



### **Material Fact - Capital Increase (Debentures)**

1. JBS S.A. ("Company"), pursuant to law 6,404/76 and CVM norm 358/02, hereby informs its shareholders, its debenture holders and the market in general that its Board of Directors decided to increase the Company's Capital Stock at a meeting held on May 17, 2011, and that, subject to the fulfillment of the conditions mentioned in item 3(b)(i) below, BNDES Participações S.A. – BNDESPAR approved, at a meeting held on the same day, the use of the credits of the debentures it holds in such capital increase.

2. The capital increase shall be made within the limitations of the Company's authorized capital and, therefore, no change to the Company's By-laws shall be necessary, and such capital increase shall be in the amount of up to three billion, four hundred and seventy nine million and six hundred thousand reais (R\$3,479,600,000.00), made upon the private issuance of new ordinary, nominative, non par value shares, identical to the shares currently outstanding, for the issuance price per share of seven reais and four cents (R\$7.04), based on item III of article 170 of Law 6,404/76 ("Capital Increase"). The Company's shareholders shall have the right to subscribe the new ordinary shares to be issued proportionally to the number of shares they currently hold.

3. The effectiveness of the Capital Increase shall be subject to the following conditions:

(a) approval by the majority of the debenture holders, at a General Meeting of the Holders of such Debentures, of the terms and conditions of the amendment to the First Issuance of Debentures convertible into Shares and with Swap Provisions, Issued by JBS S.A. ("Amendment"); and

(b) approval by the Company's Extraordinary Shareholders Meeting of (i) the waiver of the obligation to perform a public share offering mentioned in article 53 of the By-laws, as permitted by paragraph 8 of such article; and (ii) the terms and conditions of the Amendment.

4. Upon the implementation of the above conditions, the shareholders which hold shares on the date of the publication of the decisions of the General Meeting of the Debenture Holders and of the Company's Extraordinary Shareholders Meeting shall have the right to subscribe shares. On the date of such publication, the Company shall also publish a Notice to the Shareholders with information regarding the procedures necessary for the exercise of the right to subscribe shares resulting from the Capital Increase.

5. In this regard, the Board of Directors has also approved the timely calling of a General Meeting of the Debenture Holders and the Company's Extraordinary Shareholders Meeting, which shall be held on the same date.

6. This transaction is an important step for the Company, not only because it eliminates the uncertainties regarding a mandatory initial public offering of shares of JBS USA Holdings, Inc., but also because it allows the improvement of the Company's capital structure, which will result in considerable gains for its shareholders.

7. The Company will hold a teleconference with investors and analysts today, May 18, 2011, at 1:00 pm (Eastern time) in Portuguese, (+55 11 4003 9004), and at 2:00 pm (Eastern time) in English, (+1-866-866-2673 or +55 11 4003 9004), to discuss this transaction in greater detail. The teleconference will be broadcast on the Internet, at [www.jbs.com.br/ri](http://www.jbs.com.br/ri).

**São Paulo, May 18, 2011.**

**Jeremiah O'Callaghan**  
**Investor Relations Officer**

JBS S.A. © 2009 Todos os direitos reservados