

Announcement: JBS S.A.

Moody's continues to review JBS's ratings

Approximately USD 575 million in debt securities affected

Sao Paulo, September 02, 2008 -- Moody's ratings for JBS S.A. ("JBS") will continue under review for possible downgrade until regulators and antitrust authorities in the U.S. rule on JBS's pending acquisitions of National Beef Packing Company, LLC ("National Beef") and Smithfield Beef Group Inc., including its subsidiary, Five Rivers Ranch Cattle Feeding. However, if the transaction is approved in its current form, the most probable outcome is a downgrade of JBS's ratings to B2.

Moody's review of JBS's ratings will focus on its ability to generate positive cash flow from operations and free cash flow for debt amortization over the medium term. Moody's notes that the company has not generated positive cash flow from operations or free cash flow in any calendar year during the last five years or over the last twelve months ending on June 30, 2008. While we recognize that JBS successfully raised BRL 2.55 billion (USD 1.5 billion) in equity through a private placement to fund the pending acquisitions, Moody's view is that JBS's risk profile would increase in the short to medium-term following the acquisitions of the new assets as a result of the added integration risks and the challenges associated with such rapid growth. If the company obtains the necessary regulatory approvals for the pending acquisitions, JBS will have pro-forma revenues of approximately USD 25 billion, having grown its revenue base from USD 2 billion to USD 25 billion in the space of only two years. The review will also focus on JBS's debt and guarantee structure, both in its current form and subsequent to any potential new debt.

If the transaction is approved, JBS, following the acquisition of National Beef and Smithfield's beef operations, would become the largest beef processor in the U.S. Additionally, JBS also would increase its diversification of geographic sales and raw material sourcing, with production platforms in South America, Europe, United States and Australia. While we acknowledge the potential credit strengths of a global operational platform, the pace at which JBS is expanding its operations leaves little room for unexpected events or delays in realizing operational synergies.

JBS's made its largest and first major acquisition outside of South America in July 2007, when it bought the loss-making Swift & Company for USD 1.4 billion, which has recently turned to profit. Following the Swift acquisition, the company also purchased a 50% stake of Inalca, an Italy-based meat processor, for a total amount of EUR 225 million, Tasman Group in Australia for USD 150 million and is now awaiting approval for the current transaction, as outlined above, which involves an approximate consideration of USD 1.5 billion. Pro-forma the pending acquisitions, over 70% of JBS's EBITDA and 80% of its revenues will be derived from assets acquired during the last 15 months.

The following ratings continue on review for possible downgrade:

- Corporate family rating: B1
- USD 275 million 9.375% senior unsecured notes due 2011: B1
- USD 300 million 10.5% senior unsecured notes due 2016: B1

Headquartered in São Paulo, Brazil, JBS is the world's largest beef producer in terms of slaughter capacity, and the leading beef player in Brazil and Argentina. After the acquisition of Swift in July 2007, JBS became the third largest processor of beef and pork in the US and the leading beef processor in Australia. With net revenues of approximately USD 15 billion, JBS currently has a slaughter capacity of approximately 57,600 heads per day for cattle and 47,900 heads per day for hogs.

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