%, from R$2,057.0 million in 2004 to R$2,505.4 million in 2005, due mainly to an approximately 19.2% increase in beef sales volumes.

Hygiene and Cleaning Products. Cost of hygiene and cleaning products sold decreased by R$42.0 million, or 20.5%, from R$205.1 million in 2004 to R$163.1 million in 2005, primarily as a result of an approximate 19.0% decrease in raw material (mainly animal fat) costs allocated to this division.

Gross Profit

Gross profit increased by R$186.7 million, or 18.1%, in 2005 from R$1,029.9 million in 2004 to R$1,216.6 million in 2005, and gross margin was 31.3% in 2005 and 2004.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by R$99.8 million, or 14.6%, from R$685.0 million in 2004 to R$784.9 million in 2005. Selling expenses increased by R$29.8 million, or 9.1%, from R$328.2 million in 2004 to R$358.0 million in 2005, due to the increase in sales. General and administrative expenses increased by R$69.9 million, or 19.6%, from R$356.9 million in 2004, to R$426.8 million in 2005, mainly as a result of increases in personnel-related costs (hiring of additional executive officers and administrative employees) and fees paid to auditors and other consultants in connection with the reorganization of Grupo JBS.

Financial Expenses, Net

Net financial expenses increased by R$154.5 million, or 111.5%, from R$138.6 million in 2004 to R$293.1 million in 2005, due mainly to the net effect of the following factors:

- a R$59.0 million increase in net discounts granted to customers;
- a R$16.7 million increase in net interest expense due to increased indebtedness levels to fund higher working capital needs and capital expenditures in 2005; and
- an R$80.3 million increase in net financial expenses incurred in respect of derivative instruments and exchange rate variations, due to the 11.7% appreciation of the *real* against the U.S. dollar in 2005.

Depreciation and Amortization

Depreciation and amortization increased by R$22.9 million, or 54.1%, from R$42.4 million in 2004 to R$65.3 million in 2005, as a result of investments in new equipment and assets to meet increasing domestic and international demand for beef products and an increase in the Issuer's revaluation reserve as a result of the revaluation of the Issuer's permanent assets (then owned by Agropecuária Friboi) on December 31, 2004.

Non-Operating Income, Net

Non-operating income, net, was R$1.8 million in 2005, compared to an expense of R$0.1 million in 2004, as a result of asset sales.

Income and Social Contribution Taxes

Income and social contribution taxes of R$41.7 million incurred in 2004 decreased to R$24.4 million in 2005, primarily due to lower taxable income resulting from higher selling, general and administrative expenses, financial expenses and depreciation and amortization expenses incurred in 2005.

Net Income

As a result of the foregoing, net income decreased by R$64.2 million, or 55.8%, from R$115.0 million in 2004 to R$50.8 million in 2005.

Year Ended December 31, 2004 Compared with Year Ended December 31, 2003

The following discussion of the Issuer's results of operations is based on Combined JBS financial information for the years ended December 31, 2004.

The following table sets forth Combined JBS financial information for each of the years ended December 31, 2004 and 2003.

	Year Ended December 31,	
	2004	**2003**
	(in millions of *reais*) (audited)	
Financial Information:		
Net sales revenue	R$3,292.0	R$1,914.0
Cost of goods sold	(2,262.2)	(1,393.4)
Gross profit	1,029.9	520.6
Selling and administrative expenses	(685.0)	(342.5)
Financial expenses, net	(138.6)	(51.4)
Depreciation and amortization	(42.4)	(14.6)
Equity in the earnings of subsidiaries	(7.0)	6.3
Non-operating income, net	(0.1)	0.6
Income tax and social contribution	(41.7)	(39.0)
Net income	R$115.0	R$80.2

Net Sales Revenue

Net sales revenue increased by R$1,378.0 million, or 72.0%, from R$1,914.0 million in 2003 to R$3,292.0 million in 2004, as a result of:

- a 91.3% increase in net beef export sales revenue due in part to (1) increased international demand for beef as result of an outbreak of mad cow disease in the United States, a drought in Australia and an outbreak of FMD in the European Union, (2) beef export sales to new markets and (3) the transfer by BF Alimentícios of substantially all of its operating assets to Friboi in August 2004, which increased the Issuer's processed beef export net sales revenue by approximately R$222.2 million;

- a 56.6% increase in domestic sales due in part to (1) transfer by BF Alimentícios of substantially all of its operating assets to Friboi in August 2004 and (2) a 0.6% increase in average per capita beef consumption in Brazil from 34.6 kilograms per person in 2003 to 34.8 kilograms per person in 2004.

Beef. Net sales revenue from sales of beef increased by R$1,296.8 million, or 77.0%, from R$1,686.3 million in 2003 to R$2,983.1 million in 2004, primarily due to increased domestic and international demand for beef and beef export sales to new countries. Both the Brazilian beef industry's competitive position in the international market and the Issuer's high quality and value-added products allowed it to meet increased international demand.

Hygiene and Cleaning Products. Net sales revenue from hygiene and cleaning product sales increased by R$81.2 million, or by 35.7%, from R$227.7 million in 2003 to R$308.9 million in 2004, primarily as a result of an increase in net sales revenue from soap products, due to the introduction of additional soap products and increased sales resulting in part from a marketing and advertising campaign that the Issuer commenced in 2003.

Cost of Goods Sold

Cost of goods sold increased by R$868.8 million, or 62.4%, from R$1,393.4 million in 2003 to R$2,262.2 million in 2004, consistent with the Issuer's increased net sales volume growth in 2004.

Beef. Cost of beef sold increased by R$835.4 million, or 68.4%, from R$1,221.7 million in 2003 to R$2,057.0 million in 2004. This increase was slightly higher than the 59.1% increase in beef sales volume growth and was partly impacted by an increase in the unit cost of production, due to a 6.0% increase in cattle costs. These increased costs were largely passed on to customers through higher sales prices.

Hygiene and Cleaning Products. Cost of hygiene and cleaning products sold increased by R$33.4 million, or 19.5%, from R$171.7 million in 2003 to R$205.1 million in 2004, consistent with the 19.8% increase in sales volumes.

Gross Profit

Gross profit increased by 97.8%, from R$520.6 million in 2003 to R$1,029.9 million in 2004. Gross margin increased slightly from 27.2% in 2003 to 31.3% in 2004, as net sales revenue increased at a faster rate than costs of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 100.1%, from R$342.5 million in 2003 to R$685.0 million in 2004, primarily as a result of higher sales volume in 2004. Selling expenses increased by R$160.5 million, or 95.7%, from R$167.7 million in 2003 to R$328.2 million in 2004, as a consequence of increased export sales, but decreased as a percentage of total operating expenses from 41.7% to 37.6% as a result of improved logistics management. General and administrative expenses also increased by R$182.1 million, or 104.2%, from R$174.8 million in 2003 to R$356.9 million in 2004, reflecting the opening of a new headquarters facility in São Paulo, increased payroll expenses due to the hiring of additional staff, increased marketing expenses and higher other administrative expenses, including energy costs and costs incurred in connection with asset purchases. General and administrative expenses decreased as a percentage of total operating expenses from 43.0% to 41.0%.

Financial Income (Expenses), Net

Financial income (expenses), net, increased by R$87.2 million, or 169.6%, from an expense of R$51.4 million in 2003 to an expense of R$138.6 million in 2004. This increase was primarily due to:

- a R$65.8 million increase in net interest expense as a result of a 51.4% increase in the Issuer's outstanding indebtedness in 2004, from R$752.1 million in 2003 to R$1,138.5 million in 2004, which was incurred to finance working capital needs and capital expenditures;

- a R$7.0 million increase in Taxes on Banking Transactions (*Contribuição Provisória sobre Movimentação Financeira*), or CPMF taxes; and

- a R$3.8 million increase in bank fees and expenses related to derivative and other financial transactions.

Depreciation and Amortization

Depreciation and amortization increased by R$27.8 million, or 190.4%, from R$14.6 million in 2003 to R$42.4 million in 2004, due principally to additional equipment and fixed asset purchases.

Equity in the Earnings of Associated Companies

Equity in the earnings of associated companies was income of R$6.3 million in 2003 compared to an expense of R$7.0 million in 2004.

Non-Operating Income (Expenses), Net

Non-operating income (expenses), net, was an expense of R$0.1 million in 2004 compared to income of R$0.7 million in 2004, primarily as a result of the sale of certain non-operating assets.

Income Tax and Social Contribution

Income tax and social contribution increased by R$2.7 million in 2004 from R$39.0 million in 2003 to R$41.7 million in 2004, primarily due to higher taxable income.

Net Income

As a result of the foregoing, net income increased by R$34.8 million, or 43.4%, from R$80.2 million in 2003 to R$115.0 million in 2004.

Liquidity and Capital Resources

The financial condition and liquidity of the Issuer is and will be influenced by a variety of factors, including:

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

The principal cash requirements of the Issuer consist of the following:

- working capital requirements;
- the servicing of its indebtedness;
- capital expenditures related mainly to purchases of equipment, strategic investments and acquisitions; and
- dividends and other distributions in respect of its share capital.

The principal sources of liquidity of the Issuer have traditionally consisted of the following:

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

During the three months ended March 31, 2006 and in 2005, the Issuer used cash flow generated by operations primarily for working capital needs, capital expenditures related to the acquisition of property, plant and equipment, to service its outstanding short- and long-term indebtedness and to pay distributions in respect of its share capital. At March 31, 2006 and December 31, 2005, the Issuer's cash, cash equivalents and marketable securities amounted to R$442.7 million and R$380.0 million, respectively.

Working Capital

The Issuer had working capital of R$944.6 million at March 31, 2006 and R$306.0 million at December 31, 2005. The current assets of the Issuer increased by R$181.6 million to R$1,968.1 million at March 31, 2006 from R$1,786.5 million at December 31, 2005. The current assets of the Issuer were R$1,331.9 million at December 31, 2004. The increase in the current assets of the Issuer during the first three months of 2006 was largely due to (1) a R$62.7 million increase in cash, cash equivalents and marketable securities, and (2) a R$110.0 million increase in accounts receivable. The increase in current assets of the Issuer in 2005 was largely due to the net effect of: (1) a R$104.3 million increase in cash and cash equivalents; (2) a R$43.2 million increase in marketable securities; (3) a R$241.1 million increase in inventory; (4) a R$214.1 million increase in recoverable taxes; (5) an R$84.7 million decrease in accounts receivables; and (6) a R$124.4 million decrease in account receivables from related parties.

The current liabilities of the Issuer decreased by R$457.0 million to R$1,023.5 million at March 31, 2006 compared to R$1,480.5 million at December 31, 2005. The current liabilities of the Issuer were R$1,026.7 million at December 31, 2004. The decrease in current liabilities during the three months ended March 31, 2006 was primarily due to the reclassification of R$391.2 million in short-term debt to long-term debt as a result of the lengthening of the Issuer's debt profile. The increase in current liabilities in 2005 was primarily due to the combined effect of: (1) a R$251.2 million increase in loans and financings; (2) an R$81.0 million increase in accounts payable to suppliers; (3) a R$69.2 million increase in accounts payable under slaughterhouse acquisition agreements; and (4) a R$23.2 million increase in other accounts payable.

Projected Sources and Uses of Cash

The Issuer anticipates that it will be required to spend approximately R$698.5 million to meet its short-term contractual obligations and commitments and budgeted capital expenditures in 2006. The Issuer expects to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including additional indebtedness (including the portion of the issuance of these notes not used by the Issuer to repay existing indebtedness) and the refinancing of its existing short-term indebtedness as it becomes due.

The Issuer anticipates that it will be required to spend approximately R$3,043.3 million to meet its long-term contractual obligations and commitments and budgeted capital expenditures through 2011. The Issuer expects to meet these cash requirements through a combination of cash generated from operating and financing activities, including additional indebtedness and the refinancing of its existing short-term indebtedness as it becomes due.

Cash Flows

The table below sets forth the Issuer's cash flows for the years presented:

	Year ended December 31,		
	2005	**2004**	**2003**
	(in thousands of *reais*)		
Cash generated (used in)			
Operating activities	296.6	(141.3)	(62.0)
Investing activities	(422.6)	(214.2)	(89.1)
Financing activities	273.4	328.5	142.3
Increase (decrease) in cash, cash equivalents and marketable securities	147.4	(27.0)	(8.8)

Indebtedness and Financing Strategy

At March 31, 2006, the total outstanding indebtedness of the Issuer was R$1,944.6 million, consisting of R$647.2 million of short-term indebtedness, including the current portion of long-term indebtedness (or 33.2% of its total indebtedness), and R$1,297.4 million of long-term indebtedness (or 66.8% of its total indebtedness). At March 31, 2006, approximately R$275.6 million of the outstanding indebtedness of the Issuer was secured. R$805.6 million of the Issuer's outstanding indebtedness at March 31, 2006 was denominated in *reais*, and the remaining R$1,139.0 million of the Issuer's outstanding indebtedness at March 31, 2006 was denominated in foreign currencies.

The Issuer's financing strategy has been and will be, over the next several years, to (1) extend the average maturity of its outstanding indebtedness, including by repaying short-term debt through longer-term borrowings and issuing longer-term debt securities, including the notes, in order to increase the Issuer's liquidity levels and improve its strategic, financial and operational flexibility, (2) reduce the Issuer's financing cost by accessing cheaper sources of finance, including the international capital markets and export finance and (3) optimize its capital structure in order to maximize the value of the Issuer's shares.

Short-Term Debt

The Issuer's short-term debt, including the current portion of long-term debt, decreased to R$647.2 million at March 31, 2006, from R$1,038.4 million at December 31, 2005, primarily due to the repayment of a portion of its outstanding short-term debt with some of the proceeds from its February 2006 issuance of US$275.0 million 9.375% notes due 2011. The Issuer maintains lines of credit with several Brazilian and international banks to finance working capital requirements. The Issuer believes that it will continue to be able to obtain additional credit to finance its working capital needs based on its past track record and current market conditions.

Long-Term Indebtedness

The following table sets forth the principal outstanding long-term debt instruments of the Issuer at March 31, 2006.

Facility	Outstanding Principal Amount at March 31, 2006	Final Maturity
Export Prepayment Facility	R$53.2 million	June 2008
Other Credit Facilities:		
Senior, unsecured, bond issue	US$275.0 million	January 2011
BNDES Secured Credit Facility	R$100.0 million	March 2007
BNDES Secured Credit Facility	R$81.3 million	February 2008

Many of these facilities also contain other covenants that restrict, among other provisions, the ability of the Issuer and its subsidiaries to:

- incur additional indebtedness;
- incur liens;
- enter into related party transactions;
- issue or sell capital stock of subsidiaries;

- pay dividends or make certain other restricted payments; and
- merge and sell assets.

In addition, the agreements governing a substantial portion of the Issuer's indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of these instruments could trigger an event of default under other indebtedness or enable the creditors under other such indebtedness to accelerate that indebtedness.

Export Prepayment Facilities. On July 11, 2005, the Issuer entered into an export credit agreement, pursuant to which a loan in an aggregate principal amount of R$53.2 million was disbursed to it. This loan has been guaranteed by Agropecuária Friboi and the Batista Family. The outstanding principal amount of this loan bears interest at the CDI (*Certificado Depositário Interbancário*) rate, a Brazilian interbank rate, plus a spread of 2.34% per annum, payable semi-annually in arrears together with principal payments through December 2008. The principal amount of this loan is payable in four successive equal installments beginning in December 2006.

Fixed Rate Notes. JBS S.A. issued 9.375% notes due 2011 in total aggregate amounts of US$200.0 million on February 6, 2006 and US$75.0 million on February 14, 2006. These notes are guaranteed by J&F Participações Ltda. and JBS Agropecuária Ltda. Interest on these notes accrues at a rate of 9.375% per annum from February 6, 2006 and is payable quarterly in arrears on February 7, May 7, August 7 and November 7 of each year, beginning on May 7, 2006. The principal amount of these notes is payable in full on February 7, 2011.

BNDES Loans. The Issuer maintains credit facilities that are granted directly or indirectly by BNDES to fund its capital expenditures associated principally with the expansion of its production capacity and export sales volumes. The credit facilities are guaranteed by Agropecuária Friboi and the Batista Family. Amounts borrowed from BNDES are secured by mortgages on the Issuer's production facility located in the City of Luziânia, Goiás and other property owned by the Issuer and certain of its affiliates. These loans bear interest at the Long-Term Interest Rate plus a margin of 11.0% to 20.0% per annum, which margin may be reduced to 5.5% per annum if the Issuer meets certain targets in respect of its gross operating revenues, number of employees and export volumes. The principal and interest on these credit facilities is payable monthly through February 2008.

Acquisition Financing. In connection with the acquisition of Swift, JBS S.A. entered into a loan agreement with BNDES on August 19, 2005, pursuant to which BNDES agreed to disburse a loan to JBS S.A. in an aggregate principal amount of R$187.5 million (US$86.3 million). JBS S.A. used the proceeds of this loan to pay a portion of the purchase price to acquire indirectly 100.0% of the share capital of Swift for an amount reflecting Swift's approximate book value at the time. This loan is guaranteed by a pledge of 100.0% of the share capital of JBS Holding Internacional Ltda., a company organized under the laws of Brazil, which directly owns all of the Swift share capital purchased by JBS S.A. The principal amount of this loan bears interest at a rate based on the UM, a BNDES interest rate based on a basket of currencies (which rate reflects the daily exchange rate fluctuations in currencies in which BNDES borrows), plus a margin of 7.0% per annum (4.0% of which will be capitalized and paid in full on the maturity date of the loan), payable quarterly in arrears through October 15, 2006 and annually thereafter through the maturity date. If the Issuer issues debentures during the term of this loan agreement, the Issuer will deliver to BNDES debentures in an amount equivalent to the outstanding principal amount of the loan on the date the debentures are issued. If the Issuer delivers these debentures to BNDES, the Issuer will be released from its obligation to pay all accumulated amounts in respect of the capitalized 4.0% portion of the 7.0% annual margin on the maturity date of the loan. In addition, the principal amount, accrued interest and all other fees and expenses incurred in connection with the loan (and not yet paid) are indexed monthly to the UM. The principal amount of this loan is payable in four successive equal annual installments beginning on October 15, 2007.

Loan Maturities and Capital Expenditures

The following table summarizes the Issuer's significant loan maturities at March 31, 2006 that have an impact on the Issuer's liquidity:

	Payments Due by Year				
	Less than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
(amounts expressed in millions)	**(in millions of *reais*)**				
Loans and financings	647.2	525.5	771.8	–	1,944.6

In addition to its obligations under its loan and financing agreements, the Issuer leases its corporate headquarters from Agropecuária Friboi under a contract with an indefinite term. The Issuer also has ongoing obligations under a purchase agreement for a helicopter. Management of the Issuer does not believe that any of these other contractual commitments are material.

Capital Expenditures

The aggregate capital expenditures of the Issuer in property, plant and equipment, including acquisitions and expenditures for purchases of land, were R$21.9 million during the three-month period ended March 31, 2006 and R$162.6 million in 2005.

Off-Balance Sheet Arrangements

The Issuer hedges exchange rate and interest rate risks related to financings and loans, marketable securities and accounts receivable from clients denominated in foreign currencies on a transaction by transaction basis through derivative instruments, such as swap contracts (dollar to CDI or LIBOR to fixed interest rates or vice-versa), futures contracts traded on the Brazilian Commodities and Futures Markets (*Bolsa de Mercadorias & Futuros*, or BM&F) and forward contracts. The notional value of these contracts is only accounted for in memorandum accounts of the Issuer. The results of over-the-counter trades contracted with a future maturity date are not recorded on the Issuer's balance sheet.

Quantitative and Qualitative Disclosures About Market Risks

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

Foreign Currency Exchange Rate and Commodity Price Risk

A substantial portion of the Issuer's debt is denominated in U.S. dollars. Accordingly, the Issuer is exposed to foreign currency exchange rate risk. In addition, because the Issuer operates in a number of foreign countries to support its operations and investments, it is exposed to market risks from changes in foreign exchange rates and interest rates.

To partially offset the risk of any devaluation of the *real* against the U.S. dollar and for risk management purposes, the Issuer attempts to reduce its foreign exchange exposure by (1) maintaining cash and marketable securities denominated in U.S. dollars; (2) entering into derivative contracts; and (3) exporting beef products, which generates receivables payable in foreign currencies. In the ordinary course of its business, the Issuer hedges 95.0% of its risk exposure.

The availability and prices of cattle and beef fluctuate widely due to unpredictable factors, such as weather, worldwide government agricultural programs and policies, changes in global demand, fluctuations in the size of herds maintained by producers, the relative cost of feed, cattle diseases and changes in standards of living. The Issuer enters into various types of derivative contracts, primarily commodity exchange-traded futures and forwards, mainly in order to manage its exposure to adverse price changes in cattle and beef. The counterparties on these contracts are generally the BM&F and Brazilian financial institutions.

THE BRAZILIAN BEEF AND HYGIENE AND CLEANING PRODUCTS INDUSTRIES

World Beef Industry

Consumption and Production

Beef is a protein-rich source of nutrition and the world's third most consumed type of meat after pork and poultry. In 2005, approximately 50.4 million tons of beef was consumed globally. The world's beef consumption is concentrated in the Western hemisphere and has remained generally stable from 2001 to 2004. During 2005, the world's beef consumption increased by 1.7%.

The biggest growth in world beef consumption in the coming years is expected to take place in East and Southeast Asia, Latin America and the Middle East, as a result of anticipated population growth and growth in per capita income (as beef consumption per capita is strongly correlated with economic growth).

The following chart illustrates beef consumption per capita in the countries set forth below for 2005 (estimated) and 2004.

World-Wide Beef Consumption
(kilograms/inhabitant)

Country	2005 (1)	2004
Argentina	63.7	65.5
United States	43.1	43.1
Uruguay	42.2	39.3
Australia	37.2	37.1
Brazil	36.8	34.8
Canada	32.9	33.0
Mexico	23.3	22.8
European Union	20.9	21.2
Russia	15.3	16.0
Japan	9.4	9.2
China	5.4	5.2

Source: USDA/World Bank
(1) Estimated

The world's cattle inventory has remained generally stable from 2004 to 2005, with approximately 1.1 billion head of cattle at December 31, 2005. This number is expected by industry analysts to increase slightly by the end of 2006. In 2005, herd expansions were notable in India, Argentina and China, while the largest reductions occurred in Mexico and Russia due to reduced supplies of animal feed and shortages of other raw materials.

The slaughter of cattle in many countries is expected by industry analysts to grow in 2006, from approximately 52.2 million tons in 2005 to an estimated 53.6 million tons in 2006. China, Brazil and the United States are expected to show the largest gains, while no increases are anticipated for Russia, Australia and Europe. Beef production in various countries is also expected to continue to rise along with beef consumption.

The table below sets forth the worldwide production of beef over the past two years and estimated production in 2006, each in millions of tons.

World-Wide Beef Production (in millions of tons)

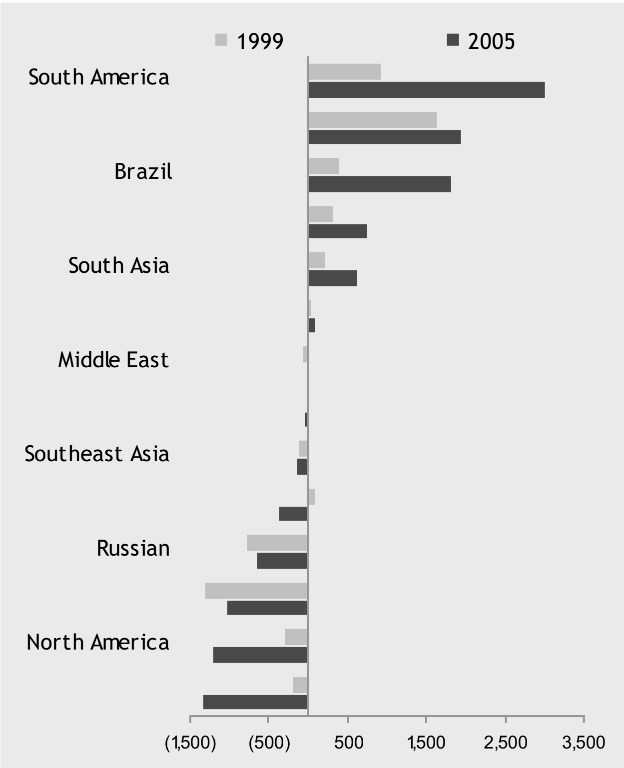
Country	2006 (1)	2005	2004
United States	11.9	11.3	11.3
Brazil	8.8	8.6	8.0
European Union	7.8	7.8	8.0
China	7.6	7.1	6.8
Argentina	3.1	3.2	3.1
Mexico	2.2	2.1	2.1
India	2.2	2.1	2.1
Australia	1.5	1.5	1.6
Russia	1.5	1.5	1.5
Canada	0.7	0.7	0.7
New Zealand	6.4	6.3	6.2
Others	11.9	11.3	11.3
Total	53.6	52.2	51.3

Sources: USDA
(1) Estimated

South America and Oceania are currently the major beef producing surplus areas in the world, while the European Union, North America, Russia and East Asia constitute deficit regions.

The following chart sets forth the beef production – surplus and deficit in millions of tons.

Beef Production – Surplus and Deficit (in millions of tons)

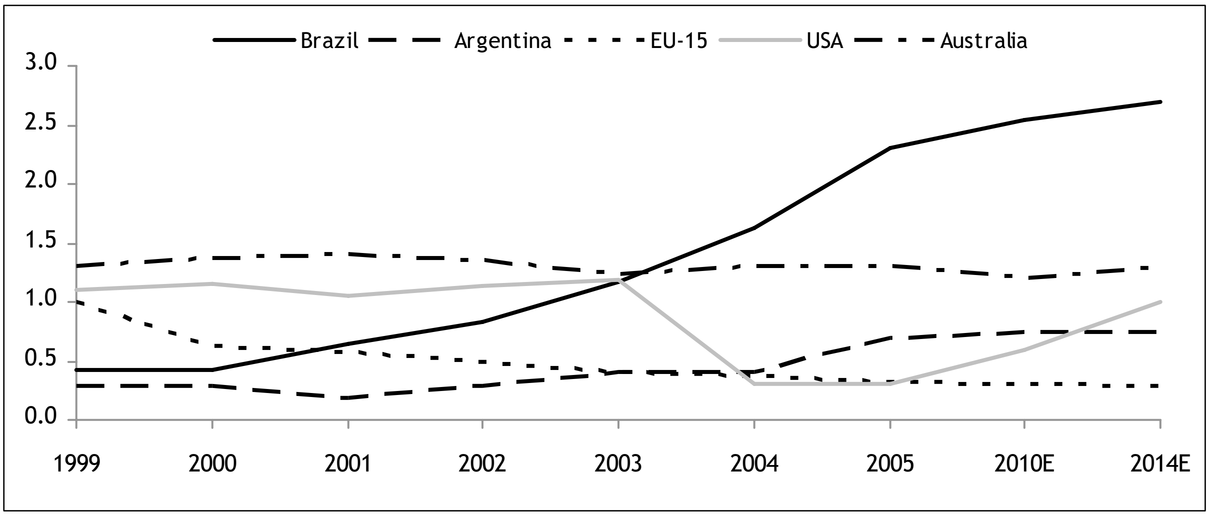


Source: Foreign Agricultural Service, Official USDA estimates

Due to growing global demand and the expected further liberalization of trade barriers, beef exports are expected to increase over the next few years. Despite the recent outbreak of FMD in Brazil, the highest export growth is expected to take place in Brazil, which replaced Australia as the world's leading exporter of beef in 2004, and Argentina. Exports from Australia are also expected to remain stable during the following years.

The following chart describes the evolution of the world's leading beef exporting countries from 1999 to 2005.

World's Leading Beef Exporting Countries (in thousands of tons)

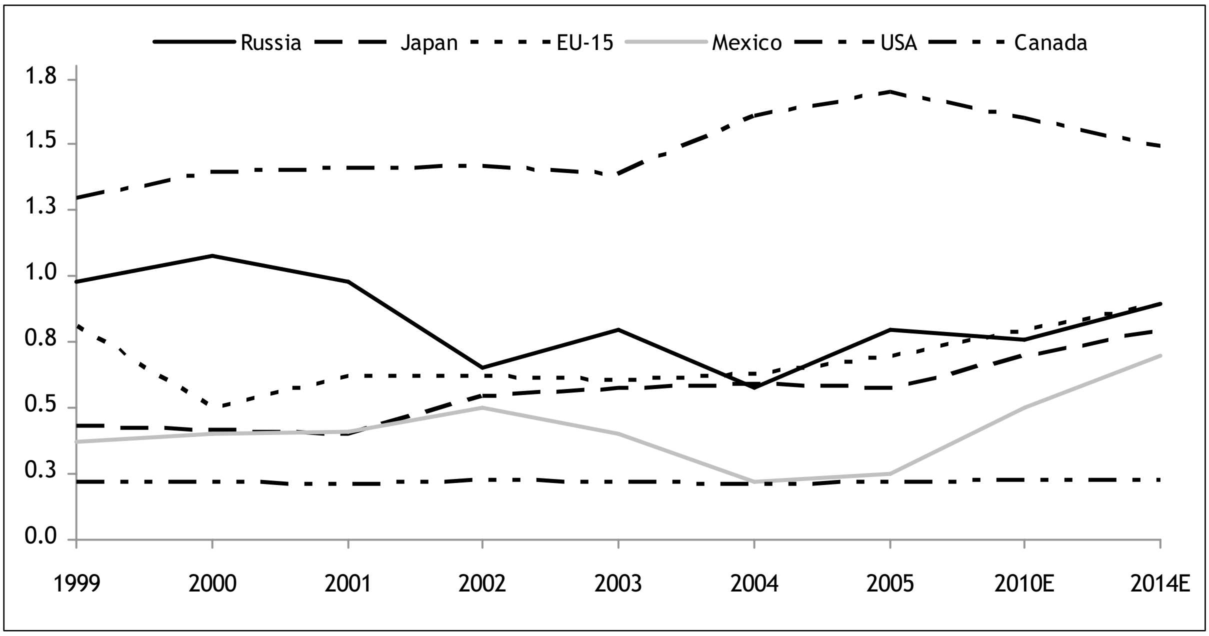


Source: USDA and Issuer's Estimates

The United States is currently the world's largest beef importer, and in 2005, Russia surpassed the European Union as the second largest beef importer in the world. Over the next few years, the European Union, which currently is the third largest importer of beef in the world, is expected to increase its beef imports as the ranchers in the countries in the European Union are required to reduce their production to adjust to the European Union regulations. Mexico, which is currently the fifth largest importer of beef in the world, is expected to increase its beef imports over the next few years due to a decrease in cattle production caused in part by an ongoing drought in Mexico. Although Japan and South Korea reduced their beef imports in 2005 due to the ban on the export of beef from the United States (which increased beef prices), these countries are expected to increase their beef imports over the next few years, including from suppliers outside the United States.

The following chart sets forth the evolution of beef imports by the United States, Canada, Japan, Russia and the European Union from 1999 through 2005.

Leading World Importers of Beef (in thousands of tons)



Source: USDA and Issuer's Estimates

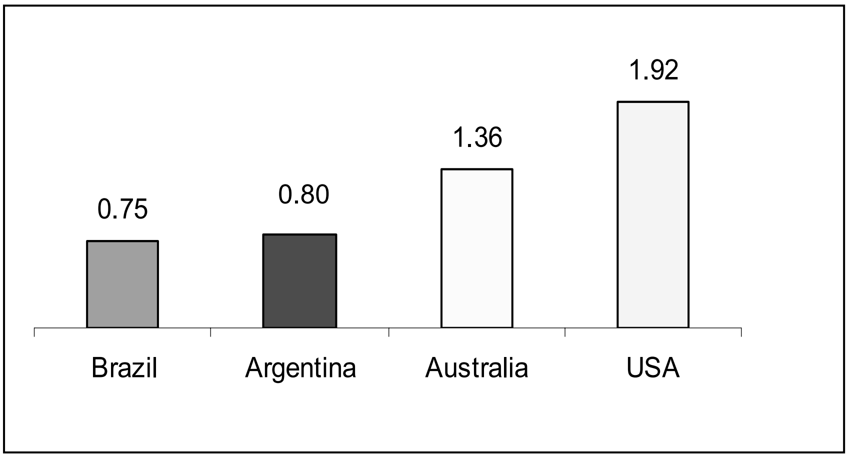
Competitiveness

The competitiveness of a beef producer on the international market is significantly impacted by its cost structure.

The two main components of the overall industry cost structure are raw materials and processing costs. The net effective cost of a producer takes into account revenues generated from the sale of by-products from beef production, such as hides and offal. The competitiveness of a plant in the international market is also affected by transportation and distribution costs. Among the largest beef exporting countries, Brazil enjoys the lowest overall cost structure.

The following chart sets forth the estimated cattle raising cost for the production of one kilo of beef in Brazil, Argentina, Australia and the United States in 2005.

Estimated Cattle Raising Costs in 2005 (US$/kilogram)



Source: Rabobank and Fortune

The revenues generated from sales of by-products extracted from the cattle following slaughter are an important factor that reduces a beef producer's net operating costs. Revenues from these sales, generally known as "fifth quarter," can be substantial and in certain cases can cover a significant portion of the fixed costs of operating a slaughterhouse. Fifth quarter products can be divided into the following categories:

- white sausage meat;
- red sausage meat (liver, heart and tongue);
- other sausage meat (pancreas, intestine and stomach);
- fats; and
- other (blood, bone and hides).

BSE

Beef consumption patterns are and will continue to be influenced by food safety issues. The first BSE crisis began in March 1996 when the British government announced a link between BSE and a disease afflicting humans, Creutzfeldt-Jakob Disease, and reduced the consumption of beef on a worldwide basis. Several measures were introduced to control the spread of BSE among cattle and to minimize the risk of human exposure. These control measures included the Over Thirty Months Scheme (OTMS – the purchase and destruction of all U.K. cattle over thirty months of age), the Calf Processing Aid Scheme (CPAS – the destruction of European Union calves less than 20 days old), the Selective Cull measure (the cull of cattle most at risk of BSE) and the cattle identification and traceability schemes. Europe's attempts to eradicate BSE continue to adversely impact the European beef industry, as per capita beef consumption in Europe has declined since 2001. BSE is linked to cattle that are fed animal-based feeds. Brazil and Argentina are considered to be free of BSE and are viewed as less vulnerable to the disease because their cattle herd grazes freely in pastures or is fed a vegetable-based ration without animal by-products.

As a result of fears relating to BSE, the revenues generated by U.S. companies from by-products have decreased over the last several years, principally as a result of strict restrictions that apply to the production of sausage meat. In the European Union, approximately 36.0% of the average weight of cattle is not processed and is sold as a by-product.

Sanitary and Trade Restrictions

The international beef market is divided between the Pacific block (North and Central America, Australia and New Zealand and the Far East) and the Atlantic block (Europe, Africa, the Middle East and South America). This division not only reflects historical and geographical ties but also certain sanitary criteria. The Pacific block prohibits imports of beef (except for pre-cooked, processed products) from countries or regions where there are active foot-and-mouth vaccination programs. Europe allows imports of fresh beef from certain regions within countries that have been affected by FMD, if those regions have not been directly affected. However, the European Union has restricted the free trade of fresh beef through an import quota system and also has banned the import of beef treated with hormones and anabolic steroids. Accordingly, the European Union has banned U.S. beef treated with hormones used to promote growth, citing health concerns. Brazilian and Argentine cattle are not treated with growth hormones and accordingly may benefit from any extension of the existing EU ban on U.S. beef.

During the 1990's, Brazil experienced significant improvements in its control of FMD. It is expected that, by 2007, 95.0% of the Brazilian herd will be located in areas free from FMD, as a result of increased vaccination programs.

On May 5, 2005, the Brazilian Ministry of Agriculture suspended exports of processed beef to the United States following recommendations made by a team of veterinarians from the United States that the Brazilian federal government improve sanitary and monitoring procedures at Brazilian slaughterhouses, as the team concluded that Brazilian government sanitary inspection teams were not adequately qualified. Although this ban was subsequently lifted by the Brazilian Ministry of Agriculture, the United States, Japan, Canada, Mexico, Australia, Korea and New Zealand prohibit imports of fresh beef from Brazil, as they disagree that FMD can be eradicated on a regional (as opposed to a national) basis. In addition, due to the recent outbreak of FMD in the States of Mato Grosso do Sul and Paraná, approximately 57 countries have indefinitely suspended or restricted fresh and chilled beef imports from Brazil. Several of these countries (including Egypt and The United Kingdom) have banned imports only from the State of Mato Grosso do Sul, while other countries (including the majority of the countries in the European Union) have also banned imports of fresh beef from the neighboring States of Paraná and São Paulo. Certain other countries (including Chile and South Africa) have suspended imports of fresh beef from all of Brazil.

These suspensions, as well as any future suspensions imposed by Brazilian governmental authorities or governmental authorities in other jurisdictions, could have a material adverse effect on the Brazilian beef industry. See "Risk Factors—Certain Factors Relating to the Issuer—Recent outbreak of FMD in Brazil and any additional new outbreaks of FMD or other cattle disease in Brazil or Argentina may materially adversely affect the Issuer's ability to export fresh and chilled beef products, its net sales revenue, its overall results of operations and prospects, and consequently, the ability of the Issuer to make payment under the notes."

Brazilian Beef Industry

With an estimated 204.5 million head of cattle in 2005, Brazil has the largest cattle herd in the world for commercial purposes. India has the largest cattle herd in the world, but does not raise significant numbers of cattle for commercial purposes due to religious reasons.

The table below shows the cattle inventory of the principal beef producing countries (in millions of heads) at December 31, 2005, and 2004:

Cattle Herd (in millions of heads)

	December, 31	
Country	**2005**	**2004**
India	330.3	327.3
Brazil	204.5	204.5
China	137.8	134.7
United States	95.4	94.9
Argentina	50.2	50.8
Australia	27.3	26.6
Russia	21.1	22.3
France	19.0	19.0
Mexico	27.6	28.4
Germany	13.8	13.8
Uruguay	12.6	12.6
Others	132.3	135.3
Total	1,071.9	1,070.1

Sources: USDA / IBGE

Over the last 15 years, the Brazilian beef industry has undergone an intense process of internationalization, and Brazilian beef exports have increased from less than 5.0% of domestic beef production in the early 1990's to approximately 26.0% in 2005. In addition, the Brazilian share of the world's total beef exports has increased from approximately 5.0% in the early 1990's to approximately 25.0% in 2005, despite the fact that Brazil has access to less than 50.0% of the world's fresh meat markets (the Pacific Block, including the North American countries, prohibits imports of fresh beef from Brazil). Brazil's beef exports have increased by 36.1% on average from 2000 through 2005 as a result of:

- increased productivity in the Brazilian beef sector and decreased production costs;
- expanded marketing and advertising efforts;
- an increased number of export destinations;
- a reduction in sanitary and trade barriers; and
- a drought in Australia, a leading beef exporter to Asian countries, in 2002/2003.

On average, the cost of land in Brazil is significantly lower when compared to the United States and Europe. In addition, there is more grazing land available in Brazil when compared with the other major beef producing countries, which allows Brazilian cattle breeders to utilize open grazing as opposed to the intensive and confined breeding and feeding practices utilized in the United States, Canada and countries in the European Union. In addition, the cost of feed in Brazil is generally lower than in other major beef producing countries, as natural feeds, pastures are cheaper to produce than cereal-based foods. These factors contribute to give Brazil substantially lower cattle-raising costs, when compared to other major beef producing markets.

Brazil offers several competitive advantages in producing beef when compared to its competitors in the international market, including:

- *Low Production Cost:* Brazil has the lowest production cost among major global producers. According to reports prepared by Rabobank, Brazilian beef production costs for example are approximately 43.0% of equivalent costs in the United States.

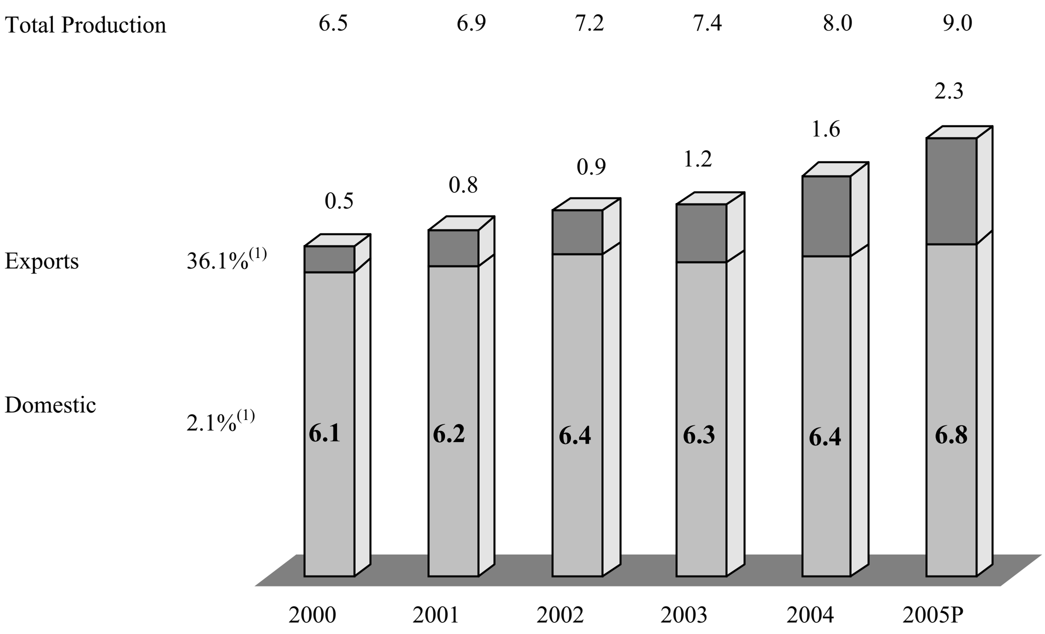
- *High Growth Potential:* Brazil currently has the largest commercial cattle herd in the world with 204.5 million head and one of the lowest slaughter rates. If Brazil were to increase its slaughter rate, it would improve its rate of output. In addition, as mentioned, Brazil has the largest amount of available grazing land in the world, with an estimated capacity to double its existing cattle herd.

- *Disease-Resistant Breeding Practices:* Unlike most other major beef producers (including the United States, the European Union and Australia), Brazilian cattle are grass-fed, which is largely viewed as a factor that eliminates the risk of an outbreak of BSE disease among Brazilian cattle.

- *Health and Quality Advantages:* Brazilian beef is characterized by its low fat content and lack of use of chemicals and growth hormones, which are key factors used in marketing Brazilian beef, primarily to developed nations.

Brazil has a very large domestic market, which currently consumes approximately 80.0% of the country's beef production. Domestic market sales increase revenue through an optimization of the value of the carcass. However, the growth of Brazilian exports has driven an overall increase in domestic production. The following chart illustrates the evolution of Brazilian beef production, domestic consumption, exports and imports in millions of tons:

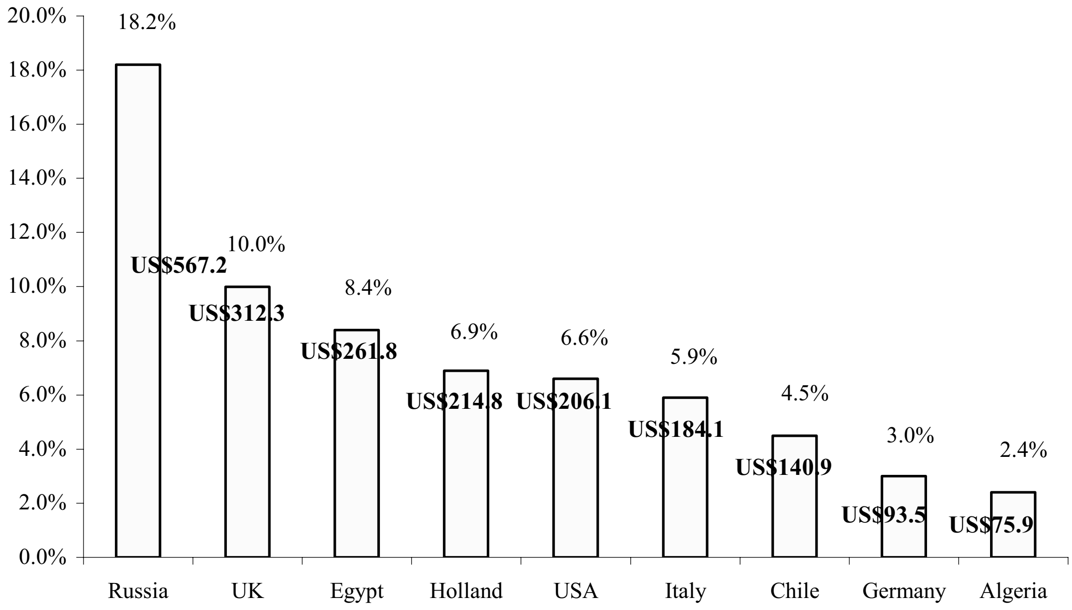
Brazilian Beef Production, Domestic Consumption and Exports (in millions of tons)



Source: USDA, March 2006 and ABIEC.
(1) Compound Annual Growth Rate

The Brazilian beef export market was approximately 2.3 million tons in 2005, according to ABIEC. The following table sets forth the overall amount in millions and Brazilian beef exports as a percentage of total exports in the most important export markets for Brazilian beef in 2005:

Destinations and Amounts of Brazilian Beef Exports in 2005 (in millions of U.S.$)



Source*:* ABIEC

The productivity of Brazilian cattle ranchers, as measured by the slaughter rate, has increased from 16.0% in 1994 to 25.0% in 2005. The slaughter rate represents the percentage of the entire Brazilian herd that has reached the required maturity state for slaughtering in a given year. However, this percentage is low when compared to other countries. For example, the United States and Australia have slaughter rates of 36.0% and 30.0%, respectively.

Some Brazilian producers have, through investments and improved pasture and management practices, managed to achieve a slaughter rate of approximately 30.0%, but the larger Brazilian cattle producers are concentrating on the growth of the Brazilian cattle herd, which is expected to result in reduced cattle prices.

Brazilian Hygiene and Cleaning Products Industry

The Brazilian hygiene and cleaning products industry is highly competitive, and market participants include multinational companies and Brazilian companies with well-developed and well-positioned brands. This competitive environment requires a high degree of economies of scale and production flexibility in order to respond to rapid changes in consumers preferences and substantial investments in marketing.

There are more than one thousand companies acting in the personal hygiene and cosmetics segments in Brazil, where 15 companies with annual revenues higher than US$100.0 million are responsible for approximately 73.4% of total sales.

The table below describes the Issuer's main competitors in the Brazilian hygiene and cleaning products industry and their respective products:

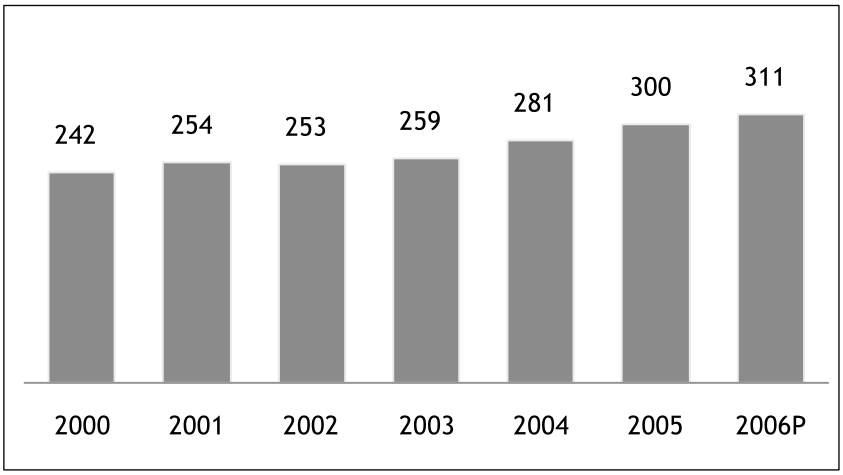
Brazilian Cleaning and Hygiene Industry

Company	Origin	Products
Unilever	England/Netherlands	Bleach, Fabric Softener, Disinfectant, Powder Soap, Bar Soap
Reckitt-Benckiser	England/Netherlands	Waxes, Laundry, Detergents, Disinfectant, Pesticides, Furniture Cleaning Products, Personal Care
Ceras Johnson	United States	Waxes, Air Fresheners, Pesticides, Glass Cleaning Products, Furniture Cleaning Products
Bombril	Brazil	Fabric Softeners, Steel Sponges, Detergents, Disinfectants
Monte Cristalina	Brazil	Steel Sponges, Detergents
JBS S.A.	Brazil	Bar Soaps, Fabric Softeners, Detergents, Disinfectants
Química Amparo	Brazil	Bar Soaps, Fabric Softeners, Detergents, Disinfectants

Total sales in the personal hygiene segment amounted to US$7.9 billion in 2005, representing an increase of 16.0% in relation to 2004. According to Datamonitor, annual sales of soap amounted to approximately US$391.4 million in 2005, compared to US$386.9 million in 2004. In Brazil, there are approximately 100 brands in the soap segment.

Like many industries in Brazil, the personal hygiene segment benefited from the increase of Brazil's GDP in 2005. The graphic below illustrates the increase in sales of soap from 2000 to 2005, and the projected sales for 2006.

Annual Sales of Soap (in thousands of tons)



Source: Datamark

HISTORY AND CORPORATE REORGANIZATION

The Issuer forms part of a group of companies that it refers to as Grupo JBS. Mr. José Batista and his brother founded the first company in Grupo JBS, Agropecuária Friboi, in Anápolis, Goiás in 1953, where they operated a small slaughterhouse, with a daily slaughtering capacity of five cattle. Agropecuária Friboi acquired its second slaughterhouse in 1968 and a third one in 1970, increasing its daily slaughtering capacity to 500 head of cattle. Agropecuária Friboi leased these facilities to its affiliate Friboi, the second company to form a part of Grupo JBS, which operated these facilities for Grupo JBS. In 1980, Agropecuária Friboi acquired a grease and soap factory, enabling Friboi to expand its product offerings to include hygiene and cleaning products.

From 1980 through 2001, Friboi significantly expanded the scale of its operations in the Brazilian beef sector primarily as a result of the acquisition by Agropecuária Friboi of individual slaughterhouses and processing facilities of other Brazilian companies as well as capital expenditures made by Agropecuária Friboi to increase the production capacity of its existing facilities, all of which Agropecuária Friboi leased to Friboi. For example, Friboi formed a joint venture with Bertin in 2000, through which Friboi acquired 51.0% of the total share capital of BF Alimentícios, a major Brazilian producer of canned and corned beef and vegetables. In addition, in 2001, Agropecuária Friboi acquired an industrial plant located in the City of Andradina, São Paulo, from Sadia S.A. for approximately R$10 million. By 2002, through a combination of acquisitions by Agropecuária Friboi and organic growth, Friboi had become the largest beef producer and beef exporter in Brazil in terms of annual slaughtering capacity and net export sales volumes, respectively.

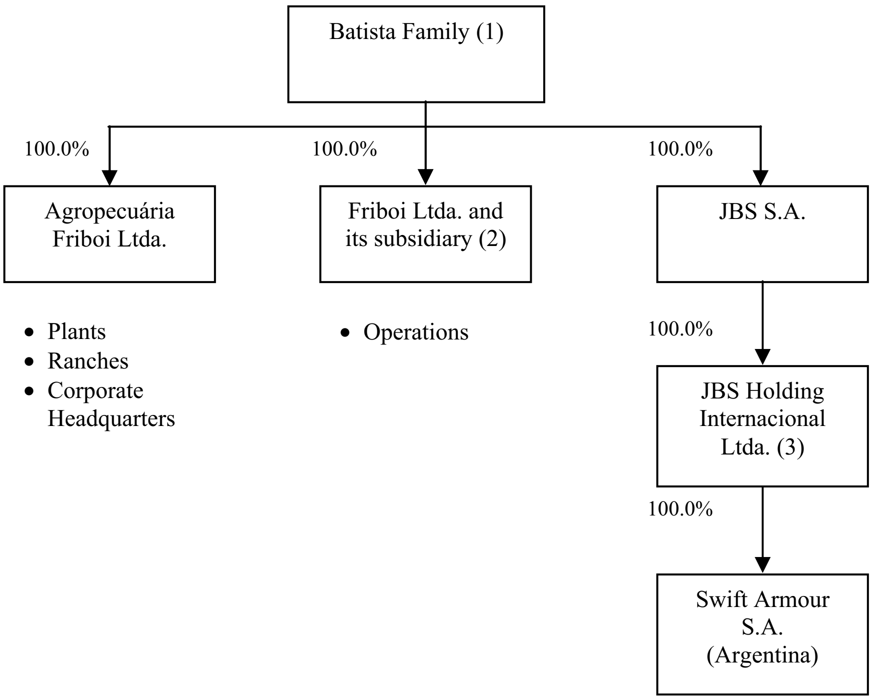
In 2003, Agropecuária Friboi acquired: (1) an industrial plant from Companhia Industrial Rio Paraná located in the City of Campo Grande, Mato Grosso do Sul; and (2) two industrial plants from Betemac-Indústria e Comércio de Carnes Ltda. located in the Cities of Cáceres, Mato Grosso and Iturama, Minas Gerais.

In 2004, Agropecuária Friboi acquired: (1) three industrial plants from Frigorífico Novo Estado Ltda. located in the Cities of Porto Velho and Vilhena, Rondônia and Carapicuíba, São Paulo; and (2) an industrial plant from Santa Elvira Ltda. located in the City of Cacoal, Rondônia.

In August 2004, BF Alimentícios transferred to Friboi: (1) its slaughterhouses and beef processing facilities located in Presidente Epitácio and Barretos, São Paulo; (2) its beef processing facilities located in Três Rios, Rio de Janeiro; and (3) its vegetable processing facilities located in Uberlândia, Minas Gerais.

In August 2005, JBS S.A., a holding company at that time, acquired 100.0% of the share capital of Swift, the largest beef producer and beef exporter in Argentina, indirectly through another holding company, JBS Holding Internacional Ltda.

The following chart shows the corporate structure of these companies at September 1, 2005 after giving effect to this acquisition (percentage numbers reflect the percentage ownership of total share capital):



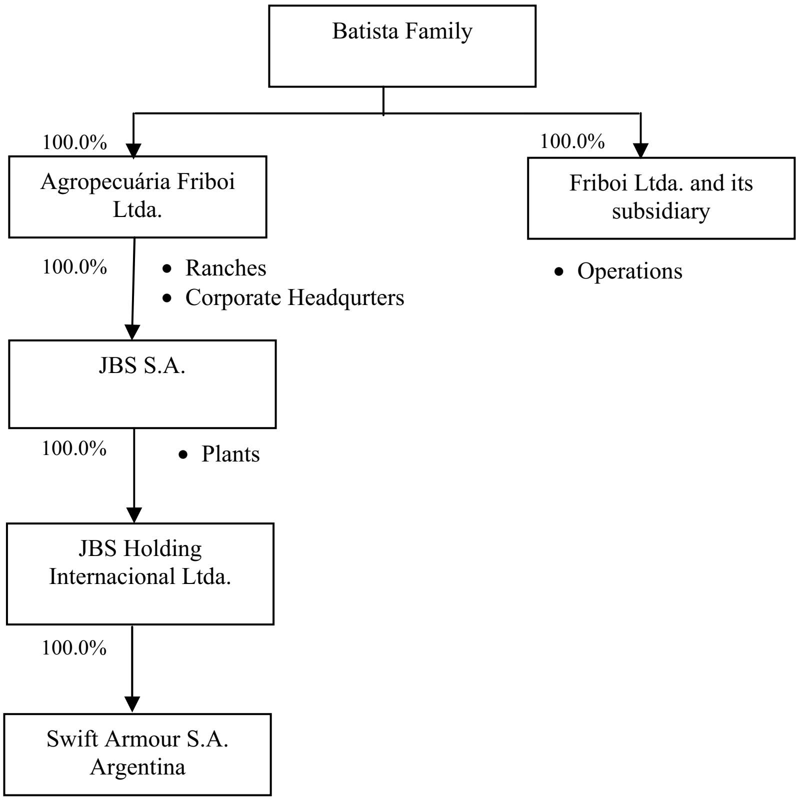
(1) The Batista Family includes José Batista Sobrinho, together with his wife, sons and daughters. Collectively, the Batista Family owns, directly and indirectly, all of the assets of the Issuer and of a group of related companies that the Issuer refers to as Grupo JBS. As Brazilian law requires at least two owners of a company, members of the Batista Family frequently also own a small portion of most of the companies in Grupo JBS.

(2) On September 1, 2005, Friboi's only subsidiary was BF Alimentícios, a Brazilian producer of processed beef and other products that was formed in 2000 as a joint venture of Friboi and Bertin. In August 2004, BF Alimentícios transferred substantially all of its operating assets to Friboi, and Friboi acquired the remaining 49.0% of the total share capital of BF Alimentícios from Bertin in January 2005.

(3) JBS Holding Internacional Ltda., a limited liability company organized under the laws of Brazil, holds a 100.0% equity interest in Swift.

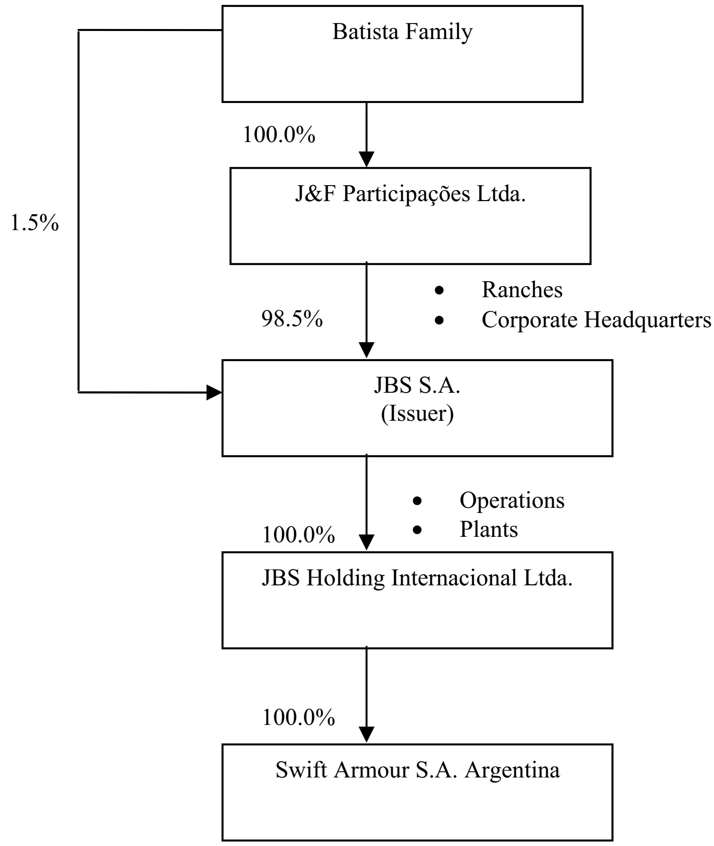
On December 1, 2005, Agropecuária Friboi transferred substantially all of its fixed manufacturing assets to JBS S.A. in an aggregate amount of R$547.8 million in exchange for 99.9% of JBS S.A.'s total share capital. As a result of this capital contribution, Agropecuária Friboi became the controlling shareholder of JBS S.A.

The following chart shows the corporate structure of these companies after giving effect to this capital contribution.



On March 1, 2006, Agropecuária Friboi and the Batista Family contributed 99.9% of the total share capital of JBS S.A., with an aggregate value of R$508.1 million, to the share capital of Friboi, which prior to this capital contribution had total outstanding share capital in an aggregate amount of R$414.3 million, all of which was owned by the Batista Family. As a result of this capital contribution, JBS S.A. became a subsidiary of Friboi, and Friboi became a subsidiary of Agropecuária Friboi. Simultaneously with this capital contribution, Friboi merged JBS S.A. with and into itself. On March 2, 2006, Friboi converted from a limited liability company to a corporation (*sociedade anônima*) and changed its name to JBS S.A., the Issuer of the notes hereunder. On March 31, 2006, Agropecuária Friboi merged J&F Participações Ltda., then the holding company for Grupo JBS, with and into itself and changed its name to J&F Participações Ltda.

The following chart shows the corporate structure of these companies after giving effect to these transactions, which is currently in effect (percentage numbers reflect the percentage ownership of total share capital):



BUSINESS

Overview

Brazil is the leading exporter of fresh and chilled beef in the world, with an approximate 25.0% market share based on export sales volumes in 2005. The Issuer has an annual slaughtering capacity of 4.5 million head of cattle, making it (1) the largest producer of beef and beef by-products in Brazil and Latin America and (2) the fourth largest producer of beef and beef by-products in the world, in each case based on annual cattle slaughtering capacity in 2005. Through Swift, the Issuer is the largest beef producer and exporter in Argentina. During the three months ended March 31, 2006, the Issuer recorded net sales revenue of R$927.3 million (US$426.9 million), gross profit of R$304.4 million (US$140.1 million) and net income of R$32.8 million (US$15.1 million). During 2005, the Issuer recorded net sales revenue of R$3,885.1 million (US$1,788.7 million), gross profit of R$1,216.6 million (US$560.1 million) and net income of R$50.8 million (US$23.4 million), in each case on a Combined JBS basis. In 2005, approximately 48.6% of the Issuer's net sales revenue was derived from export sales denominated in foreign currencies. The Issuer's net sales revenue has increased annually by an average of 35.0% from 1999 through 2005, driven by the Issuer's ability to increase its slaughtering capacity and its domestic and export beef sales.

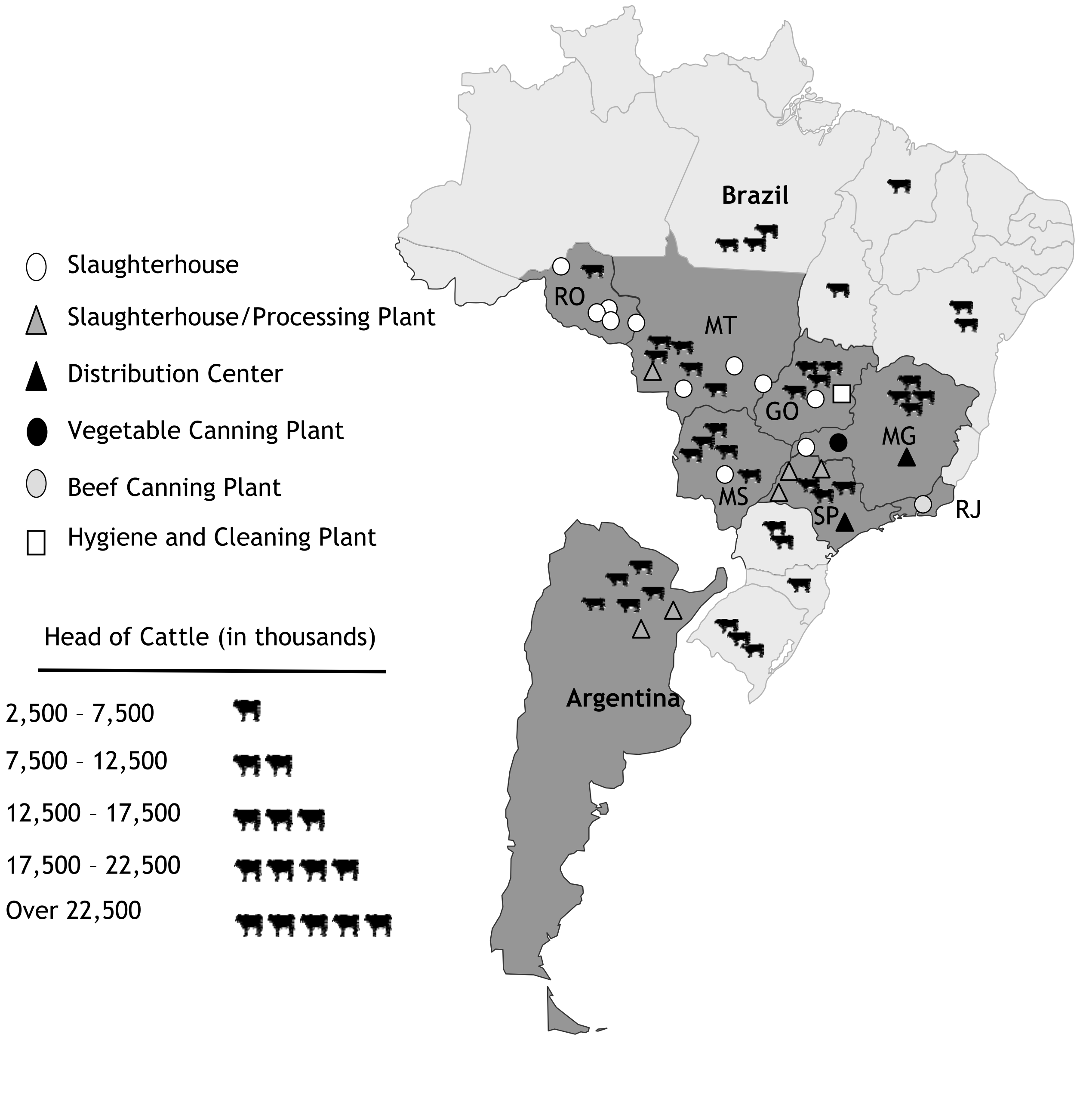
The Issuer produces, prepares, packages and delivers fresh, chilled and processed beef and beef by-products to customers in Brazil, in Argentina and abroad. Its product mix includes a large number of different cuts of fresh and chilled beef, from traditional to prime cuts, a full range of canned and cooked beef, hides and offal (the internal parts of the cattle, including the brain, heart, kidneys, liver, tongue and tripe). The Issuer also produces processed vegetable products and hygiene and cleaning products in Brazil. The Issuer has brand names that are recognized as symbols of quality and consistency in the markets where it sells its products. According to ABIEC, the Issuer has a leading market share in the Brazilian beef market. The Issuer's main export markets include Russia and countries in the European Union, Latin America and the Middle East. The Issuer also has a leading market share in the Argentine beef market, through Swift. Swift's main export markets from Argentina include the United States and countries in the European Union. See "Risk Factors—Certain Factors Relating to Argentina—Recent actions taken by the Argentine government to limit exports of fresh and processed beef have adversely affected, and may continue to adversely impact, the results of operations and financial position of Swift in Argentina."

The Issuer currently slaughters approximately 12,400 head of cattle daily in Brazil. The Issuer has geographically diversified operations in Brazil, including:

- 11 slaughterhouses located in six Brazilian states (São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, and Rondônia);
- two slaughterhouses and beef and beef by-product processing plants located in two provinces in Argentina (Entre Ríos and Santa Fé);
- four beef and beef by-product processing plants (and related slaughterhouses) in the States of Mato Grosso and São Paulo;
- two canning plants in the States of Minas Gerais and Rio de Janeiro;
- two distribution warehouses in the States of São Paulo and Minas Gerais; and
- a hygiene and cleaning products plant in the State of Goiás.

The Issuer purchases cattle from more than (1) 12,000 ranchers in Brazil located within 500 kilometers of one or more of its slaughterhouses and (2) 1,600 ranchers and from cattle markets in Argentina located within 350 kilometers of one of its two slaughterhouses. The Issuer also has its own fleet of approximately 200 double-decked trucks to transport cattle to its slaughterhouses in Brazil and approximately 141 trucks in Brazil dedicated to the transportation of containers of beef products for export.

The following map sets forth the location of the slaughterhouses, beef processing facilities, distribution centers, vegetable canning plant, beef canning plants and hygiene and cleaning products plant of the Issuer, as well as the regions in which cattle is raised in Brazil and Argentina.



The Issuer's business is divided into three divisions: Beef; Hygiene and Cleaning Products; and Transportation. All of the Issuer's revenue is generated from its Beef and Hygiene and Cleaning Products divisions. In 2005, the Beef and the Hygiene and Cleaning Products Divisions generated net sales revenue of R$3,579.2 million (92.1% of total net sales revenue) and R$305.9 million (7.9% of total net sales revenue), respectively. Fresh and processed beef (including processed vegetables) sales represented 76.9% and 23.1%, respectively, of total net sales revenue generated by the Beef Division in 2005, and export sales of chilled and processed beef products represented 52.8% of total net sales revenue generated by the Beef Division (35.5% of which was generated by fresh beef export sales and 17.3% of which was generated by processed beef export sales) in 2005.

In August 2005, JBS S.A. (through its wholly-owned subsidiary, JBS Holding Internacional Ltda.) acquired 100.0% of the share capital of Swift, the largest beef producer and beef exporter in Argentina. During the three months ended March 31, 2006, Swift recorded net sales revenue of P$139.5 million (US$45.3 million), gross profit of P$15.7 million (US$5.1 million) and a net loss of P$6.6 million (US$2.1 million). During its most recent fiscal year ended July 31, 2005 (prior to the date of its acquisition by the Issuer), Swift recorded net sales revenue of P$536.8 million (US$174.2 million), gross profit of P$36.9 million (US$12.0 million) and a net loss of P$25.1 million (US$8.1 million). The Argentine Government recently instituted a ban on the export of beef that has adversely impacted the financial condition and results of operations of Swift. However, the Issuer believes that this ban will be lifted and that its acquisition of Swift will enable the Issuer to:

- further diversify its sales mix: approximately 72.5% of Swift's net sales revenue during its most recent fiscal year ended July 31, 2005 was derived from export sales of canned and processed beef products to customers located in over 70 countries, with 15.3% of its net sales revenue generated under a four-year, renewable supply agreement (in effect through July 2008) with Campbell's Soup Company in the United States, under which Swift supplies frozen cooked beef for Campbell's "Chunky Soup";
- continue to expand its export sales, including to the United States;
- incorporate new technology, as Swift operates the most modern beef processing plant in South America;
- increase regional integration within the Mercosur economic area (i.e., Brazil, Argentina, Paraguay and Uruguay); and
- gain additional economies of scale.

Strengths

The Issuer believes its unique competitive strengths will enable it to expand its Brazilian and worldwide market positions. These strengths include the following:

Significant Scale with Leading Industry Positions and Brand Recognition

The Issuer's geographic diversification, growing operations and leading market share in the Brazilian and the Argentine beef markets provide it with economies of scale that enable it to capitalize on opportunities as they arise with a broad range of products. The Issuer believes that it has over two times the slaughtering capacity of its nearest competitor in Brazil. The Issuer's brand names – "Friboi," "Swift," "Plata," "Cabaña Las Lilas," "Anglo" and "Mouran" – are recognized as symbols of quality and consistency in the markets in which they are sold. The Issuer's Argentine operations produce high quality, premium beef that is high in fat content, while in Brazil the Issuer produces high quality beef with a low fat content.

Generator of Foreign Currency

As exports represented 48.6% of the Issuer's net sales revenue in 2005 and 72.5% of Swift net sales revenue during its most recent fiscal year ended July 31, 2005 (prior to the date of its acquisition by the Issuer), the Issuer generates significant revenue denominated in foreign currencies. The exports of the Issuer (including Swift) are well diversified, with sales to buyers in approximately 85 different countries and with no single country representing more than 15.0% of total export sales revenue of the Issuer (including Swift).

R$805.9 million, or 46.4%, of the Issuer's total outstanding indebtedness at December 31, 2005 was denominated in currencies other than *reais*. In 2005, the Issuer's beef export sales generated R$1,889.6 million in net sales revenue, which served as a natural hedge of the Issuer's foreign currency-denominated debt. The Issuer also enters into various types of hedging arrangements through its financial trading activities, primarily commodity exchange-traded futures and forwards, in order to manage its exposure to adverse price changes for cattle and beef and its exchange rate risk.

Strategically Located Operations

The Issuer has a diversified operating base, with 15 slaughterhouses located in six Brazilian states and two slaughterhouses located in two provinces in Argentina. With production facilities in Brazil and in Argentina, the Issuer can source cattle efficiently, serve its customers cost effectively, capitalize on increasing international trade opportunities and mitigate the potential impacts of regional cattle disease outbreaks, such as the recent outbreaks in Brazil and Argentina of FMD.

High Profitability and Low Production Costs

Cattle raising costs in Brazil and Argentina are, on average, among the lowest in the global beef industry (for example, approximately 60.0% lower than average cattle raising costs in the United States), as (1) the cost of land and labor in Brazil and Argentina are significantly lower than in the United States and Europe and (2) the cost of feeding cattle in Brazil and Argentina, which are predominantly located in open pasture, is generally lower than in other major beef producing countries, where cattle feed is processed into rations and administered in closed feedlots. Accordingly, the Issuer's relatively low cost structure, efficient operating cycle, high-quality products, sound management and strategic decision-making enables it to earn generally high margins.

Product Quality and Customer Diversification

The primary raw material for any beef slaughterhouse is cattle. The Issuer purchases cattle from more than (1) 12,000 ranchers in Brazil located within 500 kilometers of one or more of its slaughterhouses and (2) 1,600 ranchers and cattle markets in Argentina located within 350 kilometers of one of its two slaughterhouses. The Issuer employs cattle buyers located throughout the principal cattle producing areas in Brazil and in Argentina. These buyers visit cattle ranches as well as purchase cattle on the open spot market. They are trained to select high quality, animals, and their performance is continually monitored by the Issuer. The Issuer purchases cattle only from selected and registered producers based on rigorous animal selection guidelines. All cattle that the Issuer acquires are inspected by veterinarians prior to processing.

The Issuer has a diversified mix of beef and other products, as well as various distribution channels and customers, with approximately 48.6% of its net sales revenue in 2005 generated from exports. From Brazil, the Issuer sells beef, beef by-products and canned vegetables to over 2,500 customers, including some of the largest retailers in Brazil, none of whom accounted for more than 3.0% of the Issuer's net sales revenue in 2005. In Argentina, 72.5% of Swift's sales were derived from exports during its fiscal year 2005 (ended in July). This diversified approach provides multiple avenues of potential growth, allowing the Issuer to adjust to the demands of the marketplace, and mitigates risks associated with individual markets.

Modern Facilities With Value-Added Capabilities

The Issuer has invested significantly in expanding its business, including acquisitions that have enhanced its processing technology and value-added product capabilities, while maintaining its high food safety standards. The Issuer makes capital expenditures in plants that it acquires as necessary to conform them to its product standards and specifications. Of the R$814.5 million in capital expenditures that the Issuer has made since 2001, the Issuer has invested R$617.4 million, or 75.8%, in production capacity increases and the acquisitions of new manufacturing and processing facilities (including Swift), and R$112.6 million, or 13.8%, in new machinery and equipment to support its capacity increases and the development of new beef products. The Issuer believes that Swift's beef processing plant in Rosario is one of the most modern plants of its kind in the world.

Vertically Integrated Hygiene and Cleaning Products Division

The Issuer supplies beef fat (a by-product of beef production) required to meet a substantial portion of the production needs for the soap-based products manufactured and sold by its Hygiene and Cleaning Products Division. This vertical integration provides the Issuer with cost savings (due to lower freight and other costs associated with raw material purchases) and an assured supply of certain raw materials, helping it to compete against its competitors in the Brazilian hygiene and cleaning products market.

Strong Domestic Demand

Brazil and Argentina both have large domestic beef markets, and each country has traditionally consumed approximately 80.0% of its respective beef production. This strong domestic demand allows the Issuer to optimize the utilization and processing of each carcass, which it believes provides it with a competitive advantage over beef producers in other markets.

Experienced Management

The Issuer's senior executive officers have significant experience in the beef processing business. For example, each of (1) Mr. José Batista Junior, president of the Issuer's board of directors and member of the Issuer's board of executive officers, (2) Mr. Joesley Mendonça Batista, vice president of the Issuer's board of directors and the Issuer's chief executive officer, and (3) Mr. Wesley Mendonça Batista, member of the Issuer's board of directors and board of executive officers and head of the fresh beef operations of the Issuer's Beef Division, have more than 20 years of experience in the beef processing business. The Issuer's remaining executive officers and senior management that are not involved in beef operations have significant business experience in managing large Brazilian companies. During 2006, the Issuer plans to expand its board of directors with experienced and independent professionals.

Business Strategy

The key elements of the Issuer's business strategy are to:

Increase Market Share

The Issuer intends to continue investing in its facilities and logistics to increase its market share of (1) the Brazilian and Argentine domestic beef markets and the beef export market, while at the same time seeking to maintain a reasonably balanced mix of domestic and export sales, and (2) the hygiene and cleaning products market in Brazil through advertising and marketing campaigns and new product development under existing brands (including sales of hygiene and cleaning products manufactured by third parties and sold under the Issuer's brand names).

Expand Higher Margin Products

The Issuer believes that it can increase its profitability by increasing sales of its products with higher margins (prime cuts of fresh beef and processed and pre-cooked beef), with a focus on increasing its fresh beef exports to countries in the European Union, the Middle East and Asia. The Issuer also seeks to increase its sales of higher value-added beef products through loyalty programs that encourage domestic customers to consume more of its beef products.

Enhance Operating Efficiencies

The Issuer will continue to focus on increasing its profit margins by improving operating efficiencies, reducing costs, gaining economies of scale and increasing its processing yields.

Strategically Invest in Joint Ventures and Acquisitions

Notwithstanding its large scale of operations, the Issuer intends to make further investments to meet growing world demand for beef products. The Issuer will continue to monitor and evaluate attractive investment acquisition opportunities in Brazil and elsewhere.

Continue to Improve its Financial Condition

The Issuer intends to continue improving its financial condition by (1) maintaining its hedging policy to cover 95.0% of its foreign exchange rate and commodity price risks, (2) lengthening its debt maturity profile, including through refinancing its short-term debt with long-term debt on more favorable terms (for example, through the issuance of the notes), and (3) diversifying its funding sources.

Beef Division

Products, Sales and Marketing

The majority of the Issuer's net sales revenue in Brazil is generated by sales of fresh, chilled and processed beef.

In 2005, the Beef Division generated approximately R$3,579.2 million in net sales revenue, or 92.1% of total net sales revenue generated by the Issuer. Approximately 76.9% of the net sales revenue generated by the Beef Division in 2005 were derived from the sale of fresh and chilled beef, including chuck cuts, rib cuts, loin cuts, round cuts and thin beef, among other beef products. The remaining 23.1% of the net sales revenue generated by the Beef Division in 2005 were derived from the sale of canned and processed beef products, including sausages, meatballs, corned beef, hamburger, kibe and mortadela. Cattle hides are sold for domestic use, primarily to tanneries.

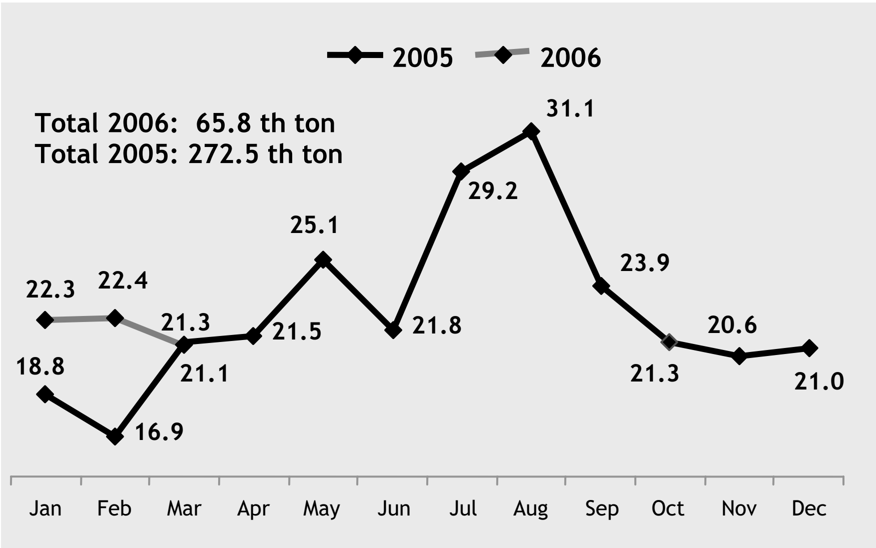
The following table sets forth a breakdown of the sales volumes and net sales revenue of the Beef Division for 2005.

	Year Ended December 31, 2005		
	Quantities Sold	**Net Sales Revenue**	
	(in thousands of tons)	**(in millions of *reais*)**	**(%)**
Domestic net sales:			
Fresh beef....................................	660.1	R$1,485.0	41.5%
Processed beef.............................	25.5	204.6	5.7
Total net domestic beef sales	685.6	1,689.6	47.2
Export net sales:			
Fresh beef....................................	197.9	1,268.9	35.5
Processed beef.............................	91.6	620.7	17.3
Total net export sales	289.5	1,889.6	52.8
Total net beef sales	975.1	R$3,579.3	100.0%
% of total net sales revenue			92.1%

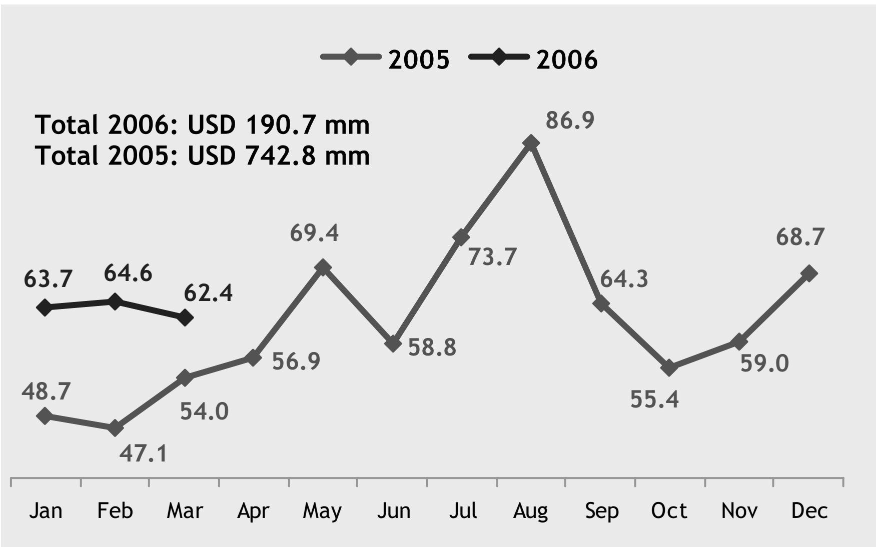
As shown in the above table, approximately 52.8% of the net sales revenue generated by the Beef Division in 2005 was derived from export sales.

The following charts set forth the evolution of the Issuer's aggregate exports of fresh, chilled and processed beef in 2005 and 2006, excluding the beef exports by Swift.

Evolution of the Issuer's Fresh, Chilled and Processed Beef Exports in 2005 and 2006 (in thousands of tons)

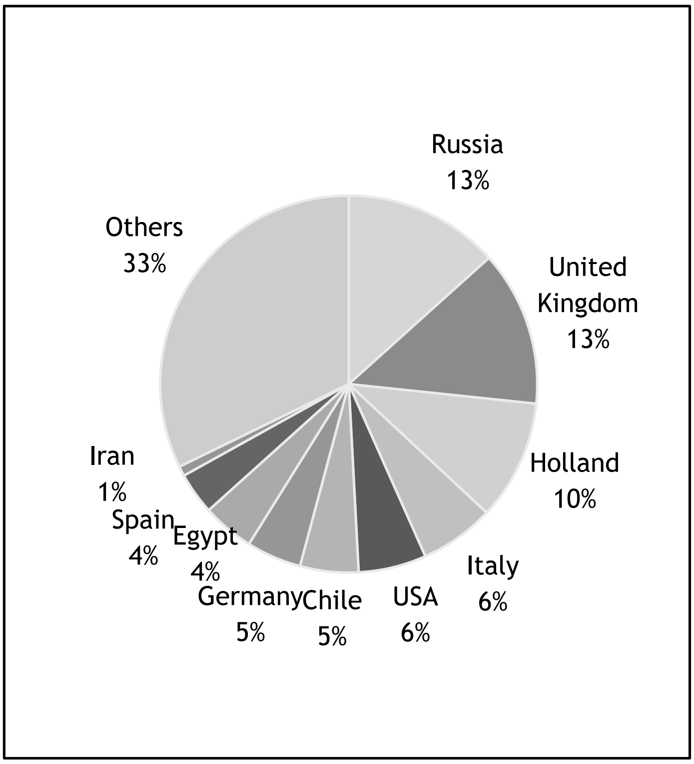


Evolution of the Issuer's Fresh, Chilled and Processed Beef Exports in 2005 and 2006 (in millions of U.S.$)



The following chart illustrates the destination of the Issuer's aggregate exports of fresh, chilled and processed beef in 2005, by country, excluding the beef exports by Swift.

Destination of the Issuer's Fresh, Chilled and Processed Beef Exports in 2005



In addition, the Issuer maintains sales offices in England, Chile, Egypt and Russia to effect export sales and to enhance customer service. The Issuer is currently considering opening new offices in certain other countries to further increase its export sales and customer service.

The Issuer markets its beef products in Brazil and for export under several brand names, including "Friboi," "Maturatta," "Hereford," "Mouran" and "Anglo." The Issuer markets its beef products through several distribution channels, including:

- national and regional retailers, including supermarket chains, independent grocers, club stores and wholesale distributors;
- food processors;
- international markets; and
- the food service industry, including food service distributors, fast food, restaurant and hotel chains and other institutional customers.

In 2005, the 10 largest customers of the Beef Division accounted for approximately 13.7% of the total combined net sales revenue of the Issuer. The Issuer did not have any customer that individually represented more than 3.0% of the total Combined JBS net sales revenue in 2005.

The Issuer does not have a significant or seasonally variable backlog as most of its customers place orders shortly prior to shipment. The Issuer does not generally enter into any long-term sales contracts with its customers.

Raw Materials, Procurement and Processing Operations

The primary raw material for the Issuer's beef processing operations is cattle. Currently, the Issuer purchases most of its cattle from approximately 12,000 cattle farmers located within 500 kilometers from one of its slaughterhouses in Brazil. The close proximity of its slaughterhouse to its cattle suppliers generally reduces transportation costs and weight loss and bruising of cattle while in transit. The Beef Division generally maintains a "bought ahead" position of a 30-day supply of cattle. The Issuer has created new forward purchase arrangements by bringing together local financial institutions and its cattle ranchers, in a program that it created to assist its cattle ranchers in obtaining financing for the improvement and expansion of their operations, which type of financing has traditionally not been available to these cattle ranchers. The financing program functions as follows:

- a local financial institution disburses a loan for up to one year to a cattle rancher;
- the cattle rancher secures this loan with a specified number of cattle, the aggregate value of which (at the loan agreement date) is expected to exceed the principal amount of the loan;
- the Issuer agrees to purchase the cattle from the bank on the maturity date at a price determined at the loan agreement date minus a discount, with actual payment made against delivery of the cattle to its processing facilities;
- the risk of non-performance remains with the cattle rancher, as the Issuer is only obligated to purchase the number of healthy and suitable cattle delivered by the cattle rancher to its processing facilities; and
- the financial institution uses the proceeds received from the Issuer to reduce the principal amount and accrued interest on the loan and refunds any excess amount to the cattle rancher.

The Issuer employs cattle buyers located throughout the principal cattle producing areas in Brazil. These buyers visit feed yards and buy cattle on the open spot market. They are trained to select high quality, disease-free animals, and their performance is continually monitored by the Issuer. The Issuer only purchases cattle from select, registered producers based on rigorous animal selection guidelines. The Issuer's cattle suppliers are required to document the quality of their operations and verify that their use of antibiotics and agricultural chemicals follows the respective manufacturer's standards. Additionally, the Issuer regularly reviews the Brazilian Ministry of Labor's watch list of cattle ranchers that have inadequate labor standards in order to avoid purchasing cattle from any such cattle ranchers.

All cattle that the Issuer receives are inspected by veterinarians from the Federal Inspection Service of the Ministry of Agriculture who authorize the Issuer's production and processing of cattle.

Historically, cattle prices have been subject to substantial fluctuations. Cattle supplies and prices are affected by factors such as corn and soybean meal prices, weather and farmers' access to capital.

Processing Facilities and Operations

The Issuer currently slaughters 12,400 head of cattle daily in Brazil in 11 slaughterhouses located in the States of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, and Rondônia. The Issuer also operates two canning plants in the States of Minas Gerais and Rio de Janeiro, a hygiene and cleaning products plant in the State of Goiás, and four slaughterhouses and beef and beef by-product processing plants in the States of Mato Grosso and São Paulo. The slaughterhouses and other facilities of the Issuer are located near the Issuer's raw material suppliers and close to major consumer markets and export channels, i.e., close to Brazil and to ports used for the Issuer's exports. The Issuer believes that this geographical diversity helps to limit the adverse impact on the Issuer's revenue stream caused by possible import restrictions imposed by countries as a result of outbreaks of cattle diseases in Brazil.

The location, size and capacity (based on current operation configurations) of the Issuer's slaughterhouses in Brazil are shown in the table below.

Location	Annual Slaughtering Capacity	Annual Production Capacity	Size
	(in thousands of head)	(in thousands of tons of fresh beef)	(in square meters)
Andradina, SP	343.2	85.8	1,758,100
Araputanga, MT	264.0	66.0	311,182
Barra Do Garças, MT	343.2	85.8	609,300
Barretos, SP	422.4	105.6	137,800
Cáceres, MT	184.8	46.2	153,163
Cacoal 1, RO	105.6	26.4	167,316
Cacoal 2, RO	105.6	26.4	48,000
Campo Grande, MS	343.2	85.8	1,217,321
Goiânia, GO	422.4	105.6	487,343
Iturama, MG	237.6	59.4	500,000
Pedra Preta, MT	211.2	52.8	143,600
Pimenta Bueno, RO	105.6	26.4	34,880
Porto Velho, RO	105.6	26.4	31,140
Presidente Epitácio, SP	264.0	66.0	1,089,000
Vilhena, RO	237.6	59.4	664,950
Total	3,696.0	924.0	7,353,095

The table below sets forth the location of the products manufactured by and the annual production capacity of the Beef Division's beef processing facilities in Brazil for the years ended December 31, 2005 and 2004.

Location	Products Manufactured	Annual Production 2005		2004	
		(in thousands)			
		Cans	Tons	Cans	Tons
Andradina, SP	Frozen cooked beef	-	4.0	-	3.7
	Corned cooked beef	49,239	-	47,800	-
	Cubed beef	464	-	583	-
	Steak	6,743	-	5,225	-
	Roast beef	2,035	-	3,356	-
Araputanga, MT	Frozen cooked beef	-	4.1		4.7
Barretos, SP	Corned cooked beef	40,963	-	19,051	-
	Cubed Beef	324	-	96	-
	Steak	118	-	172	-
	Roast Beef	736	-	119	-
	Tushonka	-	-	333	-
	Meat balls	3,500	-	4,287	-
	Fiambre	34,820	-	36,173	-
	Sausage	25,450	-	42,302	-
	Paté	3,567	-	7,333	-
	Feijoada	11,057	-	12,205	-
	Hamburger	-	4.5	-	3.8
	Others	1,599	-	1,556	-
Presidente Epitácio, SP	Frozen cooked beef	-	5.1	-	3.7
	Corned cooked beef	37,697	-	27,592	-
	Cubed Beef	239	-	66	-
	Steak	11,787	-	8,799	-
	Roast Beef	24	-	38	-
Três Rios, RJ	Mortadela	-	15.7	-	15.1
	Sausage	-	0.6	-	0.6
Uberlândia, MG	Vegetables	31,245	-	32,443	-
Total		261,606	34.0	249,529	31.6

The Issuer generally operates at approximately 80.0% of its slaughtering and processing capacity. The Issuer's slaughter volume has increased significantly during the last four years and has had an average growth rate of 24.2% annually since 2001.

Cattle delivered to the Issuer's slaughterhouses are generally processed into beef products within 72 hours after arrival for fresh beef products and 140 hours after arrival for industrialized products. Substantially all of the beef produced from cattle that the Issuer processes in any week are committed to sale before the cattle is delivered to its facilities. The Issuer processed approximately 2.9 million cattle in Brazil in 2005, and Swift purchased 445,000 head of cattle during its fiscal year ending July 31, 2005. The production and processing facilities of the Issuer utilize modern, highly automated equipment to process and package beef products. The Issuer also customizes production and packaging of beef products for several large domestic and international customers. The design of its facilities emphasizes worker safety to ensure compliance with all regulations and to reduce worker injuries. The Issuer's production and processing facilities are also designed to reduce waste products and emissions and dispose of waste in accordance with applicable environmental standards.

All of the Issuer's beef products are subject to stringent animal husbandry and food safety procedures. The Issuer's processing facilities operate under strict food safety and quality assurance requirements to comply with domestic and international customer requirements and Brazilian and foreign governmental safety standards. The Issuer maintains rigorous quality control measures at each stage of its production process and is committed to the humane treatment and slaughter of cattle. The Brazilian Ministry of Agriculture has implemented a comprehensive monitoring system, which allows for the tracking of cattle from their birth to their slaughter. In addition, the Brazilian Ministry of Agriculture has established regulations to closely monitor each step of the production process and to ensure that all cattle are vaccinated and inspected by a veterinarian prior to being shipped for slaughter.

The Issuer distributes its beef products domestically both directly from its processing facilities and through two distribution centers, which provide regional market access. The Issuer contracts third party carriers to deliver its products to its domestic customers, and the Issuer's Transportation Division generally delivers containers of its product to port facilities for export.

Competition

The beef industry is highly competitive, both in the purchase of cattle, as well as in the sale of fresh and processed beef products. The Issuer's products also compete with a large number of other protein sources, including poultry and pork, but its principal competition comes from other beef processors. In Brazil, the beef competitors of the Issuer include Bertin, Frigorífico Independência and Frigorífico Minerva. In international beef markets, the Issuer competes with numerous producers, including companies based in the United States (Cargill Inc., Tyson Foods Inc., Smithfield Foods Inc. and Swift & Company), in Australia (Australian Meat, Teys Bros Pty Ltd. and Nippon Meat Packers Ltd.) and in Argentina (Finexcor S.A.). The management of the Issuer believes that the principal competitive factors in the beef processing industry are price, quality, food safety, product distribution and brand loyalty. Some of its competitors have greater financial and other resources and enjoy wider recognition for their branded products.

The Issuer currently has an approximate 20.0% market share for fresh beef in Brazil.

Hygiene and Cleaning Products Division

The fat that is a by-product of the Issuer's beef production process is transferred to the Hygiene and Cleaning Products Division located in the City of Luziânia, State of Goiás, at regular market prices. During 2005, the Hygiene and Cleaning Products Division purchased approximately 80.0% of its fat requirements from the Issuer. The Issuer does not foresee any difficulty in obtaining sufficient fat for these operations in the future. The Hygiene and Cleaning Products Division produces approximately 550,000 tons annually of hygiene and cleaning products, including detergents, disinfectants, fabric softener and soap.

The following table breaks down sales by volume and net revenues by product of the Hygiene and Cleaning Products Division for 2005 and 2004.

	Year Ended December 31,					
	2005			2004		
	Quantities Sold	Net Sales Revenue		Quantities Sold	Net Sales Revenue	
	(in thousands of tons)	(in millions of *reais*)	(%)	(in thousands of tons)	(in millions of *reais*)	(%)
Net sales:						
Cocoa Soap	2.7	R$9.3	3.0%	2.3	R$8.0	2.6%
Detergent	89.8	86.9	28.4	76.4	68.1	22.1
Disinfectant	15.9	21.7	7.1	14.5	16.0	5.2
Fabric softener	28.8	33.8	11.0	29.2	34.1	11.0
Soap	66.9	84.2	27.5	61.4	88.4	28.6
Toilet Cleanser	15.8	52.8	17.2	18.9	76.6	24.8
Other products	14.0	17.3	5.6	13.1	17.7	5.7
Total net sales	233.8	R$305.9	100.0	215.8	R$308.9	100.0
% of the total net sales revenue			7.9%			9.4%

The Issuer uses in-house sales professionals to sell its hygiene and cleaning products. The Issuer markets its hygiene and cleaning products exclusively in Brazil under the leading brand names “Minuano” and “Albany.” The Issuer markets these products through several channels, including national and regional retailers, supermarket chains, independent grocers, club stores and wholesale distributors.

In 2005, the 10 largest customers of the Hygiene and Cleaning Products Division accounted for approximately 1.1% of the total combined net sales revenue of the Issuer. During 2005, the Issuer invested approximately R$20.0 million in order to strengthen its brands and increase its product range to over 100 products. The Issuer expects to invest approximately R$80.0 million in the marketing of its hygiene and cleaning products during 2006.

The following table sets forth the Issuer’s hygiene and cleaning products, annual production capacity (based on current operation configurations) and annual production for the years ended December 31, 2005 and 2004.

	Year Ended December 31, 2005		Year Ended December 31, 2004	
	Annual Production Capacity (1)	Production	Annual Production Capacity	Production
Product	(in thousands of tons)			
Cocoa soap	5.8	2.2	4.5	1.7
Detergent	216.0	93.1	204.0	76.9
Disinfectant	43.2	16.9	38.9	14.2
Fabric softener	57.6	30.5	51.8	28.6
Soap	144.0	72.4	137.0	61.1
Toilet cleanser	62.2	16.8	35.2	18.5
Other products	21.6	13.6	13.3	13.1
Total	550.4	245.5	484.7	214.1

(1) Issuer’s plant located in the City of Luziânia, State of Goiás (32,894 square meters)

The Issuer intends to invest approximately R$30.0 million to increase the annual production of its hygiene and cleaning products facilities. The major competitors of the Hygiene and Cleaning Products Division include Unilever, Procter & Gamble, Matarazzo and Bombril. The Issuer currently has a 16.1% market share in the detergent market, 13.5% market share in the bar soap market, 5.2% market share in the fabric softener market, 4.8% market share in the disinfectant market and a 4.6% market share in the toilet cleanser market.

Transportation Division

The Transportation Division of the Issuer operates the Issuer’s fleet of approximately 341 trucks, approximately 200 of which are specially equipped double-decker trucks dedicated to the transportation of cattle and approximately 141 of which are dedicated to the transportation of containers for export. The Issuer leases the containers, which may or may not be refrigerated depending on the type of product to be exported. The Issuer contracts third party carriers to deliver its products to its domestic customers and to provide other distribution and delivery services as needed.

The Issuer owns two distribution warehouses. The Raposo Tavares warehouse is located in the City of São Paulo, State of São Paulo, and has a 16,303 square meter area. The Contagem warehouse is located in the City of Contagem, State of Minas Gerais, and has a 120.0 square meter area.

Employees

At December 31, 2005, the Issuer had 17,012 employees in Brazil, compared to 16,365 employees at December 31, 2004.

The following table sets forth the number of employees in Brazil in each of the Issuer's business divisions at December 31, 2005 and 2004.

	At December 31, 2005	At December 31, 2004
Beef Division:		
Administrative and Support	1,558	1,469
Sales	300	244
Supervisors and Operators	13,440	13,675
Total	15,298	15,388
Hygiene and Cleaning Products Division:		
Administrative and Support	88	46
Sales	536	109
Supervisors and Operators	671	534
Total	1,295	689
Transportation Division:		
Administrative and Support	61	30
Sales	29	1
Supervisors and Operators	329	257
Total	419	288
Total	17,012	16,365

The Issuer believes that it has good relations with its employees and the unions that represent them, and it has never experienced a strike or other labor slowdown. The Issuer is party to several collective bargaining agreements, which are subject to changes in Brazilian law, including minimum wage laws.

The Issuer offers its employees, including its executive officers, various benefits, including medical assistance and discounted meal vouchers or meals in the cafeteria in the headquarters. The employees are also legally entitled to receive a yearly bonus equal to one-month's salary (known as the "thirteenth" (monthly) salary in Brazil), 33.3% of one-month's salary for vacation, and contributions of 8.0% of their salary into a defined contribution pension fund known as the Guarantee Fund for Time of Service (*Fundo de Garantia por Tempo de Serviço*).

Legal and Regulatory Matters

Environmental Regulations

The Brazilian federal Constitution grants both the Brazilian federal and state government the power to enact environmental protection laws and to issue regulations under such laws. While the Brazilian federal government has the power to promulgate environmental regulations setting forth minimum standards of environmental protection, state governments have the power to enact more stringent environmental regulations. Most of the environmental regulations in Brazil are in effect at the state and local levels rather than at the federal level, with additional environmental standards established in the operating permits issued to each plant rather than through general regulations.

In 1998, the Brazilian government enacted an environmental crimes law that imposes criminal penalties on corporations and individuals who violate environmental laws. Individuals (including corporate officers and directors) may be imprisoned for up to five years for environmental crimes. Criminal penalties against corporations include fines, community service and certain other restrictions, including the cancellation of financings with government entities. At the administrative level, corporations found to be violating environmental laws can be fined up to R$50 million, have their operations suspended, barred from entering into certain types of government contracts, required to repair or indemnify any environmental damages they cause and required to forfeit tax benefits and incentives.

Under federal and state environmental laws and regulations, the Issuer is required to obtain environmental licenses to install and operate each of its production facilities. The environmental licensing process includes an initial license, an installation license and an operating license. The initial license is issued during the preliminary phase of the project planning and authorizes the location and basic development of the undertaking or activity. The installation license authorizes the beginning of the construction of the facilities. The operating license authorizes the commencement and continuation of operational activities. Operating licenses are subject to compulsory renewal every five years.

Law No. 6,938 of August 31, 1981, in conjunction with CONAMA Resolution 237, of December 19, 1997, requires that businesses that use environmental resources or that are deemed effectively or potentially polluting be required to obtain an environmental license.

Environmental Policy

Strict compliance with all environmental laws, whether federal, state or municipal, including maintaining its licenses in full force and effect, is one of the most important priorities of the Issuer. To control the environmental impact of its operations, the Issuer maintains a preventive maintenance process for its equipment and filters, as well as programs for the efficient use of water. Environmental laws and regulations require the Issuer to regularly monitor the furnace air quality and emissions of its plants to determine if it is in compliance with the permitted emissions levels.

The Issuer periodically evaluates the environmental impact of its products, processes, operations, and services, in order to determine those that cause or could cause material environmental damages. Through its environmental management programs, the Issuer seeks to identify opportunities for improving its production process, as well as to prevent the occurrence of environmental impacts and/or legal claims.

From time to time, the Issuer and its executive officers have received notices of environmental violations and are or have been subject to investigations or legal proceedings with respect to certain alleged environmental violations. These environmental matters, and any future environmental issues that may arise, could subject the Issuer to fines or other civil or criminal penalties imposed by Brazilian authorities that may have a material adverse effect on its business.

Based on the advice of its internal counsel, the Issuer believes that it currently is in substantial compliance with all material governmental environmental laws and regulations, and all material environmental permits and licenses necessary to its operations are in full force and effect, except for its Cacoal 1, Cacoal 2, and Pimenta Bueno slaughterhouses. These facilities have a combined total annual slaughtering capacity of approximately 316,800 head of fresh beef (or 7.1% of the Issuer's total annual slaughtering capacity, including Swift), representing approximately 2.4% of the Issuer's net sales revenue during the three months ended March 31, 2006 and currently do not have all of the necessary environmental licenses to conduct their operations. Accordingly, Brazilian environmental authorities could order the Issuer to cease operating these slaughterhouses until it has obtained all of the necessary environmental licenses. Based on the advice of the Issuer's internal legal counsel, the Issuer believes that it has taken all necessary steps and filed all required applications with the applicable authorities in order to obtain these licenses and expects such licenses to be granted within approximately 90 days.

Beef Regulations

The beef operations of the Issuer are subject to extensive regulation by the Brazilian Ministry of Agriculture and other state, local and foreign authorities regarding the processing, packaging, storage, distribution, advertising and labeling of its beef products, including food safety standards. In recent years, food safety practices and procedures in the beef processing industry have been subject to more intense scrutiny and oversight by the Brazilian Ministry of Agriculture. The Issuer has historically worked and will continue to work; closely with the Brazilian Ministry of Agriculture and any regulatory agencies to ensure that its operations comply with all applicable food safety laws and regulations.

Wastewater, storm-water, and air discharges from the operations are subject to regulation by state and local authorities.

Based on the advice of the Issuer's internal legal counsel, the Issuer believes that it currently is in substantial compliance with all material governmental laws and regulations, including environmental laws and regulations, and all material permits and licenses necessary to its operations are in full force and effect, except four of its slaughterhouses (representing 7.1% of the Issuer's total annual production capacity, including Swift, and 2.4% of the Issuer's net sales revenue during the three months ended March 31, 2006) do not have valid environmental licenses. See "Environmental Policy." Other than these environmental licenses, the Issuer is not aware of any violations of such laws and regulations or pending changes in such laws or regulations that are likely to result in material penalties or to otherwise have a material adverse effect on the Issuer's results of operations, financial condition or prospects.

Intellectual Property

At December 31, 2005, the Issuer had valid registrations with the Brazilian Intellectual Property Institute (*Instituto Nacional da Propriedade Industrial – INPI*), or INPI, or valid trademark license agreements, for most of its trademarks, including "Friboi," "Swift," "Anglo," "Albany," "Hereford," "Minuano," "Mouran," "Maturatta" and "Cass." As of the date of this offering circular, the Issuer's existing registration of the "Albany" trademark with INPI is being opposed by a third party. Based on the advice of the Issuer's internal legal counsel, the Issuer believes that it will prevail in this administrative dispute, as this trademark is already registered with the INPI, and the Issuer has previously registered this trademark in Paraguay and Argentina.

At December 31, 2005 the Issuer had valid registrations with the Argentine Intellectual Property Institute (*Instituto Nacional de la Propriedad Intelectual – INPI*) for all of its trademarks in Argentina, including "Swift," "Safra," "Cabaňa Las Lilas," "Vizental," "Armour," "Exeter," "La Blanca," " La Criolla" and "Plate."

The Issuer generally renews all of its trademark registrations upon the expiration of the prior 10-year registration period.

Legal Proceedings

The Issuer is a party to several lawsuits, all arising in the ordinary course of its business, and in respect of which it has made adequate provisions in accordance with its internal policies and Brazilian GAAP. The Issuer is involved in: (1) over 400 labor lawsuits, with claims totaling approximately R$9.5 million; (2) over 400 civil lawsuits, with claims totaling approximately R$43.0 million; and (3) 63 tax and social security lawsuits, with claims totaling approximately R$80.0 million. As of March 31, 2006 and December 31, 2005, the Issuer had not established a provision in its financial statements for the contingencies arising from these lawsuits, as it believes that it will prevail in these lawsuits.

Civil Proceedings

On June 25, 2004, Frigorífico Araputanga S.A., or Frigorífico Araputanga, filed lawsuit against Agropecuária Friboi in a state court located in the City of Araputanga, Mato Grosso, alleging that Agropecuária Friboi breached a purchase agreement under which Agropecuária Friboi agreed to purchase a slaughterhouse from Frigorífico Araputanga for an aggregate purchase price of approximately R$36 million and seeking an injunction to prevent Agropecuária Friboi from finalizing the transfer of the slaughterhouse and a declaratory judgment that the contract is null and void. Under the terms of this purchase agreement, Agropecuária Friboi paid 50.0% of the purchase price in cash and the remaining 50.0% by assuming certain of Frigorífico Araputanga's debts to cattle raisers, employees, suppliers and BNDES. In the lawsuit, Frigorífico Araputanga claimed that the sale of the slaughterhouse should be nullified as Agropecuária Friboi did not obtain the consent of the Brazilian government to the transfer, which consent was necessary so that the transfer could be registered with the applicable real estate registry and clear title to the slaughterhouse could be transferred to Agropecuária Friboi under Brazilian law. However, Agropecuária Friboi argued that under the terms of the purchase agreement, Frigorífico Araputanga was required to obtain this consent. The trial court granted Frigorífico Araputanga a preliminary injunction that suspended the registration with the applicable real estate registry of the transfer of the slaughterhouse to Agropecuária Friboi. Agropecuária Friboi appealed this decision. In January 2005, the court of appeals vacated the preliminary injunction, holding that Agropecuária Friboi had complied with all material terms of the contract and that the question of which party was responsible for obtaining the consent of the Brazilian government was now moot as Agropecuária Friboi presented sufficient evidence that it had obtained the necessary consents from the Brazilian government during the course of the proceedings. Although this proceeding remains pending, Agropecuária Friboi registered the transfer of the slaughterhouse with the real estate registry on April 19, 2006. Based on the advice of its internal legal counsel, the Issuer believes that it will prevail in this lawsuit.

Tax and Social Security Proceedings

On June 27, 2002, the Brazilian Social Security Institute (*Instituto Nacional de Seguro Social*), or INSS, filed two administrative proceedings against Friboi in the City of Araçatuba, São Paulo. In these administrative proceedings, INSS is seeking to collect certain social security contributions in aggregate amounts of R$31.7 million and R$37.5 million, respectively, that Friboi should have allegedly withheld in connection with purchases of cattle from individual ranchers. As a result of a favorable court decision in a proceeding to adjudicate a writ of mandamus action filed by Friboi in January 2001, the administrative proceedings have been stayed, and INSS has been enjoined from collecting these social security contributions from Friboi. Based on the advice of its internal legal counsel, the Issuer believes that it will prevail in these proceedings.

Criminal Proceedings

In November 2005, the Brazilian Federal Public Prosecutor (*Ministério Público Federal*) and the Federal Police (*Polícia Federal*) in the State of Mato Grosso commenced an investigation against the Issuer for alleged fraud in connection with beef exports to Russia and the European Union from the Issuer facilities that do not have the required export licenses. The Issuer has denied these allegations and is cooperating with these officials in connection with this ongoing investigation. However, if this investigation continues and formal charges are brought against the Issuer and certain of its executive officers, they may be subject to criminal and civil penalties, as well as to potential limitations on the Issuer's beef exports, which could materially adversely affect the Issuer's net sales revenue and results of operations and the ability of the Issuer to pay its obligations under the notes.

Beef Industry Antitrust Proceedings

On June 21, 2005, the SDE initiated administrative proceedings against 11 Brazilian beef companies, including the Issuer and other large beef producers. The proceedings relate to allegations that these beef companies may have breached Brazilian antitrust regulations by entering into agreements to establish the price of cattle purchased by them for slaughter. Although the SDE could determine that the Issuer violated these regulations, a final binding determination on this matter can only be CADE. If the SDE advises CADE that the Issuer violated these antitrust regulations and CADE ultimately confirms such determination, CADE may impose administrative penalties on the Issuer, including an administrative fine that may range from 1.0% to 30.0% of its annual gross revenues (in addition to criminal proceedings that may be commenced against the Issuer's officers and directors by a Brazilian public prosecutor). If CADE were to render an unfavorable decision, the Issuer would be entitled to appeal the allegations in Brazilian courts. An adverse decision by CADE could result in a material adverse effect on the Issuer's results of operations, financial condition and prospects. See "Risk Factors—Certain Factors Relating to the Issuer—The Issuer might be subject to penalties for antitrust violations."

PRINCIPAL SUBSIDIARY

Swift

In 2005, the Issuer (through its subsidiary JBS Holding Internacional Ltda.) acquired 100.0% of the total share capital of Swift, the largest beef producer and beef exporter in Argentina. The acquisition included certain trademarks owned by Swift and registered with the Argentine Intellectual Property Institute (*Instituto Nacional de la Propriedad Intelectual – INPI)*, "Swift," "Safra," "Cabaña Las Lilas," "Vizental," "Armour," "Exeter," "La Blanca," "La Criolla," and "Plate." The Issuer paid an aggregate price corresponding to Swift's approximate net value to acquire all of Swift's share capital. Swift produces and distributes beef products, including fresh and processed beef, to customers both in Argentina and abroad. Swift's product mix includes a large number of different cuts of fresh, chilled, processed and canned beef, and it currently slaughters approximately 1,600 head of cattle daily in its two slaughterhouses located in (1) San José, Entre Ríos, and (2) Rosario, Santa Fé. During its most recent fiscal year ended July 31, 2005 (prior to its acquisition by the Issuer), Swift slaughtered and processed approximately 445,000 head of cattle in Argentina and recorded net sales revenue of P$536.8 million (US$174.2 million), gross profit of P$36.9 million (US$12.0 million) and a net loss of P$25.1 million (US$8.1 million). During the three months ended March 31, 2006, Swift recorded net sales revenue of P$98.3 million (US$31.9 million), gross profit of P$11.1 million (US$3.6 million) and a net loss of P$4.6 million (US$1.5 million). See note 4 to the Issuer's interim consolidated financial information and to the Combined JBS financial statements and financial information included elsewhere in this offering circular.

History

Swift was founded in 1907. In 1980, Campbell's Soup acquired Swift, which became its exclusive supplier of frozen cooked beef and broth to the North American market. In 1993, Swift opened one of the most modern beef processing complexes in the world in Rosário, Santa Fé, Argentina. In 1999, Swift was sold to a group of investors led by current chief executive officer, Mr. Carlos Oliva Funes, and financing partners, in what was considered the first management buy-out in Argentina. In 2002, Swift acquired Cabaña Las Lilas, a premium beef brand in Argentina. In 2004, Swift acquired the Vizental plant in San José, which commenced production in February 2003.

In November 2005 Swift (on behalf of JBS S.A.) submitted a winning bid in a public auction to lease three beef processing plants (with a daily slaughtering capacity of approximately 1,000 head of cattle at December 31, 2005) owned by *Compañia Elaboradora de Produtos Alimentícios*, or CEPA, the third largest beef exporter in Argentina (based on export sales revenue in 2004), which had declared bankruptcy and was in receivership at the time of the auction. Swift also has an option to purchase this plant, which is exercisable after the first year of operation by Swift. As CEPA has a significant amount of outstanding indebtedness and labor liabilities and is now being operated on behalf of the Argentine government, the trustee in bankruptcy granted Swift's request that all improvements that Swift makes to the plant and all equipment installed or used by Swift in the plant will not revert to the Argentine government upon termination of the lease term and that, by leasing the plant, Swift will not be deemed to be a successor to CEPA. Although Swift executed a lease agreement in respect of this plant in February 2006, the trustee in bankruptcy has agreed to allow Swift to commence operating the plant only after the 180-day prohibition on the exports of all cooked and fresh beef imposed by the Argentine government on March 14, 2006 is lifted.

Products, Sales and Marketing

In its most recent fiscal year ended July 31, 2005, approximately 66.3% of the net sales revenue generated by Swift was derived from the sale of canned and processed beef products, including sausages and hamburgers. The remaining 33.7% of net sales revenue was derived from the sale of fresh and frozen beef, including chuck cuts, rib cuts, leather, offal and thin beef.

The primary driver of Swift's business is its long term, renewable frozen cooked beef supply agreement with Campbell's Soup Company. Sales under this supply agreement account for 15.3% of Swift's net sales revenue for its most recent fiscal year ended July 31, 2005 (and approximately 20.0% of its net export sales revenue). The term of the contract is four years, which term may be renewed for successive terms indefinitely. The current contract expires in July 2008.

The second principal driver of Swift's business is its export sales of fresh beef under the Hilton Beef Quota, which sales accounted for approximately 5.0% of Swift's net sales revenue during its most recent fiscal year ended July 31, 2005.

The following table sets forth a breakdown of the sales volumes and net sales revenue of Swift for its fiscal year ended July 31, 2005.

	Fiscal Year Ended July 31, 2005		
	Quantities Sold	Net Sales Revenue	
	(in thousands of tons)	(in millions of *pesos*)	(%)
Domestic net sales:			
Fresh beef	26.2	P$74.2	13.8%
Processed beef	16.3	73.3	13.7
Total net domestic beef sales	42.5	147.6	27.5
Export net sales:			
Fresh beef	15.5	106.7	19.9
Processed beef	38.1	282.6	52.6
Total net export sales	53.7	389.3	72.5
Total net beef sales	96.2	P$536.8	100.0%

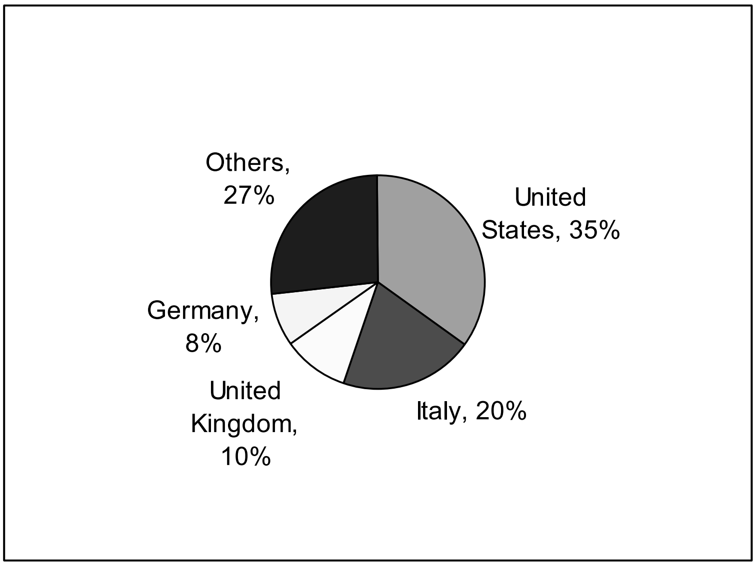
As shown in the above table, approximately 72.5% of Swift's net sales revenue generated in 2005 was derived from export sales to customers located in more than 70 countries. Swift currently exports approximately 20.0% of all Argentine beef exports.

Swift's export and domestic revenue mix allows it to optimize its utilization and processing of each carcass, as it is able to sell different cuts of beef domestically and abroad. In addition, as Swift exports a substantial volume of processed beef products, during its most recent fiscal year ended July 31 2005, 72.6% of its net export sales revenue, or 52.6% of total net beef sales, was protected from possible export restrictions due to outbreaks of FMD.

Recent Developments

Before the Government of Argentina implemented on March 14, 2006 a regulation to prohibit the export of all cooked and fresh beef for a 180-day period, approximately 72.5% of Swift's net sales revenue in its most recent fiscal year ended July 31, 2005 was generated by exports. The suspension of exports by the Argentine government resulted in Swift reducing its slaughter rate during May and June 2006 (after operating at normal rates during March and April 2006). In this connection, during May and June 2006, Swift granted leaves of absence to more than half of its workers (whose salaries during this period were subsidized by the Argentine government). On May 29, 2006, the Argentine government partially lifted the ban on fresh beef exports, by allowing exports of fresh beef of up to 40% of the aggregate volume exported by the applicable Argentine beef exporter between June and December of 2005. On May 29, 2006, the Argentine government also lifted the ban on all exports of processed beef. On July 4, 2006, the Argentine government further partially lifted the ban on exports of fresh beef, by allowing unlimited exports of hindquarter beef cuts. Since the beginning of July 2006, Swift has been operating at its usual slaughter rate, and its employees who were granted temporary leaves of absence have been recalled. Although the Argentine government has announced that it may fully lift the remaining beef export ban after August 1, 2006, there can be no assurance that the Argentine government will do so or that the Argentine government will not reapply all or any portion of the export ban that it had previously partially lifted. These measures may adversely impact the results of operations and financial position of Swift in Argentina, which could adversely impact the consolidated results of operations and financial condition of the Issuer. See "Risk Factors—Certain Factors Relating to Argentina—Recent actions taken by the Argentine government to limit exports of fresh and processed beef have adversely affected, and may continue to adversely impact, the results of operations and financial position of Swift in Argentina."

The following chart illustrates the destination of Swift's exports of beef products during its most recent fiscal year ended July 31, 2005 (expressed as a percentage of sales revenue).



In 2005, Swift's 10 largest customers accounted for approximately 14.8% of its total net sales revenue.

Raw Materials, Procurement and Feedlot Operations

Swift purchases its cattle from approximately 1,600 ranchers and cattle markets located within an average of 350 kilometers from one of its two slaughterhouses. Swift directly purchases approximately 66.3% of the cattle that it processes from local farmers, and acquired the remaining amount from cattle markets and at cattle auctions.

Processing Facilities and Operations

Swift's two slaughterhouses have a combined annual slaughtering capacity of approximately 792,000 head of cattle, yielding approximately 198,000 tons of fresh beef per year. These two plants also have a combined size of approximately 320,000 square meters. The slaughterhouses and other facilities of Swift are geographically positioned to efficiently serve high demand markets and are located near its raw material suppliers.

Swift contracts third party carriers to have cattle delivered to its plants and to deliver its products to its domestic customers and to export channels.

All of Swift's beef products are subject to stringent animal husbandry and food safety procedures. Swift's processing facilities operate under strict food safety and quality assurance requirements to comply with domestic and international customer requirements and Argentine and foreign governmental safety standards.

Employees

At July 31, 2005, Swift had 2,540 employees.

In Argentina, Swift offers to its employees medical assistance, discounted meal vouchers, a yearly bonus equal to one-month's salary, paid 50.0% in June and 50.0% in December, vacation periods that increase in accordance with the employee's seniority, childcare for children up to five years old at Swift's Rosario facility and discount prices to employees on the purchase of Swift products.

As a result of the implementation by the Government of Argentina of the prohibitition of the export of all cooked and fresh beef for a 180-day period on March 14, 2006, Swift reduced its slaughter rate during the first two weeks of May 2006 to 20.0% of its normal slaughter rate (after operating at normal rates during March and most of April 2006) and granted leave of absence to more than half of its workers (whose salaries during this period are being subsidized by the Argentine government). See “Risk Factors—Certain Factors Relating to Argentina—Recent actions taken by the Argentine government to limit exports of fresh and processed beef have adversely affected, and may continue to adversely impact, the results of operations and financial position of Swift in Argentina.”

MANAGEMENT

The Issuer's board of directors (*conselho de administração*) and board of executive officers (*diretoria*) are responsible for operating the Issuer's business.

Under Brazilian Corporation Law, each of the members of the Issuer's board of directors must hold at least one of the Issuer's shares and is elected by the holders of the Issuer's common shares at the Issuer's annual general shareholders' meeting.

Board of Directors

The Issuer's by-laws provide that its board of directors consists of three members – a president and two other directors without any specific title. During periods of absence or temporary unavailability of a board member, the president of the Issuer's board of directors may appoint an alternate member as a substitute for the absent or unavailable member. The Issuer's board of directors is the decision-making body responsible for, among other matters, determining policies and guidelines for the Issuer's business. The board of directors also supervises the Issuer's board of executive officers and monitors their implementation of the policies and guidelines that are established from time to time by the board of directors. Under Brazilian Corporation Law, the board of directors is also responsible for hiring the Issuer's independent auditors.

The members of the board of directors are elected at general shareholders' meetings for 3-year terms and are eligible for reelection. The members of the board of directors are subject to removal at any time at a general meeting of shareholders. The board of directors is presided over by the president of the board of directors.

The board of directors meets at least once every fiscal quarter and at any time when an extraordinary meeting is called by the president or by any other members of the board of directors, in writing. Decisions of the board of directors are taken by majority vote.

The members of the Issuer's board of directors are: (1) Mr. José Batista Sobrinho, the founder of Grupo JBS, age 73; (2) his wife, Mrs. Flora Mendonça Batista, age 69; and (3) their daughter, Ms. Vivianne Mendonça Batista, age 24.

The responsibilities of the board of directors are effectively carried out by the following individuals, to the extent permitted by Brazilian law:

Name	Year of Appointment	Position Held	Age
José Batista Jr.	2005	President	46
Joesley Mendonça Batista	2005	Vice-President	34
Wesley Mendonça Batista	2005	Director	35
Augusto Cruz Filho	2006	Director	53
Carlos Oliva Funes	2005	Director	63

The following is a summary of the business experience of these individuals:

José Batista Junior. Mr. Batista has been a member of the Issuer's board of directors (as indicated above) since 2005 and was elected president of the Issuer's board of directors in 2005. He has also been a member of the Issuer's board of executive officers since 2005, and serves as the head of the Issuer's Hygiene and Cleaning Division. Mr. Batista is one of the sons of Mr. José Batista, the founder of Grupo JBS, and brother to Mr. Joesley Mendonça Batista and Mr. Wesley Mendonça Batista.

Joesley Mendonça Batista. Mr. Mendonça Batista has been a member of the Issuer's board of directors (as indicated above) since 2005 and was elected vice-president of the Issuer's board of directors in 2005. He has also been a member of the Issuer's board of executive officers since 2005, and serves as the Issuer's Chief Executive Officer. Mr. Mendonça Batista has been working for Grupo JBS since 1988, and is one of the sons of Mr. José Batista, the founder of Grupo JBS, and brother to Mr. José Batista Junior and Mr. Wesley Mendonça Batista.

Wesley Mendonça Batista. Mr. Mendonça Batista has been a member of the Issuer's board of directors (as indicated above) since 2005. He has also been a member of the Issuer's board of executive officers (as indicated below) since 2005, and serves as the head of the in natura department of the Issuer's Beef Division. Mr. Mendonça Batista has been working for Grupo JBS since 1987, is one of the sons of Mr. José Batista, the founder of Grupo JBS, and brother to Mr. José Batista Júnior and Mr. Joesley Mendonça Batista.

Augusto Marques da Cruz Filho. Mr. Marques da Cruz Filho has been a member of the Issuer's board of directors (as indicated above) since January 2006. He has also been a member of the Issuer's board of executive officers (as indicated below) since January 2006. Mr. Marques da Cruz Filho joined the Issuer in January 2006, and currently serves as the Issuer's Managing Director. Mr. Marques da Cruz Filho was the president and financial executive officer of the Pão de Açúcar Group for 11 years. He also was the financial director of Tintas Coral S.A., Bunge Born Group. Mr. Marques also served as a member of the board of directors of Arafértil ISF – Ipiranga Serrana de Fertilizantes. He holds a bachelor's degree in economics from Universidade de São Paulo.

Carlos Oliva Funes. Mr. Funes has been a member of the Issuer's board of directors (as indicated above) since 2005. He has also been a member of the Issuer's board of executive officers (as indicated below) since 2005 and is the Chief Executive Officer of Swift. Mr. Funes joined the Issuer after the acquisition of Swift by the Issuer in September 2005. Before the acquisition of Swift by the Issuer, Mr. Funes had been controlling shareholder of Swift from 1999 to 2005. He has more than 30 years of experience in the Argentine beef industry.

Board of Executive Officers

The executive officers are the Issuer's legal representatives.

The Issuer's by-laws require that the board of executive officers consists of at least two members.

The members of the board of executive officers are elected by the board of directors for 2-year terms, and are eligible for reelection. The board of directors may remove any executive officer from office at any time with or without cause. In accordance with Brazilian Corporation Law, executive officers must be residents of Brazil but need not be shareholders of their employer. The Issuer's board of executive officers meets regularly and at any time an extraordinary meeting is called by the chief executive officer.

The members of the Issuer's board of executive officers are Mr. Joesley Mendonça Batista and Ms. Vivianne Mendonça Batista.

The responsibilities of the board of executive officers are effectively carried out by the following individuals, to the extent permitted by Brazilian law:

Name	Year of Appointment	Position Held	Age
Joesley Mendonça Batista	2005	Chief Executive Officer	34
Wesley Mendonça Batista	2005	Head of the Fresh Beef Department – Beef Division	35
Carlos Oliva Funes	2005	Chief Executive Officer of Swift	63
José Batista Júnior	2005	Head of the Hygiene and Cleaning Division	46
Augusto Cruz	2006	Managing Officer	53
Licinio Antonio Huffenbaecher	2005	Executive Officer of the Beef Division	45
José Augusto de Carvalho	2006	Executive Officer of the Food Division	45
Sérgio Longo	2005	Chief Financial Officer	51

The following is a summary of the business experience of these individuals (except to the extent set forth above).

Licinio Antonio Huffenbaecher. Mr. Huffenbaecher has been a member of the Issuer's board of executive officers (as indicated above) since 2005, and currently serves as head of the Issuer's Beef Division. He holds a bachelor's degree in production engineering from Universidade de São Paulo and before joining the Issuer in 2003, he worked six years for Chase Manhattan Bank and six years for ABB.

José Augusto de Carvalho. Mr. de Carvalho has been a member of the Issuer's board of executive officers (as indicated above) and has served as the Issuer's Executive Officer of the Food Division since January 2006. Mr. de Carvalho holds a bachelor degree in Construction and Fortification Engineering from the Instituto Militar do Rio – IME. He has worked for more than 25 years in several companies such as Esso Brasil, Shell and its subsidiaries and CB Latas, for several of which he served as a CEO.

Sergio Longo. Mr. Longo has been a member of the Issuer's board of executive officers (as indicated above) since 2005, and has served as the Issuer's Chief Financial Officer since April 2003. Mr. Longo has worked for more than 25 years in financial institutions. Prior to joining the Issuer, Mr. Longo worked for 18 years at Banco Sudameris, and four years at Banco Rural.

Senior Management

In addition to the board of directors and the board of executive officers, the Issuer's management includes other professionals who are responsible for the decision-making process of different areas of the Issuer's business.

The following table lists the current members of Grupo JBS's senior management team.

Name	Position Held	Age
Adrian da Hora	Supply Officer	42
Eliseo Fernandes	Administrative Officer	42
Fábio Assumpção	Treasury Department Officer	39
Humberto de Campos Magalhães	Industrial Officer – Beef Division	41
José Luiz Medeiros	Commercial Officer – Beef Division	64
Marco Aurélio Barbosa	Human Resources Officer	54
Moacir Francisco Sanini	Commercial Officer – Hygiene and Cleaning Products Division	58
Nelson Dalcanale	Operational Officer – Beef Division	49

The following is a summary of the business experience of the members of the Issuer's senior management team.

Adrian da Hora. Mr. Da Hora currently serves as the Issuer's Supply Officer. He holds a bachelors' degrees in business administration and accounting from Universidade Católica de Pernambuco with a specialization in retail business. He also holds a master's degree in business administration from Fundação Getúlio Vargas. Prior to joining the Issuer in January 2005, Mr. Da Hora worked for eight years at Ernst & Young and for eight years at Supermercados Bom Preço.

Eliseo Fernandes. Mr. Fernandes has been working for the Issuer since August 2005 and currently serves as the Issuer's Accounting Officer. He holds a bachelor's degree in business administration and accounting from Universidade Católica de Pernambuco. He also holds a master's degree in business administration (MBA) from Fundação Getúlio Vargas. Prior to joining the Issuer, Mr. Fernandes worked for 10 years at Supermercados Bom Preço, one year at Banco Rural and eight years at Ernst & Young.

Fabio Assumpção. Mr. Assumpção joined the Issuer in 2005 and currently serves as the Issuer's Treasury Department Officer. He has a bachelor degree in business administration from Fundação Getúlio Vargas. Prior to joining the Issuer, Mr. Assumpção was a partner in Flow Corretora de Mercadorias S.A. and worked for four years at ABB.

Humberto de Campos Magalhães. Mr. Campos Magalhães currently serves as the Industrial Officer of the Issuer's Beef Division. He holds a bachelor's degree in biology from Universidade Federal do Mato Grosso and has been working for the Issuer since 1999. Prior to joining the Issuer, Mr. Campos Magalhães worked for eight years at Sadia.

José Luiz Medeiros. Mr. Medeiros holds a bachelor's degree in business administration from Colégio Olimpia and currently serves as Commercial Officer of the Issuer's Beef Division. Before joining the Issuer in 1997, he worked for nine years at Bom-Beef and 14 years at Bertin.

Marco Aurélio Barbosa. Mr. Barbosa has been working for the Issuer since February 2004 and currently serves as Human Resources Officer. He holds a bachelor's degree in business administration from Instituto Superior Senador Fláquer with specialization in financial marketing. Prior to joining the Issuer, he works for 12 years at Sudameris, five years at Banorte, one year at Unibanco and four years at ComindCoopers & Lybrand.

Moacir Francisco Sanini. Mr. Francisco Sanini currently serves as Commercial Officer of the Issuer's Hygiene and Cleaning Products Division. He holds a bachelor's degree in business administration from Unisinos and a post-graduate degree in marketing from Fundação Getúlio Vargas. Prior to joining the Issuer in 2001, Mr. Francisco Sanini worked for nine years at Alpargatas Santista and for seven years at Martins & Santher.

Nelson Dalcanale. Mr. Dalcanale joined Grupo JBS in 2001 and currently serves as Operational Officer of the Issuer's Beef Division. His previous experience includes working for 21 years at Sadia and two years at Frigossol.

Compensation

In accordance with the Issuer's by-laws, the Issuer's shareholders are responsible for establishing the aggregate compensation that the Issuer pays to the members of its board of directors and board of executive officers. The Issuer's shareholders determine this aggregate compensation at the Issuer's annual general shareholders' meeting. Once the aggregate compensation is established, the members of the Issuer's board of directors and board of executive officers are responsible for distributing this aggregate compensation individually to the directors and to the executive officers, respectively.

For the year ended December 31, 2005, the aggregate compensation paid by the Issuer to the members of the Issuer's board of directors, its executive officers and senior management was approximately R$22.0 million.

PRINCIPAL SHAREHOLDERS

The Issuer's issued and outstanding share capital is composed of 515,635,240 voting common shares, each without par value. The Issuer is controlled by J&F Participações Ltda., a Brazilian limited liability company. Mr. José Batista Sobrinho owns 99.9% of the issued and outstanding quotas of J&F Participações Ltda. Therefore, Mr. José Batista Sobrinho directly and indirectly controls 99.9% of the Issuer's voting capital stock. Apart from the entities and individuals mentioned above, no other individual shareholder holds more than 1.0% of the Issuer's voting common shares.

The following table sets forth the current principal holders of the Issuer's outstanding common shares and their respective shareholding:

	Common Shares	(%)
José Batista Sobrinho	7,383,536	1.4%
J&F Participações Ltda.	508,084,427	98.5%
Viviane Mendonça Batista	167,276	0.0%
Flora Mendonça Batista	1	0.0%
Total	515,635,240	100.0%

Dividends

Pursuant to Brazilian Corporation Law and in accordance with its by-laws, the Issuer is required to make a minimum dividend payment to all of its shareholders during each fiscal year amounting to 25.0% of the Issuer's annual net income (as adjusted pursuant to Brazilian Corporation Law) during the previous fiscal year.

RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Issuer engages in related party transactions with certain of its affiliates. The following summarizes the material transactions that the Issuer engaged in with its principal affiliates during 2005 and the three months ended March 31, 2006 and that remained outstanding at March 31, 2006 or are conducted on a regular basis by the Issuer.

Transactions Resulting from the Corporate Reorganization Process

On December 1, 2005, Agropecuária Friboi transferred substantially all of its operating assets (excluding its ranches and the corporate headquarters of Grupo JBS) to JBS S.A. in an aggregate amount of R$547.8 million equal to the net book value of these assets in exchange for 99.9% of JBS S.A.'s total share capital. As a result of this capital contribution, Agropecuária Friboi became the controlling shareholder of JBS S.A.

On March 1, 2006, Agropecuária Friboi and the Batista Family contributed 99.9% of the total share capital of JBS S.A., with an aggregate value of R$508.1 million, to the share capital of Friboi, which prior to this capital contribution had total outstanding share capital in an aggregate amount of R$414.3 million, all of which was owned by the Batista Family. As a result of this capital contribution, JBS S.A. became a subsidiary of Friboi, and Friboi became a subsidiary of Agropecuária Friboi. Simultaneously with this capital contribution, Friboi merged JBS S.A. with and into itself. On March 2, 2006, Friboi converted from a limited liability company to a corporation (*sociedade anônima*) and changed its name to JBS S.A., the Issuer of the notes hereunder.

Recurring Transactions with Affiliates

The Issuer leases its corporate headquarters from Agropecuária Friboi, currently known as J&F Participações Ltda., at market rent.

Prior to December 1, 2005, Friboi leased all of the operating assets that it used in its operations (except for the operating assets that Friboi acquired from BF Alimentícios in August 2004) from Agropecuária Friboi. Between December 1, 2005 and March 1, 2006, JBS S.A. leased these facilities to Friboi.

The Issuer purchases cattle from time to time from Agropecuária Friboi for slaughter at regular market prices. Prior to March 1, 2006, Friboi purchased cattle from to time from Agropecuária Friboi for slaughter at regular market prices. The aggregate amount of cattle purchased by the Issuer from Agropecuária Friboi (40,000 head in 2005) is not material.

Financing Transactions

The Issuer has a long-term accounts receivable from J&F Participações Ltda., which is currently the Issuer's controlling shareholder, which resulted from the merger of J&F Participações Ltda. with and into Agropecuária Friboi on March 31, 2006 (and simultaneously therewith, Agropecuária Friboi changed its name to J&F Participações Ltda.), in an aggregate amount of R$222.5 million. This intercompany loan was initially made by Friboi to Agropecuária Friboi to enable it to acquire cold storage and processing plants to be leased to the Issuer and used in the Issuer's operations. This intercompany loan is secured by some of Agropecuária Friboi's assets and bears interest at a rate of 1.0% per month payable annually in arrears through December 31, 2010. The principal amount of this loan is to be payable by December 31, 2010, but may be offset against, and repaid by J&F Participações Ltda. by it foregoing receipt of dividends from the Issuer.

DESCRIPTION OF THE NOTES

The Issuer will issue the notes pursuant to an indenture, to be dated as of August 4, 2006, among JPMorgan Chase Bank, N.A., as trustee (which term includes any successor as trustee under the indenture), J.P. Morgan Bank Luxembourg S.A., and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as principal paying agent. Under the indenture, the Issuer has appointed a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering circular. A copy of the indenture, including the form of the notes, is available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering circular. The trustee or any paying agent will also act as transfer agent and registrar in the event that the Issuer issues certificates for the notes in definitive registered form as set forth in "Form of Notes—Issuance of Certificated Notes."

This description of the notes is a summary of the material provisions of the notes and the indenture. Potential investors should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including the obligations of the Issuer and your rights.

Definitions of capitalized terms used in this section can be found under "—Certain Definitions." For purposes of this section of this offering circular, references to the Issuer refer only to JBS S.A. and not to its subsidiaries.

General

The notes:

- will be unsecured subordinated obligations of the Issuer, ranking equally in right of payment with all existing and future unsecured, unsubordinated obligations of the Issuer;
- will be issued in an aggregate principal amount of US$300,000,000;
- will mature on August 4, 2016;
- will be issued in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof; and
- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances.

Interest on the notes:

- will accrue at the rate of 10.50 percent per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash semi-annually in arrears on August 4 and February 4 of each year, commencing on February 4, 2007;
- will be payable to the holders of record on the 15th day immediately preceding the related interest payment dates; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest and any additional amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. The Issuer initially will maintain the principal paying agent in Japan. For so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange will so require, the Issuer will maintain a paying agent and transfer agent in Luxembourg.

Ranking

The notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer without any preference among themselves. The notes will rank equally with all of the Issuer's other present and future unsecured and unsubordinated obligations. The Issuer's other unsubordinated and unsecured indebtedness may, however, contain covenants, events of default and other provisions that differ from or that are not contained in the notes.

Form and Transfer

The notes will be in registered form without coupons attached in amounts of US$100,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream Luxembourg. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the global notes will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in such notes will therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the notes. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "Form of Notes—Issuance of Certificated Notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Payments of Principal and Interest

The Issuer will make payments of principal and interest on the notes to the principal paying agent (as identified on the inside back cover page of this offering circular), which will pass such funds to the trustee and the other paying agents or to the holders. See "Taxation—Brazilian Tax Considerations."

The Issuer will make payments of principal upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. The Issuer will pay principal on the notes to the Persons in whose name the notes are registered at the close of business on the 15th day before the due date for payment. Payments of principal and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the holder of such note at its registered address. Upon application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by the Issuer of any amount payable under the notes on the due date thereof to the principal paying agent in accordance with the indenture will satisfy the obligation of the Issuer to make such payment; provided, however, that the liability of the principal paying agent shall not exceed any amounts paid to it by the Issuer, or held by it, on behalf of the holders under the indenture. The Issuer has agreed in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture (including, without limitation, any failure to pay any amount due as a result of the imposition of any present or future taxes, duties, assessments, fees or governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of Japan or any political subdivision or authority thereof or therein, having power to tax) as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to the Issuer upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years after the applicable payment date, and, thereafter, holders entitled to such monies must look to the Issuer for payment. After the return of such monies by the trustee or the paying agents to the Issuer, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Redemption and Repurchase

The notes will not be redeemable at the option of the Issuer prior to the maturity date except as set forth below.

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of Brazil or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation, administration or application of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the notes or on or after the date a successor assumes the obligations under the notes, the Issuer has or will become obligated to pay additional amounts as described below under "—Additional Amounts" in excess of the additional amounts the Issuer would be obligated to pay if payments were subject to withholding or deduction at a rate of 15 percent or at a rate of 25 percent in case the holder of the notes is resident in a tax haven jurisdiction (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20 percent or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) as a result of the taxes, duties, assessments and other governmental charges described above (the "Minimum Withholding Level"), the Issuer may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100 percent of their principal amount, together with any interest accrued to the date fixed for redemption, upon publication of irrevocable notice not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would, but for such redemption, be obligated to pay the additional amounts above the Minimum Withholding Level. The Issuer shall not have the right to so redeem the notes in the event it becomes obliged to pay additional amounts which are less than the additional amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer shall not have the right to so redeem the notes unless: (i) it has taken reasonable measures to avoid the obligation to pay additional amounts; and (ii) it has complied with all necessary Central Bank regulations to legally effect such redemption. For the avoidance of doubt, reasonable measures shall not include the Issuer changing or moving jurisdictions.

In the event that the Issuer elects to so redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer to so redeem have occurred or been satisfied; and (2) an Opinion of Counsel, to the effect that the Issuer has or will become obligated to pay additional amounts in excess of the additional amounts payable at the Minimum Withholding Level as a result of the change or amendment, that the Issuer cannot avoid payment of such excess additional amounts by taking reasonable measures available to it and that all governmental requirements necessary for the Issuer or any successor to effect the redemption have been complied with. For the avoidance of doubt, reasonable measures shall not include the Issuer changing or moving jurisdictions.

Repurchase

The Issuer or its affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See “Transfer Restrictions.” Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See “Form of Notes.”

Transfer will be effected without charge by or on behalf of the Issuer, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. The Issuer is not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by the Issuer in respect of the notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Brazil, or any authority therein or thereof in the case of payments under the notes unless the Issuer is required by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction. No such additional amounts shall be payable:

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, or a corporation) and Brazil, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights and the receipt of payments with respect to the note;

- in respect of notes surrendered (if surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that payments under such note would have been subject to withholdings and the holder of such note would have been entitled to such additional amounts, on surrender of such note for payment on the last day of such period of 30 days;

- where such additional amount is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder’s failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Brazil, or a successor jurisdiction or applicable political subdivision or authority thereof or therein having power to tax, of such holder, if (a) compliance is required by such jurisdiction, or any political subdivision or authority thereof or therein having power to tax, as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (b) the Issuer has given the holders at least 30 days' notice that holders will be required to provide such certification, identification or other requirement;

- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

- in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note or by direct payment by the Issuer in respect of claims made against the Issuer; or

- in respect of any combination of the above.

In addition, no additional amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of Brazil or any political subdivision thereof to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interestholder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

"**Relevant Date**" means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee.

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, the Issuer shall not be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that additional amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering circular, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer will be deemed also to refer to any additional amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture.

Covenants

The indenture contains the following covenants, which apply so long as the notes are outstanding:

Limitation on Debt

The Issuer will not, and will not permit any Subsidiary to, incur, directly or indirectly, any Debt unless the pro forma Net Debt to EBITDA Ratio at the date of such incurrence at any time:

- on or prior to December 31, 2007, is less than 3.75 to 1;

- commencing on January 1, 2008 and ending on December 31, 2009, is less than 3.6 to 1; and
- commencing on and after January 1, 2010 is less than 3.5 to 1.

provided that, to the extent that proceeds of any Debt for which the above pro forma calculation is made are used by the Issuer or any Subsidiary to make an Investment, then, the Issuer will not, and will not permit any Subsidiary to, make any such Investment unless at the time and immediately after giving effect thereto, the Issuer or such Subsidiary would be able to incur at least US$1.00 of Debt pursuant to the above calculation.

Notwithstanding the foregoing, the Issuer and, to the extent provided below, any Subsidiary may incur the following ("Permitted Debt"):

(i) Debt of the Issuer pursuant to the notes;

(ii) Debt of the Issuer or any Subsidiary outstanding on the Issue Date;

(iii) Debt, the proceeds of which are used to refinance any Debt permitted in paragraphs (i) or (ii) above; provided, however, that (A) the principal amount of the Debt so incurred does not exceed the principal amount of the Debt so refinanced and (B) the Debt so incurred (i) does not mature prior to the Stated Maturity of the Debt so refinanced and (ii) is *pari passu* or subordinated in right of payment to the Debt so refinanced;

(iv) Debt of any Subsidiary to or held by the Issuer;

(v) Debt of the Issuer or any Subsidiary pursuant to Hedging Agreements;

(vi) Debt of the Issuer or any Subsidiary incurred to pay all or a portion of the purchase price or lease of (A) equipment and vehicles (other than trucks described in (C) below) up to an aggregate amount not to exceed US$5.0 million (or the equivalent thereof at the time of determination), (B) aircraft up to an aggregate amount not to exceed US$15.0 million or (C) trucks used to transport either cattle to the Issuer's or its Subsidiary's slaughterhouses or containers or other shipments of its beef and other products destined for export or domestic sale; provided that in each case (A), (B) and (C), the equipment, vehicles, aircraft or trucks are used in the ordinary course of the business of the Issuer or its Subsidiaries;

(vii) Debt of the Issuer or any Subsidiary incurred on or after the Issue Date no later than 365 days after the date of purchase or completion of construction or improvement of Property for the purpose of financing all or any part of the purchase price or cost of construction or improvement, provided that the principal amount of any Debt incurred pursuant to this paragraph (vii) shall not, prior to March 1, 2011, exceed US$30.0 million (or the equivalent thereof at the time of determination) and, on or after March 1, 2011, exceed US$60.0 million (or the equivalent thereof at the time of determination); and

(viii) Debt of the Issuer or any Subsidiary incurred in the ordinary course of business on or after the Issue Date not otherwise permitted in an aggregate principal amount at any time outstanding not to exceed US$50.0 million (or the equivalent thereof at the time of determination).

Notwithstanding anything to the contrary herein, the maximum amount of Debt that the Issuer and its Subsidiaries may incur under "Limitation on Debt" shall not be deemed to be exceeded, with respect to any outstanding Debt, solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Liens

The Issuer will not, and will not permit any Subsidiary to, incur or permit to exist any Lien upon any of its Property or assets now owned or hereafter acquired by it (including any Capital Stock or Debt of the Issuer or any of its Subsidiaries), without effectively providing that the notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes, prior to) the obligations so secured for so long as such obligations are so secured, other than Permitted Liens.

Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries

(a) Except as provided in paragraph (b), the Issuer will not, and will not permit any Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Subsidiary to:

(i) pay dividends or make any other distributions on any Equity Interests of the Subsidiary owned by the Issuer or any other Subsidiary;

(ii) pay any Debt or other obligation owed to the Issuer or any other Subsidiary;

(iii) make loans or advances to the Issuer or any other Subsidiary; or

(iv) transfer any of its property or assets to the Issuer or any other Subsidiary.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(i) existing on the Issue Date as provided for in the Indenture or any other agreements in effect on the Issue Date, and any extensions, renewals, replacements or refinancings of any of the foregoing; provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(ii) existing under or by reason of applicable law;

(iii) existing with respect to any Person, or to the Property of any Person, at the time the Person is acquired by the Issuer or any Subsidiary, which encumbrances or restrictions: (i) are not applicable to any other Person or the Property of any other Person; and (ii) were not put in place in anticipation of such event, and any extensions, renewals, replacements or refinancings of any of the foregoing; provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the Noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(iv) of the type described in paragraph (a)(iv) above arising or agreed to in the ordinary course of business: (a) that restrict in a customary manner the subletting, assignment or transfer of any Property that is subject to a lease or license or (b) by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any Property of, the Issuer or any Subsidiary;

(v) with respect to a Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or Property of, the Subsidiary that is permitted by the covenant described under the heading "—Limitation on Asset Sales";

(vi) with respect to a Subsidiary and imposed pursuant to a customary provision in a joint venture or other similar agreement with respect to such Subsidiary that was entered into in the ordinary course of business;

(vii) imposed by the standard loan documentation in connection with loans from Banco Nacional de Desenvolvimento Econômico e Social — BNDES (the Brazilian National Economic and Social Development Bank) to any Subsidiary, or loans from the International Finance Corporation, the Inter-American Development Bank or any other governmental or multi-lateral agency to any Subsidiary other than a Significant Subsidiary; or

(viii) required pursuant to the Indenture.

Limitation on Restricted Payments

(a) The Issuer will not directly or indirectly (the payments and other actions described in the following paragraphs being collectively "Restricted Payments"):

- declare or pay any dividend or make any distribution on its Equity Interests;
- purchase, redeem or otherwise acquire or retire for value any of its Equity Interests; or
- repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt, except a payment of interest or principal at Stated Maturity;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(I) no Default has occurred and is continuing;

(II) the Issuer could incur at least US$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption "—Limitation on Debt";

(III) the aggregate amount expended for all Restricted Payments made on or after the Issue Date would not, subject to paragraph (b) below, exceed:

- in any fiscal year in which Net Income is positive, 50 percent of the amount of Net Income accrued during such fiscal year; or
- for the period commencing on the Issue Date and ending on the Maturity Date, in any fiscal year in which Net Income is a loss, an aggregate amount not to exceed US$30.0 million (or the equivalent thereof at the time of determination); and

(IV) the ratio of Current Assets to Current Liabilities is no less than 1.00 to 1.00.

(b) Paragraph (a) above will not prohibit the declaration and payment of mandatory dividends, in an amount equivalent to not more than 25 percent of the Issuer's adjusted Net Income (as defined under Brazilian Corporate Law), including in the form of interest attributable to the Issuer's outstanding capital; provided that the payment of such amounts is required under the Brazilian Corporate Law and the Issuer's by-laws and that the Issuer's Board of Directors, with the approval of its fiscal council, if in existence at such time, has not reported to the general shareholders' meeting that the distribution would be inadvisable given the financial condition of the Issuer.

(c) From March 1, 2011, the Issuer will not pay any dividend or make any distributions on its Equity Interests, payable to or in respect of any Control Person of the Issuer, unless at least 50 percent of any such dividend or distribution payable to or in respect of any such Control Person is used to reduce any outstanding loans made by the Issuer to any such Control Person.

Limitation on Transactions with Affiliates

The Issuer will not, and will not permit its Subsidiaries to, sell, lease or otherwise transfer any Property or assets to, or purchase, lease or otherwise acquire any Property or assets from, or otherwise engage in any other transactions involving an aggregate amount in excess of US$1.0 million (or the equivalent thereof at the time of determination) with, any Affiliates that are not its Subsidiaries (each, a "Related Party Transaction"), except transactions at prices and on terms and conditions no less favorable to the Issuer, or any of its Subsidiaries, as the case may be, than could be obtained on an arm's-length basis from unrelated third parties.

In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of US$1.0 million (or the equivalent thereof at the time of determination), the Issuer must first deliver to the trustee an Officer's Certificate to the effect that such transaction or series of related transactions are on fair and reasonable terms no less favorable to the Issuer, or its Subsidiaries than could be obtained in a comparable arm's-length transaction and is otherwise compliant with the terms of the Indenture. In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of US$5.0 million (or the equivalent thereof at the time of determination), the Issuer must first deliver to the trustee a certificate from the Issuer's Board of Directors (or equivalent body) to the effect that such transaction or series of related transactions are on fair and reasonable terms no less favorable to the Issuer, or its Subsidiaries than could be obtained in a comparable arm's-length transaction and is otherwise compliant with the terms of the Indenture. Prior to entering into any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of US$15.0 million (or the equivalent thereof at the time of determination), the Issuer must, in addition, obtain and deliver to the trustee a favorable written opinion from an independent nationally recognized Brazilian or internationally recognized investment banking, auditing or consulting firm as to the fairness of the transaction to the Issuer or its Subsidiaries, as the case may be, and to any of its Affiliates from a financial point of view.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Property unless the Issuer or such Subsidiary would be entitled to:

- incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to the covenant described under "—Limitation on Debt" above; and

- create a Lien on such Property securing such Attributable Debt without equally and ratably securing the notes pursuant to the covenant described under "—Limitation on Liens" above;

in which case, the corresponding Debt and Lien will be deemed incurred pursuant to those provisions.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control, the Issuer will make a written offer to purchase all outstanding notes at a purchase price equal to 101 percent of the principal amount plus accrued interest to the date of purchase, on the terms set out in the Indenture.

Limitation on Asset Sales

The Issuer will not, and will not permit any Subsidiary to, make any Asset Sale unless the following conditions are met:

(i) The Asset Sale is for fair market value, as determined in good faith by the Issuer;

(ii) At least 75 percent of the consideration consists of all or part of any of the following, received at closing, (a) cash and cash equivalents (consisting of marketable securities issued by the Brazilian federal government or any agency or subdivision thereof, or by any first tier U.S. financial institution or its Brazilian subsidiary or affiliate, or by any first tier Brazilian financial institution) or (b) Productive Assets;

(iii) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used:

- to permanently repay Debt other than Subordinated Debt of the Issuer or of any of its Subsidiaries (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a Person other than the Issuer or any Subsidiary;

- to acquire all or substantially all of the assets of a Permitted Business, or a majority of the Voting Stock of another Person that thereupon becomes a Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business; or

- to acquire Productive Assets for the Issuer or its Subsidiaries;

(iv) The Net Cash Proceeds of an Asset Sale not applied pursuant to paragraph (iii) above within 360 days of the Asset Sale shall constitute "Excess Proceeds." Excess Proceeds of less than US$20.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds US$20.0 million, the Issuer must, within 30 days, make an Offer to Purchase notes having a principal amount equal to:

- accumulated Excess Proceeds, multiplied by

- a fraction (x) the numerator of which is equal to the then outstanding principal amount of the notes and (y) the denominator of which is equal to the then outstanding principal amount of the notes and all *pari passu* Debt similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The purchase price for the notes will be 100 percent of the principal amount plus accrued interest to the date of purchase. If the offer to purchase is for less than all of the outstanding notes and notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer will purchase notes having an aggregate principal amount equal to the purchase amount on a pro rata basis, with adjustments so that only notes in multiples of US$1,000 with a minimum denomination of US$100,000 will be purchased. Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero.

Guarantees by Significant Subsidiaries

If, at any time, any of the Issuer's Subsidiaries constitutes a Significant Subsidiary, then the Issuer shall promptly cause such Significant Subsidiary to guarantee, on an unsecured basis, all of the obligations of the Issuer under the notes.

Notwithstanding the foregoing, each guarantee of the notes will be limited to the maximum amount that (1) would not render such Significant Subsidiary's obligations subject to avoidance under applicable law, including applicable fraudulent conveyance laws or (2) would not result in a breach or violation by such Significant Subsidiary of any then-existing agreement to which it is party. By virtue of this limitation, a Significant Subsidiary's obligation under its guarantee could be significantly less than amounts payable with respect to the notes, or a Significant Subsidiary may have effectively no obligation under its guarantee.

The guarantee of a Significant Subsidiary will terminate upon:

(i) a sale or other disposition (including by way of consolidation or merger) by the Issuer of all or any portion of the Capital Stock of such Significant Subsidiary, or the sale or disposition of assets of such Significant Subsidiary, in each case that results in such Subsidiary no longer constituting a Significant Subsidiary; or

(ii) defeasance or discharge of the notes, as described under the caption "—Defeasance."

Limitation on Consolidation or Merger

The Issuer will not consolidate with or merge into or convey, transfer, or lease all or substantially all of its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (if not the Issuer) will be a Person organized and validly existing under the laws of Brazil or any political subdivision thereof or any other country member of the Organization for Economic Co-operation and Development (OECD), and such Person will expressly assume by a supplemental to the Indenture, executed and delivered to the trustee, all of the obligations of the Issuer under the Indenture and the notes;

(ii) immediately after giving effect to the transaction (and treating any Debt that becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been incurred by such Person at the time of such transaction), no Default will have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the resulting, surviving or transferee Person would be able to incur at least US$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the covenant described under "—Limitation on Debt"; and

(iv) the Issuer will have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplement to the Indenture (if any) comply with the notes and the Indenture.

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in paragraph (iv) above, in which event it will be conclusive and binding on the holders.

Reporting Requirements

The Issuer shall furnish to the trustee (and will also provide the trustee with sufficient copies of the following reports referred to in paragraphs (i) and (ii) below for distribution, at the Issuer's expense, to all holders of notes):

(i) an English language version of its annual audited consolidated financial statements prepared in accordance with GAAP promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(ii) an English language version of its unaudited quarterly consolidated financial statements prepared in accordance with GAAP promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(iii) simultaneously with the delivery of the set of financial statements referred to in paragraphs (i) above, an officers' certificate stating whether an event of default or a default exists on the date of such certificate and, if an event of default or a default exists, setting forth the details thereof and the action being taken or proposed to take with respect thereto;

(iv) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer with the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil); and

(v) as soon as practicable and in any event within 10 business days after an executive officer of the Issuer becomes aware of the existence of an event of default or a default under the notes, an officers' certificate setting forth the details thereof and the action the Issuer proposes to take with respect thereto.

Delivery of these reports and information to the trustee is for informational purposes only and the trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Issuer's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Maintenance of Properties and Insurance

The Issuer will cause all properties used or useful in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Issuer may be necessary so that the business of the Issuer, and its Subsidiaries may be conducted in the ordinary course at all times; provided that nothing in this Section prevents the Issuer or any Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Issuer, desirable in the conduct of the business of the Issuer and its Subsidiaries, taken as a whole.

The Issuer will maintain or cause to be maintained, for itself and its Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by Brazilian or Argentine corporations (as appropriate) similarly situated and owning like properties with reputable insurers.

Compliance with Laws

The Issuer shall, and shall cause each of its Subsidiaries to, comply with all material Laws applicable to it or to any of its Subsidiaries.

Maintenance of Books and Records

The Issuer shall, and shall cause each of its Subsidiaries to, maintain books, accounts and records in all material respects in accordance with applicable Law and applicable GAAP.

Line of Business

The Issuer will not, and will not permit any of its Subsidiaries, to engage in any business other than a Permitted Business, except to an extent that so doing would not be material to the Issuer, and its Subsidiaries, taken as a whole. The Issuer will not cease or threaten to cease to carry on all or any substantial part of its business.

Covenant Suspension

From and during any time that:

(i) the notes have an Investment Grade rating from both Rating Agencies, and

(ii) no Default has occurred and is continuing, the Issuer and its Subsidiaries will not be subject to the following provisions of the indenture:

- "—Limitation on Debt";
- "—Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries";
- "—Limitation on Restricted Payments";
- "—Limitation on Sale and Leaseback Transactions";
- "—Limitation on Asset Sales";
- "—Maintenance of Properties and Insurance"; and
- "—Line of Business."

provided, however, that the Issuer and its Subsidiaries will be subject immediately to such provisions at any time the notes cease to have an Investment Grade rating from one of the Rating Agencies.

Events of Default

An "**Event of Default**" occurs if:

(i) the Issuer defaults in the payment of the principal of (including, without limitation, any additional amounts, if any, on) any Note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise (other than pursuant to an Offer to Purchase);

(ii) the Issuer defaults in the payment of interest (including additional amounts, if any, without limitation) on any Note when the same becomes due and payable, and the default continues for a period of 30 days;

(iii) the Issuer fails to make an Offer to Purchase and thereafter to accept and pay for notes tendered when and as required pursuant to the covenants described under "—Repurchase of Notes Upon a Change of Control" and "—Limitation on Asset Sales", or the Issuer fails to comply with the covenants described under "—Limitation on Debt", "—Limitation on Restricted Payments" or "—Limitation on Consolidation or Merger";

(iv) the Issuer defaults in the performance of or breaches any other covenant or agreement of the Issuer in the Indenture or under the notes and the default or breach continues for a period of 60 consecutive days after written notice to the Issuer by the trustee or to the Issuer and the trustee by the holders of 25 percent or more in aggregate principal amount of the notes;

(v) there occurs with respect to any Debt of the Issuer or any of its Significant Subsidiaries having an outstanding principal amount of US$10.0 million (or the equivalent thereof at the time of determination) or more in the aggregate for all such Debt of all such Persons (i) an event of default that results in such Debt being due and payable prior to its scheduled maturity or (ii) failure to make a payment of principal, interest or any other amount due thereunder when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(vi) one or more final judgments or orders for the payment of money in the aggregate are rendered against the Issuer or any of its Significant Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10.0 million or the equivalent thereof at the time of determination (in excess of amounts which the Issuer's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(vii) an involuntary case or other proceeding is commenced against the Issuer, or any of its Significant Subsidiaries with respect to it or its debts under any bankruptcy, insolvency or other similar law then in effect seeking the appointment of a trustee, receiver, *síndico*, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the Issuer or any Significant Subsidiary under the applicable bankruptcy laws then in effect, and such order is not being contested by the Issuer or such Significant Subsidiary, as the case may be, in good faith, or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made (an event of default specified in this paragraph (vii) or paragraph (viii) below, a "bankruptcy default");

(viii) the Issuer, or any of its Significant Subsidiaries (a) commences a voluntary case or other proceeding seeking liquidation, reorganization, *concordata* or other relief with respect to itself or its Debts or any guarantee under any applicable bankruptcy, insolvency or other similar law then in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, *síndico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or any of its Subsidiaries or for all or substantially all of the Property of the Issuer or any of its Subsidiaries or (c) effects any general assignment for the benefit of creditors;

(ix) any event occurs that under the laws of Brazil, Argentina, or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of paragraph (vii) or (viii) above;

(x) it is or will become unlawful for the Issuer to perform or comply with any of its material obligations under or in respect of the notes, or the Indenture, or any note, or the Indenture ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or the Issuer denies or disavows its obligations under the notes;

(xi) all or substantially all of the assets and revenues of the Issuer are condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or the Issuer is prevented by any such person from exercising normal control over all or substantially all of such assets and revenues; or

(xii) any action, condition or thing at any time required to be taken, fulfilled or done is not taken, fulfilled or done in order to: (a) enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the notes and the Indenture; (b) ensure that those obligations are legal, valid, binding and enforceable; and (c) make the notes and the indenture admissible in evidence in the courts of Brazil.

If an Event of Default, other than a bankruptcy default with respect to the Issuer, occurs and is continuing under the Indenture, the trustee or the holders of at least 25 percent in aggregate principal amount of the notes then outstanding, by written notice to the Issuer (and to the trustee if the notice is given by the holders), may, and the trustee at the request of such holders shall, declare the principal of and accrued interest on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default occurs with respect to the Issuer, the principal of and accrued interest on the notes then outstanding will become immediately due and payable without any declaration or other act on the part of the trustee or any holder. In this case, the Issuer will comply with any and all then applicable regulations of the Central Bank for remittance of funds outside of Brazil.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer and to the trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived; and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an attorney, or agent of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by the Issuer or any holder.

Defeasance

The Issuer may at any time terminate all of its obligations with respect to the notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. The Issuer may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the notes issued under the indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Issuer must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent auditors expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of counsel to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion shall be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

- reduce the rate of or extend the time for payment of interest on any note;
- reduce the principal amount of or change the stated maturity of any installment of principal of any note;
- reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;
- change the currency for payment of principal of, or interest on, any note;
- impair the right to institute suit for the enforcement of any payment on or with respect to any note;
- waive certain payment defaults with respect to the notes;
- reduce the principal amount of notes whose holders must consent to any amendment or waiver;
- make any change in the amendment or waiver provisions which require each holder's consent;
- modify or change any provision of the indenture affecting the ranking of the notes in a manner adverse to the holders of the notes; or
- after the time an offer to purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Issuer and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture or the notes for the following purposes:

- cure any ambiguity, omission, defect or inconsistency;
- comply with the covenant described under "—Limitation on Consolidation or Merger";
- add to the covenants of the Issuer for the benefit of holders of the notes;
- surrender any right conferred upon the Issuer;

- evidence and provide for the acceptance of an appointment by a successor trustee;
- provide for the issuance of additional notes;
- to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the indenture;
- make any other change that does not materially and adversely affect the rights of any holder of the notes or to conform the indenture to this "Description of the Notes"; or
- to cause an additional guarantor to guarantee the obligations of the Issuer under the notes and the Indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee's records. For so long as the notes are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the holders of the notes in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the d'Wort). Notices to be given to holders may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Concerning the Trustee

JPMorgan Chase Bank, N.A. is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee needs to perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

The Issuer and its affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

Governing Law

The notes and the indenture will be governed by the laws of the State of New York.

Consent to Service

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. The Issuer has appointed National Corporate Research, Ltd., 225 West 34th Street, Suite 910, New York, New York 10122, as its authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer under or in connection with the notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any holder of a note in respect of any sum expressed to be due to it from the Issuer will only constitute a discharge of the Issuer to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, the Issuer will indemnify such holder against any loss sustained by it as a result; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in foil force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided. "**Affiliate**" means, with respect to any Person, (1) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such Person or (2) any other Person who is a director or officer (a) of such Person, (b) of any Subsidiary of such Person or (c) of any Person described in clause (1) above. For purposes of this definition, "control" of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Asset Sale**" means any sale, lease, transfer or other disposition of any assets by the Issuer or any Subsidiary, including by means of a merger, consolidation or similar transaction and including any sale or issuance of the Equity Interests of any Subsidiary (each of the above referred to as a "**disposition**"), provided that the following are not included in the definition of "**Asset Sale**":

- a disposition to the Issuer or a Subsidiary, including the sale or issuance by the Issuer or any Subsidiary of any Equity Interests of any Subsidiary to the Issuer or any Subsidiary;
- the disposition by the Issuer or any Subsidiary in the ordinary course of business of (i) cash and cash management investments, (ii) inventory and other assets acquired and held for resale in the ordinary course of business, (iii) damaged, worn out or obsolete assets, or (iv) rights granted to others pursuant to leases or licenses;
- the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;
- a transaction covered by the covenant described under "—Limitation on Consolidation and Merger";

- a Restricted Payment permitted under the covenant described under "—Limitation on Restricted Payments"; or

- on or after March 1, 2011, any disposition of assets with an aggregate fair market value, taken together with all other dispositions made in reliance on this clause on or after such date, of less than U.S.$30.0 million (or the equivalent thereof at the time of determination).

"**Attributable Debt**" means, in respect of a Sale and Leaseback Transaction the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"**Batista Family**" includes José Batista Sobrinho, together with his wife, sons and daughters, or any of their respective heirs.

"**Brazil**" means the Federative Republic of Brazil.

"**Capital Stock**" means, with respect to any person, any and all quotas, shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated), but excluding any debt securities convertible into or exchangeable for, such equity.

"**Change of Control**" means, if at any given time, the Batista Family ceases (i) to own, directly or indirectly, more than 50.0 percent of the outstanding Voting Stock of the Issuer or (ii) to directly or indirectly, have the power to direct or cause the direction of the management and policies of the Issuer, whether through the ownership of voting securities, by contract or otherwise.

"**Consolidated Net Tangible Assets**" means the total amount of assets of the Issuer and its Subsidiaries on a consolidated basis (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from write-ups of capital assets subsequent to the issue date of the notes, after deducting therefrom (i) all current liabilities of the Issuer and its Subsidiaries on a consolidated basis (excluding intercompany items) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles of the Issuer and its Subsidiaries on a consolidated basis as set forth on the most recent consolidated financial statements delivered by the Issuer to the trustee pursuant to "—Reporting Requirements", in each case in accordance with GAAP.

"**Contingent Obligation**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; provided that the term "**Contingent Obligation**" does not include endorsements for collection or deposit in the ordinary course of business.

"**Control Person**" means, if any Person who (i) owns, directly or indirectly, more than 50.0 percent of the outstanding Voting Stock of the Issuer or (ii) has directly or indirectly, the power to direct or cause the direction of the management and policies of the Issuer, whether through the ownership of voting securities, by contract or otherwise.

"Current Assets" means the total current assets of the Issuer and its Subsidiaries on a consolidated basis prepared in accordance with GAAP.

"Current Liabilities" means the total current liabilities of the Issuer and its Subsidiaries on a consolidated basis prepared in accordance with GAAP.

"**CVM**" means the Brazilian Securities Commission, or *Comissão de Valores Mobiliários*;

"**Debt**" means, with respect to any Person, without duplication:

(a) the principal of and premium, if any, in respect of (i) all indebtedness of such Person for borrowed money and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(b) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(c) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptances or other similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (a) and (b) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(d) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Redeemable Stock (but excluding any accrued dividends);

(e) all obligations of such Person under Hedging Agreements;

(f) all obligations of the type referred to in (a) through (e) above of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Contingent Obligation (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof); and

(g) all obligations of the type referred to in (a) through (e) above of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Equity Interests**" means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

"**GAAP**" means generally accepted accounting principles in Brazil, which are based on the Brazilian corporate law, the rules and regulations of the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil, IBRACON) (whether or not the Issuer or any of its Subsidiaries or Affiliates is otherwise subject to such rules) as in effect as of the issue date of the notes.

"**Hedging Agreements**" means any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates, foreign exchange rates or fluctuations in commodity prices.

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

"**holder**" means the Person in whose name a note is registered in the register.

"**Investment**" means, with respect to any Person, any loan or advance to, any acquisition of Capital Stock, equity interest, obligation or other security of, or capital contribution or other investment in, such Person.

"**Investment Grade**" means BBB- or higher by S&P or Baa3 or higher by Moody's, or the equivalent of such global ratings by S&P or Moody's, or of another Rating Agency.

"**Law**" shall mean any laws (whether statutory or otherwise), rules, regulations, judgments, decrees, orders and injunctions of any Brazilian or Argentine federal, state or municipal government, or any department, commission, board, agency, public registry, public authority, or instrumentality thereof, or any court or arbitrator that has or asserts jurisdiction over the Issuer or any of its Subsidiaries, now in effect or hereinafter enacted, including, without limitation, in respect of the environment.

"**Lien**" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Debt**" means, as of any date of determination, the aggregate amount of Debt less the sum of (without duplication) cash and cash equivalents and marketable securities recorded as current assets (except for any Capital Stock in any Person).

"**Net Debt to EBITDA Ratio**" means, at any time, the ratio of:

- Net Debt at that time to;
- EBITDA for the then most recently concluded period of four consecutive fiscal quarters (the "reference period");

provided, however, that in making the foregoing calculation:

(i) pro forma effect will be given to any Debt incurred during or after the reference period to the extent the Debt is outstanding or is to be incurred on the transaction date as if the Debt had been incurred on the first day of the reference period; and

(ii) pro forma effect will be given to:

- the acquisition or disposition of companies, divisions or lines of businesses by the Issuer and its Subsidiaries, including any acquisition or disposition of a company, division or line of business since the beginning of the reference period by a Person that became a Subsidiary after the beginning of the reference period; and
- the discontinuation of any discontinued operations;

in each case, that have occurred since the beginning of the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period. To the extent that pro forma effect is to be given to an acquisition or disposition of a company, division or line of business, the pro forma calculation will be based upon the most recent four full fiscal quarters for which the relevant financial information is available.

"**Net Cash Proceeds**" means, with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash (including (i) payments in respect of deferred payment obligations to the extent corresponding to principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of:

(a) brokerage commissions and other fees and expenses related to such Asset Sale, including fees and expenses of counsel, accountants and investment bankers;

(b) provisions for taxes as a result of such Asset Sale taking into account the consolidated results of operations of the Issuer and its Subsidiaries;

(c) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Asset Sale that is secured by a Lien on the property or assets sold; and

(d) appropriate amounts to be provided as a reserve against liabilities associated with such Asset Sale, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Asset Sale, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash.

"**Offer to Purchase**" means an offer by the Issuer to purchase the notes as required by the Indenture.

"**Opinion of Counsel**" means a written opinion signed by legal counsel, who may be an employee of or counsel to the Issuer, reasonably satisfactory to the trustee.

"Permitted Business" means any of the businesses in which the Issuer and any of its Subsidiaries are engaged on the Issue Date, and any business reasonably related, incidental, complementary or ancillary thereto.

"**Permitted Liens**" means, with respect to any Person:

(a) Liens existing on the issue date of the notes;

(b) Liens securing the notes;

(c) Liens incurred in the ordinary course of business not securing Debt and not in the aggregate materially detracting from the value of the properties or their use in the operation of the business of the Issuer and its Subsidiaries;

(d) Liens on Property that secure Debt incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of such Property and which attach within 365 days after the date of such purchase or the completion of construction or improvement;

(e) Liens on Property of a person at the time such Person becomes a Subsidiary of the Issuer, provided that such Liens were not created in contemplation thereof and do not extend to any other Property of the Issuer or any of its Subsidiaries;

(f) Liens on Property at the time the Issuer or any of its Subsidiaries acquires such Property, including any acquisition by means of a merger or consolidation with or into the Issuer or any of its Subsidiaries, provided that such Liens were not created in contemplation thereof and do not extend to any other Property of the Issuer or any of its Subsidiaries;

(g) Liens granted to secure borrowing from (i) Banco National de Desenvolvimento Econômico e Social – BNDES or any other Brazilian governmental development bank, or (ii) any international development bank or governmental agency;

(h) extensions, renewals or replacements of any Liens referred to in clauses (a), (b), (d), (e) or (f) in connection with the refinancing of the obligations secured thereby, provided that such Lien does not extend to any other property and, except as contemplated by the definition of "Permitted Debt", the amount secured by such Lien is not increased; and

(i) other Liens securing obligations in an aggregate amount not to exceed 15.0 per cent. of Consolidated Net Tangible Assets.

"**Person**" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or agency or instrumentality thereof.

"**Productive Assets**" means assets (including Capital Stock or its substantial equivalent or other Investments) that are used or usable by the Issuer or any of its Subsidiaries in Permitted Businesses (or in the case of Capital Stock or its substantial equivalent or other Investments that represent direct, or indirect (via a holding company), ownership or other interests held by the Issuer or any Subsidiary in entities engaged in Permitted Businesses).

"**Property**" means (i) any land, ranches, buildings, machinery and other improvements and equipment located therein; (ii) any executive offices, administrative buildings, and research and development facilities, including land and buildings and other improvements thereon and equipment located therein; and (iii) any intangible assets, including, without limitation, any brand names, trademarks, copyrights and patents and similar rights and any income (licensing or otherwise), proceeds of sale or other revenues therefrom.

"**Rating Agency**" means (i) S&P, (ii) Moodys or (iii) if neither S&P or Moodys is rating the notes, another internationally recognized rating agency.

"**Redeemable Stock**" means any Capital Stock that by its terms or otherwise is required to be redeemed on or prior to the first anniversary of the Stated Maturity of the notes or is redeemable at the option of the holder thereof at any time on or prior to the first anniversary of the stated maturity of the notes.

"**Sale and Leaseback Transaction**" means, with respect to any Person, an arrangement whereby such Person enters into a lease of property previously transferred by such Person to the lessor.

"**S&P**" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

"**Significant Subsidiary**" means any Subsidiary, which at the time of determination, either (i) had assets, which as of the date of the Issuer's then-most recent consolidated quarterly balance sheet, constituted at least 20.0% of the Issuer's total assets as of such date or (ii) had gross revenues for the twelve-month period ending on the date of the Issuer's then-most recent consolidated quarterly statement of income which constituted at least 20.0% of the Issuer's total gross revenues for such period.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Debt" means any Debt of the Issuer which is subordinated in right of payment to the notes, pursuant to a written agreement to that effect;

"**Subsidiary**" means any corporation, association, partnership or other business entity of which more than 50 percent of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) the Issuer, (b) the Issuer and one or more Subsidiaries or (c) one or more Subsidiaries.

"**Total Consolidated Assets**" means the total amount of assets of the Issuer and its Subsidiaries prepared in accordance with GAAP.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

FORM OF NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in "Transfer Restrictions." On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a "Restricted Global Note Certificate"). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (a "Regulation S Global Note Certificate"). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "—Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of certificated notes. The notes are not issuable in bearer form.

Global Notes

Upon the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the managers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies the Issuer that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "clearing agency" registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with "Description of the Notes—Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream Luxembourg).

Investors may hold Interests in the Regulation S Global Note through Euroclear or Clearstream Luxembourg, if they are participants in such systems. Euroclear and Clearstream Luxembourg will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither the Issuer nor any initial purchaser will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer anticipates that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. The Issuer also expects that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream Luxembourg account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream Luxembourg, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream Luxembourg account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream Luxembourg account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream Luxembourg accountholder on such day. Cash received in Euroclear or Clearstream Luxembourg as a result of sales of interests in a global note by or through a Euroclear or Clearstream Luxembourg account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent will have any responsibility for the performance of DTC, Euroclear or Clearstream Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Issuance of Certificated Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuer within 90 days or (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default," the Issuer will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the paying agent, as the case may be, the Issuer will use reasonable efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the registrar with (a) written instruction and other information required by the Issuer and the registrar to complete, execute and deliver such certificated notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of certificated notes issued in exchange for the Restricted Global Note, such certificated notes will bear, and be subject to, the legend described in "Transfer Restrictions" (unless the Issuer determines otherwise in accordance with applicable law). The holder of a restricted certificated note may transfer such note, subject to compliance with the provisions of such legend, as provided in "Description of the Notes." Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, the Issuer will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any certificated note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the principal paying agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream Luxembourg or DTC.

TAXATION

Brazilian Tax Considerations

The following is a general summary of the Brazilian tax considerations relating to an investment in the notes by a non-resident of Brazil. It is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date, and is applicable to the Issuer. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and the domicile of the recipient of such payments.

Individuals domiciled in Brazil and Brazilian companies are taxed on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of branches of foreign companies and non-Brazilian residents in general are taxed in Brazil only when derived from Brazilian sources.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, is subject to income tax withheld at source. The rate of withholding tax with respect to such debt obligations is generally 15.0% as provided for in Section 10 of the Normative Act No. 252 of December 3, 2002, or Normative Act No. 252/02. According to Normative Act 252/02, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are also subject to withholding in respect of Brazilian income tax at the general rate of 15.0%. However, it is important to mention that pursuant to article 8 of Law No. 9779 of January 19, 1999, if the relevant average term of the notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25.0% (article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that the tax authorities may change the understanding above and apply the rate of 25.0% in the event that the beneficiary is domiciled in a tax haven jurisdiction. If the beneficiary of the income is domiciled in a country with which Brazil has a treaty for the avoidance of double taxation and provided further that this beneficiary is qualified for the treaty benefits, such income might be subject to a lower rate.

Brazil and Japan are signatories to a treaty for the avoidance of double taxation. Under this treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5 per cent. As long as such payments are made by the Issuer to the principal paying Agent pursuant to the terms and conditions of the notes and provided further that such principal paying agent is a tax resident of Japan and is qualified for the treaty benefits under the notes, they will be subject to the 12.5 per cent rate of Brazilian withholding tax. If the Issuer is not able to rely on such treaty to make the payments, and in relation to payments not being made by the Issuer to the principal paying agent, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

Gains on the sale or disposal of the notes made outside Brazil by a non-resident, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. Article 26 of the Law No. 10,833, enacted on December 29, 2003, or Law No. 10,833, established that, as from February 1, 2004, capital gains realized on the disposal of Brazilian situs assets by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is yet unclear, the Issuer believes that the notes shall not fall into such new provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such notes should be taxable in Brazil.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. The earnings of foreign companies and persons not resident in Brazil are taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil.

United States Federal Income Tax Considerations

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, the Issuer hereby informs you that the description set forth herein with respect to U.S. federal tax issues were not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the marketing of the notes. This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of the notes and this description does not consider or provide any conclusions with respect to any such additional issues. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following is a description of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and retirement of notes by a holder thereof. This description only applies to notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar;
- tax-exempt organizations;
- individual retirement accounts and other tax-deferred accounts;
- dealers or traders in securities or foreign currencies; or
- holders that will hold a note as part of a straddle, a hedging, conversion or other integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of notes and does not address the U.S. federal income tax treatment of holders that do not hold notes as capital assets or acquire notes as part of the initial distribution at their issue price, which will equal the first price to the public (not acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of notes.

This description is based on the Code existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of notes who for U.S. federal income tax purposes is:

- a citizen or resident of the United States;

- a corporation or partnership organized in or under the laws of the United States or any State thereof, including the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the consequences of holding notes.

A Non-U.S. Holder is a beneficial owner of notes other than a U.S. Holder.

Interest

It is expected and this discussion assumes that the issue price of the notes will equal the stated principal amount of the notes. Therefore, if you are a U.S. Holder, interest paid to you on a note, including any additional amounts, with respect thereto as described under “Description of the Notes—Additional Amounts” will be includible in your gross income as ordinary interest income at the time it accrues or is received, in accordance with your usual method of tax accounting. In addition, interest on the notes will be treated as foreign source income for your U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the notes generally will constitute passive income, or, in the case of certain U.S. Holders, financial services income and will constitute “high withholding tax interest” if the interest is subject to withholding at a rate of 5.0% or more. U.S. Holders should note, however, that the “financial services income” and “high withholding tax interest” categories will be eliminated for taxable years beginning after December 31, 2006. Thereafter, the foreign tax credit limitation categories will be limited to “passive category income” and “general category income.”

In certain circumstances, the Issuer may be obligated to pay a premium (i.e., payment of an amount in excess of stated interest) on the notes. According to U.S. Treasury Regulations, the possibility that any such payment of a premium will be made will not affect the amount of interest income a U.S. Holder recognizes if there is only a remote chance, as of the date the notes were issued, that such payment will be made. The Issuer believes that the likelihood that it will be obligated to make any such payment is remote. Therefore, the Issuer does not intend to treat the potential payment of a premium pursuant to the change of control provisions (see “Description of the Notes—Repurchase of Notes Upon a Change of Control”) as part of the yield to maturity of any notes. The Issuer’s determination is not, however, binding on the U.S. Internal Revenue Service, or the IRS, and if the IRS were to challenge this determination, you may be required to accrue income on notes that you own in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of notes before the resolution of the contingency. In the event this contingency were to occur, it would affect the amount and timing of the income that you recognize. If the Issuer pays a premium pursuant to the change of control provision, you will be required to recognize the premium as income.

As discussed in "–Brazilian Tax Consideration", under current law, payments of interest on the notes to foreign investors are expected to be subject to Brazilian withholding taxes. The Issuer is liable for the payment of additional amounts to U.S. Holders (see "Description of the Notes—Additional Amounts") so that U.S. Holders receive the same amounts they would have received had no Brazilian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Brazilian taxes withheld by the Issuer with respect to a Note, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to the discussion below under the caption "*–U.S. Backup Withholding Tax and Information Reporting*," if you are a Non-U.S. Holder, payments to you of interest on a note generally will not be subject to U.S. federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States.

Sale, Exchange or Retirement

If you are a U.S. Holder, upon the sale, exchange or retirement of a note you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement, other than accrued but unpaid interest which will be taxable as such, and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will equal the cost of the note to you, and any such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realized on the sale, exchange or retirement of a note by a U.S. Holder generally would be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

If any gain from the sale or exchange of notes is subject to Brazilian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code, because such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated derived from foreign sources.

Subject to the discussion below under the caption "*–U.S. Backup Withholding Tax and Information Reporting*," if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange or retirement of a note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of notes that are U.S. persons. Information reporting generally will apply to payments of principal of, and interest on, an obligation and to proceeds from the sale or redemption of, notes made within the United States or by a U.S. payor or U.S. middleman to a holder of notes, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a holder of a note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28.0% for taxable years through 2010.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only to (1) “qualified institutional buyers” (as defined in Rule 144A), or QIBs, in compliance with Rule 144A and (2) outside the United States to persons other than U.S. persons, which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S.

By its purchase of notes, each purchaser of notes will be deemed to:

(1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States (or a non-U.S. person that is a dealer or other fiduciary as referred to above);

(2) acknowledge that the notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) if it is a person other than a non-U.S. person outside the United States, agree that if it should resell or otherwise transfer the notes within the time period referred to in Rule 144(k) under the Securities Act after the original issuance of the notes, it will do so only (a) to JBS S.A. or any of its subsidiaries, (b) to a QIB in compliance with Rule 144A, (c) outside the United States in compliance with Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(4) acknowledge that prior to any proposed transfer of the notes (otherwise than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder thereof may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(5) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;

(6) if it is a non-U.S. person outside the United States, (a) understands that the notes will be represented by the Regulation S global note and that transfers are restricted as provided in the indenture and (b) represents and agrees that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person; if it is a QIB, it understands that the notes offered in reliance on Rule 144A will be represented by the restricted global note; before any interest in the restricted global note may be offered, sold, pledged or otherwise transferred to a person who is not a QIB, the transferee will be required to provide the trustee with a written certification (the form of which certification can be obtained from the trustee) as to compliance with the transfer restriction referred to above;

(7) understand that until registered under the Securities Act, the notes (other than those issued to non-U.S. purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by the Issuer and the holder thereof:

    THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

(1) REPRESENTS THAT

(A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, OR

(B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S); AND

(2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY

(A) TO THE ISSUER,

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A,

(D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(C) ABOVE OR (2)(D) ABOVE, A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE) MUST BE DELIVERED TO THE TRUSTEE. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; and

(8) Acknowledges that the Issuer and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the acknowledgements, representations or warranties deemed to have been made by it by its purchase of notes are no longer accurate, it shall promptly notify the issuer and the initial purchasers; if it is acquiring notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Notes sold outside of the United States to persons other than U.S. persons, will be freely transferable to persons other than U.S. persons. Accordingly, in compliance with chapter VI, article 3, section (A)(II)(2) of the Rules and Regulations of the Luxembourg Stock Exchange, no transaction made on the Luxembourg Stock Exchange involving a non-U.S. purchaser shall be cancelled, and the notes shall be freely transferable to such purchasers.

PLAN OF DISTRIBUTION

ING Bank N.V., London Branch and J.P. Morgan Securities Inc. will act as the joint book runners and the joint lead managers for the offering. Under the terms and subject to the conditions stated in the purchase agreement dated the date of this offering circular, each initial purchaser named below has agreed to purchase, and the Issuer has agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name. ING Bank N.V., London Branch will offer notes in the United States to qualified institutional buyers in reliance on Rule 144A through its selling agent, ING Financial Markets LLC, a U.S. registered broker-dealer.

Initial Purchasers	Principal Amount
ING Bank N.V., London Branch	U.S.$150,000,000
J.P. Morgan Securities Inc.	U.S.$150,000,000
Total	U.S.$300,000,000

In the purchase agreement, subject to the conditions thereof, the initial purchasers have agreed to purchase the notes at a discount and to resell the notes to purchasers as described under "Transfer Restrictions." The notes will initially be offered at the price indicated on the cover page of this offering circular. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the initial purchasers. The purchase agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the notes is subject to, among other conditions, the delivery of certain legal opinions of its counsel. The initial purchasers are committed to take and pay for all of the notes offered hereby, if any are taken, subject to the conditions set forth in the purchase agreement.

The purchase agreement provides that the Issuer will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the initial purchasers may be required to make in respect thereof.

The notes are expected to be designated eligible for trading in The PORTAL Market.

The notes will constitute a new class of securities with no established trading market. The Issuer does not intend to list the notes on any exchange other than the Luxembourg Stock Exchange. The initial purchasers have advised the Issuer that they presently intend to make a market in the notes as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market and any such market making may be discontinued at any time at the discretion of the initial purchasers. Accordingly, the Issuer cannot assure you as to the liquidity of, or trading markets for, the notes.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

To facilitate the offering of the notes, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may overallot in connection with this offering, creating a short position in the notes for their own account. In addition, to cover overallotments or to stabilize the price of the notes, the initial purchasers may bid for, and purchase, notes on the open market. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The initial purchasers are not required to engage in these activities, and may end any of these activities at any time.

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as described in the immediately preceding paragraph. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions."

In connection with sales outside the United States, the initial purchasers have agreed that they will not offer, sell or deliver the notes to, or for the account of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and they will send to each dealer to whom they sell such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described below under "Transfer Restrictions."

Further, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirement of the Securities Act in such offer or sale made other than in accordance with Rule 144A. As used herein, the terms "United States" and "U.S. person" have the meaning given to them in Regulation S.

The initial purchasers or their affiliates may have in the past and from time to time hereafter provide investment banking and general financing and banking services to the Issuer and certain of its affiliates.

Selling Restrictions

No action has been taken in any jurisdiction by the Issuer or the initial purchasers that would permit a public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering circular or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering circular comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and the distribution of this offering circular. This offering circular does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

Brazil

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the notes nor the issuance of the notes have been or will be registered with the CVM. Therefore, each of the initial purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell the notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

United Kingdom

Each initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FMSA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything

- done by it in relation to the notes in, from or otherwise involving the United Kingdom.

VALIDITY OF NOTES

The validity of the notes under New York law will be passed upon for the Issuer by White & Case LLP and for the lead managers by Linklaters.

The validity of the notes and certain matters of Brazilian law relating to the notes will be passed upon for the Issuer by Pinheiro Neto Advogados and for the lead managers by Lefosse Advogados.

INDEPENDENT AUDITORS

The Combined JBS financial statements at and for the years ended December 31, 2005 and 2004 have been audited by Terco Grant Thornton, as stated in their report appearing herein, which contains a qualified opinion because of a departure from Brazilian GAAP in the (1) accounting for inventory and (2) the adjustment to market value of certain trademarks, and are included elsewhere in this offering circular. The Combined JBS financial statements at and for the year ended December 31, 2003 have been audited by Trevisan, as stated in their report appearing herein, which contains a qualified opinion because of a departure from Brazilian GAAP in the (1) accounting for inventory and (2) the adjustment to market value of certain trademarks, and are included elsewhere in this offering circular.

Terco Grant Thornton has conducted a limited review of the unaudited (1) consolidated interim financial information of the Issuer at and for the three months ended March 31, 2006 and (2) combined JBS interim financial information at and for the three months ended March 31, 2005 prepared in accordance with Brazilian GAAP and in accordance with specific standards established by IBRACON and the Brazilian Federal Accounting Council. However, Terco Grant Thornton has neither audited nor expressed an opinion on such interim financial information. Accordingly, the degree of reliance on their review report based on such information should be restricted in light of the limited nature of the review procedures applied.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP, Common Code and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	466110AA1	P59695AC3
Common Code	026361915	026360544
ISIN	US466110AA16	USP59695AC39

2. Copies of the Issuer's latest audited annual financial statements and unaudited quarterly financial statements, if any, may be obtained free of charge during normal business hours at the Issuer's executive offices, the offices of the trustee and any paying agent, including the Luxembourg paying agent and principal paying agent. Copies of the *estatuto social* (by-laws) of the Issuer, as well as the Indenture (including forms of notes), will be available during normal business hours for inspection at the Issuer's executive offices, the offices of the trustee and any other paying agent, including the Luxembourg paying agent and principal paying agent.

3. Except as disclosed in this offering circular, there has been no material adverse change in the financial position of the Issuer since December 31, 2005, the date of the latest audited financial statements included in this offering circular.

4. Except as disclosed in this offering circular, the Issuer is not or has not been involved in any governmental, legal or arbitration proceedings during the 12-month period immediately preceding the date of this offering circular that had or may reasonably be expected to have any material adverse effect on the Issuer's financial position and results of operations.

5. Terco Grant Thornton and Trevisan have agreed to the inclusion of their reports in this offering circular in the form and context in which they are included.

6. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange.

7. The issuance of notes was authorized by the Issuer's Board of Executive Officers on May 12, 2006.

8. For so long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish to any noteholder, or to any prospective purchaser designated by such noteholder, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Issuer (except to the extent the Issuer is exempt from or otherwise not required to provide such information pursuant to such paragraph).

INDEX TO FINANCIAL STATEMENTS

Terco Grant Thornton

Report of Independent Auditors

To the shareholders and management of
JBS S.A. (previously named Friboi Ltda.)

1 We have performed a limited review of the accompanying interim (1) consolidated financial information of JBS S.A. (previously named Friboi Ltda. through March 2, 2006, which we refer to as the "Company") consisting of the consolidated balance sheet as of March 31, 2006 and the related consolidated statements of income, changes in shareholder's equity and changes in financial position for the three months then ended and (2) combined financial information of Friboi Ltda. and Agropecuária Friboi Ltda. (which we collectively refer to as Grupo JBS) consisting of the combined balance sheet as of March 31, 2005 and the related combined statements of income, changes in shareholders' equity and changes in financial position for the three months, then ended, in each case, all expressed in Brazilian *reais* and prepared in accordance with generally accepted accounting principles in Brazil. This consolidated and combined interim financial information is the responsibility of the Company 's management. As described in note four, the interim financial information of Swift-Armour Sociedad Anónima Argentina, a wholly-owned subsidiary of the Company, for the three months ended March 31, 2006 were subjected to a limited review by other independent auditors, whose unqualified report was dated April 20, 2006.

2 We conducted our limited review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiring of and discussing with executive officers responsible for the accounting, financial and operating areas of the Company relating the criteria adopted in preparing the interim consolidated financial information, and (b) reviewing the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.

3 As described in notes 3(d) and 7, the finished product and work-in-process inventories of the food segment of the Company were valued substantially by tax criteria. It was not completely possible to evaluate the potential differences between the practice adopted by the Company with generally accepted accounting principles in Brazil.

Terco Grant Thornton

REPORT OF INDEPENDENT AUDITORS-continued

To the shareholders and management of
JBS S.A. (previously named Friboi Ltda)

4 To show the market value of its fixed assets, the Company revalued its trademarks as of December 31, 2003 to R$122,465 thousand. However, generally accepted accounting principles in Brazil only permit revaluations of tangible fixed assets.

5 Based on our limited review and the report on limited review of other independent auditors of Swift-Armour Sociedad Anónima Argentina as described in the first paragraph hereof, except for the possible effects of the matters described in the third and fourth paragraphs hereof, we are not aware of any material modifications that should be made to the interim consolidated financial information referred to in paragraph 1 for them to be in accordance with generally accepted accounting principles in Brazil, specifically applicable to the preparation of interim consolidated financial information.

6 The consolidated statements of cash flows for the three months ended March 31, 2006 and 2005 are presented to provide supplementary information and are not required to be included in the Company's consolidated interim financial information or Grupo JBS's combined interim financial information, in each case pursuant to generally accepted accounting principles in Brazil. We have applied the same limited review procedures described in the second paragraph hereof to this supplemental financial information, and we are not aware of any material modifications that should be made to it in the context of the consolidated interim financial information of JBS S.A. and combined interim financial information of Grupo JBS taken as a whole.

7 As described in note 9, the Company has accounts receivable from a related party in an aggregate amount of R$ 222,507 thousand owed to it by its parent company, J & F Participações Ltda. J & F Participações Ltda. is required to repay this debt in five successive equal annual installments ending on December 31, 2010, but may offset and prepay this debt by foregoing receipt of future dividends from the Company.

Terco Grant Thornton

REPORT OF INDEPENDENT AUDITORS-continued

To the shareholders and management of
JBS S.A. (previously named Friboi Ltda.)

8 The accompanying interim consolidated financial information has been translated into English for the convenience of readers outside Brazil. Our review has been conducted for the purpose of indicating if we are aware or not of any material modifications that should be made to the interim consolidated financial information of JBS S.A. referred to in the first paragraph hereof.

São Paulo, April 25, 2006.

Terco Grant Thornton Auditores	Luiz Cláudio Fontes
Independentes - Sociedade Simples	Partner-Accountant
CRC 2SP018196/O-8	CRC 1RJ032470/O-9 “T” PR “S” SP

JBS S.A.

BALANCE SHEETS AS OF MARCH 31, 2006 AND 2005
(In thousands of *reais*)

Assets	Consolidated 2006	Combined 2005
Short-Term Assets		
Cash and cash equivalents	44,487	97.275
Marketable securities	398,284	234,936
Trade accounts receivable from customers	522,829	499,997
Inventories	555,001	347,581
Taxes recoverable	350,493	199,892
Other current assets	96,989	105,757
	1,968,083	1,485,438
Long-Term Assets		
Accounts receivable from related party	222,507	_
Judicial deposits and others	2,394	1,855
Accounts receivable from customers	_	43
Other current assets	14,508	4
	239,409	1,902
Permanent Assets		
Investments	190	2,348
Property, plant and equipment	1,080,591	928,255
Deferred charges	7,736	9,802
	1,088,517	940,405
Total Assets	3,296,009	2,427,745

Liabilities and Shareholders' Equity	**Consolidated 2006**	**Combined 2005**
Short-Term Liabilities		
Loans and financings	647,234	745,218
Trade accounts payable to suppliers	169,527	134,807
Accounts payable to sellers of slaughterhouses	54,880	11,096
Payroll and taxes payable	72,930	76,525
Interest attributable to shareholders' equity	40,576	11,468
Federal tax installments - PAES	1,004	1,028
Other current liabilities	37,301	78,871
	1,023,452	1,059,013
Long-Term Liabilities		
Loans and financings	1,297,365	497,345
Deferred income taxes	8,408	84,194
Accounts payable to sellers of slaughterhouse	_	11,116
Federal tax installments - PAES	6,527	6,770
Other long-term liabilities	32,394	31,799
	1,344,694	631,224
Minority interest	50	128
Shareholders' Equity		
Capital stock	515,635	19,252
Revaluation reserve	16,321	365,195
Retained earnings	395,857	352,933
	927,813	737,380
Total Liabilities and Shareholders' Equity	3,296,009	2,427,745

The accompanying explantory notes are an integral part of the financial information.

JBS S.A.

STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In thousands of *reais*)

	Consolidated 2006	Combined 2005
Gross sales revenue		
Income from sale of products - domestic market	537,299	620,952
Income from sale of products - exports	484,956	364,133
Gain on fair market value of cattle		578
	1,022,255	985,663
Deductions		
Returns and discounts	(26,687)	(21,088)
Sales taxes	(68,285)	(112,757)
	(94,972)	(133,845)
Net sales revenue	927,283	851,818
Cost of goods sold	(622,921)	(598,532)
Gross profit	304,362	253,286
Operating income (expenses), net		
General and administrative expenses	(98,471)	(90,571)
Selling expenses	(96,536)	(80,984)
Depreciation and amortization	(16,050)	(13,222)
Financial income (expenses), net	(43,997)	(56,678)
	(255,054)	(241,455)
Operating income	49,308	11,831
Non-operating income (expenses), net	(100)	609
Income before income taxes and social contribution	49,208	12,440
Social contribution on net income	(3,016)	(855)
Income taxes	(13,400)	(4,170)
	(16,416)	(5,025)
Combined income before minority interest	32,792	7,415
Minority interest	16	17
Combined net income	32,808	7,432

The accompanying explantory notes are an integral part of the financial information.

JBS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In thousands of *reais*)

COMBINED MARCH 31, 2005

	Share Capital	Revaluation Reserve	Retained Earnings	Total
BALANCE AS OF DECEMBER 31, 2004	19,252	365,525	345,734	730,511
Realization of revaluation reserve, net of income tax effects		(330)	330	
Distribution of retained earnings			(563)	(563)
Combined net income			7,432	7,432
BALANCE AS OF MARCH 31, 2005	19,252	365,195	352,933	737,380

CONSOLIDATED MARCH 31, 2006

	Share Capital	Revaluation Reserve	Retained Earnings	Total
BALANCE AS OF DECEMBER 31, 2005	7,500	16,627	370,925	395,052
Increase in share capital	508,135			508,135
Realization of revaluation reserve, net of income tax effects		(306)	306	
Consolidated net income			32,808	32,808
Distribution of income				
Interest attributable to shareholders' equity			(8,182)	(8,182)
BALANCE AS OF MARCH 31, 2006	515,635	16,321	395,857	927,813

The accompanying explantory notes are an integral part of the financial information.

JBS S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITON
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In thousands of *reais*)

	Consolidated 2006	Combined 2005
SOURCE OF FUNDS		
From operations		
Net income	32,808	7,432
Items that do not affect working capital		
Depreciation and amortization	16,050	13,222
Write-off of fixed assets	614	542
Effect on exchange variation for the subsidiary located abroad	21	
	70,003	21,196
From third parties		
Increase in long-term liabilities	817,907	148,195
From shareholders		
Increase in share capital	508,135	_
TOTAL SOURCE OF FUNDS	1,396,045	169,391
APPLICATION OF FUNDS		
Increase in long-term assets	237,338	838
Increase in investments	180	_
Increase in fixed assets for incorporated	775,040	_
Acquisition of fixed assets	21,918	34,020
Distribution of retained earnings	_	563
Decrease of minority interest	16	7,139
Interest attributable to shareholders' equity	8,182	_
TOTAL APPLICATIONS	1,042,674	42,560
NET INCREASE IN WORKING CAPITAL	353,371	126,831
VARIATION OF WORKING CAPITAL		
CURRENT ASSETS		
At the beginning of the year	1,852,225	1,337,611
At the end of the quarter	1,968,083	1,485,438
	115,858	147,827
CURRENT LIABILITIES		
At the beginning of the year	1,260,965	1,038,017
At the end of the quarter	1,023,452	1,059,013
	(237,513)	20,996
NET INCREASE IN WORKING CAPITAL	353,371	126,831

The accompanying explantory notes are an integral part of the financial information.

JBS S.A.

STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In thousands of *reais*)

	Consolidated 2006	Combined 2005
Cash flows from operating activities		
Net income	32,808	7,432
Items that do not affect cash:		
Depreciation and amortization	16,050	13,222
Financial expense (income), net on long-term obligations	11,392	29,535
Effect on exchange variation for the subsidiary located abroad	20,531	
	80,781	50,189
Variations in operating assets and liabilities		
(Increase) decrease in the trade accounts receivable from customers	(162,309)	7,038
(Increase) in the inventories	(64,461)	(26,677)
(Increase) in taxes recoverable	(48,688)	(13,145)
(Increase) in other short-term assets and long-term assets	(2,663)	(16,750)
Increase (decrease) in trade accounts payable to suppliers	(7,357)	4,497
Increase (decrease) in accounts payable to sellers of slaughterhouses	54,880	(6,305)
Increase in other short-term liabilities and long-term liabilities	21,451	52,624
(Decrease) in deferred income taxes	(158)	(1,391)
(Decrease) in minority interest participation	(16)	(7,139)
Net cash provided by (used in) operating activities	(128,540)	42,941
Cash flow from (used in) investing activities		
(Increase) from permanent assets	(797,138)	(34,020)
Increase in disposals of permanent assets	614	542
Cash (used in) investing activities	(796,524)	(33,478)
Cash flow provided by (used in) financing activities		
Loans and financings	1,131,204	568,679
Payments of loans and financings	(631,018)	(478,448)
Interest attributable to shareholders' equity	(8,182)	
Increase in share capital	508,135	
Distribution of retained earnings		(563)
	1,000,139	89,668
Net increase (decrease) in cash	75,075	99,131
Cash, cash equivalents and marketable securities at the beginning of each quarter ended	367,696	233,080
Cash, cash equivalents and marketable securities at each quarter ended	442,771	332,211

The accompanying explantory notes are an integral part of the financial information.

1 The Company's Operations

The Company has the following operations:

a) Operating Activities in Brazil

(i) Food Segment

Cold Storage Plants:

Slaughterhouse and cold storage business operations for the production of beef, canned goods, fat, animal rations and by-products, with manufacturing plants located as follows:

State	City
São Paulo	Andradina, Presidente Epitácio and Barretos
Goiás	Goiânia
Mato Grosso	Barra do Garças, Araputanga, Cáceres and Pedra Preta
Mato Grosso do Sul	Campo Grande
Rondônia	Cacoal, Vilhena, Pimenta Bueno and Porto Velho
Minas Gerais	Iturama

Processing Plants

Beef, its derivatives and processed beef are processed in plants located in Presidente Epitácio/SP, Andradina/SP, Araputanga/MT, Barretos/SP and Três Rios/RJ. Manufacturing of processed canned vegetables is carried out in the plant located at Uberlândia/MG.

Distribution Centers

The Company's distribution centers are located in São Paulo/SP and Contagem/MG.

(ii) Personal and Home Care Segment

The personal and home care products segment manufactures and sells bar of soap, toilet cleaners, detergents, disinfectants, softeners, pharmaceutical glycerin and coconut soap. The manufacturing plant of the personal and care products segment is located in Luziânia/GO.

The Company expanded its product offerings of hygiene and cleaning products, launching new lines of home care products, including a multi-functional degreaser and stain remover; and personal care items (shampoos, conditions, deodorants, liquid soap, etc.). These products are being produced by unrelated third parties.

(iii) Transportation Segment

In order to minimize transportation costs, the Company handles its own transportation of cattle to its slaughterhouses and of its products for export.

b) Operating Activities in Argentina

Swift-Armour Sociedad Anónima Argentina, an indirect wholly-owned subsidiary of the Company that operates slaughterhouses and cold storage facilities for the production of beef, canned goods, fat, animal food and by-products, with manufacturing plants located in the Cities of Villa Gobernador Galvez (Rosario) and San José, Argentina.

c) Corporate reorganization

As of March 1, 2006, Friboi Ltda. merged JBS S.A. with and into itself, assuming all of the assets and liabilities of JBS S.A., which prior to this merger was a holding company with an indirect 100% interest in the total share capital of Swift-Armour Sociedad Anónima Argentina. After giving effect to the merger, share capital increased from R$7,500 thousand to R$508,135,240, totaling R$515,635,240 represented by 515,635,240 shares.

The following table shows the increase (decrease) in Friboi Ltda.'s assets and liabilities resulting from the merger, based on an appraisal report prepared by specialized accountants:

	R$ thousand
Current assets	557,997
Current liabilities	(64,519)
Working capital	493,478
Permanent assets	775,040
Long-term liabilities	(760,383)
Shareholders' equity	508,135

On March 2, 2006, the quotaholders of Friboi Ltda. approved a proposal to (1) transform the Company into a Corporation (*Sociedade Anônima*), (2) exchange their quotas for 515,635,240 common shares, without par value and (3) change Friboi Ltda's name to JBS S.A., the Company whose financial information we have subjected to a limited review as stated in our report on limited review attached to this financial information, Management of the Company promptly implemented the measures approved by the quotaholders.

2. Presentation of Financial Information

The consolidated financial information has been prepared by adding the balances presented in the individual financial information of (1) the Company and its subsidiaries at and for the three months ended March 31, 2006 and (2) Friboi Ltda., Agropecuária Friboi Ltda. and their subsidiaries at and for the three months ended March 31, 2005. Except for Swift-Armour Sociedad Anónima Argentina, the individual financial information of these companies was prepared in accordance with generally accepted accounting principles in Brazil.

In relation to JBS S.A. investment in Swift-Armour Sociedad Anónima Argentina, we have compared generally accepted accounting principles in Argentina with corresponding principles in Brazil applied by the Company, and we have noted that there were no material differences during the three months ended March 31, 2006.

The balance sheet and the statements of Swift-Armour has been translated from pesos to reais based on an exchange rate of R$0,704981 = P$1,00 (Peso Argentino).

3. Significant accounting policies

The significant accounting policies adopted by the Company in preparing this consolidated financial information are included below:

a) Accounting estimates

The preparation of consolidated financial information in accordance with generally accepted accounting principles in Brazil requires management to (1) make estimates and assumptions that affect the reported amounts of assets and liabilities and (2) disclose (A) contingent assets and liabilities as of the date of the consolidated financial statements and (B) the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Swap Receivables or Payables

The market value of derivative instruments is computed daily, and the resulting receivables or payables are recorded based on their fair market value.

c) Provision for Doubtful Accounts

Provision for doubtful accounts is computed based on the probable loss, the profile of the client, overall economic and financial conditions and risks that are specific to the client. Management believes that the provision for doubtful accounts is sufficient to cover eventual losses.

d) Inventories

JBS S.A and Friboi Ltda.

Finished product and work-in-progress inventories in particular fresh and chilled beef products of JBS S.A. at March 31, 2006 and Friboi Ltda. at March 31, 2005, were valued substantially by tax criteria, which uses 70% of the highest sales price during the year or period to value finished product inventories and 80% of the value of the finished product to value of work-in-process.

The Company is implementing an integrated cost accounting system, which is expected to be completed by December 31, 2006. The Company has prepared an inventory valuation based on this accounting method on March 3, 2006 in one of its plants located in Barra do Garças/MT, which is subjected to a limited review. The test concluded that the value of the Company's inventories in this plant was overstated by 1.6%.

Swift-Armour Sociedad Anónima Argentina

The finished products and work-in-process inventories of Swift-Armour Sociedad Anónima Argentina were valued based on average acquisition or production cost, not exceeding fair market value.

Agropecuária Friboi Ltda. (currently known as J & F Participações Ltda.)

For purposes of the combined financial information at March 31, 2005, cattle inventories have been recorded at the per pound market price at that date based on quotations disclosed by the National Federation of Producers-FNP. Agropecuária Friboi Ltda. recorded increases in the fair market value of cattle inventories as income.

All of the Companies Products Segment

All other raw materials and warehouse materials, as well as the inventories of the personal and home care products segment are valued based on the average acquisition or production cost, not exceeding fair market value.

e) Short-Term and Long-Term Assets

Assets are stated at their realization value, and liabilities are stated at their known or computable amounts, including, if applicable, the related income, charges and monetary variations.

f) Fixed Assets

Fixed assets, includes trademarks of R$122,465 are stated at revalued historical cost of acquisition occurred as of December 31, 2003 and 2004 and November 30, 2005 by an independent appraisals firm.

Depreciation is computed pursuant the straight-line method, at rates mentioned in Note 10, and takes into account the useful and economic lives of assets.

g) Short-Term and Long-Term Liabilities

The outstanding balance of loans and financings are recorded based on monetary and foreign exchange rate variations. Monetary and foreign exchange rate variations and interest are recorded as financial income (expense), net.

h) Income Tax and Social Contribution on Net Income

Current Taxes

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

Deferred Income Taxes

JBS S.A. (at March 31, 2006) and Agropecuária Friboi Ltda. (at March 31, 2005) recorded deferred income taxes and social contribution on the amount of the revaluation reserve.

Swift-Armour Sociedad Anónima Argentina recorded income tax credits in the form of tax loss carry forwards and other temporary differences.

i) Supplemental information

JBS S.A. (Previously named Friboi Ltda.) aiming the objective to provide better information of the Company' users of its consolidated financial statements, voluntarily has presented, as supplementary information the consolidated statements of cash flows.

4. Consolidated and Combined Interim Financial Information

The consolidated interim financial information of the Company as of and for the three months ended March 31, 2006 includes the sum of the account balances of the following companies: JBS S.A. and its directly and indirectly wholly-owned subsidiaries JBS Holding Internacional S.A. (which directly owns 100% of the total share capital of Swift-Armour Sociedad Anónima Argentina), BF Produtos Alimentícios Ltda. and Friboi Investments S.A., (which is an investment company that is a directly owned subsidiary of the Company) and Swift - Armour Sociedad Anónima Argentina.

The combined financial statement as of and for the three months ended March 31, 2005 includes unaudited the sum of the account balances of the following companies: Friboi Ltda., its subsidiary BF Produtos Alimentícios Ltda. and Agropecuária Friboi Ltda. The combined shareholder's equity of these companies as of March 31, 2005 exceeds shareholder's equity of the Company as of March 31, 2006 by R$180,288 as not all of Agropecuária Friboi's assets were to JBS S.A. on December 1, 2005 as part of the corporate reorganization described in note 1 hereof under which JBS S.A. was merged with and into Friboi Ltda. on February 28, 2006, and thereafter Friboi Ltda. changed its name to JBS S.A. on March 2, 2006.

All balances of assets and liabilities accounts between the JBS S.A. and its subsidiaries were eliminated as of March 31, 2006 and 2005, as well as the revenue and expenses generated between them.

The Company's consolidated financial information for the three months ended March 31, 2006 includes interim financial information of Swift-Armour Sociedad Anónima Argentina for the same period, which was subjected to a limited review by other independent auditors. The following tables present certain balance sheet and income statements line items for Swift-Armour Sociedad Anónima Argentina as of and for the three months ended March 31, 2006:

Balance Sheet of Swift-Armour

As of March 31, 2006

Assets		Liabilities and Shareholder's Equity	
Short-term assets		Short-term liabilities	
Cash and short-term investments	16,912	Loans and financings	68,146
Trade accounts receivable	35,545	Trade accounts payable	23,971
Inventories	51,110	Income and other taxes	7,538
Taxes recoverable	10,265	Other short-term liabilities	6,477
Other short-term assets	2,156		106,132
	115,988		
Other long-term assets	14,508	Long-term liabilities	6,093
		Liabilities and shareholder's equity	
Fixed assets	205,793	Capital stock	36,659
		Capital reserve	187,449
		Acummulated losses	(44)
			224,064
Total assets	336,289	Total liabilities and shareholder's equity	336,289

Statement of Operations of Swift-Armour

Three months ended March 31, 2006

Net sales of revenue	98,335
Cost of goods sold	(87,249)
Gross profit	**11,086**
Selling expenses	(7,766)
General and Administrative Expenses	(1,597)
Depreciation expenses	(5,554)
Other operating income (expenses), net	(1,949)
Financial income (expenses), net	310
	(16,556)
Loss before income taxes	(5,470)
Deferred income tax assets -credit	848
Net loss	**(4,622)**

5. Marketable Securities

	March 31, 2006	March 31, 2005
Certificate of bank deposits -CDB	120,391	209,155
Certificates of deposits -CD	27,697	25,781
Investment funds	250,196	
	398,284	234,936

Certificates of bank deposits are fixed income securities that provide a yield of approximately 100% of the Brazilian interbank rate, and certificates of deposit-CD provide a yield equal to exchange rate variation plus a spread 3.50% per year. The fund investments are exclusive, administred by Mellon Serviços Financeiros; with custodial by Banco Itaú S/A. and with an average yield of 186% over the variation of services handled the CDI rate.

6. Trade Accounts Receivable from Customers

	March 31, 2006	March 31, 2006
Trade notes not yet due	513,827	492,82
Trade notes already due:		
From 0 to 30 days	7,777	2,35
From 31 to 60 days	334	26
From 61 to 90 days	497	21
More than 90 days	3,908	6,52
Provision for doubtful accounts	(3,514)	(2,185
	9,002	7,17
	522,829	499,99

7. Inventories

	March 31, 2006	March 31, 200
Cold Storage Segment - JBS S.A.:		
Finished products (beef and canned beef)	417,560	252,60
Work-in-process	956	78
	418,516	253,38
Cold Storage Segment - Swift - Armour:		
Finished products (natural beef and canned beef)	33,351	
Work-in-process	3,989	
Allowance for losses	(321)	
	37,019	

Other Inventories of Cold Storage Segment:		
Raw materials	15,266	18,01
Warehouse spare parts	42,198	33,94
	57,464	51,96
Personal and Home Care Products Segment – JBS S.A.:		
Finished products	19,949	6,59
Work-in-process	393	62
Raw materials	16,519	14,97
Warehouse spare parts	5,141	45
	42,002	22,65
Cattles inventory:		
Cattles		19,58
	555,001	347,58

8. Recoverable Taxes

	March 31, 2006	March 31, 2005
ICMS-Added value tax	168,916	122,193
IPI - Excise manufacturing tax	5,357	5,645
IPI - Premium export credits	53,434	53,434
PIS - Law 10963/2002	25,777	5,833
COFINS	80,208	6,531
Brazilian Income tax	6,529	5,925
IVA-Argentine value added taxes	10,265	
CSLL - Social Contribution on Net Income	7	331
	350,493	199,892

9. Accounts Receivable from Related Party

The Company has an account receivable from a related party in an aggregate amount of R$222,507 thousand owed to it by its parent company J & F Participações Ltda. The Company originally lent the principal amount of this loan to Agropecuária Friboi to assist the latter in acquiring cold storage and processing plants to be leased to Friboi Ltda. and used in its operations. The principal amount of this loan is payable in five successive equal annual installments ending December 31, 2010 but may be offset against, and prepaid by J & F Participações Ltda. foregoing receipt of future dividends from the Company. Agropecuária Friboi Ltda. continued to hold this debt when it merged J & F Participações Ltda. with and into itself and thereafter changed its name to J & F Participações Ltda., each on March 31, 2006.

This mutual intercompany loan is secured by some of the assets of the Company and bears interest at a rate of 1% per month.

10. Property, plant and equipment

	Annual depreciation rate	Cost	Revaluation	Accumulated depreciation	Net March 31, 2006	Net March 31, 2005
Buildings	2.95%	318,858	146,555	(83,409)	382,004	278,949
Undeveloped land and lands		21,465	16,866		38,331	118,942
Machinery & equipment	9.37%	506,302	70,041	(275,048)	301,295	225,043
Installations	4.70%	53,403	20,916	(7,496)	66,823	68,527
Computer equipment	25.74%	8,994	262	(2,860)	6,396	6,194
Vehicles and airplanes	37.60%	61,498	361	(23,798)	38,061	34,059
Pasture	10.00%	97		(22)	75	20,410
Trademarks		29,881	122,465		152,346	128,951
Construction in progress		85,105			85,105	34,004
Others	10.00%	15,716	2,520	(8,081)	10,155	13,176
		1,101,319	379,986	(400,714)	1,080,591	928,255

On November 30, 2005 and December 31, 2004 and 2003, Agropecuária Friboi Ltda. supported by appraisal reports from ‘SETAPE - Serviços Técnicos de Avaliações do Patrimônio e Engenharia S/C Ltda.’ (tangible assets appraisal company), and ‘Brands & Values Avaliações de Marca S/C Ltda.’ (trademark appraisal company), revaluated their fixed and trademarks.

The amount of R$22,331 (R$100,640 in March 31, 2005) corresponding to the increase in value of these assets as a result of the revaluation. R$14,773 (R$76,582 in March 31, 2004) was added to the fixed asset balances in the revaluation reserve and the remaining R$7,558 (R$24,058 on 2003) was added to the accrual for deferred income taxes and social contribution.

Another revaluation of fixed assets is scheduled to occur by the end of the fiscal year 2007 and 2008.

The revalued amount and new useful lives determined based on the appraisal are used to compute the related depreciation rates indicated in the table above.

The plants located in the cities of Planaltina and Anápolis in the State of Goiás, for an aggregate annual amount of R$1,997 and R$8,992 (R$2,275 and R$9,906 in March 31, 2005), respectively, are not being used as of the date hereof.

11. Loans and Financing

Type	Average interest rate and commissions	March 31, 2006	March 31, 2005
Financing for acquisition of fixed assets:			
FINAME/FINEM Enterprise financing	TJLP and interest rate of 5.0%	240,069	70,860
FINIMP- Import financing agency	Exchange rate variation and interest of 5.0%	15,208	16,418
FCO – Fund for Financing in the Central West	Fixed interest rate of 10.75%		6,205
CDI – Industrial Credit Certificate	Saving index + 7.2%		14,047
CDC-Direct Credit to the Consumer	Fixed interest rate of 22.0%	1,121	2,509
		256,398	110.039
Loans for working capital purposes:			
Exchange advance contracts – ACC	Exchange rate variation and interest rate of Libor + 0.5%	85,598	323,657
EXIM - BNDES export credit facility	TJLP and interest of 6.13%	289,018	65,391
Euro bonds	Exchange rate variation and fixed interest rate of 9.375%	612,690	
Working capital	CDI and interest rate of 2.0%	14,540	123,181
Export prepayment	Exchange rate variation and interest rate of Libor + 2.1%	345,183	373,717
Working capital (Resolution 63)	Exchange rate variation of interest rate of 0.5%		90,301
NCE/COMPROR	CDI and interest rate of 2.0%	224,035	54,841
PROGEREM	TJLP and interest rate of 5.5%	117,137	101,436
		1,688,201	1,132,524
Total loans and financings		1,944,599	1,242,563
Short- and long-term:			
Short-term liabilities		647,234	745,218
Long-term liabilities		1,297,365	497,345
		1,944,599	1,242,563
The long-term installments have the following maturities:			
As of March 31, 2006			226,692
As of March 31, 2007		288,437	162,581
As of March 31, 2008		212,759	91,225
As of March 31, 2009		107,308	7,869
As of March 31, 2010		81,477	8,978
As of March 31, 2011		607,384	
		1,297,365	497,345

Exchange Contract Advances (ACCs) are credits funded by financial institutions through JBS and represented US$38,993 (US$120,731 as of March 31, 2005), with the purpose to finance Company's exportations.

Export pre-payment loan corresponds to US$157,244 (US$139,405 as of March 31, 2005), which has been funded by financial institutions.

PROGEREM is a BNDES financing program designed to promote the expansion of industrial capacity and related social benefits.

NCE/COMPROR is a credit note to finance exports linked to COMPROR to finance the purchase of raw materials used in exportable products.

The financing provided by BNDES, as well as the ACC's, are secured by fixed assets export contract receivables, respectively.

As of January 26, 2006 and February 8, 2006, JBS S.A. issued euro bonds in aggregate principal amounts of US$200 million and US$75 million, respectively that mature on the same date in February, 2010 and bear interest at a rate of 9.375% per annum.

12. Accounts Payable to Suppliers

	March 31, 2006	March 31, 2005
Raw materials	85,400	73,098
Materials and services	78,663	53,909
Finished products	5,464	7,800
	169,527	134,807

13. Payroll and Taxes Payable

	March 31, 2006	March 31, 2005
Payroll and related charges	19,964	13,552
Accrual for labor liabilities	30,580	31,501
Income taxes payable – IRPJ	6,016	782
Social contribution on net income - CSLL	1,341	197
ICMS taxes payable (FOMENTAR program)	4,944	7,455
Value added taxes payable	5,073	10,891
Other taxes	5,012	12,147
	72,930	76,525

The value of the Fund to Promote Industrial Development in the State of Goiás (FOMENTAR), and will be liquidated annually, by the amount of 10% of the total amount due. The resource has been applied in an account linked to the operation.

14. Shareholder's Equity

Share capital - JBS S.A.'s share capital is fully subscribed and paid-up as of March 31, 2006 an totalled R$515,635,240.00, represented by 515,635,240 shares, by common shares, without par value.

As of March 31, 2005, the combined share capital of Grupo JBS was as follows:

	Value of capital	Number of quotas R$1,00 each one quota
Agropecuária Friboi Ltda.	11,752,962.00	11,752,962
.Friboi Ltda.	7,500,000.00	7,500,000

Distribution on Share Capital – During the three months ended March 31, 2006, the Company paid interest attributable to shareholders' equity to its shareholders in an aggregate amount of R$8,182. In connection with this distribution, the Company deducted an aggregate amount of R$2,782 from its taxable income. For consolidated financial statements the interest on own capital stock was included as reduction account of retained earnings.

Revaluation Reserve - Revaluation reserve reflects the revaluations effected by the Company as of December 31, 2005, 2004 and 2003, net of tax effects that are progressively offset against retained earnings to the same extent that the increase in value of the revalued property is realized through depreciation, disposal or retirement.

Dividends restriction- As per Euro Bonds' contract the Company may not distribute dividends and interest on own capital stock over than 25% per year.

15. Financial Income (Expenses), Net

	March 31, 2006	March 31, 2005
Financial Expenses:		
Monetary variation	59,998	4,150
Interest	41,561	33,646
Discounts	15,266	21,533
Bad debt write-offs	410	2
Taxes on financial transactions-CPMF	4,514	4,138
Interest on derivatives	75,532	45,564
Bank service charges and other expenses	805	2,528
	198,086	111,561
Financial Income:		
Monetary variation	54,454	3,981
Interest	10,796	5,575
Interest on derivatives	86,848	45,327
Discounts	1,991	
	154,089	54,883
Net Financial Result	43,997	56,678

16. Contingencies

a) The Company is involved in a assessment by Union tax-INSS in the amount of R$69.194, which alleges that the Company have not withheld and paid the Funrural tax from the individuals that has sold cattle to the Company. The INSS fiscal authority based on the judicial decision has accepted and suspended the mandatory withheld of Funrural tax and the related payment. The related judicial issue that discusses the constitutionality of Funrural tax has obtained a laminar confirming the Sentence of First level and that this Funrural tax is unconstitutional. Further, the Union tax-INSS has not make its defense on time and the judicial action and the obligation was maintained suspense. In relation to the same Funrural tax there is a decision declaring it is unconstitutional. Finally, the Company's lawyer expects to win this issue.

b) There is a judicial demand of R$ 36.000 against the Company from an individual who has sold the manufacturing plant of Araputanga located at State of Mato Grosso. He alleges that the sale is invalid, as he has not obtained previously the authorization of SUDAM. However, the Tribune of Justice of State of Mato Grosso has recognized that this obligation was his responsibility and therefore has declared that the mentioned sale was valid Following this judicial decision the Company has went into SUDAM and obtained the authorization and has recorded the referred purchase in the Public Notary entity.Based on the judicial success obtained by the Company its lawyers firm believes that they will issue the issue against the individual seller and based on the law they may require an indemnity of over R$ 50,000. The both amounts of contingent liabilities and assets are not accrued by the Company as of March 31, 2006.

c) In accordance with the existing Brazilian law and regulations, there is a five-year statute of limitations applicable to federal taxes and contributions. Therefore, during this five-year period, the tax records related to federal taxes and contributions are subject to tax audits.

17. Insurance coverage

The Company has a policy of maintaining insurance coverage on its fixed assets and inventory that are subject to risks, in amounts that management of JBS S.A. deemed sufficient to cover potential losses, in light of the nature of its activities and advice from insurance consultants.

18. Risk Management and Financial Instruments

The Company's operations are exposed to market risks primarily related to exchange rates, the credit worthness of its customer's interest rates and cattle prices. These types of risks are monitored by its treasury area, which manages these risks through a system of statistical computation of the Value at Risk (VAR) and its technical committee. This committee is composed of board members and by the Company's financial executives, who have to monitor the risks, limits on financial positions and overall level of exposure.

a) Exchange Rate and Interest Rate Risks

The exchange rate and interest rate risks related to financings and loans, marketable securities and accounts receivable from clients denominated in foreign currencies are hedged on a transaction by transactions basis through derivative instruments, such as swap contracts (dollar to CDI or LIBOR to fixed interest rates or vice-versa) and futures contracts traded on the BM&F and forward contracts.

The notional value of the contracts is only accounted for in memorandum accounts.

The results of over-the-counter trades in the futures market and daily adjustments of currency future contracts are made, realized and liquidated; on the BM&F, and, as of March 31, 2005, are accounted for as "Amounts receivable from or payable on future contracts".

The results of over-the-counter trades contracted with a future maturity date are recorded on the balance sheet.

b) Credits Risk

The Company is exposed credit risks in respect of amounts receivable from customers, which is partially mitigated through diversification of the credit profile of its customer portfolio. The Company does not have a client that represents more than 10% of its combined net sales revenue, and its clients have good financial and operating indicators.

c) Purchase Price of Cattle

The food segment of the Company is exposed to volatility in respect to the price of cattle, caused by climate factors, supply, transportation cost and agricultural policies. The Company under its inventory policy maintains individual physical control of its livestock, which includes anticipated purchases combined with operations on the future markets.

d) Estimated Market Value

The assets and liabilities are presented in the consolidated financial statements JBS S.A. based on their respective acquisition cost, and the related classification of revenue and expenses in the income statement is accounted for based on their expected fair market or liquidation.

The market value of derivatives financial instruments as of March 31, 2006 was estimated based on quoted prices of equivalent contracts, and they approximate the accounting value on that date.

* * *

Terco Grant Thornton

Report of Independent Auditors

To the shareholders and management of Friboi Ltda. and Agropecuária Friboi Ltda.

1. We have audited the combined balance sheets of Friboi Ltda. and Agropecuária Friboi (which we refer to collectively as Grupo JBS) as of December 31, 2005 and 2004, and the related combined statements of income, changes in shareholder's equity and changes in financial position for the years then ended, all expressed in Brazilian *reais* and prepared in accordance with generally accepted accounting principles in Brazil. These financial statements are the responsibility of Grupo JBS's management. Our responsibility is to express an opinion on these combined financial statements. As described note four, the financial statements of Swift-Armour Sociedad Anónima Argentina, a wholly-owned subsidiary of JBA S.A., as of and for the four months ended December 31, 2005 have been audited by another independent auditor, whose unqualified opinion was dated March 6, 2006. We are relying on the audit opinion of this other independent auditor for purposes of these financial statements.

2. We conducted our audit in accordance with Brazilian auditing standards, which comprise: (a) planning of the work, taking into consideration the materiality of account balances, volume of transactions and the accounting and internal control systems of the companies that form part of Grupo JBS; (b) the examination, on a test basis, of the evidence and records supporting the amounts and disclosures in the financial combined statements; and (c) an assessment of the accounting principles used and significant estimates made by management of Grupo JBS, as well as an evaluation of the overall combined financial statement presentation.

3. As described in notes 3(d) and 7, the finished product and work-in-process inventories of the food segment of Friboi Ltda. are evaluated based on tax criteria. It was not possible to evaluate the potential differences between the practice adopted by Friboi Ltda. with the generally accepted accounting principles in Brazil.

Terco Grant Thornton

REPORT OF INDEPENDENT AUDITORS-continued

To the shareholders and management of Friboi Ltda. and Agropecuária Friboi Ltda.

4. To show the market value of its fixed assets, Agropecuária Friboi Ltda. revalued its trademarks as of December 31, 2003 to R$122,465 thousand. However, the generally accepted accounting principles in Brazil only permit revaluations of tangible fixed assets.

5. In our opinion, except for the possible effects of the matters described in the third and fourth paragraphs hereof and based on the opinion of other independent auditors as described in the first paragraph hereof, the combined financial statements referred to in paragraph 1 above present fairly, in all material respects, the combined financial position of Grupo JBS as of December 31, 2005 and 2004 and the combined results of its operations, the changes of its shareholder’s equity and changes in its financial position for the years then ended, in accordance with generally accepted accounting principles in Brazil.

6. Our examination has been conducted for the purpose of expressing an audit opinion on the combined financial statements referred to in the first paragraph hereof. The combined cash flow and value added statements for the years ended December 31, 2005 and 2004 are presented to provide supplemental financial information and are not required to be included in Grupo JBS’s combined financial statements pursuant to the generally accepted accounting principles in Brazil. We have applied the same procedures described in the second paragraph hereof to this supplemental financial information and, in our opinion, it presents fairly, in all material respects, the cash flow and value added of Grupo JBS, in the context of the combined financial statements taken as a whole.

REPORT OF INDEPENDENT AUDITORS-continued

To the shareholders and management of Friboi Ltda. and Agropecuária Friboi Ltda.

7. The combined financial statements for the year ended as of December 31, 2003 have been examined by other independent auditors, who have expressed an opinion as of March 5, 2004, similar to ours as described at paragraph five.

8. The accompanying combined financial statements have been translated into English for the convenience of readers outside Brazil. Our audit has been conducted for the purpose of expressing an opinion on Grupo JBS's combined financial statements referred to in the first paragraph hereof.

São Paulo, March 10, 2006.

Terco Grant Thornton Auditores	**Luiz Claudio Fontes**
Independente Sociedade Simples	**Partner-accountant**
CRC 2SP018196/O-8	**CRC 1RJ032470/O-9 "T" PR "S" SP**

Report of Independent Auditors of Friboi Ltda. and Agropecuária Friboi Ltda' combined financial statements

To the Company's stockholders and management

1. We have audited the accompanying combined balance sheet of the Friboi Ltd. and Agropecuária Ltda. presented in accordance with the Brazilian corporate law, as of December 31, 2004, and the related combined statements of income, changes in stockholder's equity and of changes in financial position for the year then ended, prepared under the responsibility of Grupo Friboi's management. Our responsibility is to express an opinion on these financial statements. The combined financial statements for the year ended as of December 31, 2003 have been examined by other independent auditors, who have expressed an opinion as of march 5, 2004 similar of us as described at paragraph five.

2. We have conducted our audits in accordance with the Brazilian auditing standards, which comprise: a) planning of the work, considering the materiality of balances, volume of transactions and the companies' accounting and internal control systems; b) examining, on a test basis, evidence and record supporting the amounts and financial information disclosures, and c) assessing the accounting principles used and significant estimates made by management of combined companies, as well as evaluating the overall financial statements presentation.

3. As described in note 3 (d) and 6, the inventories of finished products of Friboi Ltda, specifically in relation to the food segment, are evaluated substantially by fiscal criteria. On the actual circumstances, it is not possible to evaluate the eventual difference that may be a result of comparison between the referred practice adopted specifically by Friboi Ltda and the valuation of inventories including all manufacturing costs effectively incurred computed into cost systems coordinated and integrated with the generally accepted accounting principles in Brazil.

4. The companies, under the terms allowed by the Brazilian Corporate Law and aiming at demonstrating its property, plant and equipment at market value, performed a fixed assets appraisal, as of December 31, 2003, including the trademarks belonging to Agropecuária Friboi Ltda., and duly supported by reports from companies specialized in appraisal and valuation of assets. Such procedure resulted in a net positive effect accounted for in stockholders' equity in the amount of R$ 240.924 thousand on that date. The amount related only to such trademarks is R$ 122.465 thousand. However, the

regulations issued by the Brazilian Institute of Independent Auditors include only revaluations of tangible fixed assets.

5. In our opinion, except for the possible effects that could come from the subject stated in the third paragraph and effects from the issue mentioned in fourth paragraph, the combined financial statements referred to in paragraph 1 above present fairly, in all material respects, the combined financial position of Friboi Ltda. and Agropecuária Friboi Ltda. as of December 31, 2004, the combined results of their operations, the changes of their combined stockholder's equity and of changes in the combined financial position for the year then ended, in accordance with the generally accepted accounting principles in Brazil.

6. Our examinations have been conducted with the purpose to express an audit opinion on the combined financial statements referred at the first paragraph. Therefore, the combined financial statements of Cash flow and Value added for the year ended on December 31, 2004 are presented to provide supplemental financial information and are not required as the integrant part of the financial statements as per the Brazilian generally accepted accounting principles. Also, we have applied on this supplemental financial information the same procedures described on second paragraph and, in our opinion, are adequate.

7. The accompanying combined financial statements have been translated into English for the convenience of readers outside Brazil. Our review has been conducted with the purpose to indicate if we are aware or not of any material modifications that should be made to the combined financial statements referred to in first paragraph.

São Paulo, March 18, 2005.

Terco Grant Thornton Auditores Independentes Sociedade Simples
CRC 2SP018196/O-8

Luiz Cláudio Fontes
Partner-accountant
CRC 1RJ032470/O-9 "T" PR "S" SP

Trevisan

(An English language version of the financial statements in Portuguese, prepared in accordance with Brazilian generally accepted accounting principles prescribed by the Brazilian Corporation Law, present solely for the convenience of the foreign readers. The auditor's opinion relates to the financial statements in Reais only.)

INDEPENDENT AUDITORS' REPORT

To the managers of
Friboi Group

1 We have audited the accompanying combined balance sheet of the Friboi Group's companies presented in accordance with the Brazilian corporate law, which include Agropecuária Friboi Ltda and Friboi Ltda, as of December 31st, 2003 and 2002, and the related combined statements of income, changes in stockholder's equity and of changes in financial position for the years then ended, prepared under the responsibility of Group's management. Our responsibility is to express an opinion on these financial statements.

2 Except for the issue mentioned in paragraph 3, we conducted our audits in accordance with the Brazilian auditing standards, which comprise: a) planning of the work, considering the materiality of balances, volume of transactions and the combined companies' accounting and internal control systems; b) examining, on a test basis, evidence and record supporting the amounts and financial information disclosures, and c) assessing the accounting principles used and significant estimates made by management of combined companies, as well as evaluating the overall financial statements presentation.

3 As stated in Notes 3 (c) and 6, finished products related to the cold storage segment are valued in accordance with the accounting standards prescribed by the tax law. At present circumstances, it has not been possible to assess the potential differences that could result from comparing inventory valuation procedures used by Friboi Group's management and the effective inventory costs computed under a coordinated cost system integrated to accounting.

4 The companies, under the terms allowed by the Brazilian Corporate Law and aiming at demonstrating their fixed assets at market value, performed a fixed assets appraisal, including the trademarks belonging to Agropecuária Friboi Ltda., and duly supported by reports from companies specialized in appraisal and valuation of assets. Such procedure resulted in a net positive effect accounted for in stockholders' equity in the amount of R$ 240,924 thousand. The amount related only to the aforementioned trademarks is R$ 122,465 thousand. However, the regulations issued by the Brazilian Institute of Independent Auditors include only revaluations of tangible fixed assets.

(An English language version of the financial statements in Portuguese, prepared in accordance with accounting principles derived from Brazilian Corporation Law, present in a manner intended to facilitate understanding by foreign readers. The auditor's opinion relates to the financial statements in Reais only.)

INDEPENDENT AUDITORS' REPORT

To the managers of
Friboi Group

5 In our opinion, except for the possible effects that could come from the subject stated in paragraph 3 and effects from the issue mentioned in paragraph 4, the combined financial statements referred to in paragraph 1 above present fairly, in all material respects, the combined financial position of Friboi Group companies on December 31st, 2003 and 2002, the combined results of their operations, the changes of their combined stockholder's equity and of changes in the combined financial position for the years then ended, in accordance with the Brazilian generally accepted accounting principles.

6 As stated in Notes 10 and 11, the Group maintains investments in the companies Flora Indústria, Comércio e Mineração Ltda and assets in both facilities located in the cities of Planaltina and in Anápolis, State of Goiás, in which operations are discontinued. Realization of such holdings is subject to a reversal of present status, upon capital funding and continuity of operations thereof.

São Paulo, March 05, 2004.

Luiz Claudio Fontes
Partner-Accountant
CRC 1RJ032470/O-9 "T" PR "S" SP
Trevisan Auditores Independentes
CRC 2SP013439/O-5

GRUPO JBS

COMBINED BALANCE SHEETS AS OF DECEMBER 31, 2005, 2004 AND 2003

(In thousands of *reais*)

Assets	**2005**	**2004**	**2003**
Short-Term Assets			
Cash and cash equivalents	145,372	41,125	26,392
Marketable securities	234,691	191,503	233,217
Trade accounts receivable from customers	412,848	497,507	287,014
Accounts receivable from related parties		124,385	22,543
Inventories	562,024	320,904	211,945
Taxes recoverable	315,349	101,249	115,312
Advances to suppliers	27,521	7,952	
Prepaid expenses	32,455		
Other current assets	56,234	47,287	62,002
	1,786,494	1,331,912	958,425
Long-Term Assets			
Taxes recoverable	14,385		
Judicial deposits and others	2,140	902	839
Accounts receivable from customers		93	3,116
	16,525	995	3,955
Permanent Assets			
Unconsolidated investment		7,266	14,284
Investments - others	2,527	2,348	2,348
Property, plant and equipment	1,256,929	854,224	574,555
Deferred charges	8,021	10,396	1,332
	1,267,477	874,234	592,519
Total Assets	3,070,496	2,207,141	1,554,899

Liabilities and Shareholders' Equity	**2005**	**2004**	**2003**
Short-Term Liabilities			
Loans and financings	1,038,397	787,192	538,292
Trade accounts payable to suppliers	211,325	130,303	87,182
Accounts payable to sellers of slaughterhouses	84,325	15,118	9,764
Payroll and taxes payable	59,749	46,649	19,439
Interest attributable to shareholders' equity	33,622	18,489	
Federal tax installments - PAES	1,004		
Other current liabilities	52,115	28,975	8,713
	1,480,537	1,026,726	663,390
Long-Term Liabilities			
Loans and financings	697,584	351,336	213,831
Deferred income taxes	87,521	85,585	115,454
Accounts payable to sellers of slaughterhouse	1,695	12,983	12,229
Federal tax installments - PAES	6,528		
Other long-term liabilities	35,093		
	828,421	449,904	341,514
Minority interest	258		
	258	-	-
Shareholders' Equity			
Capital stock	19,252	19,252	16,252
Revaluation reserve	369,387	365,525	288,535
Retained earnings	372,641	345,734	245,208
	761,280	730,511	549,995
Total Liabilities and Shareholders' Equity	3,070,496	2,207,141	1,554,899

The accompanying explantory notes are an integral part of the combined financial

GRUPO JBS

COMBINED STATEMENTS OF INCOME
FOR THE YEARS ENDED ON DECEMBER 31, 2005, 2004 AND 2003
(In thousands of *reais*)

	2005	**2004**	**2003**
Gross sales revenue			
Income from sale of products - domestic market	2,358,160	2,094,720	1,324,131
Income from sale of products - exports	1,930,176	1,645,381	857,007
Gain on fair market value of cattle	10,622	3,004	2,186
	4,298,958	3,743,105	2,183,324
Deductions			
Returns and discounts	(90,354)	(68,741)	(66,624)
Sales taxes	(323,475)	(382,342)	(202,701)
	(413,829)	(451,083)	(269,325)
Net sales revenue	3,885,129	3,292,022	1,913,999
Cost of goods sold	(2,668,493)	(2,262,166)	(1,393,374)
Gross profit	1,216,636	1,029,856	520,625
Operating income (expenses), net			
General and administrative expenses	(426,825)	(356,873)	(174,842)
Selling expenses	(358,030)	(328,154)	(167,680)
Depreciation and amortization	(65,340)	(42,403)	(14,564)
Equity in the results of associated companies		(7,018)	6,271
Financial income (expenses), net	(293,105)	(138,614)	(51,353)
	(1,143,300)	(873,062)	(402,168)
Operating income	73,336	156,794	118,457
Non-operating income (expenses), net	1,769	(106)	653
Income before income taxes and social contribution	75,105	156,688	119,110
Social contribution on net income	(3,921)	(6,765)	(10,324)
Income taxes	(20,444)	(34,965)	(28,627)
	(24,365)	(41,730)	(38,951)
Combined income before minority interest	50,740	114,958	80,159
Minority interest	87		
Combined net income	50,827	114,958	80,159

The accompanying explantory notes are an integral part of the combined financial statements.

GRUPO JBS

COMBINED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED ON DECEMBER 31, 2005, 2004 AND 2003
(In thousands of *reais*)

	Share Capital	Revaluation Reserve	Retained Earnings	Total
BALANCE AS OF DECEMBER 31, 2002	15,252	50,478	163,182	228,912
Increase in share capital	1,000		(1,000)	
Constitution of revaluation reserve, net of income tax effects		240,924		240,924
Realization of revaluation reserve, net of income tax effects		(2,867)	2,867	
Combined net income			80,159	80,159
BALANCE AS OF DECEMBER 31, 2003	16,252	288,535	245,208	549,995
Increase in share capital	3,000		(3,000)	
Constitution of revaluation reserve, net of income tax effects		87,309		87,309
Realization of revaluation reserve, net of income tax effects		(10,319)	10,319	
Combined net income			114,958	114,958
Distribution of income - interest attributable to shareholders' equity			(21,751)	(21,751)
BALANCE AS OF DECEMBER 31, 2004	19,252	365,525	345,734	730,511
Constitution of revaluation reserve, net of income tax effects		14,773		14,773
Realization of revaluation reserve, net of income tax effects		(10,911)	10,911	
Combined net income			50,827	50,827
Distribution of income				
Distribution of retained earnings			(3,086)	(3,086)
Interest attributable to shareholders' equity			(31,745)	(31,745)
BALANCE AS OF DECEMBER 31, 2005	19,252	369,387	372,641	761,280

The accompanying explantory notes are an integral part of the combined financial

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITON
FOR THE YEARS ENDED ON DECEMBER 31, 2005, 2004 AND 2003
(In thousands of *reais*)

	2005	**2004**	**2003**
SOURCE OF FUNDS			
From operations			
Combined net income	50,827	114,958	80,159
Items that do not affect working capital			
Depreciation and amortization	65,340	42,403	14,564
Write-off of fixed assets	8,022	5,042	992
Equity in the results associated companies		7,018	(6,271)
Effects of consolidation	15,427		
Minority interest	(7,201)		
Effect of exchange rate variation on subsidiary abroad	11,672		
	144,087	169,421	89,444
From third parties			
Decrease in long-term assets		2,960	4,458
Increase in long-term liabilities	324,541	78,805	132,395
	324,541	81,765	136,853
TOTAL SOURCE OF FUNDS	468,628	251,186	226,297
APPLICATION OF FUNDS			
Increase in long-term assets	2,380		
Increase in investments	268,023		10
Acquisition of fixed assets	162,623	209,608	90,053
Increase in deferred charges		9,676	
Distribution of retained earnings	3,086		
Interest attributable to shareholders' equity	31,745	21,751	
TOTAL APPLICATIONS	467,857	241,035	90,063
NET INCREASE IN WORKING CAPITAL	771	10,151	136,234
VARIATION OF WORKING CAPITAL			
CURRENT ASSETS			
At the beginning of the year	1,331,912	958,425	765,327
At the end of the year	1,786,494	1,331,912	958,425
	454,582	373,487	193,098
CURRENT LIABILITIES			
At the beginning of the year	1,026,726	663,390	606,526
At the end of the year	1,480,537	1,026,726	663,390
	453,811	363,336	56,864
NET INCREASE IN WORKING CAPITAL	771	10,151	136,234

The accompanying explantory notes are an integral part of the combined financial statements.

GRUPO JBS

COMBINED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED ON DECEMBER 31, 2005, 2004 AND 2003
(In thousands of *reais*)

	2005	2004	2003
Cash flows from operating activities			
Combined net income	50,827	114,958	80,159
Items that do not affect cash:			
Depreciation and amortization	65,340	42,403	14,564
Financial expense (income), net on long-term obligations	173,044	36,111	(918)
Equity in the results associated companies		7,018	(6,271)
Effect of consolidation	7,538		
Effect of exchange rate variation on subsidiary abroad	11,672		
	308,421	200,490	87,534
Variations in operating assets and liabilities			
(Increase) decrease in the trade accounts receivable from customers	148,891	(210,493)	(75,658)
(Increase) in the inventories	(177,842)	(108,959)	(52,750)
(Increase) decrease in taxes recoverable	(129,564)	14,063	(26,152)
(Increase) in other short-term assets and long-term assets	(12,403)	(92,119)	(42,882)
Increase in trade accounts payable to suppliers	44,562	43,121	26,718
Increase in accounts payable to sellers of slaughterhouses	57,503	19,243	6,989
Increase (decrease) in other short-term liabilities and long-term liabilities	69,933	52,826	(19,485)
Increase (decrease) in deferred income taxes	(5,622)	(59,454)	33,622
(Decrease) in minority interest participation	(7,201)		
Net cash provided by (used in) operating activities	296,678	(141,282)	(62,064)
Cash flow from (used in) investing activities			
(Increase) in investments	(268,023)		
(Increase) in fixed assets	(162,623)	(219,284)	(90,063)
Increase in disposals of fixed assets	8,022	5,042	992
Cash used in investing activities	(422,624)	(214,242)	(89,071)
Cash flow provided by (used in) financing activities			
Loans and financings	2,239,727	1,831,388	142,333
Payments of loans and financings	(1,931,515)	(1,481,094)	
Interest attributable to shareholders' equity	(31,745)	(21,751)	
Distribution of retained earnings	(3,086)		
Cash provided by the financing activities	273,381	328,543	142,333
Net increase (decrease) in cash during the year	147,435	(26,981)	(8,802)
Cash, cash equivalents and marketable securities at the beginning of year	232,628	259,609	268,411
Cash, cash equivalents and marketable securities at the year ended	380,063	232,628	259,609

The accompanying explantory notes are an integral part of the combined financial statements.

GRUPO JBS

COMBINED STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED ON DECEMBER 31, 2005, 2004 and 2003
(In thousands of *reais*)

	2005	**2004**	**2003**
Revenue			
Gross sales revenue	4,288,336	3,740,101	2,181,138
Gain on fair market value of cattle	10,622	3,004	2,641
Returns and discounts	(90,354)	(68,741)	(66,624)
Provision for doubtful accounts	1,105	(2,488)	
Net sales revenue	4,209,709	3,671,876	2,117,155
Raw-materials and services acquired:			
Cost of cattle	(3,054)	(2,546)	(1,649)
Raw-materials consumed	(2,600,097)	(2,560,697)	(1,609,926)
Materials, electricity and others	(510,650)	(259,156)	(101,342)
	(3,113,801)	(2,822,399)	(1,712,917)
Gross added value	1,095,908	849,477	404,238
Retention:			
Write-off of fixed assets disposals	(2,470)		
Depreciation and amortization	(81,761)	(42,403)	(14,564)
Net amount generated by Grupo JBS	1,011,677	807,074	389,674
Added value received via transfer:			
Equity in associated company		(7,018)	6,271
Financial income derived from marketable securities	350,141	257,364	103,072
	350,141	250,346	109,343
Amount of added value to distribute	1,361,818	1,057,420	499,017
Distribution of added value			
Personnel:			
Salary	203,814	136,433	62,761
Profit sharing of employee and management participation	1,014	864	528
Fringe benefits	13,595	15,017	6,285
Social security charges	57,107	71,961	32,065
	275,530	224,275	101,639
Government:			
Taxes	234,837	220,276	168,576
Contributions	206,813	205,145	74,568
	441,650	425,421	243,144
Financing:			
Financial expense	643,246	395,978	154,425
Stockholders:			
Interest attributable to shareholders' equity	31,745	21,751	
Distribution of retained earnings	3,086		
Net loss of Agropecuária Friboi Ltda.	(33,439)	(10,005)	(191)
	1,392	11,746	(191)
Total amount distributed	1,361,818	1,057,420	499,017

The accompanying explantory notes are an integral part of the combined financial statements.

Grupo JBS

Notes to the Combined Financial Statements for the Years Ended December 31, 2005, 2004 and 2003 (In thousands of *reais*)

1. Grupo JBS's Operating Activities

The combined financial statements of Grupo JBS have been prepared to meet the common objective of the shareholders of the companies that form part of Grupo JBS. Accordingly Grupo JBS's combined financial statements include financial information for Friboi Ltda., Agropecuária Friboi Ltda., JBS S.A. and through JBS S.A., Swift-Armour Sociedad Anónima Argentina (for the four months ended December 31, 2005), as well as of BF Produtos Alimentícios Ltda., a subsidiary of Friboi Ltda. that was accounted for based on the equity method in 2004 and fully consolidated in 2005.

Friboi Ltda.

Friboi Ltda. is a limited liability company that operates in the following business segments.

a) Food Segment

Cold Storage Plants:

Slaughterhouse and cold storage business operations for the production of beef, canned goods, fat, animal ration and by-products, with manufacturing units located as follows:

State	City
São Paulo	Andradina, Presidente Epitácio and Barretos
Goiás	Goiânia
Mato Grosso	Barra do Garças, Araputanga, Cáceres and Pedra Pedra
Mato Grosso do Sul	Campo Grande
Rondônia	Cacoal, Vilhena, Pimenta Bueno and Porto Velho
Minas Gerais	Iturama
Acre	Rio Branco

Processing Plants:

Beef and its derivatives are processed in plants located in Barretos/SP and Três Rios/RJ. Manufacturing of processed canned vegetables is carried out in the unit located in Uberlândia/MG. In addition, plants located in Presidente Epitácio/SP, Andradina/SP and Araputanga/MT also produce processed meat.

Distribution Centers

Grupo JBS's distribution centers are located in São Paulo/SP and Contagem/MG.

b) Personal and Home Care Segment

1) The personal and home care products segment manufactures and sells bars of soap, toilet cleaners, detergents, disinfectants, softeners, pharmaceutical glycerin and coconut soap. The manufacturing plant of the personal and care products segment is located in Luziânia/GO;

2) Grupo JBS expanded its product offerings of hygiene and cleaning products, launching new lines of home care products, including a multi-functional degreaser and stain remover and personal care items (shampoos, conditioners, deodorants, liquid soap, etc). These products are being produced by unrelated third parties.

c) Transportation Segment

In order to minimize transportation costs, Grupo JBS handles its own transportation of cattle to its slaughterhouses and of its products for export.

Agropecuária Friboi Ltda.

Agropecuária Friboi Ltda. is a limited liability company and, as restructured as of December 1, 2005, conducts the following activities:

a) Operating Activities in Brazil

(i) The company dedicates itself primarily to farming and cattle raising, including the purchase, sale, raising, procreation, fattening and confinement of cattle, planting of grains and related activities.

The company's farms are located in the municipalities of Posse, Iaciara and Luziânia in the State of Goiás, with a combined total of approximately 26,000 hectares of pasture dedicated to cattle procreation and fattening. During 2005, the company acquired the Barra de Tietê farm located in Castilho/SP, with total area of approximately 4,374 hectares.

The cattle herd of Agropecuária Friboi has been growing steadily, and the company maintained in its pastures an average breeding stock of 41,550 at December 31, 2005 (39,390 and 35,786 at December 31, 2004 and 2003, respectively) heads of cattle to be slaughtered at one of Friboi Ltda.'s slaughterhouses.

(ii) On December 1, 2005, Agropecuária Friboi Ltda. transferred substantially all of its fixed manufacturing assets to JBS S.A., which as a result became a subsidiary of Agropecuária Friboi Ltda. After the transfer, Friboi Ltda. continued to rent and operate these assets.

JBS S.A, indirectly owns (since September 2005) Swift-Armour Sociedad Anónima Argentina.

b) Operating Activities in Argentina

Swift-Armour Sociedad Anónima Argentina, an indirect wholly-owned subsidiary of JBS S.A. that operates slaughterhouse and cold storage facilities for the production of beef, canned goods, fat, animal food and by-products, with manufacturing units located in the Cities of Villa Gobernador Galvez (Rosario) and San José, Argentina.

2. Presentation of Financial Statements

The combined financial statements have been prepared by adding the balances presented in the individual consolidated financial statements of Agropecuária Friboi Ltda. and Friboi Ltda., which were prepared in accordance with generally accepted accounting principles in Brazil.

In relation to JBS S.A.'s investment in Swift-Armour Sociedad Anónima Argentina we have compared generally accepted accounting principles in Argentina with corresponding principles in Brazil applied by the Company, and we have noted that there were no material differences in 2005.

The balance sheet and the statements of operations o Swift-Armour has been translated from pesos to reais based on an exchange rate of R$0.773785 = P$1.00 (Peso Argentino), in December 31, 2005.

3. Significant accounting policies

The significant accounting policies adopted by Grupo JBS in preparing these combined financial statements are included below:

a) Accounting estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles in Brazil requires management to (1) make estimates and assumptions that affect the reported amounts of assets and liabilities and (2) disclose (A) contingent assets and liabilities as of the date of the consolidated financial statements and (B) the reported amounts of revenue and expenses during the reporting period or year. Actual results could differ from those estimates.

b) Swap Receivables or Payables

The market value of derivative instruments is computed daily, and the resulting receivables or payables are recorded based on their fair market value.

c) Provision for Doubtful Accounts

Provision for doubtful accounts is computed based on the probable loss, the profile of the client, overall economic and financial conditions and risks that are specific to the client. Management believes that the provision for doubtful accounts is sufficient to cover eventual losses.

d) Inventories

Friboi Ltda.

Finished product work-in-process inventories, in particular fresh and chilled beef products were valued substantially by tax criteria, which uses 70% of the highest sales price during the year or period to value finished product inventories and 80% of the value of finished product inventories to value work-in-process products.

Swift-Armour Sociedad Anónima Argentina

The finished products and work-in-process inventories of Swift-Armour Sociedad Anónima Argentina were valued based on average acquisition or production cost, not exceeding fair market value.

Agropecuária Friboi Ltda.

Cattle inventories have been recorded at the per pound market price as of the balance sheet dates, based on quotations disclosed by the National Federation of Producers-FNP. Agropecuária Friboi Ltda. recorded increases in the fair market value of cattle inventories as income.

All of the Companies in Grupo JBS

All other raw materials and warehouse materials, as well as the inventories of the personal and home care products segment are valued based on the average acquisition or production cost, not exceeding fair market value.

e) Other Short-Term and Long-Term Assets

Assets are stated at cost or fair market value, and liabilities are stated at their known or computable amounts, including, if applicable, the related income, charges and monetary variations.

f) Permanent Assets

Investments

Significant holdings in associated and affiliated companies are valued pursuant the equity method of accounting (Note 11).

Property, Plant and Equipment

Property, plant and equipment are stated at historical acquisition cost, after giving effect to revaluations of fixed assets that occurred on December 31, 2004 and 2003 based on independent appraisal reports. Depreciation is computed based on the straight-line method, at rates mentioned in Note 12, and takes into account the useful and economic life of assets, estimated based on appraisal reports.

Revaluation reserve is offset by depreciation and the write-off of assets against retained earnings, net of income tax effects.

g) Short-Term and Long-Term Liabilities

The outstanding balance of loans and financings are revised recorded on monetary and foreign exchange rate variations. Monetary and foreign exchange rate variations and interest are recorded as financial income (exchange), net.

h) Income Tax and Social Contribution on Net Income

Current Taxes

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

Deferred Income Taxes

Friboi Ltda. and Agropecuária Friboi Ltda. recorded deferred income taxes and social contribution on the amount of the revaluation reserve.

Swift-Armour Sociedad Anónima Argentina recorded income tax credits in the form of tax loss carry forwards and other temporary differences.

i) Supplemental information

Grupo JBS has presented consolidated statements of cash flows as supplemental information to facilitate the analysis of these combined financial statements.

4. Combined Financial Statements

Grupo JBS includes: Friboi Ltda. and its wholly-owned subsidiary BF Produtos Alimenticios Ltda (since January 1, 2005, as prior to that date Friboi Ltda. owned 49% of its total share capital); Agropecuária Friboi Ltda. and its direct and indirect wholly-owned subsidiaries JBS S.A and Swift-Armour Sociedad Anónima Argentina (since September 1, 2005).

All asset and liability account balances between the companies in Grupo JBS were eliminated, as well as the revenue and expenses generated between them.

The following table presents information for Swift-Armour Sociedad Anónima Argentina for the four months ended December 31, 2005, the financial statements of which have been audited by other independent auditors.

Balance Sheet Data

As of December 31, 2005

Assets		Liabilities and Shareholder's equity	
Short-term assets		Short-term liabilities	
Cash, cash equivalents		Loans and financings	74,531
and marketable securities	11,814		
Trade accounts receivable	52,328	Trade accounts payable	33,537
Inventories	51,892	Income and other taxes	9,203
Taxes recoverable	12,886	Other short-term liabilities	1,730
Other short-term assets	2,843		119,001
	131,763		
Other non-current assets	14,385	Short-term liabilities	6,595
		Liabilities and shareholder's equity	
Fixed assets	230,495	Capital stock	240,096
		Retained earnings	10,951
			251,047
Total assets	376,643	Total liabilities and shareholder's equity	376,643

Statement of Operations Data	
Four months ended December 31, 2005	
Net sales revenue	173,633
Cost of goods sold	(159,549)
Gross profit	14084
Selling expenses	(13,063)
General and administrative expenses	(3,352)
Other operating income (expenses), net	(734)
Financial income (expenses), net	(1,973)
Loss before income taxes	(5,038)
Deferred income tax assets-credit	707
Net loss	(4,331)

5. Marketable Securities

	2005	2004	2003
Certificate of bank deposits-CDB	202,539	124,247	187,809
Certificates of deposits-CD	32,130	67,256	45,408
Investment fund	22		
	234,691	191,503	233,217

Certificates of bank deposits are fixed income securities that provide a yield of approximately 100% of the Brazilian interbank rate, and certificates of deposit-CD provide a yield equal to exchange rate variation plus a spread of 3.50% per year.

6. Trade Accounts Receivable from Customers

	2005	2004	2003
Trade notes not yet due	398,166	486,831	265,258
Trade notes already due:			
From 0 to 30 days	8,571	6,995	15,697
From 31 to 60 days	3,426	664	2,005
From 61 to 90 days	1,200	241	1,561
More than 90 days	4,732	5,264	2,493
Provision for doubtful accounts	(3,247)	(2,488)	
	14,682	10,676	21,756
	412,848	497,507	287,014

7. Inventories

	2005	2004	2003
Cold Storage Segment-Friboi Ltda.:			
Finished products (fresh meat and canned meat)	408,271	228,288	162,639
Work-in-process	1,015		
	409,286	228,288	162,639
Cold storage segment - Swift-Armour Sociedad Anónima Argentina			
Finished products	33,128		
Work-in-process	6,182		
Allowance for losses	(427)		
	38,883		
Other Inventories of Cold Storage Segment:			
Catlle	19,591	19,317	17,814
Raw materials	27,673	14,267	1,531
Warehouse spare parts	30,222	36,979	11,581
	77,486	70,563	30,926
Hygiene and Cleaning Products Segment - Friboi Ltda.			
Finished products	17,642	5,565	9,741
Work-in-process	412	674	332
Raw- materials	16,443	15,287	7,951
Warehouse spare parts	1,872	527	356
	36,369	22,053	18,380
	562,024	320,904	211,945

8. Recoverable Taxes

	2005	2004	2003
ICMS- added value tax on circulation of goods	155,602	82,336	35,126
IPI- Excise manufacturing tax	466		
IPI- Premium export credits	58,742		68,121
Income taxes	4,599	10,590	8,076
IVA- Argentine value added taxes	12,887		
Social contribuition tax on net profit	4	1,419	
PIS- social integration program	21,615	1,346	3,989
COFINS -Social contribution program	61,434	5,558	
	315,349	101,249	115,312

9. Accounts Receivable from Related Party

	2005	2004	2003
BF Produtos Alimentícios Ltda.	–	124,385	22,543

10. Prepaid Expenses

Prepaid expenses primarily consist of prepaid advertising expenses incurred in November 2005 in connection with an extensive advertising campaign that will extend through 2006 to promote brand recognition and sales of Minuano and Albany products of the Company's Cleaning and Hygiene Products segment, as well as launch a new line of domestic cleaning products and personal care items.

11. Investments in Related Parties

The following investments are recorded based on the equity method of accounting:

	Flora Ind. Com. E Mineração Ltda			BF Produtos Alimentícios Ltda.		
	2005	2004	2003	2005	2004	2003
Total quotas outstanding	330,000	330,000	330,000	_	10,000	10,000
Number of quotas held by Friboi Ltda.	270,000	270,000	270,000	_	5,000	5,000
Shareholders' equity at December 31	2,858	2,858	2,858	_	14,533	28,568
Percentage equity interest	81.81%	81.81%	81.81%	_	50.00%	50.00%
Net income (loss)	_	_	_	_	(14,037)	12,544
Gain (loss) under equity method	_	_	_	_	(7,018)	6,271
Book value	2,338	2,338	2,338	_	7,266	14,284

The business activities of Flora Indústria, Comércio e Mineração Ltda. have been discontinued, and BF Produtos Alimentícios Ltda. transferred to Friboi Ltda. in August 2004 (1) its slaughterhouses and beef processing facilities located in Presidente Epitácio and Barretos, São Paulo, (2) its beef processing facilities located in Três Rios, Rio de Janeiro and (3) its vegetable processing facilities located in Uberlândia, Minas Gerais.

12. Property, plant and equipment

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net 2005	Net 2004	Net 2003
Buildings	2.22%	344,759	151,868	(88,640)	407,987	243,527	174,473
Undeveloped land and		76,764	79,571	0	156,335	96,958	48,346
Machinery & equipment	5.56%	535,362	71,942	(288,623)	318,681	189,116	120,389
Installations	7.30%	54,088	21,201	(6,181)	69,108	61,676	23,126
Computer equipment	20.80%	8,052	(78)	(2,422)	5,552	5,592	2,596
Furniture and fixtures	5.92%	7,698	436	(1,372)	6,762	33,197	16,529
Vehicles and airplanes	25.47%	59,650		(20,527)	39,123		
Software and licenses	11.93%	2,571	2,367	(1,365)	3,573		
Trademarks and patents		28,635	122,465		151,100	128,942	128,638
Pasture		6,680	17,797	(4,120)	20,357	16,759	18,524
Construction in progress		71,910			71,910	66,094	36,344
Others	10.0%	9,282	1,809	(4,650)	6,441	12,363	5,590
		1,205,451	469,378	(417,900)	1,256,929	854,224	574,555

On November 30, 2005 and December 31, 2004 and 2003, Agropecuária Friboi supported by appraisal reports from ‘SETAPE - Serviços Técnicos de Avaliações do Patrimônio e Engenharia S/C Ltda.’ (tangible assets appraisal company), and ‘Brands & Values Avaliações de Marca S/C Ltda.’ (trademark appraisal company), revalued their fixed assets and trademarks.

The amount of R$22,331 (R$116,894 in 2004 and R$281,868 in 2003), corresponding to the increase in value of these assets as a result of the revaluation. R$14,773 of this total amount (R$87,309 in 2004 and R$240,924 in 2003) was added to the fixed asset balances in the revaluation reserve and the remaining R$7,558 (R$29,585 in 2004 and R$40,944 in 2003) was added to the accrual for deferred income taxes and social contribution on net profit.

Another revaluation of fixed assets is scheduled to occur by the end of fiscal year 2007.

The revalued amount and new useful lives determined based on the appraisal are used to compute the related depreciation rates indicated in the table above.

On December 1, 2005, Agropecuária Friboi Ltda. contributed R$547.805, including trademarks, to the share capital of JBS S.A.

The plants located in the Cities of Planaltina and Anápolis, in the State of Goiás, for an aggregate annual amount of R$2,004, R$2,573 and R$2,290, and R$9,217, R$10,137 and R$10,945, respectively, are not being used as of the date hereof.

13. Loans and financing

Types	Average interest and commission rates	2005	2004	2003
Financing for acquistion of				
Fixes assets				
FINIMP-Import financing agency	Exchange rate variation + 5.0%	19,698	12,513	6,490
FINAME/FINEN-Enterprise Financing	Interes of long-term financing TJLP + 5.0%	264,385	55,513	22,841
FCO Fund for Financing in the Central West	Fixed interest rate of 10.75%	4,987	6,069	5,547
Industrial Credit Certificate	Saving index + 7.20%	13,245	14,109	15,196
CDC-Direct Credit to the Consumer	Fixed interest rate of 22%	2,282	3,450	
		304,597	91,654	50,074
Loans for working capital purposes				
Exchange advance contracts - ACC	Exchange rate variation + 3.75%	289,363	413,577	287,304
EXIM - BNDES export credit facility	Interes of long-term financing TJLP + 6.13%	310,282	74,622	160,318
Working capital	Certificate of interbank deposits + 3.0%	37,283	64,511	62,158
Export prepayment	Exchange rate variation + 5.10%	307,420	314,507	1,349
Working capital (Resolution 63)	Exchange rate variation + 0.5%	77,562	111,254	
COMPROR	Certificate of interbank deposits + 2.0%	334,944	52,646	
Advances	Exchange rate variation		15,757	
Working capital	Referred interest rate + 3.9%	74,530		
Commercial Credit Unit	Referred interest rate + 14.77%			190,920
		1,431,384	1,046,874	702,049
Total Loans and Financings		1,735,981	1,138,528	752,123
Short- and long-term:				
Short-term liabilities		1,038,397	787,192	538,292
Long-term lilabilities		697,584	351,336	213,831
		1,735,981	1,138,528	752,123

Long-term installments have the following maturities

	2005	2004	2003
2005			103,919
2006		184,578	62,781
2007	356,181	135,110	31,423
2008	202,260	20,675	15,708
2009	79,791	10,973	
2010	53,867		
2011	5,485		
	697,584	351,336	213,831

Exchange Contract Advances (ACCs) are credits funded by financial institutions through Friboi Ltda. and represented US$123,622 thousand (US$155,808 thousand in 2004 and US$99,440 thousand in 2003) of Friboi Ltda.'s total outstanding debt and are used to finance export sales.

Export pre-payment loans correspond to US$131,336 (US$118,485 in 2004), which has been funded by financial institutions.

The financing provided by BNDES, as well as the-ACC's, are secured by fixed assets and export contract receivables, respectively.

14. Trade Accounts Payable to Suppliers

	2005	2004	2003
Raw materials	85,888	72,955	56,507
Materials and services	114,159	47,826	25,676
Finished products	11,278	9,522	4,999
	211,325	130,303	87,182

15. Payroll and Taxes Payable

	2005	2004	2003
Payroll and related charges	20,912	16,355	6,486
Accrual for labor liabilities	25,725	17,293	6,350
COFINS taxes payable			4,816
Direct and indirect taxes - Argentina	970		
ICMS taxes payable (FOMENTAR program)	1,542	3,508	
ICMS taxes payable	2,148	8,610	
Income taxes payable – IRPJ	3,446	98	566
Social contribution on net income – CSLL	725	42	205
Others taxes	4,281	743	1,016
	59,749	46,649	19,439

16. Accounts Payable to Sellers of Slaughterhouses

Beneficiary	2005	2004	2003
Sadia S. A. - Financiamento Andradina	4,063	5,962	7,342
Companhia Industrial Rio Paraná (Frigorífico de Campo Grande-MS)	3,271	7,001	10,799
Betemac - Indústria e Com. de Carnes Ltda (Frigoríficos de Cáceres-MT e Iturama-MG	1,565	1,565	2,565
Frigorífico Novo Estado Ltda		4,191	
Frigorífico Santa Elvira Ltda	3,500	3,500	
Jesus Pereira de Andrade (Imóvel em Santana de Parnaíba-SP)	3,400	5,400	
Euclides Aranha Neto (Fazenda São Bernardo)		482	1,287
Lunsville International Inc.	70,221		
	86,020	28,101	21,993
Short- and long-term			
Short-term liabilities	84,325	15,118	9,764
Long-term liabilites	1,695	12,983	12,229
	86,020	28,101	21,993

Agropecuária Friboi Ltda. has acquired directly or through its subsidiary the following slaughterhouses, which will be paid as follows:

In 2001, it acquired an industrial plant located in Andradina in the State of São Paulo from Sadia S.A. for an aggregate amount of R$10,000, payable in 24 successive equal quarterly installments ending [DATE]. This debt bears interest based on the TJLP-interest rate plus a spread of 3.5% per annum.

In 2003, it acquired an industrial plant located in Campo Grande in the State of Mato Grosso do Sul from Companhia Industrial Rio Paraná for an aggregate amount of R$20,435. In addition, it acquired two industrial plants located in Cáceres in the State of Mato Grosso and Iturama in the State of Minas Gerais, from Betemac – Indústria e Comércio de Carnes Ltda. for an aggregate amount of R$2,565 to be paid in two installments of R$1,000 in 2004 and a final installment of R$1,565 in 2005.

In 2004, it acquired three industrial plants located in Porto Velho and Vilhena in the State of Rondônia and Carapicuíba in the State of São Paulo from Frigorífico Novo Estado Ltda. for an aggregate amount of R$21,425, which was fully paid in 2005. In addition, it acquired an industrial plant located in Cacoal in the State of Rondônia from Frigorífico Santa Elvira Ltda. for an aggregate amount of R$21,086.

17. Shareholder's Equity

The capital of the companies that comprise Grupo JBS is included in the table below, represented by the number of quotas, each with a par value of R$1.00.

	Value of Quotas (in *reais*)	**Number of Quotas**
Agropecuária Friboi Ltda.	11,752,272	11,752,272
Friboi Ltda.	7,500,000	7,500,000

Revaluation Reserve

Revaluation reserve reflects the revaluations effected by the companies in Grupo JBS as of December 31, 2005, 2004 and 2003, net of tax effects that are progressively offset against retained earnings to the same extent that the increase in value of the revalued property is realized through depreciation, disposal or retirement.

Dividends – The by-laws of the companies in Grupo JBS are silent as to dividend payments.

18. Financial Income (Expense), Net

	2005	2004	2003
Financial Expenses			
Monetary variation	130,888	214,380	27,100
Interest	158,870	147,553	110,596
Discounts	57,610	2,982	747
Bad debt write-offs	663	4,169	
Taxes on financial transactions-CPMF	19,854	17,145	10,132
Interest on derivatives	265,566		
Bank service charges and other expenses	9,795	9,749	5,850
	643,246	395,978	154,425
Financial Income			
Monetary variation	112,029	212,261	33,106
Interest	48,813	36,722	65,546
Interest on derivatives	185,301		
Discounts	3,998	8,381	4,420
	350,141	257,364	103,072
	293,105	138,614	51,353

19. Contingencies

a) The Company is involved in a assessment by Union tax-INSS in the amount of R$69.194, which alleges that the Company have not withheld and paid the Funrural tax from the individuals that has sold cattle to the Company. The INSS fiscal authority based on the judicial decision has accepted and suspended the mandatory withheld of Funrural tax and the related payment. The related judicial issue that discusses the constitutionality of Funrural tax has obtained a laminar confirming the Sentence of First level and that this Funrural tax is unconstitutional. Further, the Union tax-INSS has not make its defense on time and the judicial action and the obligation was maintained suspense. In relation to the same Funrural tax there is a decision declaring it is unconstitutional. Finally, the Company's lawyer expects to win this issue.

b) There is a judicial demand of R$ 36.000 against the Company from an individual who has sold the manufacturing plant of Araputanga located at State of Mato Grosso. He alleges that the sale is invalid, as he has not obtained previously the authorization of SUDAM. However, the Tribune of Justice of State of Mato Grosso has recognized that this obligation was his responsibility and therefore has declared that the mentioned sale was valid Following this judicial decision the Company has went into SUDAM and obtained the authorization and has recorded the referred purchase in the Public Notary entity.Based on the judicial success obtained by the Company its lawyers firm believes that they will issue the issue against the individual seller and based on the law they may require an indemnity of over R$ 50,000. The both amounts of contingent liabilities and assets are not accrued by the Company as of March 31, 2006.

c) In accordance with the existing Brazilian law and regulations, there is a five-year statute of limitations applicable to federal taxes and contributions. Therefore, during this five-year period, the tax records related to federal taxes and contributions are subject to tax audits.

20. Insurance Coverage

Grupo JBS has a policy of maintaining insurance coverage on its fixed assets and inventory that are subject to risks, in amounts that management of Grupo JBS deemed sufficient to cover potential losses, in light of the nature of its activities and advice from insurance consultants.

21. Risk Management and Derivative Instruments

Grupo JBS's operations are exposed to market risks primarily related to exchange rates, the credit worthiness of its customer's interest rates and cattle prices. These types of risks are monitored by its treasury area, which manages these risks through a system of statistical computation of the Value at Risk (VAR) and its technical committee. This committee is composed of board members and by Grupo JBS's financial executives, who have monitored the risks, limits on financial positions and overall level of exposure.

a) Exchange Rate and Interest Rate Risks

The exchange rate and interest rate risks related to financings and loans, marketable securities and accounts receivable from clients denominated in foreign currencies are hedged on a transaction by transaction basis through derivative instruments, such as swap contracts (dollar to CDI or LIBOR to fixed interest rates or vice-versa) and futures contracts traded on the BM&F and forward contracts.

The notional value of the contracts is only accounted for in memorandum accounts.

The results of over-the-counter trades in the futures market and daily adjustments of currency future contracts are made, realized and liquidated, on the BM&F, and, as of December 31, 2005, are accounted for as "Amounts receivable from or payable on future contracts."

The results of over-the-counter trades contracted with a future maturity date are recorded on the balance sheet.

b) Credit Risk

Grupo JBS is exposed to credit risks in respect of amounts receivable from customers, which is partially mitigated through diversification of the credit profile of its customer portfolio. Grupo JBS does not have a client that represents more than 10% of its combined net sales revenue, and its clients generally have good financial and operating indicators.

c) Purchase Price of Cattle

The food segment of Grupo JBS is exposed to volatility with respect to the price of cattle, caused by climate factors, supply, transportation costs and agricultural policies. Grupo JBS under its inventory policy maintains individual physical control of its livestock, which includes anticipated purchases combined with operations on the futures market.

d) Estimated Fair Market Value

The assets and liabilities of Grupo JBS are presented in the combined financial statements of Grupo JBS based on their respective acquisition cost, and the related classification of revenue and expenses in the income statement is accounted for based on their expected fair market or liquidation value.

The market value of derivative instruments as of December 31, 2005 was estimated based on quoted prices of equivalent contracts, and they approximate the accounting values on that date.

22 Subsequent Event- Euro Bond Issuance

On January 26 and February 8, 2006, JBS S.A. issued euro bonds in aggregate principal amounts of US$200 million and US$75 million, respectively, both of which mature in February 2011 and bear interest at 9.375% per annum, payable quarterly in arrears.

APPENDIX A

SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

The financial statements prepared in accordance with Brazilian GAAP are based on the Brazilian Corporation Law (Law No. 6,404/76, as amended), the accounting standards issued by the CFC – *Conselho Federal de Contabilidade*) (Federal Accounting Council), and IBRACON. A summary of the Issuer's principal current accounting policies that differ significantly from U.S. GAAP is described below. The effects of these differences on the Issuer's financial statements have not been quantified.

Consolidation and Proportional Consolidation

Under Brazilian GAAP, financial statements should consolidate the following entities: (a) entities in which the company has voting rights that provide it with the ability to have the majority on social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by stockholders' agreements irrespective of the participation in voting stock joint ventures (including investees in which the company exerts significant influence through its participation in a stockholders' agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. Non-public companies may choose to present unconsolidated financial statements under the equity method, irrespective of their interest ownership percentage. The financial statements of the Issuer included herein are presented on a fully consolidated basis for all majority owned investments.

Under U.S. GAAP, the usual condition for consolidation is the ownership of a majority voting interest. Therefore, as a general rule, the condition for consolidation is the ownership by one company, directly or indirectly, of over 50.0% of the outstanding voting shares of another company. Joint ventures are usually accounted for following the equity method of accounting. Proportional consolidation generally is not allowed under U.S. GAAP.

In January 2003, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation, or FIN, No. 46, "Consolidation of Variable Interest Entities—An Interpretation of APB No. 51." FIN No. 46 requires consolidation of "variable interest entities." Variable interest entities are entities with the following characteristics: (a) the equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; and (b) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: (i) the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights; (ii) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities; or (iii) the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses.

Under Brazilian GAAP, a majority shareholder normally recognizes a provision for the unsecured liabilities (negative working capital) of its investee. Under U.S. GAAP, a provision for unsecured liabilities is only recognized if a majority shareholder has a formal agreement with the investee's creditors.

Equity Method of Accounting

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost, which is thereafter periodically adjusted to recognize the investor's share of the investee's earnings, losses and dividend payments after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments (on its stand-alone financial statements) in its subsidiaries (companies that are controlled by the parent company) and its affiliates (companies in which the parent company owns at least 10.0% of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20.0% or more of the capital, if the aggregate book value of all such investments is equal to or greater than 15.0% of the net worth of the parent company or if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10.0% of the net worth of the parent company.

Under U.S. GAAP, the equity method of accounting is applicable only to those investments in which the parent company has the ability to exercise significant influence which is presumed to be a participation through common voting shares greater than 20.0% but less than 50.0% of the share capital of the subsidiary or affiliate and where the parent company does not have control.

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian GAAP, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed ten years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses or otherwise is normally only realized upon disposal of the investment.

Under U.S. GAAP, until June 2001 in accordance with Accounting Principles Board Opinion No. 16, or APB No. 16, "Business Combinations," business combinations were accounted for as either purchases or pooling of interests. However, these two methods were not alternatives for the same transaction and distinctive conditions had to be met to require pooling of interests. The FASB issued SFAS No. 141, "Business Combinations," which amends APB No. 16 and which requires, among other things, that all business combinations, except those involving entities under common control, be accounted for by a single method—the purchase method.

Purchase Accounting

For APB No. 16 and SFAS No. 141, under the purchase method the acquiring company records identifiable assets and liabilities acquired based on their fair values. If the purchase price exceeds the amount of such fair value, the excess is recorded as goodwill in the books of the acquiring company. Under SFAS No. 141, more detailed guidelines have been provided as to the recognition of "intangible assets." Also, under SFAS No. 141 and SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and other intangible assets with indefinite lives are no longer amortized. Under SFAS No. 142, the amount of goodwill will be evaluated for impairment annually, and in the case of impairment, its recorded value will be adjusted accordingly. The purchase price includes direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value. When securities traded in the market are issued as part of the purchase price by the acquiring entity, the market price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced should be considered in the determining purchase price.

Under the previous APB No. 16, excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, reduced non-current assets to zero, and any remaining unallocated balance was considered a deferred credit and amortized over the estimated period of benefit, not to exceed forty years. Under SFAS No. 141, any unallocated negative goodwill is recognized as an extraordinary gain in the statement of operations.

Cash and Cash Equivalents

Under Brazilian GAAP, Cash equivalents are defined in the NPC-20 by IBRACON. Cash and cash equivalents include not only cash on hand and demand deposits, but also other types of accounts, which possess the same liquidity characteristics as cash. Cash equivalents include highly liquid short-term investments.

Under U.S. GAAP, SFAS No. 95, "Statement of Cash Flows," defines cash equivalents as short-term highly liquid investments that are both (i) readily convertible to known amounts of cash and (ii) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition.

Impairment of Investments

Under Brazilian GAAP, an investment is written down to market value when events and circumstances indicate permanent impairment.

Under U.S. GAAP, APB Opinion No. 18, “The Equity Method of Accounting for Investment in Common Stock,” requires an investment to be written down to market value when a loss in value is considered to be other than temporary, several factors should be analyzed to determine whether or not the loss in value is other than temporary, such as when the investment is traded in a public stock exchange and has over the previous year traded at values consistently below carrying values.

Investments in Debt and Equity Securities

Under Brazilian GAAP, marketable debt and equity securities are generally stated at the lower of cost or market value less interest or dividends received. Gains and losses are reflected in earnings.

Under U.S. GAAP, in accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” for enterprises in industries not having specialized accounting practices, the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities are as follows:

1. debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost;

2. debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and

3. debt and equity securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders’ equity.

Inventories

Under Brazilian GAAP, inventories are valued at the lower of average cost of purchase or production and replacement or realizable values. Cost may be determined based on a “First In First Out,” or FIFO, average cost, or “Last In First Out”, or LIFO Method. LIFO method is not accepted for tax purposes and is not frequently used.

Under U.S. GAAP, inventories are valued at the lower of cost and market value. Additionally, written-down inventories must be charged against cost of sales. Cost may be determined based on a FIFO, average cost, or LIFO Method. The LIFO Method is accepted provided that it is also adopted for tax purposes.

Property, Plant and Equipment—Impairment Analysis

Under Brazilian GAAP, companies are required to determine if operating income is sufficient to absorb the depreciation or amortization of long-lived assets, within the context of the balance sheet as a whole, in order to assess potential asset impairment. In the event that such operating income is insufficient, within the context of the fixed asset group, to recover the depreciation due to permanent impairment of assets, the assets, or groups of assets, are written down to recoverable values, preferably, based on the projected discounted cash flows of future operations.

Under U.S. GAAP, SFAS No. 144, “Accounting for the Impairment or Disposal of Long-lived Assets” requires companies to periodically evaluate the carrying value of long-lived assets to be held and used and for long-lived assets to be disposed of, when events and circumstances require such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from identified asset groups, representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other group of assets and liabilities, is less than their carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the assets, which is generally calculated as the discounted cash flows generated by the assets.

Revaluation of Property, Plant and Equipment

Under Brazilian GAAP, Companies may opt to carry property, plant and equipment at cost, monetarily adjusted up to December 31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized on revaluation increments as from July 1, 1995. Amortization of the asset revaluation increments are charged to income, and an offsetting portion is relieved from the revaluation reserve in shareholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under U.S. GAAP, property, plant and equipment are reported at their historical cost less accumulated depreciation. Revaluations are not permitted.

Income Taxes

Under Brazilian GAAP, the methods adopted for the recording of income taxes are similar to U.S. GAAP, but their practical application may lead to different results in certain circumstances. Under Brazilian GAAP, the deferred income tax asset represents the probable estimated amount to be recovered. A deferred tax liability should be recognized in relation to all taxable temporary differences. Deferred tax assets and liabilities are classified as either a long-term asset or a long- term liability and are transferred to current assets or current liabilities when appropriate deferred income taxes are presented as gross rather than being netted.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in SFAS No. 109, "Accounting for Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carryforwards arising from tax losses are recognized as assets. A valuation allowance is recognized as a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Deferred income tax assets and liabilities are netted rather than presented gross.

Contingent Liabilities

Under Brazilian GAAP, the accounting and disclosure requirements for contingent liabilities are generally not as comprehensive as found under U.S. GAAP.

Prior Period Adjustments

Under Brazilian GAAP, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. Brazilian GAAP does not permit restatement of previous financial statements to provide consistency in reporting, which is required under U.S. GAAP in certain circumstances.

Under U.S. GAAP, prior period adjustments are effectively limited to corrections of errors which are effected by adjusting current and prior periods' financial statements and appropriate footnote disclosure regarding the effects of the errors on current and prior periods.

Dividends

Under Brazilian GAAP, at each year-end, management is required to propose a dividend distribution from earnings and accrue for this in the financial statements. Under Brazilian GAAP, at each balance sheet date, the directors are required to propose a dividend distribution from earnings, if any, subject to ratification by the shareholders' meeting, and accrue for this in the financial statements.

Under U.S. GAAP, since proposed dividends may be ratified or modified at the annual Shareholders' Meeting, such dividends would not be considered as declared at the balance sheet date and would therefore not be accrued. However, interim dividends paid or interest credited to shareholders as capital remuneration under Brazilian legislation would be considered as declared for U.S. GAAP purposes.

Classification of Statement of Operations

Under Brazilian GAAP, financial income and expenses and equity in earnings of investees are normally included in operating profit.

Under U.S. GAAP, financial income and expenses and profit and equity in earnings of investees are excluded from operating profit.

Statement of Cash Flows

Under Brazilian GAAP, financial statements can provide a Statement of Cash Flows in the form of supplemental information. Instead, under Brazilian GAAP, a Statement of Changes in Financial Position is provided, which demonstrates the source and application of working capital.

Under U.S. GAAP, pursuant to SFAS No. 95, "Statements of Cash Flows", cash receipts and payments are classified by investing, financial and operating activities.

Related Parties

Under Brazilian GAAP, related parties are generally defined in a more limited manner and require fewer disclosures than under U.S. standards. As a result, many of the disclosures required under U.S. GAAP are not required under Brazilian GAAP.

Financial Derivatives Instruments

Under Brazilian GAAP, there is no requirement for financial derivative instruments accounting.

Under U.S. GAAP SFAS No. 133, as amended and interpreted, "Accounting for Derivative Instruments and Hedging Activities," is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Such statement requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- a hedge of the exposure to variable cash flows of a forecasted transaction;
- a hedge of the foreign currency exposure of a net investment in a foreign operation;
- an unrecognized firm commitment;
- an available-for-sale security; or
- a foreign-currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income. If the hedge criteria is no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge is terminated, the gain or loss is deferred and amortized over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

Disclosures on Financial Instruments and Concentration of Credit Risk

Under Brazilian GAAP, there are less detailed requirements regarding the disclosure of information on financial instruments not reflected on the balance sheet or on concentration of financial instruments with credit risk.

U.S. GAAP requires disclosures prescribed by SFAS No. 107, "Disclosures about Fair Market Value of Financial Instruments," SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" and SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities."

SFAS No. 133 requires that an entity that holds or issues derivative instruments (or non-derivative instruments that are designated and qualify as hedging instruments) shall disclose its objectives for holding or issuing those instruments, the context needed to understand those objectives, and its strategies for achieving those objectives. The description shall distinguish between derivative instruments (and non-derivative instruments) designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, derivative instruments (and non-derivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, and all other derivatives. The description also shall indicate the entity's risk management policy for each of those types of hedges, including a description of the items or transactions for which risks are hedged. For derivative instruments not designated as hedging instruments, the description shall indicate the purpose of the derivative activity.

Financial Statement Note Disclosure

Brazilian GAAP in general requires less information to be disclosed in financial statement footnotes than U.S. GAAP. Disclosures required under U.S. GAAP not typically found in Brazilian GAAP financial statements include, but are not limited to, the following:

- general business, political and economic risks;
- off-balance sheet risks and commitments, concentration of credit risk and major customers;
- details of guarantees provided to third parties;
- irrevocable commitments such as take-or-pay or minimum sales contracts;
- reconciliation of the statutory tax rate to the effective tax rate;
- advertising expense and assets;
- research and development costs;
- environmental related costs, liabilities and proceedings;
- analysis of sales by geographical area;
- financing facilities and terms; and
- footnote disclosure of summarized financial statements of affiliated companies which meet certain tests of significance.

Brazilian GAAP generally requires more disclosure than U.S. GAAP with respect to insurance coverage, parent company financial statements and details of investments in affiliated and subsidiary companies.

Accrued Interest and Indexation Adjustments

Under Brazilian GAAP, accrued interest and indexation adjustments are presented with the principal amounts.

Under U.S. GAAP, accrued interest and indexation adjustments are separately recorded.

Leases

Under Brazilian GAAP, all leases are considered to be operating leases. Sales revenue in a sale and leaseback transaction is recorded at nominal value, regardless of the circumstances. Certain disclosures are required in explanatory notes.

Under U.S GAAP (SFAS No. 13), the distinction between a finance and an operating lease is based on conceptual principles rather than detailed requirements.

Revenue Recognition

General – Under Brazilian GAAP revenue is recognized when the following criteria are met: 1- The process of revenue realization is complete or virtually complete, and 2- a transaction has occurred. Revenue of goods is recognized at the date of the sale, which is usually considered to be the date on which the product is transferred. Sales of goods and services are normally recognized when the invoice is issued.

Under U.S. GAAP, in Staff Accounting Bulletin 101, there is no U.S. standard dealing generally with revenue recognition. The SEC Staff have stated in Staff Accounting Bulleting 101, that based on the specific standards that do exist, they believe revenue should generally be recognized when: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the seller's price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

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