Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 29, 2019

OR

☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File number 1-9273

PILGRIM'S PRIDE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	75-1285071
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1770 Promontory Circle Greeley CO	80634-9038
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(970) 506-8000**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	PPC	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	x	Accelerated Filer	o
Non-accelerated Filer	o	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's Common Stock, $0.01 par value, held by non-affiliates of the registrant as of June 30, 2019 was $1,344,353,655. The number of shares of the registrant's Common Stock outstanding as of February 20, 2020 was 249,572,119.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report.

PILGRIM'S PRIDE CORPORATION
FORM 10-K
TABLE OF CONTENTS

PART I

Forward Looking Statements and Explanatory Note

This annual report contains, and management may make, certain "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "plan," "project," "imply," "intend," "should," "foresee" and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks and uncertainties. Such risks and uncertainties include those described under "Risk Factors" below and elsewhere in this annual report. Actual results could differ materially from those expressed in, or implied or projected by these forward-looking statements as a result of these risks and uncertainties, many of which are difficult to predict and beyond our control. The Company's forward-looking statements speak only as of the date of this report or as of the date they are made, and the Company undertakes no obligation to update its forward-looking statements. The risks described in this annual report are not the only risks we face, and additional risks and uncertainties may impair our business operations. The occurrence of any one or more of the factors described herein or other currently unknown factors could materially adversely affect our business and operating results.

Item 1. Business

Company Overview

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms) is primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken and pork products to retailers, distributors and foodservice operators. The Company was incorporated in Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owns 78.31% of our outstanding common stock.

We market our balanced portfolio of fresh, prepared and value-added meat products to a diverse set of over 6,500 customers across the U.S., the U.K. and Europe, Mexico and in approximately 110 other countries. Our sales efforts are largely targeted towards the foodservice industry, principally chain restaurants and food processors, such as Chick-fil-A® and retail customers, including grocery store chains and wholesale clubs, such as Kroger®, Costco®, Publix® and H-E-B® in the U.S., chain restaurants such as McDonald's® and grocery store chains such as Tesco and Waitrose in the U.K. and Europe, and grocery store chains such as Wal-Mart® in Mexico.

As a vertically integrated company, we control every phase of the production process, which helps us better manage food safety and quality, as well as more effectively control margins and improve customer service. Our plants are strategically located to ensure that customers timely receive fresh products. With our global network of approximately 5,200 growers, 38 feed mills, 49 hatcheries, 39 processing plants, 27 prepared foods cook plants, 24 distribution centers, ten rendering facilities and four pet food plants, we believe we are well-positioned to supply the growing demand for our products.

On October 15, 2019, the Company acquired 100% of the equity of Tulip Limited and its subsidiaries (together, "Tulip") from Danish Crown AmbA for £310.0 million, or $391.5 million for cash. Tulip is a leading integrated prepared pork supplier headquartered in Warwick, U.K. This acquisition solidifies Pilgrim's as a leading European food company, creating one of the largest integrated prepared foods businesses in the U.K. The Tulip operations are included in our U.K. and Europe reportable segment.

In 2017, we acquired (1) Granite Holdings Sàrl and its subsidiaries (together, "Moy Park"), which is one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers and (2) JFC LLC and its subsidiaries (together, "GNP"), a vertically integrated poultry business that was based in Saint Cloud, Minnesota. Moy Park is included in our U.K. and Europe reportable segment and GNP is included in our U.S. reportable segment. In 2015, we acquired (3) Provemex Holdings, LLC and its subsidiaries (together, "Tyson Mexico"), a vertically integrated poultry business based in Gómez Palacio, Durango, Mexico. Tyson Mexico is included in our Mexico reportable segment.

We operate on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. Any reference we make to a particular year, for example, 2019, applies to our fiscal year and not the calendar year. Fiscal 2019 was a 52-week fiscal year.

Reportable Segments

We operate in three reportable segments: U.S., U.K. and Europe, and Mexico. We either produce or purchase for resale chicken and pork products through our operations in the U.S., the U.K and continental Europe, and Mexico. We conduct separate operations in the U.S., the U.K., continental Europe, Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico with our U.S. operations. See “Note 22. Reportable Segments” of our Consolidated and Combined Financial Statements included in this annual report for additional information.

Products and Markets

Fresh Chicken and Pork Overview. Our fresh products consist of refrigerated (nonfrozen) whole or cut-up chicken, either pre-marinated or non-marinated, frozen whole chickens, breast fillets, mini breast fillets and prepackaged case-ready chicken, primary pork cuts, added value pork and pork ribs. Our case-ready chicken includes various combinations of freshly refrigerated, whole chickens, chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer’s fresh meat counter. Additionally, we are an important player in the live market in Mexico. In 2019, our fresh chicken sales accounted for 58.2%, 8.6%, and 11.7% of our total U.S., U.K. and Europe, and Mexico chicken sales, respectively. In 2019, our fresh pork sales accounted for 47.5% of our total U.K. and Europe pork sales.

Prepared Chicken and Pork Overview. Our prepared chicken products include portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated. Our prepared pork includes processed sausages, bacon, slow cooked, smoked meat, gammon joints, ready-to-cook variety of meat products, pre-packed meats, sandwich and deli counter meats, pulled pork balls, meatballs and coated foods. In 2019, our prepared chicken products sales accounted for 7.9%, 7.7%, and 0.9% of our total U.S., U.K. and Europe, and Mexico chicken sales, respectively. In 2019, our prepared pork products sales accounted for 46.9% of our total U.K. and Europe pork sales.

Exported Chicken and Pork Overview. Exported chicken and pork products primarily consist of whole chickens and chicken parts sold either refrigerated for distributors in the U.S. or frozen for distribution to export markets and primary pork cuts, hog heads and trotters frozen for distribution to export markets. In 2019, our export chicken products sales accounted for 2.6% and 2.5% of our total U.S. and U.K. and Europe chicken sales, respectively. In 2019, our export pork products sales accounted for 5.6% of our total U.K. and Europe pork sales.

Market Overview. Our foodservice market principally consists of chain restaurants, food processors, broad-line distributors and certain other institutions. Our retail market consists primarily of grocery store chains, wholesale clubs and other retail distributors. Our export market consists primarily of customers who purchase for distribution in the U.S., U.K. and continental Europe, or for export to Mexico, the Middle East, Asia, and other international markets.

Net Sales for Primary Product Lines and Markets

The following table sets forth, for the periods beginning with 2017, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types.

	2019	2018	2017
		(In thousands)	
U.S. chicken:			
Fresh	$ 6,214,954	$ 5,959,458	$ 5,700,503
Prepared	842,365	773,983	950,378
Export	282,791	258,732	213,595
Total U.S. chicken	7,340,110	6,992,173	6,864,476
U.K. and Europe chicken:			
Fresh	918,852	925,124	846,575
Prepared	817,292	865,864	792,284
Export	262,041	303,921	318,699
Total U.K. and Europe chicken	1,998,185	2,094,909	1,957,558
Mexico chicken:			
Fresh	1,245,976	1,252,403	1,245,144
Prepared	95,733	76,860	58,512
Total Mexico chicken	1,341,709	1,329,263	1,303,656
Total chicken	10,680,004	10,416,345	10,125,690
U.K. and Europe pork:			
Fresh	135,985	—	—
Prepared	134,426	—	—
Export	16,174	—	—
Total U.K. and Europe pork	286,585	—	—
Other products:			
U.S.	296,606	433,488	578,746
U.K. and Europe	99,023	53,757	38,761
Mexico	47,001	34,194	24,666
Total other products	442,630	521,439	642,173
Total net sales	$ 11,409,219	$ 10,937,784	$ 10,767,863

Raw Materials

Grains. The Company utilizes various raw materials in its operations, including corn, soybean meal and wheat, along with various other ingredients from which the Company produces its own formulated feeds. In 2019, corn, soybean meal and wheat accounted for approximately 42.5%, 34.0% and 5.6% of our feed costs, respectively. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories, demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. We attempt to mitigate the impact of price volatility on our profitability by decreasing the amount of our products that are sold under longer term fixed-price contracts, broadening our product portfolio and expanding the variety of contracts within our book of business. To also manage this risk, we purchase derivative financial instruments. The Company has long standing relationships with its sources of grain and other feed ingredients and expects to have an adequate supply for its present needs.

Live chicks. The Company's chicken operations purchase one-day old chicks from a few major breeders. These chicks, when mature, serve as the grandparent and parent stock of the broilers that these operations process for consumption. Should breeder stock from its present suppliers not be available for any reason, the Company believes that it could obtain adequate breeder stock from other suppliers in the regions in which it operates.

Live pigs. The Company's pork operations maintain a pig production base that makes up slightly more than 50% of the total number of pigs processed by the Company each year. Additionally, the Company's pork operations procure live pigs for slaughter within a few days of purchase from numerous independent farmers throughout the U.K. Live pigs sourced from independent farmers make up slightly less than 50% of the total number of pigs processed by the Company each year. Although we generally expect adequate supply of live pigs in the U.K., there may be periods of imbalance in supply and demand.

Trademarks

We own registered trademarks which are used in connection with our activity in our business. The trademarks are important to the overall marketing and branding of our products. All major trademarks in our business are registered. In part, our success can be attributed to the existence and continued protection of these trademarks. As long as the Company continues to use its trademarks, they are renewed indefinitely. Some of the more significant owned or licensed trademarks used by the Company or its affiliates are Pilgrim's®, Just BARE®, Gold'n Pump®, Gold Kist®, County Pride Chicken®, Pierce Chicken®, Pilgrim's® Mexico, County Post®, Savoro, To-Ricos, Del Dia®, Moy Park, and O'Kane.

Seasonality

The demand for our chicken products generally is greatest during the spring and summer months and lowest during the winter months. The demand for our pork products generally is higher during the summer and peaks during the winter primarily due to the holiday season.

Key Customers

Our two largest customers accounted for approximately 12.9% and 12.4% of our net sales in 2019 and 2018, respectively. No single customer accounted for ten percent or more of our net sales in either 2019 or 2018.

Competition

The chicken and pork industry in the U.S., the U.K., continental Europe and Mexico is highly competitive. The competitive factors in our business include price, product quality, product development, brand identification, breadth of product line and customer service. We believe that being a vertically integrated chicken company and having a fully integrated supply chain in the pork business provides us with long-term cost and quality advantages over non-vertically integrated and other processors. We utilize numerous advertising and marketing techniques to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products. We believe our efforts to achieve and maintain brand awareness and loyalty help to achieve greater price premiums than would otherwise be the case in certain markets and support and expand our product distribution. We actively seek to identify and address consumer preferences by using sophisticated qualitative and quantitative consumer research techniques in key geographic markets to discover and validate new product ideas, packaging designs and methods. Although poultry and pork are relatively inexpensive in comparison with other meats, we compete indirectly with the producers of other meats and fish, since changes in the relative prices of these foods may alter consumer buying patterns.

Regulation and Environmental Matters

The poultry and pork industries are subject to government regulation, particularly in the health, workplace safety and environmental areas, including provisions relating to the discharge of materials into the environment, treatment and disposal of agricultural and food processing wastes, the use and maintenance of refrigeration systems, ammonia-based chillers, noise, odor and dust management, the operation of mechanized processing equipment and other operations, storm water, air emissions, treatment, storage and disposal of wastes, handling of hazardous substances and remediation of contaminated soil, surface water and groundwater, by the Centers for Disease Control, the United States Department of Agriculture ("USDA"), the Food and Drug Administration ("FDA"), the Environmental Protection Agency ("EPA"), the Occupational Safety and Health Administration and state and local regulatory authorities in the U.S. and by similar governmental agencies in the U.K., continental Europe and Mexico. Our chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of our feed mills in the U.S. Our food processing facilities and feed mills in the U.K., continental Europe and Mexico are subject to on-site examination, inspection and regulation by government agencies that perform functions similar to those performed by the USDA and FDA.

The EPA, environmental authorities in the U.K., continental Europe and Mexico, and/or other U.S. or Mexican state and local authorities may, from time to time, adopt revisions to environmental rules and regulations, and/or changes in the terms and conditions of our environmental permits, with which we must comply. Compliance with existing or new environmental requirements, including more stringent limitations imposed or expected in recently-renewed or soon-to be renewed environmental permits, may require capital expenditures and operating expenses which may be significant.

In the U.K., all Moy Park poultry farms which exceed a threshold size of 40,000 birds placed are required to carry out activities in compliance with their environmental permits and they must use Best Available Techniques in order to achieve a high level of environmental protection. Tulip's sites are independently audited and certified by the British Retail Consortium standard. Many of Tulip's sites are certified by additional and traceability schemes including Royal Society for the Prevention of Cruelty to Animals Assured, Soil Association, Organic Farmers and Growers and Assured Food Standards.

Employees

As of December 29, 2019, we employed approximately 31,900 persons in the U.S., approximately 11,000 persons in Mexico and approximately 15,600 persons in the U.K. and continental Europe.

Available Information

The Company's Internet website is www.pilgrims.com. The Company makes available, free of charge, through its Internet website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, directors and officers Forms 3, 4 and 5, and amendments to those reports, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the SEC. The Company may use its website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at http://ir.pilgrims.com. Information contained on the Company's website is not included as part of, or incorporated by reference into, this annual report.

Information about our Executive Officers

Name	Age	Background and Experience	Dates
Jayson J. Penn	51	President and Chief Executive Officer	March 2019 to Present
		Executive Vice President	January 2012 to March 2019
		Senior Vice President of Commercial Business	March 2011 to January 2012
Fabio Sandri	48	Chief Financial Officer	June 2011 to Present

Jayson J. Penn has served as our President and Chief Executive Officer since March 2019. Mr. Penn joined Pilgrim's in March of 2011 as Senior Vice President of the Commercial Business Group, bringing to the Company more than 23 years of experience in the poultry industry, and later served as Executive Vice President and most recently, as President of Pilgrim's USA. Mr. Penn began his career in his family's poultry operations and has held management positions at several leading poultry companies. He has also served on the board of directors and the executive committee of the USA Poultry and Egg Export Council and currently serves on the board and executive committee of the National Chicken Council and the board of directors of The World Poultry Foundation. He is a graduate of Florida State University and the Advanced Management Program at the Harvard Business School.

Fabio Sandri has served as our Chief Financial Officer since June 2011. From April 2010 to June 2011, Mr. Sandri served as the Chief Financial Officer of Estacio Participações, the private post-secondary educational institution in Brazil. From November 2008 until April 2010, he was the Chief Financial Officer of Imbra SA, a provider of dental services based in Sao Paolo, Brazil. Commencing in 2005 through October 2008, he was employed by Braskem S.A., a New York Stock Exchange-listed petrochemical company headquartered in Camaçari, Brazil, first from 2005 to 2007 as its strategy director, then from 2007 until his departure as its corporate controller. He earned his Masters in Business Administration in 2001 from the Wharton School at the University of Pennsylvania and a degree in electrical engineering in 1993 from Escola Politécnica da Universidade de São Paulo.

Item 1A. Risk Factors

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this annual report on Form 10-K. Any of the following risks could materially adversely affect our business, operations, industry or financial position or our future financial performance. While we believe we have identified and discussed below all risk factors affecting our business that we believe are material, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

Industry cyclicality can affect our earnings, especially due to fluctuations in commodity prices of feed ingredients, chicken and pork.

Profitability in the chicken and pork industries is materially affected by the commodity prices of feed ingredients and the market prices of chicken and pork, which are determined by supply and demand factors. As a result, the chicken and pork industries are subject to cyclical earnings fluctuations.

The price of feed ingredients is positively or negatively affected primarily by the global level of supply inventories and demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A significant change in weather patterns could affect supplies of feed ingredients, as well as both the industry's and our ability to obtain feed ingredients, grow chickens and pigs or deliver products. We have recently benefited from low market prices for feed ingredients, but market prices for feed ingredients remain volatile. Consequently, there can be no assurance that the price of grains will not rise as a result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production.

Volatility in feed ingredient prices has had, and may continue to have, a materially adverse effect on our operating results, which has resulted in, and may continue to result in, additional noncash expenses due to impairment of the carrying amounts of certain of our assets. We periodically seek, to the extent available, to enter into advance purchase commitments or financial derivative contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. The use of these instruments may not be successful. In addition, we have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase exposures as cash flow hedges. Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Unexpected changes in the fair value of these instruments could adversely affect the results of our operations. Although we attempt to mitigate the impact of feed price volatility on our profitability by decreasing the amount of our products that are sold under longer term fixed-price contracts, these changes will not eliminate the impact of changes in feed ingredient prices on our profitability and would prevent us from profiting on such contracts during times of declining market prices for chicken and/or pork.

Outbreaks of livestock diseases in general and poultry and pig diseases in particular, including avian influenza and African swine fever, can significantly and adversely affect our ability to conduct our operations and the demand for our products.

We take precautions designed to ensure that our flocks and herds are healthy and that our processing plants and other facilities operate in a sanitary and environmentally-sound manner. However, events beyond our control, such as the outbreaks of disease, either in our own flocks and herds or elsewhere, could significantly affect the demand for our products or our ability to conduct our operations. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our fresh chicken, fresh pork or other products to or from our suppliers, facilities or customers, or require us to destroy one or more of our flocks or herds. This could also result in the cancellation of orders by our customers and create adverse publicity that may have a material adverse effect on our ability to market our products successfully and on our business, reputation and prospects.

There have been recent outbreaks of both high- and low-pathogenic strains of avian influenza in the U.S., and in Mexico outbreaks of both high and low-pathogenic strains of avian influenza are a fairly common occurrence. Historically, the outbreaks of low pathogenic strains of avian influenza have not generated the same level of concern, or received the same level of publicity or been accompanied by the same reduction in demand for poultry products in certain countries as that associated with highly pathogenic strains such as HPAI H5 and H7N3 or highly infectious strains such as H7N9. Even if no further highly pathogenic or highly contagious strains of avian influenza are confirmed in the U.S., the U.K. or Mexico, there can be no assurance that outbreaks of these strains in other countries will not materially adversely affect international demand for poultry produced in our operating countries, and, if any of these strains were to spread to the U.S., the U.K. or Mexico, there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

The outbreak of African swine fever in China and its spread across the world has had a significant effect on both the global supply of pork and on pork prices. Given its island status, the U.K. has an element of built-in biosecurity, but there are risks, mainly as a result of human movement of infected meat from the European Union. The National Pig Association and the British Meat Processors Association are pressing the U.K. government to increase the level of communication to travelers of the risks. The Company’s own pig production is geographically dispersed. In the event of an outbreak of African Swine Fever in the U.K., we believe the Company’s risks are limited to infection. However, there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

If our products become contaminated, we may be subject to product liability claims and product recalls. Such product liability claims or product recalls can adversely affect our business reputation, expose us to increased scrutiny by federal and state regulators and may not be fully covered by insurance.

Poultry and pork products may be subject to contamination by disease-producing organisms, or pathogens, such as *Listeria monocytogenes*, *Salmonella*, generic *E.coli*, *Yersinia enterocolitica* and *Staphylococcus aureus*. These pathogens are generally found in the environment, and, as a result, there is a risk that, as a result of food processing, they could be present in our processed poultry products. These pathogens can also be introduced as a result of improper handling at the further processing, foodservice or consumer level. These risks may be controlled, although not eliminated, by adherence to good manufacturing practices and finished product testing. We have little, if any, control over proper handling once the product has been shipped. Illness and death may result if the pathogens are not eliminated at the further processing, foodservice or consumer level. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and may have a material adverse effect on our business, reputation and prospects. The packaging, marketing and distribution of food products entail an inherent risk of product liability and product recall and the resultant adverse publicity. We may be subject to significant liability if the consumption of any of our products causes injury, illness or death.

We could be required to recall certain products in the event of contamination or damage to the products. In addition to the risks of product liability or product recall due to deficiencies caused by our production or processing operations, we may encounter the same risks if any third party tampers with our products. We cannot assure you that we will not be required to perform product recalls, or that product liability claims will not be asserted against us, in the future. Any claims that may be made may create adverse publicity that would have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations. If our products become contaminated, spoiled, are tampered with or are mislabeled, we may be subject to product liability claims and product recalls. A widespread product recall could result in significant losses due to the cost of a recall, the destruction of product inventory and lost sales due to the unavailability of product for a period of time. Such a product recall also could result in adverse publicity, damage to our reputation and a loss of consumer confidence in our products, which could have a material adverse effect on our business results.

We currently maintain insurance with respect to certain of these risks, including product liability insurance, business interruption insurance and general liability insurance, but in many cases such insurance is expensive, difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events.

Our foreign operations and commerce in international markets pose special risks to our business and operations.

We have significant operations and assets located in Mexico, the U.K. and continental Europe and may participate in or acquire operations and assets in other foreign countries in the future. Foreign operations are subject to a number of special risks such as currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and changes in laws and policies, including tax laws and laws governing foreign-owned operations. Currency exchange rate fluctuations have adversely affected us in the past. Exchange rate fluctuations or one or more other risks may have a material adverse effect on our business or operations in the future. Our operations in Mexico, the U.K. and continental Europe are conducted through subsidiaries organized under non-U.S. laws. Claims of creditors of our subsidiaries, including trade creditors, will generally have priority as to the assets of our subsidiaries over our claims. Additionally, the ability of these subsidiaries to make payments and distributions to us can be limited by terms of subsidiary financing arrangements and will be subject to, among other things, the laws applicable to these subsidiaries. In the past, these laws have not had a material adverse effect on the ability of these subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of these subsidiaries to make these payments and distributions in the future.

To conduct our operations, we regularly move data across national borders (including data related to business, financial, marketing and regulatory matters) and must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. For example, in 2018, the European Union (the “EU”) recently commenced enforcement of the General Data Protection Regulation (the “GDPR”). The GDPR imposes significant additional compliance obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. The GDPR grants enforcement powers to certain EU regulators including extra-territorial powers in some cases. These enforcement powers enable regulators to conduct investigations and dawn raids, to issue penalties up to the greater of €20 million or 4% of worldwide turnover for the most serious violations, and to require changes to the way that organizations (including the Company) use personal data. Due to the geographic scope of our operations, the GDPR may increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms to minimize the risk of non-compliance with applicable privacy laws and regulations. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks including proceedings against the Company by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

Historically, we have targeted international markets to generate additional demand for our products. In particular, given the general preference for white chicken meat by U.S. and U.K. consumers, we have targeted international markets for the sale of dark chicken meat and parts, such as chicken paws, which are generally not consumed in the U.S. or U.K. We have also targeted international markets for excess primary pork cuts and parts, such as hog heads and trotters, which are generally not consumed in the U.K. As part of this initiative, we have created a significant international distribution network into several markets in Mexico, the Middle East and Asia. Our success in these markets may be, and our success in recent periods has been, adversely affected by disruptions in export markets. A significant risk is disruption due to import restrictions and tariffs, other trade protection measures, and import or export licensing requirements regarding food products imposed by foreign countries. Significant political or regulatory developments in the jurisdictions in which we sell our products, such as those stemming from the presidential administration in the United States, are difficult to predict and may have a material adverse effect on us. For example, in the United States, the presidential administration has imposed tariffs on imports from China, Mexico, Canada and other countries, and has expressed support for greater restrictions on free trade and increase tariffs on goods imported into the United States. In addition, disruptions may be caused by outbreaks of diseases, either in our flocks and herds or elsewhere in the world, and resulting changes in consumer preferences. One or more of these or other disruptions in the international markets and distribution channels could adversely affect our business.

Competition in the chicken and pork industries with other vertically integrated chicken or pork companies may make us unable to compete successfully in this industry, which could adversely affect our business.

Both the chicken and pork industries are highly competitive. In the U.S., Mexico, the U.K. and continental Europe, we primarily compete with other vertically integrated chicken and pork companies. In general, the competitive factors in these industries include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, competition is based on product quality, brand awareness, customer service and price. Further, there is some competition with non-vertically integrated further processors in the prepared chicken business. In the Mexico retail and foodservice markets, where product differentiation has traditionally been limited, product quality and price have been the most critical competitive factors. In the U.K. and continental Europe retail and food service markets, key competitive factors include price, delivering consistent levels of the highest quality, service level and delivering strong innovation. The fresh U.K. and continental Europe market is almost exclusively retailer private label. The U.K. fresh market is almost exclusively sourced from within the U.K., making vertical integration a prerequisite for operating in that market. The U.K. prepared foods market is less exclusively sourced from within the U.K. so vertical integration is less of a consideration and competition is opened up to other processors, some of whom produce or source from abroad. Our success depends in part on our ability to manage costs and be efficient in the highly competitive poultry and pork industries.

Media campaigns related to food production and regulatory and customer focus on environmental, social and governance responsibility could expose us to additional costs or risks.

Individuals or organizations can use social media platforms to publicize inappropriate or inaccurate stories or perceptions about the food production industry or our company. Such practices could cause damage to the reputations of our company and/or the food production industry in general. This damage could adversely affect our financial results. In addition, regulators, stockholders, customers and other interested parties have focused increasingly on the environmental, social and governance practices of companies. This has led to an increase in regulations and may continue to cause us to be subject to additional regulations in the future. Our customers or other interested parties may also require us to implement certain environmental, social or governance procedures or standards before doing or continuing to do business with us. This increased attention on environmental, social and governance practices could cause us to incur additional compliance costs, divert management attention from operating our business, impair our access to capital among certain investors and subject us to litigation risk for disclosures we make and practices we adopt regarding these issues. This in turn could have a material adverse effect on our business, financial condition and results of operations.

We are increasingly dependent on information technology, and our business and reputation could suffer if we are unable to protect our information technology systems against, or effectively respond to, cyber-attacks, other cyber incidents or security breaches or if our information technology systems are otherwise disrupted.

The proper functioning of our information systems is critical to the successful operation of our business. We rely on information technology networks and systems, including the Internet, to process, transmit, and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal, and tax requirements. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our locations, personnel, customers, and suppliers. Although our information systems are protected with robust backup systems, including physical and software safeguards and remote processing capabilities, information systems are still vulnerable to cyber-attacks, natural disasters, power losses, unauthorized access, telecommunication failures, and other problems. In addition, certain software used by us is licensed from, and certain services related to our information systems are provided by, third parties who could choose to discontinue their relationship with us. If critical information systems fail or these systems or related software or services are otherwise unavailable, our ability to process orders, maintain proper levels of inventories, collect accounts receivable, pay expenses, and maintain the security of Company and customer data could be adversely affected. Cyber-attacks and other cyber incidents are occurring more frequently and are constantly evolving in nature and sophistication. We have experienced and expect to continue to experience actual or attempted cyber-attacks of our information technology systems or networks. However, none of these actual or attempted cyber-attacks has had a material effect on our operations or financial condition. Our failure to maintain our cyber-security measures and keep abreast of new and evolving threats may make our systems vulnerable. The potential consequences of a material cyber-security incident include reputational damage, litigation with third parties, regulatory actions, disruption of plant operations, and increased cyber-security protection and remediation costs. There can be no assurance that we will be able to prevent all of the rapidly evolving forms of increasingly sophisticated and frequent cyber-attacks. Moreover, our efforts to address network security vulnerabilities may not be successful, resulting potentially in the theft, loss, destruction or corruption of information we store electronically, as well as unexpected interruptions, delays or cessation of service, any of which would cause harm to our business operations. The vulnerability of our systems and our failure to identify or respond timely to cyber incidents could have an adverse effect on our operations and reputation and expose us to liability or regulatory enforcement actions.

Our operations are subject to general risks of litigation.

We are involved on an ongoing basis in litigation relating to alleged antitrust violations or arising in the ordinary course of business or otherwise. For example, between September 2, 2016 and October 13, 2016, a series of purported class action lawsuits were brought against Pilgrim's and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens. The complaints, which were filed with the U.S. District Court for the Northern District of Illinois, seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. For additional information, see "Item 3. Legal Proceedings." Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty, and adverse litigation trends and outcomes could result in material damages, which could adversely affect our financial condition and results of operations.

Regulation, present and future, is a constant factor affecting our business.

Our operations will continue to be subject to or otherwise affected by federal, state and local governmental legislation and regulation, including in the health, safety and environmental areas. Changes in laws or regulations or the application thereof regarding areas such as wage and hour and environmental compliance may lead to government enforcement actions and resulting litigation by private litigants. In addition, unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations may also materially affect our business or operations in the future.

Immigration

Immigration reform continues to attract significant attention in the public arena and the U.S. Congress. Despite our past and continuing efforts to hire only U.S. citizens and/or persons legally authorized to work in the U.S., we may be unable to ensure that all of our employees are U.S. citizens and/or persons legally authorized to work in the U.S. No assurances can be given that enforcement efforts by governmental authorities will not disrupt a portion of our workforce or operations at one or more facilities, thereby negatively impacting our business. Also, no assurance can be given that further enforcement efforts by governmental authorities will not result in the assessment of fines that could adversely affect our financial position, operating results or cash flows.

Environmental, Health and Safety

Our operations are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to the protection of the environment, including those relating to the discharge of materials into the environment, the handling, treatment and disposal of wastes and remediation of soil and groundwater contamination. Failure to comply with these requirements could have serious consequences for us, including criminal as well as civil and administrative penalties, claims for property damage, personal injury and damage to natural resources and negative publicity. Compliance with existing or changing environmental requirements, including more stringent limitations imposed or expected to be imposed in recently-renewed or soon-to be renewed environmental permits, will require capital expenditures for installation of new or upgraded pollution control equipment at some of our facilities.

Operations at many of our facilities require the treatment and disposal of wastewater, stormwater and agricultural and food processing wastes, the use and maintenance of refrigeration systems, including ammonia-based chillers, noise, odor and dust management, the operation of mechanized processing equipment, and other operations that potentially could affect the environment, health and safety. Some of our facilities have been operating for many years, and were built before current environmental standards were imposed, and/or in areas that recently have become subject to residential and commercial development pressures. Failure to comply with current and future environmental, health and safety standards could result in the imposition of fines and penalties, and we have been subject to such sanctions from time to time. We are upgrading wastewater treatment facilities at a number of these locations, either pursuant to consent agreements with regulatory authorities or on a voluntary basis in anticipation of future permit requirements.

In the past, we have acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than our current operations. While many of those operations have been sold or closed, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from us based on past operations or contractual indemnifications.

Additionally, we have from time to time had incidents at our plants involving worker health and safety. These have included ammonia releases due to mechanical failures in chiller systems and worker injuries and fatalities involving processing equipment and vehicle accidents. We have taken preventive measures in response; however, we can make no assurance that similar incidents will not arise in the future. New environmental, health and safety requirements, stricter interpretations of existing requirements, or obligations related to the investigation or clean-up of contaminated sites, may materially affect our business or operations in the future.

Anti-Corruption

We are subject to a number of anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (“FCPA”) and the UK Bribery Act. The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments or improperly providing anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or keeping business and/or other benefits. Some of these laws have legal effect outside the jurisdictions in which they are adopted under certain circumstances. The FCPA also requires maintenance of adequate record-keeping and internal accounting practices to accurately reflect transactions. Under the FCPA, companies operating in the United States may be held liable for actions taken by their strategic or local partners or representatives. The UK Bribery Act is broader in scope than the FCPA in that it directly prohibits commercial bribery (i.e. bribing others than government officials) in addition to bribery of government officials and it does not recognize certain exceptions, notably for facilitation payments, that are permitted by the FCPA. The UK Bribery Act also has wide jurisdiction. It covers any offense committed in the United Kingdom, but proceedings can also be brought if a person who has a close connection with the United Kingdom commits the relevant acts or omissions outside the United Kingdom. The UK Bribery Act defines a person with a close connection to include British citizens, individuals ordinarily resident in the United Kingdom and bodies incorporated in the United Kingdom. The UK Bribery Act also provides that any organization that conducts part of its business in the United Kingdom, even if it is not incorporated in the United Kingdom, can be prosecuted for the corporate offense of failing to prevent bribery by an associated person, even if the bribery took place entirely outside the United Kingdom and the associated person had no connection with the United Kingdom. Other jurisdictions in which we operate have adopted similar anti-corruption, anti-bribery and anti-kickback laws to which we are subject. Civil and criminal penalties may be imposed for violations of these laws.

Although the code of ethics and standards of conduct adopted by JBS S.A. in late 2015 requires our employees to comply with the FCPA, the UK Bribery Act and other applicable anti-corruption laws, we are still implementing measures to enhance our compliance programs, including to prevent and detect bribery and corruption. We operate in some countries, such as Mexico, which are viewed as high risk for corruption. Despite our ongoing efforts to ensure compliance with the FCPA, the UK Bribery Act and similar laws, there can be no assurance that our directors, officers, employees, agents, third-party intermediaries and the companies to which we outsource certain of our business operations, have previously complied or will comply with those laws and our anti-corruption policies or that our compliance program will be sufficient to prevent or detect bribery, and we may be ultimately held responsible for any such non-compliance. If we or our directors or officers violate anti-corruption laws or other laws governing the conduct of business with government entities (including local laws), we or our directors or officers may be subject to criminal and civil penalties or other remedial measures, which could harm our reputation and have a material adverse impact on our business, financial condition, results of operations and prospects. Any actual or alleged violations of such laws could also harm our reputation or have an adverse impact on our business, financial condition, results of operations and prospects.

We may not be able to successfully integrate the operations of companies we acquire or benefit from growth opportunities.

We continue to pursue selective acquisitions of complementary businesses, such as Tulip, which we acquired in 2019. Inherent in any future acquisitions are certain risks such as increasing leverage and debt service requirements and combining company cultures and facilities, which could have a material adverse effect on our operating results, particularly during the period immediately following such acquisitions. Additional debt or equity capital may be required to complete future acquisitions, and there can be no assurance that we will be able to raise the required capital. These opportunities may expose us to successor liability relating to actions involving any acquired entities, their respective management or contingent liabilities incurred prior to our involvement and will expose us to liabilities associated with ongoing operations, in particular to the extent we are unable to adequately and safely manage such acquired operations. A material liability associated with these types of opportunities, or our failure to successfully integrate any acquired entities into our business, could adversely affect our reputation and have a material adverse effect on us.

We may not be able to successfully integrate any growth opportunities we may undertake in the future or successfully implement appropriate operational, financial and administrative systems and controls to achieve the benefits that we expect to result therefrom. These risks include: (1) failure of the acquired entities to achieve expected results; (2) possible inability to retain or hire key personnel of the acquired entities; and (3) possible inability to achieve expected synergies and/or economies of scale. In addition, the process of integrating businesses could cause interruption of, or loss of momentum in, the activities of our existing business. The diversion of our management's attention, the lack of experience in operating in the geographical market of the acquired business and any delays or difficulties encountered in connection with the integration of these businesses could adversely affect our business, results of operations and prospects.

The consolidation of customers and/or the loss of one or more of our largest customers could adversely affect our business.

Our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the U.S. and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. Because of these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products, any of which could adversely affect our financial results.

Our two largest customers accounted for approximately 12.9% of our net sales in 2019. Our business could suffer significant setbacks in revenues and operating income if we lost one or more of our largest customers, or if our customers' plans and/or markets should change significantly.

Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs due to our compliance with labor laws could adversely affect our business.

As of December 29, 2019, we employed approximately 31,900 persons in the U.S., approximately 11,000 persons in Mexico and approximately 15,600 persons in the U.K. and Europe. Approximately 35.8% of the Company's employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2020 or later. We have not experienced any labor-related work stoppage at any location in over ten years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. In the absence of agreements, we may become subject to labor disruption at one or more of these locations, which could have an adverse effect on our financial results.

Loss of essential employees or material increase in employee turnover could have a significant negative impact on our business.

Our success is largely dependent on the skills, experience, and efforts of our management and other employees. The loss of the services of one or more members of our senior management or of numerous employees with essential skills could have a negative effect on our business, financial condition and results of operations. If we are not able to retain or attract talented, committed individuals to fill vacant positions when needs arise, it may adversely affect our ability to achieve our business objectives.

We also rely on an adequate supply of skilled employees at our processing and food facilities. Trained and experienced personnel in our industry are in high demand, and we have experienced high turnover and difficulty retaining employees with appropriate training and skills. We cannot predict whether we will be able to attract, motivate and maintain an adequate skilled workforce necessary to operate our existing and future facilities efficiently, or that labor expenses will not increase as a result of a shortage in the supply of skilled personnel, thereby adversely impacting our financial performance. While our industry generally operates with high employee turnover, any material increases in employee turnover rates or any widespread employee dissatisfaction could also have a material adverse effect on our business, financial condition and results of operations.

We depend on contract growers and independent producers to supply us with livestock.

We contract primarily with independent contract growers to raise the live chickens and pigs processed in our operations. If we do not attract and maintain contracts with growers or maintain marketing and purchasing relationships with independent producers, our production operations could be negatively affected.

Changes in consumer preference could negatively impact our business.

The food industry in general is subject to changing consumer trends, demands and preferences. Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand

and price reductions for our products, and could have an adverse effect on our financial results. For example, consumer concerns related to human health, climate change, resource conservation and animal welfare of animal-based protein sources have driven consumer interest in plant-based protein sources. Because we primarily produce chicken and pork products, we may be limited in our ability to respond to changes in consumer preferences towards other animal-based proteins or away from animal-based proteins entirely.

Our future financial and operating flexibility may be adversely affected by significant leverage.

On a consolidated basis, as of December 29, 2019, we had approximately $478.1 million in secured indebtedness, $1.8 billion of unsecured indebtedness and had the ability to borrow approximately $929.9 million under our credit agreements. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness. The degree to which we are leveraged could have important consequences because (1) it could affect our ability to satisfy our obligations under our credit agreements, (2) a substantial portion of our cash flow from operations is required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes, (3) our ability to obtain additional financing and to fund working capital, capital expenditures and other general corporate requirements in the future may be impaired; (4) we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage, (5) our flexibility in planning for, or reacting to, changes in our business may be limited, (6) it may limit our ability to pursue acquisitions and sell assets and (7) it may make us more vulnerable in the event of a continued or new downturn in our business or the economy in general.

Our ability to make payments on and to refinance our debt, including our credit facilities, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to various business factors (including, among others, the commodity prices of feed ingredients, chicken and pork) and general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

There can be no assurance that we will be able to generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in an amount sufficient to enable us to pay our debt obligations, including obligations under our credit facilities, or to fund our other liquidity needs. We may need to refinance all or a portion of their debt on or before maturity. There can be no assurance that we will be able to refinance any of their debt on commercially reasonable terms or at all.

The interest rates of our credit facilities are priced using a spread over LIBOR.

The London Interbank Offered Rate (“LIBOR”), is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in our term loans such that the interest due to our creditors pursuant to a term loan extended to us is calculated using LIBOR. Some of our term loan agreements and revolving credit facilities contain a stated minimum value for LIBOR, and as of December 31, 2019, the Company had $450.0 million in outstanding indebtedness tied to LIBOR.

In 2017, the U.K.’s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist, or if new methods of calculating LIBOR will be established such that it continues to exist after 2021 or if replacement conventions will be developed. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities (“SOFR”). SOFR is observed and backward-looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with LIBOR). Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question. As such, the future of LIBOR at this time is uncertain. At this time, due to a lack of consensus existing as to what rate or rates may become accepted alternatives to LIBOR, it is impossible to predict the effect of any such alternatives on our liquidity. However, if LIBOR ceases to exist, we may need to renegotiate our credit agreements that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. Additionally, these changes may have an adverse impact on the value of or interest earned on any LIBOR-based marketable securities, loans and derivatives that are included in our financial assets and liabilities.

Impairment in the carrying value of goodwill could negatively affect our operating results.

We have a significant amount of goodwill on our Consolidated Balance Sheets. Under the accounting principles generally accepted in the U.S. (“U.S. GAAP”), goodwill must be evaluated for impairment annually or more frequently if events indicate it is warranted. If the carrying value of our reporting units exceeds their current fair value as determined based on the discounted future cash flows of the related business, the goodwill is considered impaired and is reduced to fair value by a non-cash charge to earnings. Events and conditions that could result in impairment in the value of our goodwill include changes in the industry in which we operate, particularly the impact of a downturn in the global economy or the economies of geographic regions or countries in which we operate, as well as competition, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term sales or profitability.

Extreme weather, natural disasters or other events beyond our control could negatively impact our business.

Bioterrorism, fire, pandemic, extreme weather or natural disasters, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of our flocks, production or availability of feed ingredients, or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors could have an adverse effect on our financial results. Moreover, climate change, including the impact of global warming, has resulted in risks that include changes in weather conditions, extreme weather events and adverse impacts on agricultural production, as well as potential regulatory compliance risks, all of which could have a material adverse effect on our results of operations, financial condition and liquidity.

Our operations may be adversely impacted by the U.K.'s recent exit from the European Union.

The U.K.'s June 2016 referendum, in which voters approved an exit from the European Union (commonly referred to as "Brexit"), and subsequent negotiations related to Brexit have caused and may continue to cause volatility in the global stock markets, currency exchange rate fluctuations and global economic uncertainty, which could adversely affect our ability to transact business in the U.K. and in countries in the EU. On January 31, 2020 , the U.K. formally ceased to be part of the EU. Although the U.K. has passed legislation regarding the immediate impact of the U.K.'s withdrawal from the EU, it is still unclear what terms, if any, may be agreed within the U.K. and between the U.K. and other countries on many aspects of fiscal policy, cross-border trade and international relations, both in the final outcome and for any transitional period. Because this is an unprecedented event, it is also unclear what long-term economic, financial, trade and legal implications the withdrawal of the U.K. from the EU would have and how such withdrawal would affect our customers and our operations in the U.K. and Europe. If the U.K. were to significantly alter its regulations affecting the food industry, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. Additionally, results of operations for our U.K. and Europe reportable segment may be adversely affected if the U.K. is unable to secure replacement trade agreements and arrangements on terms as favorable as those currently enjoyed by the U.K. Any of the effects of Brexit could adversely affect our business, business opportunities, results of operations, financial condition and cash flows. In addition, the U.K.'s withdrawal from the European Union will result in changes to the interactions that the Company has with regulators, as the U.K.'s domestic regulators will no longer participate in the EU's regulatory enforcement structure. This may affect relationships that the Company has developed with its regulators to date.

JBS USA beneficially owns a majority of our common stock and has the ability to control the vote on most matters brought before the holders of our common stock.

JBS USA beneficially owns a majority of the shares and voting power of our common stock and is entitled to appoint a majority of the members of our Board of Directors. As a result, subject to restrictions on its voting power and actions in a stockholders agreement between JBS USA and us and our organization documents, JBS USA has and will have the ability to control our management, policies and financing decisions, elect a majority of the members of our Board of Directors at the annual meeting and control the vote on most matters coming before the holders of our common stock. Under the stockholders agreement between JBS USA and us, JBS USA has the ability to elect up to six members of our Board of Directors and the other holders of our common stock have the ability to elect up to three members of our Board of Directors. If the percentage of our outstanding common stock owned by JBS USA exceeds 80%, then JBS USA will have the ability to elect one additional member of our Board of Directors while the other holders of our common stock will have the ability to elect one less member of our Board of Directors.

JBS USA may have interests that are different from other shareholders and may vote in a way that may be adverse to our other shareholders' interests. JBS USA's concentration of ownership could also have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our common stock to decline or prevent our shareholders from realizing a premium over the market price for their common stock.

J&F has entered into a Leniency Agreement with Brazilian authorities whereby it assumed the obligation to establish independent investigations in Brazil in connection with admissions of illicit conduct to Brazilian governmental authorities, and the outcome of these investigations, as well as related investigations by Brazilian and U.S. governmental authorities, could have a material adverse effect on us.

On May 3, 2017, certain officers of J&F Investimentos S.A. ("J&F," and together with the companies controlled by J&F, the "J&F Group"), a company organized in Brazil and an indirect controlling stockholder of the Company, including a former senior executive and former board members of the Company, entered into cooperation agreements (*acordos de colaboração*) (collectively, the "Cooperation Agreements") with the Office of the Prosecutor General (*Procuradoria-Geral da República*), or PGR, in connection with certain illicit conduct by J&F and such individuals acting in their capacity as J&F executives. The details of such illicit conduct are set forth in separate annexes to the Cooperation Agreements, and include admissions of improper payments to politicians and political parties in Brazil during a ten-year period in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

On June 5, 2017, J&F, for itself and as the controlling shareholder of the J&F Group companies, entered into a leniency agreement (the "Leniency Agreement") with the Federal Prosecution Service (Ministério Público Federal), or MPF, whereby J&F assumed responsibility for the conduct that was described in the annexes to the Cooperation Agreements. In connection with the Leniency Agreement, J&F has agreed to pay a fine of 10.3 billion Brazilian *reais* (R$), adjusted for inflation, over a 25-year period. J&F has made five R$50.0 million payments, representing R$250.0 million of the total fine, which payments have been accepted by the MPF. Various proceedings by Brazilian governmental authorities remain pending against J&F and certain of its former or current officers seeking to invalidate the Cooperation Agreements and impose more severe penalties for additional alleged illicit conduct that was not disclosed in the annexes to the Cooperation Agreements.

On December 11, 2017, the PGR requested to the STF the termination of the Cooperation Agreements executed by Joesley Mendonça Batista and a former executive of J&F alleging, among others, that they received improper support by a member of the PGR on the negotiation of their Cooperation Agreements. On May 17, 2018, the PGR requested to the Federal Supreme Court (*Supremo Tribunal Federal*), or STF, the termination of the Cooperation Agreements executed by Wesley Mendonça Batista and another J&F executive on the same grounds. Within such proceedings, on December 17, 2018, the STF issued a ruling that there is no necessary link between the termination of the Cooperation Agreements, on the one hand, and the Leniency Agreement on the other hand and that the termination of the Cooperation Agreements would not automatically invalidate the Leniency Agreement. However, a final decision by the STF on the termination of the Cooperation Agreements may change such ruling and directly impact the Leniency Agreement. On April 30, 2019, in connection with an administrative proceeding relating to the Leniency Agreement, the MPF argued that if the STF terminated the Cooperation Agreements, such termination could have repercussions with respect to the Leniency Agreement. According to the MPF, such repercussions could include termination of the Leniency Agreement and the inclusion of additional fines or other obligations that would be payable by J&F.

We cannot assure you that the Leniency Agreement will not be impacted by the termination of any of the Cooperation Agreements or that the MPF will not continue to argue to the STF that the termination of the Cooperation Agreements by the STF should affect the Leniency Agreement. If the Leniency Agreement is terminated or nullified, the facts included therein could be exposed to potential proceedings and sanctions by Brazilian governmental authorities, which could have a material adverse effect on our business, reputation and financial condition.

In accordance with the terms of the Leniency Agreement, J&F is conducting internal investigations and has engaged outside advisors to assist in conducting these investigations, which are ongoing, and with which we are fully cooperating. In addition, JBS S.A., JBS USA and the Company have (i) conducted an independent investigation in connection with matters disclosed in the Leniency Agreement and the Cooperation Agreements; and (ii) communicated with relevant U.S. authorities, including the Department of Justice and the Securities and Exchange Commission, regarding the factual findings of these investigations. Additionally, JBS S.A. and the Company have taken, and are continuing to take, measures to enhance their compliance programs, including to prevent and detect bribery and corruption.

We cannot predict when these investigations will be completed or the results of such investigations, including whether any litigation will be brought against us or the outcome or impact of any resulting litigation, nor can we predict any potential actions that may be taken by such relevant U.S. authorities, which could include substantial fines and penalties, violations that impact our disclosure, and which could also result in litigations by shareholders against us.

In addition, we cannot guarantee that the investigations will not uncover other instances of prior illicit conduct by any of the parties to the Leniency Agreement or any of the Cooperation Agreements, or by other parties affiliated with us (including, without limitation, any of our shareholders, directors, officers, employees, agents or third parties acting in our name) which are not party to the Leniency Agreement or the Cooperation Agreements. It is possible that other facts not covered by the Leniency Agreement or the Cooperation Agreements will be discovered in the future. If that occurs, Brazilian authorities may bring proceedings and impose sanctions, fines or other penalties in relation to any such additional uncovered facts and may seek to use such discoveries to invalidate or terminate the Leniency Agreement or the Cooperation Agreements.

Separately, Joesley Mendonça Batista and Wesley Mendonça Batista (who equally and indirectly own 100% of the equity interests in J&F), JBS S.A. and other defendants are party to administrative proceedings and/or sanctioning administrative proceedings initiated by the CVM. The matters under investigation with respect to Joesley Mendonça Batista and Wesley Mendonça Batista include possible violations of Brazilian laws regarding the following: insider trading in regulated market transactions, management due diligence obligations in connection with internal controls, misuse of JBS S.A.'s assets and conflicts of interest in approving management accounts. On September 25, 2018, the Board of Commissioners of the CVM rejected the settlement proposal submitted jointly by Joesley Mendonça Batista and Wesley Mendonça Batista, JBS S.A. and the other defendants to end the administrative proceedings related to insider trading in regulated market transactions and management due diligence obligations in connection with internal controls. On December 3, 2019, the Board of Commissioners of the CVM rejected their settlement proposal to close the sanctioning administrative proceeding regarding the misuse of JBS S.A.'s assets. These proceedings in Brazil are ongoing and their results cannot be predicted.

Any further adverse developments in these, or other, matters involving Joesley Mendonça Batista and Wesley Mendonça Batista or other parties affiliated with us (including, without limitation, any of our shareholders, directors, officers, employees, agents or third parties acting in our name), could subject us to potential fines or penalties set forth under applicable law, materially adversely affect our public perception or reputation and could have a material adverse effect on us, including: (1) threatening our ability to obtain new financing, which could impair our ability to operate our business; and (2) shifting management's focus to these matters, which could harm our ability to meet our strategic objectives. Additionally, while we have taken, and are continuing to take, measures to enhance our compliance programs, which are intended to assist us in detecting and prevent bribery and corruption, there can be no assurance that these efforts will enable us to detect or prevent all such activities.

We will monitor the results of the investigations and J&F will continue to engage in dialogue with the relevant U.S. authorities. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Operating Facilities

Our main operating facilities are as follows:

	Number of Facilities[a]					
	Owned	Leased	Total	Capacity[b]	Unit of Measure	Average Capacity Utilization
Chicken Operations:						
Fresh processing facilities	35	1	36	8.7 million	Birds per day	84.4%
Prepared foods facilities	14	2	16	511,703	Tons per year	71.8%
Hatcheries	47	2	49	3.3 billion	Eggs per year	64.0%
Other operation facilities[c]	49	3	52	17.3 million	Tons per year	65.7%
Grain elevator	1	—	1	8.6 million	Bushels per year	30.3%
Pork Operations:						
Fresh processing facilities	3	—	3	9,800	Pigs per day	83.8%
Prepared foods facilities	11	—	11	73,539	Tons per year	75.1%
Distribution centers and other facilities	11	18	29	N/A		N/A

(a) Substantially all of our U.S. property, plant and equipment is used as collateral for our secured U.S. credit facility. See Part II, Item 8, Notes to Consolidated Financial Statements, “Note 12. Long-Term Debt and other Borrowing Arrangements.”

(b) Capacity and utilization numbers do not include idled facilities.

(c) Other operation facilities includes feed mills, protein conversion and rendering facilities, pet food facilities, and one freezer in the U.S.

Item 3. Legal Proceedings

Tax Claims and Proceedings

During 2014 and 2015 the Mexican Tax Authorities opened a review of Avícola Pilgrim's Pride de Mexico, S.A. de C.V. ("APPM") in regards to tax years 2009 and 2010, respectively. In both instances, the Mexican Tax Authorities claim that controlled company status did not exist for certain subsidiaries because APPM did not own 50% of the shares in voting rights of Incubadora Hidalgo, S. de R.L de C.V. and Commercializadora de Carnes de México S. de R.L de C.V. (both in 2009) and Pilgrim's Pride, S. de R. L. de C.V. (in 2010). As a result, APPM should have considered dividends paid out of these subsidiaries partially taxable since a portion of the dividend amount was not paid from the net tax profit account (CUFIN). APPM is currently appealing. Amounts under appeal are $24.3 million and $16.1 million for tax years 2009 and 2010, respectively. No loss has been recorded for these amounts at this time.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation*, Case No. 1:16-cv-08637 were filed with the U.S. District Court for the Northern District of Illinois against PPC and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The class plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. Between December 8, 2017 and October 22, 2019, 32 individual direct action complaints *(Affiliated Foods, Inc., et al. v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:17-cv-08850; *Sysco Corp. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00700; *U.S. Foods Inc. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00702; *Action Meat Distributors, Inc., et al. v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:18-cv-03471; *Jetro Holdings, LLC v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04000; *Associated Grocers of the South, Inc., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-4616; *The Kroger Co., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04534; *Ahold Delhaize USA, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-05351; *Samuels as Trustee In Bankruptcy for Central Grocers, Inc. et al., v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05341; *W. Lee Flowers & Company, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05345; *BJ's Wholesale Club, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-05877; *United Supermarkets LLC, et al. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-06693; *Associated Wholesale Grocers, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-06316 (transferred from the U.S. District Court for the District of Kansas on September 17, 2018, following Defendants' successful motion to transfer); *Shamrock Foods Company, et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-7284; *Winn-Dixie Stores, Inc., et al. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-00245; *Quirch Foods, LLC, f/k/a Quirch Foods Co. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-08511; *Sherwood Food Distributors, L.L.C., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00354, *Hooters of America, LLC v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00390, *Darden Restaurants, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00530; *Associated Grocers, Inc., et al. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, et al.*, Case No. 1:19-cv-00638; *Checkers Drive-In Restaurants, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-01283; *Conagra Brands, Inc., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-02190, *Giant Eagle, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, et al.*, Case No. 1:19-cv-02758; *Save Mart Supermarkets v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-02805; *Walmart Inc., et al. v. Pilgrim's Pride Corporation, et al.*, Case No. 1:19-cv-03915 (transferred from the U.S. District Court for the Western District of Arkansas on June 11, 2019, following Plaintiffs' unopposed motion to transfer); *Services Group of America, Inc. v. Tyson Food, Inc., et al.*, Case No. 1:19-cv-04194; *Restaurants of America, Inc., et al. v. Tyson Foods, Inc., et al.*, No. 19-cv-04824; *Anaheim Wings, d/b/a Hooters of Anaheim, et al. v. Tyson Foods, Inc., et al.*, No. 19-cv-05229; *Amigos Meat Distributors, LP, et al. v. Tyson Foods, Inc., et al.*, No. 19-cv-05424; *PJ Food Service, Inc. v. Tyson Foods, Inc., et al.*, No. 19-cv-6141; *The Golub Corporation, et al. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, et al.*, Case No. 19-cv-06955; and *Commonwealth of Puerto Rico v. Koch Foods, Inc., et al.*, Case No. 3:19-cv-01605 (transferred from the U.S. District Court for the District of Puerto Rico)) were filed with the U.S. District Court for the Northern District of Illinois by individual direct purchaser entities naming PPC as a defendant, the allegations of which largely mirror those in the class action complaints. The Court has ordered the parties to coordinate scheduling of the direct action complaints with the class complaints with any necessary modifications to reflect time of filing. Discovery will be consolidated. On June 21, 2019, the DOJ filed a motion to intervene and stay discovery in the *In re Broiler Chicken Antitrust Litigation* for a period of six months. Following a hearing on June 27, 2019, on June 28, 2019, the Court granted the government's motion to intervene, ordering a limited stay first until September 27, 2019, and then, following a subsequent request for an extension by the DOJ, to June 27, 2020. On July 1, 2019, the DOJ issued a subpoena to PPC in connection with its investigation. PPC is currently in the process of complying with the subpoena. On December 18, 2019, the Court reset the date for the lifting of the stay to March 31, 2020. On January 29, 2020, the Court issued a scheduling order through trial, which contemplates class certification briefing and related expert reports proceeding from June 18, 2020 to November 25, 2020, the close of all merits fact discovery on December 18, 2020, and summary judgment briefing and related expert reports proceeding from January 15, 2021 to August 10, 2021. The Court has set a trial date of April 4, 2022.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of PPC's stock between February 21, 2014 and October 6, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against PPC and its named executive officers. The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (1) PPC colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation*, (2) its conduct constituted a violation of federal antitrust laws, (3) PPC's revenues during the class period were the result of illegal conduct and (4) that PPC lacked effective internal control over financial reporting. The complaint also states that PPC's industry was anticompetitive and seeks compensatory damages. On April 4, 2017, the Court appointed another stockholder, George James Fuller, as lead plaintiff. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2017. PPC and the other defendants moved to dismiss on June 12, 2017, and the plaintiff filed its opposition on July 12, 2017. PPC and the other defendants filed their reply on August 1, 2017. On March 14, 2018, the Court dismissed the plaintiff's complaint without prejudice and issued final judgment in favor of PPC and the other defendants. On April 11, 2018, the plaintiff moved for reconsideration of the Court's decision and for permission to file a Second Amended Complaint. PPC and the other defendants filed a response to the plaintiff's motion on April 25, 2018. On November 19, 2018, the Court denied the plaintiff's motion for reconsideration and granted plaintiff leave to file a Second Amended Complaint. As of the date of these financial statements, the plaintiff has not yet filed a Second Amended Complaint.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed consolidated amended class action complaint styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033-RJS (the *"Grower Litigation"*). The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint on September 9, 2017. The Court initially held oral argument on January 19, 2018, during which it considered and granted only certain other defendants' motions challenging jurisdiction. Oral argument on the remaining pending motions in the Oklahoma court occurred on April 20, 2018. In addition, on March 12, 2018, the Northern District of Texas, Fort Worth Division ("Bankruptcy Court") enjoined the plaintiffs from litigating the *Grower Litigation* complaint as pled against PPC because allegations in the consolidated complaint violate the confirmation order relating to PPC's bankruptcy proceedings in 2008 and 2009. Specifically, the 2009 bankruptcy confirmation order bars any claims against PPC based on conduct occurring before December 28, 2009. On March 13, 2018, PPC notified the trial court of the Bankruptcy Court's injunction. On January 6, 2020, the Court held a motion hearing and denied the pending Rule 12 motion and lifted the stay on discovery. The Court also set a briefing schedule for the plaintiffs to file a motion seeking leave to amend their complaint in light of the Bankruptcy Court's injunction. Plaintiffs' Motion for Leave to Amend is due on January 27, 2020, and Defendants' response is due on February 18, 2020. A status conference is set for April 6, 2020.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette*, *et al.*, No. 2017 cv. 30207, was brought against all of PPC's directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation,* and issuing false and misleading statements as alleged in the Hogan class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette*, *et al.*, No. 2017 cv. 30308, was brought against all of PPC's directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The Brima complaint contains largely the same allegations as the DiSalvio complaint. On May 4, 2017, the plaintiffs in both the DiSalvio and Brima actions moved to (1) consolidate the two stockholder derivative cases, (2) stay the consolidated action until the resolution of the motion to dismiss in the Hogan putative securities class action, and (3) appoint co-lead counsel. The Court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the Hogan action.

On January 24, 2018 a stockholder derivative action styled as *Sciabacucchi v. JBS S.A. et al.* was brought against all of PPC's directors, JBS S.A., JBS USA Holdings and several members of the Batista family, in the Court of Chancery of the State of Delaware (the "Chancery Court"). The complaint alleges, among other things, that the named defendants breached their fiduciary duties arising out of PPC's acquisition of Moy Park. On May 24, 2018, Employees Retirement System of the City of St. Louis filed a derivative complaint, which was virtually identical to the Sciabacucchi complaint. Both complaints sought compensatory damages. On July 2, 2018, the Chancery Court granted a stipulation consolidating the cases and making the first complaint (Sciabacucchi) the operative complaint. Also by stipulation, various defendants have been voluntarily dismissed from the case without prejudice. The remaining defendants are JBS S.A., JBS USA Holding, and directors Lovette, Nogueira de Souza, Tomazoni, and Molina. PPC also remains in the case as a nominal defendant. On March 15, 2019, the Chancery Court denied the non-PPC defendants' motion to dismiss. As a result, the case proceeded to discovery, and trial was scheduled to commence in November 2020. On October 3, 2019, the parties entered into a stipulation agreeing to settle the dispute for (1) a cash payment to PPC by the non-PPC defendants of $42.5 million less any fees and expenses awarded to the plaintiffs' counsel, as well as any applicable taxes, and (2) corporate governance changes to be implemented by PPC. No portion of the settlement amount will be paid by PPC to the non-PPC defendants. The settlement was approved by the Court of Chancery on January 28, 2020.

Between August 30, 2019 and October 16, 2019, four purported class action lawsuits were filed in the U.S. District Court for the District of Maryland against PPC and a number of other chicken producers, as well as WMS (Webber, Meng, Sahl and Company) and Agri Stats. The plaintiffs seek to represent a nationwide class of processing plant production and maintenance workers (“Plant Workers”). They allege that the defendants conspired to fix and depress the compensation paid to Plant Workers in violation of the Sherman Act and seek damages from January 1, 2009 to the present. The four cases are *Jien v. Perdue Farms, Inc.*, Case No. 19-cv-2521; *Earnest v. Perdue Farms, Inc. et al.*, Case No. 19-cv-02680; *Robinson v. Tyson Foods, Inc. et al.*, Case No. 19-cv-02960; and *Avila v. Perdue Farms, Inc., et al.*, Case No. 19-cv-03018 (together, the “Wages Litigation”). On November 12, 2019, the Court ordered the consolidation of the four cases for pretrial purposes. The defendants (including PPC) jointly moved to dismiss the consolidated complaint on November 22, 2019. Shortly thereafter, the plaintiffs informed the defendants and the Court they would be amending their complaint, which they did on December 20, 2019. The consolidated amended complaint asserts largely similar allegations to the pleadings in the consolidated complaint extended to include more class members and turkey processors as well as chicken. The defendants’ motions to dismiss the consolidated amended complaint are due on March 2, 2020, with oppositions due on April 24, 2020 and replies on May 21, 2020.

PPC believes it has strong defenses in each of the above litigations and intends to contest them vigorously. PPC cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of these litigations, PPC could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the Nasdaq Global Select Market ("Nasdaq") under the symbol "PPC."

Holders

The Company estimates that there were approximately 49,500 holders (including individual participants in security position listings) of the Company's common stock as of February 20, 2020.

Dividends

The Company has no current intention to pay any dividends to its stockholders. Any change in dividend policy will depend upon future conditions, including earnings and financial condition, general business conditions, any applicable contractual limitations and other factors deemed relevant by our Board of Directors in its discretion.

Both the U.S. Credit Facility and the indentures governing the Company's senior notes restrict, but do not prohibit, the Company from declaring dividends. In addition, the terms of the Moy Park Multicurrency Revolving Facility Agreement restrict Moy Park's ability and the ability of certain of Moy Park's subsidiaries to, among other things, make payments and distributions to us, which could in turn impair our ability to pay dividends to our stockholders. See "Note 12. Long-Term Debt and Other Borrowing Arrangements" of our Consolidated and Combined Financial Statements included in this annual report for additional information.

Issuer Purchases of Equity Securities

On October 31, 2018, the Company's Board of Directors approved a $200.0 million share repurchase authorization. The Company plans to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company's management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. For the fifty-two weeks ended December 29, 2019, the Company had repurchased 115,994 shares under this program for an aggregate cost of $2.9 million and an average price of $24.98 per share. Set forth below is information regarding our stock repurchases for the thirteen weeks ended December 29, 2019.

Issuer Purchases of Equity Securities

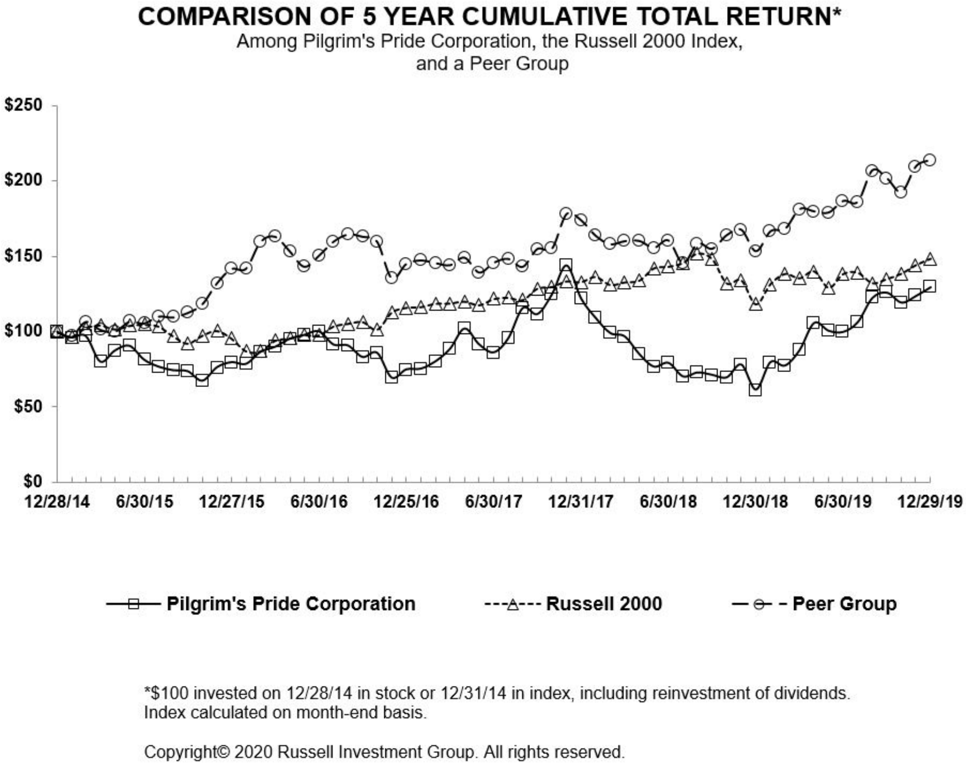
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of the Shares That May Yet Be Purchased Under the Plans or Programs [(a)]
September 30, 2019 through October 27, 2019	—	$ —	—	$ 196,865,927
October 28, 2019 through December 1, 2019	—	—	—	196,865,927
December 2, 2019 through December 29, 2019	—	—	—	196,865,927
Total	—	$ —	—	$ 196,865,927

(a) Reflects the remaining dollar value of shares that may yet be repurchased under our share repurchase authorization, the parameters of which are described above. The plan was announced on October 31, 2018.

Performance Graph

The graph below shows a comparison from December 28, 2014 through December 29, 2019 of the cumulative 5-year total stockholder return of holders of the Company's common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of three companies: Hormel Foods Corp, Sanderson Farms Inc. and Tyson Foods Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on December 28, 2014 and tracks it through December 29, 2019.

The graph covers the period from December 28, 2014 to December 29, 2019, and reflects the performance of the Company's single class of common stock. The stock price performance represented by this graph is not necessarily indicative of future stock performance.



	12/28/14	06/30/15	12/27/15	06/30/16	12/25/16	06/30/17	12/31/17	06/30/18	12/30/18	06/30/19	12/29/19
PPC	$ 100.00	$ 81.29	$ 79.59	$ 100.19	$ 74.79	$ 86.19	$ 122.13	$ 79.15	$ 61.30	$ 99.83	$ 129.64
Russell 2000	100.00	104.75	95.59	97.70	115.95	121.74	132.94	143.12	118.30	138.39	148.49
Peer Group	100.00	105.68	141.65	150.43	144.99	145.79	173.90	160.56	153.47	186.68	213.77

Item 6. Selected Financial Data

(In thousands, except ratios and per share data)	2019[f]	2018[f]	2017[f]	2016	2015
Operating Results Data:					
Net sales	$ 11,409,219	$ 10,937,784	$ 10,767,863	$ 9,878,564	$ 8,752,672
Gross profit[a]	1,070,394	843,476	1,471,614	1,103,983	1,298,724
Operating income[a]	690,568	495,686	1,072,322	792,082	1,061,132
Interest expense, net[b]	118,353	149,001	99,453	73,335	42,721
Gain on bargain purchase	(56,880)	—	—	—	—
Loss on early extinguishment of debt	—	16,758	166	—	1,470
Income before income taxes[a]	617,545	332,227	982,066	724,036	1,001,324
Income tax expense[c]	161,009	85,423	263,899	243,919	338,352
Net income[a]	456,536	246,804	718,167	480,117	662,972
Net income (loss) attributable to noncontrolling interest	612	(1,141)	102	(803)	48
Net income attributable to Pilgrim's Pride Corporation[a]	455,924	247,945	694,579	440,532	645,914
Per Common Diluted Share Data:					
Net income attributable to Pilgrim's Pride Corporation	$ 1.83	$ 1.00	$ 2.79	$ 1.73	$ 2.50
Adjusted net income attributable to Pilgrim's Pride Corporation[d]	1.85	1.28	2.89	1.75	2.60
Book value	10.11	8.06	7.45	8.21	10.28
Balance Sheet Summary:					
Working capital	$ 950,081	$ 938,434	$ 1,063,765	$ 624,728	$ 1,090,129
Total assets	7,102,364	5,931,202	6,248,652	5,021,942	5,668,292
Notes payable and current maturities of long-term debt	26,392	30,405	47,775	15,712	28,108
Long-term debt, less current maturities	2,276,029	2,295,190	2,635,617	1,396,124	1,436,852
Total stockholders' equity	2,536,060	2,019,585	1,855,661	2,086,132	2,659,875
Cash Flow Summary:					
Cash flows from operating activities	$ 666,521	$ 491,650	$ 801,321	$ 795,362	$ 1,020,380
Depreciation and amortization	287,230	274,088	271,824	226,384	169,734
Impairment of property, plant and equipment	—	3,504	5,156	790	4,813
Acquisitions of property, plant and equipment	(348,120)	(348,666)	(339,872)	(340,960)	(190,262)
Purchase of acquired business, net of cash acquired	(384,694)	—	(658,520)	—	(373,532)
Payment of cash dividends	—	—	—	(714,785)	(1,498,470)
Cash flows from financing activities	(34,526)	(384,246)	466,395	(828,219)	(585,005)
Other Data:					
EBITDA[e]	$ 1,023,128	$ 755,316	$ 1,353,343	$ 1,023,755	$ 1,213,779
Adjusted EBITDA[e]	973,771	798,187	1,388,029	1,029,682	1,245,633
Key Indicators (as a percent of net sales):					
Gross profit[a]	9.4%	7.7%	13.7%	11.2%	14.8%
Selling, general and administrative expenses	3.3%	3.1%	3.6%	3.1%	2.6%
Operating income[a]	6.1%	4.5%	10.0%	8.0%	12.1%
Interest expense, net	1.0%	1.4%	0.9%	0.7%	0.5%
Net income[a]	4.0%	2.3%	6.5%	4.5%	7.4%

(a) Operating income and net income include the following restructuring charges for each of the years presented:
(b) Interest expense, net, consists of interest expense less interest income.
(c) Income tax expense in 2019, 2018, 2017, 2016 and 2015 resulted primarily from expense recorded on our year-to-date income.
(d) Adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is presented because it is used by us, and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with U.S. GAAP, to compare the performance of companies. We also believe that this non-U.S. GAAP financial measure, in combination with the our financial results calculated in accordance with U.S. GAAP, provides investors with additional perspective regarding the impact of such charges on net income attributable to Pilgrim's Pride Corporation per common diluted share. Adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is not a measurement of financial performance under U.S. GAAP, has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under U.S. GAAP. It does not reflect the impact of earnings or charges resulting from matters we consider to not be indicative of our ongoing operations.

A reconciliation of net income attributable to Pilgrim's Pride Corporation per common diluted share to adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is as follows:

	2019	2018	2017	2016	2015
	(In thousands except per share data)				
Net income attributable to Pilgrim's Pride Corporation	$ 455,924	$ 247,945	$ 694,579	$ 440,532	$ 645,914
Adjustments, net of tax:					
Loss on early extinguishment of debt	—	12,449	122	—	957
Restructuring activities and transaction costs related to acquisitions	900	3,778	21,478	699	3,746
Other nonrecurring losses	—	14,475	5,896	—	—
Foreign currency transaction losses (gains)	5,112	12,748	(1,944)	2,652	17,022
Gain on bargain purchase	(56,880)				
	405,056	291,395	720,131	443,883	667,639
U.S. Tax Cuts & Jobs Act transition tax	—	26,400	—	—	—
Adjusted net income attributable to Pilgrim's Pride Corporation	405,056	317,795	720,131	443,883	667,639
Weighted average diluted shares of common stock outstanding	249,709	249,149	248,971	254,126	258,676
Adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share	$ 1.62	$ 1.28	$ 2.89	$ 1.75	$ 2.58

(e) Refer below for the calculation of earnings before interest, tax, depreciation and amortization ("EBITDA") and Adjusted EBITDA

(f) Includes the material impact of new business acquisitions as follows:

- Fiscal 2019 includes approximately two and one-half months of operating results from the acquisition of Tulip, acquired for cash of $391.5 million on October 15, 2019.
- Fiscal 2017 includes approximately three and one-half months of operating results from the acquisition of Moy Park, acquired for cash of $303.3 million and a note payable to the seller in the amount of £562.5 million on September 8, 2017. Fiscal 2018 and thereafter includes a full year of operating results.
- Fiscal 2017 includes approximately eleven and one-half months of operating results from the acquisition of GNP, acquired for a cash purchase price of $350 million on January 6, 2017. Fiscal 2018 and thereafter includes a full year of operating results.

A reconciliation of net income to EBITDA and Adjusted EBITDA is as follows:

	2019	2018	2017	2016	2015
	(In thousands)				
Net income	$ 456,536	$ 246,804	$ 718,167	$ 480,117	$ 662,972
Add:					
Interest expense, net[(a)]	118,353	149,001	99,453	73,335	42,721
Income tax expense	161,009	85,423	263,899	243,919	338,352
Depreciation and amortization	287,230	274,088	271,824	226,384	169,734
EBITDA[(e)(f)]	1,023,128	755,316	1,353,343	1,023,755	1,213,779
Add:					
Foreign currency transaction loss (gain)[(b)]	6,917	17,160	(2,659)	4,055	26,148
Restructuring activities loss (gain)[(c)]	(84)	4,765	9,775	1,069	5,754
Transaction costs related to acquisitions	1,302	320	19,606	—	—
Other nonrecurring losses[(d)]	—	19,485	8,066	—	—
Minus:					
Gain on bargain purchase	(56,880)	—	—	—	—
Net income (loss) attributable to noncontrolling interest	612	(1,141)	102	(803)	48
Adjusted EBITDA[(e)(f)]	$ 973,771	$ 798,187	$ 1,388,029	$ 1,029,682	$ 1,245,633

(a) Interest expense, net, consists of interest expense less interest income.

(b) The Company measures the financial statements of its Mexico subsidiaries as if the U.S. dollar were the functional currency. Accordingly, we remeasure assets and liabilities, other than nonmonetary assets, of the Mexico subsidiaries at current exchange rates. We remeasure nonmonetary assets using the historical exchange rate in effect on the date of each asset's acquisition. Currency exchange gains or losses resulting from these remeasurements are included in the line item *Foreign currency transaction losses (gains)* in the Consolidated and Combined Statements of Income.

(c) Restructuring charges includes tangible asset impairment, severance and change-in-control compensation costs, and losses incurred on both the sale of unneeded broiler eggs and flock depletion.

(d) Other nonrecurring losses include expenses incurred for Hurricane Maria in Puerto Rico, Hurricane Michael in Florida and certain Moy Park severance charges.

(e) "EBITDA" is defined as the sum of net income (loss) plus interest, taxes, depreciation and amortization. "Adjusted EBITDA" is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not indicative of our ongoing operating performance consisting of: (1) foreign currency transaction losses (gains) in the period from 2015 through 2019, (2) restructuring activities in the period from 2015 through 2019, (3) transaction costs from business acquisitions in the period from 2015 through 2019, (4) gain on bargain purchase in the period from 2015 through 2019, (5) net income (loss) attributable to noncontrolling interests in the period from 2015 through 2019 and (6) other nonrecurring losses in the period from 2015 through 2019. EBITDA is presented because it is used by us and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with U.S. GAAP, to compare the performance of companies. We believe investors would be interested in our Adjusted EBITDA because this is how our management analyzes EBITDA applicable to continuing operations. We also believe that Adjusted EBITDA, in combination with our financial results calculated in accordance with U.S. GAAP, provides investors with additional perspective regarding the impact of certain significant items on EBITDA and facilitates a more direct comparison of its performance with its competitors. EBITDA and Adjusted EBITDA are not measurements of financial performance under U.S. GAAP. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP. Some of the limitations of these measures are:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- They are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- EBITDA does not reflect the impact of earnings or charges attributable to noncontrolling interests;
- They do not reflect the impact of earnings or charges resulting from matters we consider to not be indicative of our ongoing operations; and
- They do not reflect limitations on or costs related to transferring earnings from our subsidiaries to us.

(f) In addition, other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with U.S. GAAP. You should compensate for these limitations by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only on a supplemental basis.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

Overview

As a vertically integrated company, we're able to better manage food quality and safety, allowing us to seek opportunities to diversify and grow our business, while meeting the needs of consumers, customers and team members. This gives us the opportunity to continue to create growth and development opportunities, further increasing our position as a leading domestic and global protein company. With the acquisition of Tulip and Moy Park in 2019 and 2017, respectively, we solidified ourselves as a leading European food company while diversifying our product mix with introduction into the pork market. With the acquisition GNP in 2017, we further solidified ourselves as a leading poultry company within the U.S. See "Note 2. Business Acquisitions" of our Consolidated and Combined Financial Statements included in this annual report for additional information relating to these acquisitions.

We reported net income attributable to Pilgrim's Pride Corporation of $455.9 million, or $1.83 per diluted common share, and profit before tax totaling $617.5 million, for 2019. These operating results included gross profit of $1.1 billion and generated $666.5 million of cash from operations. We generated operating margins of 6.1% with operating margins of 6.4%, 3.3% and 8.9% in our U.S., U.K. and Europe, and Mexico reportable segments, respectively. During 2019, we generated EBITDA and Adjusted EBITDA of $1.0 billion and $973.8 million, respectively. A reconciliation of net income to EBITDA and Adjusted EBITDA is included in "Item 6. Selected Financial Data" in this annual report.

We operate on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. Any reference we make to a particular year applies to our fiscal year and not the calendar year. Fiscal 2019 and 2018 were 52-week accounting cycles and fiscal 2017 was a 53-week accounting cycle.

Raw Materials

Our U.S. and Mexico reportable segments use corn and soybean meal as the main ingredients for feed production, while our U.K. and Europe reportable segment uses wheat, soybean meal and barley as the main ingredients for feed production.

Market prices for animal-based protein products are currently at levels sufficient to offset the costs of feed ingredients. However, there can be no assurance that animal-based protein prices will not decrease due to such factors as competition from plant-based proteins and substitutions by consumers of non-protein foods because of uncertainty surrounding the general economy, animal-based diseases and unemployment.

Tulip Acquisition

On October 15, 2019, we acquired 100% of the equity of Tulip Limited and its subsidiaries from Danish Crown AmbA for £310.0 million, or $391.5 million, subject to customary working capital adjustments. The acquisition was funded with cash on hand. Tulip Limited, a leading, integrated prepared pork supplier, is headquartered in Warwick, U.K., operates 14 fresh and value-added facilities in that country and employs approximately 5,400 people as of December 29, 2019. The acquisition solidifies us as a leading European food company, creating one of the largest integrated prepared foods businesses in the U.K. The Tulip operations are included in our U.K. and Europe reportable segment. See "Note 2. Business Acquisitions" of our Consolidated and Combined Financial Statements included in this annual report for additional information relating to this acquisition.

Potential Impact of Tariffs

We continue to monitor recent trade and tariff activity and its potential impact to exports and inputs costs across our reportable segments. Currently, we are experiencing impacts to domestic and export prices of chicken resulting from uncertainty in trade policies and increased tariffs. We are unable to give any assurance as to the scope, duration, or impact of any changes in trade policies or tariffs, how successful any mitigation efforts will be, or the extent to which mitigation will be necessary, and accordingly, changes in trade policies and increased tariffs could have a material adverse effect on our business and results of operations.

Reportable Segments

We operate in three reportable segments: the U.S., the U.K. and Europe, and Mexico. We measure segment profit as operating income. Corporate expenses are allocated to Mexico and U.K. and Europe reportable segments based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. For additional information, see "Note 22. Reportable Segments" of our Consolidated and Combined Financial Statements included in this annual report.

Results of Operations

2019 Compared to 2018

Net sales. Net sales for 2019 increased $471.4 million, or 4.3%, from $10.9 billion generated in 2018 to $11.4 billion generated in 2019. The following table provides additional information regarding net sales:

Sources of net sales	2019	Change from 2018 Amount	Change from 2018 Percent
		(In thousands, except percent data)	
U.S.	$ 7,636,716	$ 211,055	2.8%
U.K. and Europe	2,383,793	235,127	10.9%
Mexico	1,388,710	25,253	1.9%
Total net sales	$ 11,409,219	$ 471,435	4.3%

U.S. Reportable Segment. U.S. net sales generated in 2019 increased $211.1 million, or 2.8%, from U.S. net sales generated in 2018 primarily because of an increase in sales volume and an increase in net sales per pound. The increase in sales volume contributed $139.6 million, or 1.8 percentage points, to the increase in net sales. The increase in net sales per pound contributed $71.5 million, or 1.0 percentage points, to the increase in net sales.

U.K. and Europe Reportable Segment. U.K. and Europe sales generated in 2019 increased $235.1 million, or 10.9%, from U.K. and Europe sales generated in 2018, primarily because of the recently acquired Tulip operations, partially offset by a decrease in net sales by our existing U.K. and Europe operations. The impact of the acquired business contributed $306.7 million, or 14.2 percentage points, to the increase in net sales. The decrease in our existing U.K. and Europe operations was mainly due to the unfavorable impact of foreign currency translation of $94.4 million, or 4.4 percentage points. The unfavorable impact of foreign currency translation was partially offset by an increase in sales volume and net sales per pound of $15.3 million, or 0.7 percentage points, and $7.6 million, or 0.4 percentage points, respectively.

Mexico Reportable Segment. Mexico sales generated in 2019 increased $25.3 million, or 1.9%, from Mexico sales generated in 2018 primarily because of an increase in net sales per pound, partially offset by a decrease in sales volume and the unfavorable impact of foreign currency remeasurement. The increase in net sales per pound contributed $59.2 million, or 4.4 percentage points, to the increase in Mexico net sales. The decrease in sales volume and unfavorable impact of foreign currency remeasurement partially offset the increase in net sales per pound by $32.1 million, or 2.4 percentage points, and $1.8 million, or 0.1 percentage points, respectively.

Gross profit. Gross profit increased by $226.9 million, or 26.9%, from $843.5 million generated in 2018 to $1.1 billion generated in 2019. The following tables provide gross profit information:

Components of gross profit	2019	Change from 2018 Amount	Change from 2018 Percent	Percent of Net Sales 2019	Percent of Net Sales 2018
		(In thousands, except percent data)			
Net sales	$ 11,409,219	$ 471,435	4.3%	100.0%	100.0%
Cost of sales	10,338,825	244,517	2.4%	90.6%	92.3%
Gross profit	$ 1,070,394	$ 226,918	26.9%	9.4%	7.7%

Sources of gross profit	2019	Change from 2018 Amount	Change from 2018 Percent
	(In thousands, except percent data)		
U.S.	$ 733,479	$ 217,597	42.2 %
U.K. and Europe	171,751	923	0.5 %
Mexico	165,068	8,434	5.4 %
Elimination	96	(36)	(27.3)%
Total gross profit	$ 1,070,394	$ 226,918	26.9 %

Sources of cost of sales	2019	Change from 2018 Amount	Change from 2018 Percent
		(In thousands, except percent data)	
U.S.	$ 6,903,237	$ (6,542)	(0.1)%
U.K. and Europe	2,212,042	234,204	11.8 %
Mexico	1,223,642	16,819	1.4 %
Elimination[(a)]	(96)	36	(27.3)%
Total cost of sales	$ 10,338,825	$ 244,517	2.4 %

(a) Our Consolidated and Combined Financial Statements include the accounts of our company and our majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

U.S. Reportable Segment. Cost of sales incurred by our U.S. operations in 2019 decreased $6.5 million, or 0.1%, from cost of sales incurred by our U.S. operations in 2018. Cost of sales primarily decreased because of reduced cost per pound sold, partially offset by increased poultry sales volume. The decrease in cost per pound sold contributed $92.6 million to the decrease in cost of sales. This decrease is partially offset by an increase in poultry sales volume of $86.0 million. Included in the decrease in cost per pound sold and increased sales volume was an $81.2 million increase in hourly labor due to an increase in required labor for reduced use of third-party poultry processors and a $15.1 million increase in contracted processing labor. Partially offsetting these increases in cost of sales was a $16.0 million decrease in freight cost due to decreased contract rates, $14.9 million in costs in 2018 relating to Hurricane Michael and Hurricane Maria, a $14.8 million decrease in commodity and currency derivative losses, an $11.3 million decrease in feed costs, a $9.2 million decrease in cost relating to third-party poultry processors and a $5.7 million decrease in property taxes. Other factors affecting U.S. cost of sales were individually immaterial.

U.K. and Europe Reportable Segment. Cost of sales incurred by the U.K. and Europe operations during 2019 increased $234.2 million, or 11.8%, from cost of sales incurred by the U.K. and Europe operations during 2018 primarily because of costs incurred by the acquired Tulip operations, partially offset by decreases in cost of sales incurred by our existing U.K. and Europe operations. Cost of sales incurred by the acquired Tulip operations contributed $297.5 million to the increase in cost of sales. Cost of sales related to the existing U.K. and Europe operations decreased due to the favorable impact of foreign currency translation of $87.1 million, partially offset by an increase in poultry sales volume of $14.1 million and an increase in cost per pound sold of $9.6 million. Included in the increase in sales volume and cost per pound was a $22.8 million increase in payroll cost due to national minimum wage increases, a $7.8 million increase in maintenance costs due to additional equipment and production lines and a $4.4 million increase in utilities as a result of increased rates. Partially offsetting these increases in cost of sales was a $12.7 million decrease in live costs mainly due to increased efficiencies. Other factors affecting cost of sales were individually immaterial.

Mexico Reportable Segment. Cost of sales incurred by the Mexico operations during 2019 increased $16.8 million, or 1.4%, from cost of sales incurred by the Mexico operations during 2018 primarily because of increased cost per pound sold. The increase in cost per pound sold was partially offset by a decrease in sales volume and the favorable impact of foreign currency remeasurement. The increase in cost per pound sold contributed $46.8 million to the increase in cost of sales. Partially offsetting this increase in cost of sales was the decrease in sales volume of $28.4 million and favorable impact of foreign currency remeasurement of $1.6 million. Included in the increase in cost per pound sold and sales volume decrease was a $16.1 million increase in grower pay due to increased live operations and a $5.7 million increase in freight costs. Partially offsetting these increases in cost of sales was a $6.6 million increase in gains on sale of assets during 2019. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income increased $194.9 million, or 39.3%, from $495.7 million generated for 2018 to $690.6 million generated for 2019. The following tables provide operating income information:

Components of operating income	2019	Change from 2018 Amount	Change from 2018 Percent	Percent of Net Sales 2019	Percent of Net Sales 2018
		(In thousands, except percent data)			
Gross profit	$ 1,070,394	$ 226,918	26.9 %	9.4 %	7.7%
SG&A expenses	379,910	36,885	10.8 %	3.3 %	3.1%
Administrative restructuring activities	(84)	(4,849)	(101.8)%	— %	—%
Operating income	$ 690,568	$ 194,882	39.3 %	6.1 %	4.5%

Sources of operating income	2019	Change from 2018 Amount	Change from 2018 Percent
	(In thousands, except percent data)		
U.S.	$ 487,275	$ 195,894	67.2 %
U.K. and Europe	79,182	(5,342)	(6.3)%
Mexico	124,015	4,366	3.6 %
Elimination	96	(36)	(27.3)%
Total operating income	$ 690,568	$ 194,882	39.3 %

Sources of SG&A expenses	2019	Change from 2018 Amount	Change from 2018 Percent
	(In thousands, except percent data)		
U.S.	$ 246,288	$ 23,927	10.8%
U.K. and Europe	92,569	8,890	10.6%
Mexico	41,053	4,068	11.0%
Total SG&A expense	$ 379,910	$ 36,885	10.8%

Sources of administrative restructuring activities	2019	Change from 2018 Amount	Change from 2018 Percent
	(In thousands, except percent data)		
U.S.	$ (84)	$ (2,224)	(103.9)%
U.K. and Europe	—	(2,625)	(100.0)%
Total administrative restructuring activities	$ (84)	$ (4,849)	(101.8)%

U.S. Reportable Segment. Selling, general and administrative ("SG&A") expense incurred by the U.S. operations during 2019 increased $23.9 million, or 10.8%, from SG&A expense incurred by the U.S. operations during 2018 primarily because of a $17.7 million increase in incentive compensation expenses and a $7.0 million increase in legal fees due to increased litigation. Other factors affecting SG&A expense were individually immaterial.

Administrative restructuring activities incurred by the U.S. operations during 2019 decreased $2.2 million, or 103.9%, from administrative restructuring activities incurred during 2018. Administrative restructuring activities incurred by the U.S. reportable segment during 2019 included $84,000 of sublease income related to the termination of 40 North Foods operations. Administrative restructuring activities incurred by the U.S. reportable segment during 2018 included severance costs totaling $1.0 million related to GNP, facility closure costs totaling $0.5 million related to the Luverne, Minnesota facility and severance, asset impairment and lease obligations costs totaling $0.7 million that resulted from the termination of the 40 North Foods operation.

U.K. and Europe Reportable Segment. SG&A expense incurred by the U.K. and Europe operations during 2019 increased $8.9 million, or 10.6%, from SG&A expense incurred by the U.K. and Europe operations during 2018 primarily because of expenses incurred by the acquired Tulip operations, partially offset by a decrease in SG&A expense incurred from our existing U.K. and Europe operations. SG&A expense incurred by the acquired Tulip operations contributed $13.1 million to the increase in SG&A expense. The decrease in SG&A expense in our existing U.K. and Europe was mainly due to favorable impact of foreign currency translation of $3.3 million. Other factors affecting SG&A expense were individually immaterial.

Administrative restructuring activities incurred by the U.K. and Europe operations during 2019 decreased $2.6 million, or 100.0%, from administrative restructuring activities incurred during 2018. During 2018, administrative restructuring activities represented impairment costs of $2.6 million related to Rose Energy Ltd.

Mexico Reportable Segment. SG&A expense incurred by the Mexico operations during 2019 increased $4.1 million, or 11.0%, from SG&A expense incurred by the Mexico operations during 2018 primarily because of a $2.3 million increase in payroll mainly due to increased rates and a $1.1 million increase marketing expenses due to increased brand development. Other factors affecting SG&A expense were individually immaterial.

Interest expense. Consolidated and combined interest expense decreased 18.5% to $132.6 million in 2019 from $162.8 million in 2018, primarily because of a decrease in average borrowings to $2.3 billion in 2019 from $2.5 billion in 2018. As a percent of net sales, interest expense in 2019 and 2018 was 1.2% and 1.5%, respectively.

Income taxes. Our consolidated and combined income tax expense in 2019 was $161.0 million, compared to income tax expense of $85.4 million in 2018. The increase in income tax expense in 2019 resulted from an increase in pre-tax income during 2019.

2018 Compared to 2017

Net sales. Net sales for 2018 increased $169.9 million, or 1.6%, from 2017. The following table provides additional information regarding net sales:

		Change from 2017	
Sources of net sales	**2018**	**Amount**	**Percent**
		(In thousands, except percent data)	
U.S.	$ 7,425,661	$ (17,561)	(0.2)%
U.K. and Europe	2,148,666	152,347	7.6 %
Mexico	1,363,457	35,135	2.6 %
Total net sales	$ 10,937,784	$ 169,921	1.6 %

U.S. Reportable Segment. U.S. net sales generated in 2018 decreased $17.6 million, or 0.2%, from U.S. net sales generated in 2017 primarily because of a decrease in net sales per pound partially offset by an increase in sales volume. The decrease in net sales per pound, which resulted primarily from lower market prices, contributed $120.5 million, or 1.6 percentage points, to the decrease in net sales. This decrease in net sales per pound was partially offset by increased sales volume of $102.9 million, or 1.4 percentage points. Included in U.S. sales generated during 2018 and 2017 were sales to JBS USA Food Company totaling $13.8 million and $15.3 million, respectively.

U.K. and Europe Reportable Segment. U.K. and Europe sales generated in 2018 increased $152.3 million, or 7.6%, from U.K. and Europe sales generated in 2017, primarily because of the positive impact of foreign currency translation, an increase in net sales per pound and an increase in sales volume. The positive impact of foreign currency translation contributed $74.4 million, or 3.7 percentage points to the increase in U.K. and Europe net sales. The increase in net sales per pound contributed $53.5 million, or 2.7 percentage points, to the increase in U.K. and Europe net sales. The increase in sales volume contributed $24.5 million, or 1.2 percentage points, to the increase in U.K. and Europe net sales.

Mexico Reportable Segment. Mexico sales generated in 2018 increased $35.1 million, or 2.6%, from Mexico sales generated in 2017 primarily because of an increase in net sales per pound and an increase in sales volume, partially offset by the impact of foreign currency translation. The increase in net sales per pound contributed $46.1 million, or 3.5 percentage points, to the increase in Mexico net sales. The increase in sales volume contributed $10.0 million, or 0.8 percentage points, to the increase in Mexico net sales. The impact of foreign currency translation partially offset the overall net sales increase by $21.0 million, or 1.6 percentage points.

Gross profit. Gross profit decreased by $628.1 million, or 42.7%, from $1.5 billion generated in 2017 to $843.5 million generated in 2018. The following tables provide gross profit information:

		Change from 2017		Percent of Net Sales	
Components of gross profit	**2018**	**Amount**	**Percent**	**2018**	**2017**
		(In thousands, except percent data)			
Net sales	$ 10,937,784	$ 169,921	1.6 %	100.0%	100.0%
Cost of sales	10,094,308	798,059	8.6 %	92.3%	86.3%
Gross profit	$ 843,476	$ (628,138)	(42.7)%	7.7%	13.7%

Sources of gross profit	2018	Change from 2017 Amount	Percent
	(In thousands, except percent data)		
U.S.	$ 515,882	$ (578,929)	(52.9)%
U.K. and Europe	170,828	(17,352)	(9.2)%
Mexico	156,634	(31,894)	(16.9)%
Elimination	132	37	38.9 %
Total gross profit	$ 843,476	$ (628,138)	(42.7)%

Sources of cost of sales	2018	Change from 2017 Amount	Percent
	(In thousands, except percent data)		
U.S.	$ 6,909,779	$ 561,368	8.8%
U.K. and Europe	1,977,838	169,699	9.4%
Mexico	1,206,823	67,029	5.9%
Elimination[(a)]	(132)	(37)	38.9%
Total cost of sales	$ 10,094,308	$ 798,059	8.6%

(a) Our Consolidated and Combined Financial Statements include the accounts of our company and our majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

U.S. Reportable Segment. Cost of sales incurred by our U.S. operations in 2018 increased $561.4 million, or 8.8%, from cost of sales incurred by our U.S. operations in 2017. Cost of sales primarily increased because of increased cost per pound sold, increased poultry sales volume, increased freight and storage costs, and increased grower costs. Increased cost per pound contributed $353.0 million mainly due to increased feed costs of $143.2 million and increased poultry sales volume contributed $78.2 million to the increase in cost of sales. The increased freight and storage costs contributed $77.2 million mainly due to driver shortages and the impact of new federal regulations. The increased grower costs contributed $51.8 million to the increase in cost of sales, mainly due to increased grower pay rates, feed delivery costs and utility costs. Other factors affecting U.S. cost of sales were individually immaterial.

U.K. and Europe Reportable Segment. Cost of sales incurred by the U.K. and Europe operations during 2018 increased $169.7 million, or 9.4%, from cost of sales incurred by the U.K. and Europe operations during 2017 primarily because of increased sales volume and a $74.3 million increase in feed ingredient and raw material costs. U.K. and Europe cost of sales also increased because of a $68.0 million increase in payroll costs resulting from an increase in minimum wage and a $25.1 million increase in freight and storage costs. Other factors affecting cost of sales were individually immaterial.

Mexico Reportable Segment. Cost of sales incurred by the Mexico operations during 2018 increased $67.0 million, or 5.9%, from cost of sales incurred by the Mexico operations during 2017 primarily because of increased sales volume and increased cost per pound with a $34.7 million increase in feed costs. Mexico cost of sales also increased because of a $14.1 million increase in grower costs, a $10.4 million increase in freight costs, a $4.0 million increase in natural gas costs, a $4.0 million increase in transportation costs and a $2.0 million increase in employee relations costs. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income decreased $576.6 million, or 53.8%, from $1.1 billion generated for 2017 to $495.7 million generated for 2018. The following tables provide operating income information:

Components of operating income	2018	Change from 2017 Amount	Change from 2017 Percent	Percent of Net Sales 2018	Percent of Net Sales 2017
		(In thousands, except percent data)			
Gross profit	$ 843,476	$ (628,138)	(42.7)%	7.7%	13.7%
SG&A expenses	343,025	(46,492)	(11.9)%	3.1%	3.6%
Administrative restructuring activities	4,765	(5,010)	(51.3)%	—%	10.0%
Operating income	$ 495,686	$ (576,636)	(53.8)%	4.5%	10.0%

Sources of operating income	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.	$ 291,381	$ (550,111)	(65.4)%
U.K. and Europe	84,524	7,419	9.6 %
Mexico	119,649	(33,982)	(22.1)%
Elimination[(a)]	132	38	40.4 %
Total operating income	$ 495,686	$ (576,636)	(53.8)%

(a) Our Consolidated and Combined Financial Statements include the accounts of our company and our majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

Sources of SG&A expenses	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.	$ 222,361	$ (22,700)	(9.3)%
U.K. and Europe	83,679	(25,880)	(23.6)%
Mexico	36,985	2,088	6.0 %
Total SG&A expense	$ 343,025	$ (46,492)	(11.9)%

Sources of administrative restructuring activities	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.	$ 2,140	$ (6,119)	(74.1)%
U.K. and Europe	2,625	1,109	73.2 %
Total administrative restructuring activities	$ 4,765	$ (5,010)	(51.3)%

U.S. Reportable Segment. SG&A expense incurred by the U.S. operations during 2018 decreased $22.7 million, or 9.3%, from SG&A expense incurred by the U.S. operations during 2017 primarily because of an $18.4 million decrease in transaction costs associated with the Moy Park acquisition and a $17.9 million decrease in benefit expenses, partially offset by an increase in legal fees of $9.5 million related to pending litigation and a $7.2 million increase in payroll expenses. Other factors affecting SG&A expense were individually immaterial.

Administrative restructuring activities incurred by the U.S. operations during 2018 decreased $6.1 million, or 74.1%, from administrative restructuring activities incurred during 2017. Administrative restructuring activities incurred by the U.S. reportable segment during 2018 included severance costs totaling $1.0 million related to GNP, facility closure costs totaling $0.5 million related to the Luverne, Minnesota facility and severance, asset and impairment and lease obligations costs totaling $0.7 million that resulted from the termination of the 40 North Foods operation. Administrative restructuring activities incurred by the U.S. reportable segment during 2017 included asset impairment costs of $3.5 million related to the Athens, Alabama facility, severance costs of $2.6 million related to GNP, the elimination of prepaid costs totaling $0.7 million related to obsolete software assumed in the GNP acquisition, and facility closure costs totaling $0.9 million related to the Luverne, Minnesota facility.

U.K. and Europe Reportable Segment. SG&A expense incurred by the U.K. and Europe operations during 2018 decreased $25.9 million, or 23.6%, from SG&A expense incurred by the U.K. and Europe operations during 2017 primarily because of a $10.6 million decrease in payroll expenses, a $7.2 million decrease in storage expenses, a $4.0 million decrease in pallet expenses, a $3.8 million decrease in management fees charged for administrative functions shared with JBS S.A. and a $2.3 million decrease in vehicle expenses. These decreases to SG&A expense were partially offset by a $2.6 million increase in expenses related to severance. Other factors affecting SG&A expense were individually immaterial.

Administrative restructuring activities incurred by the U.K. and Europe operations during 2018 increased $1.1 million, or 73.2%, from administrative restructuring activities incurred during 2017. During 2018, administrative restructuring activities represented impairment costs of $2.6 million related to Rose Energy Ltd. During 2017, administrative restructuring activities represented impairment costs of $1.5 million related to a property in Dublin, Ireland.

Mexico Reportable Segment. SG&A expense incurred by the Mexico operations during 2018 increased $2.1 million, or 6.0%, from SG&A expense incurred by the Mexico operations during 2017 primarily because of a $1.8 million increase in employee relations expenses and a $1.4 million increase in media marketing expenses. These increases to SG&A expense were partially offset by a $1.1 million decrease in the loss from sale of assets. Other factors affecting SG&A expense were individually immaterial.

Interest expense. Consolidated and combined interest expense increased 51.9% to $162.8 million in 2018 from $107.2 million in 2017, primarily because of an increase in the weighted average interest rate to 5.20% in 2018 from 4.54% in 2017 and an increase in average borrowings of $2.5 billion in 2018 from $2.0 billion in 2017. As a percent of net sales, interest expense in 2018 and 2017 was 1.5% and 1.0%, respectively.

Income taxes. Our consolidated and combined income tax expense in 2018 was $85.4 million, compared to income tax expense of $263.9 million in 2017. The decrease in income tax expense in 2018 resulted from a decrease in pre-tax income during 2018.

Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from operations, funds from borrowings, and existing cash on hand. The following table presents our available sources of liquidity as of December 29, 2019:

Sources of Liquidity[a]	Facility Amount	Amount Outstanding	Available
		(In millions)	
Cash and cash equivalents	$ —	$ —	$ 280.6
Borrowing arrangements:			
U.S. Credit Facility[a]	750.0	41.6	708.4
Mexico Credit Facility[b]	79.6	—	79.6
U.K. and Europe Credit Facilities[c]	141.9	—	141.9

(a) Availability under the U.S. Credit Facility is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at December 29, 2019 totaled $41.6 million.
(b) As of December 29, 2019, the U.S. dollar-equivalent of the amount available under the Mexican Credit Facility was $79.6 million. The Mexican Credit Facility provides for a loan commitment of $1.5 billion Mexican pesos.
(c) As of December 29, 2019, the U.S. dollar-equivalent of the amount available under the U.K. and Europe Credit Facilities were $141.9 million. The U.K. and Europe Credit Facilities provide for loan commitments of £100.0 million (or $130.8 million U.S. dollar-equivalent) under the Bank of Ireland Facility Agreement and €10.0 million (or $11.1 million U.S. dollar-equivalent) under the Invoice Discounting Facility.

Historical Flow of Funds

Calendar Year 2019

Cash provided by operating activities was $666.5 million during 2019. The cash flows provided by operating activities resulted primarily from net income of $456.5 million, net noncash expenses of $272.2 million, a change in accounts payable and accrued expenses of $119.9 million and a change of $5.8 million related to other operating assets and liabilities. These cash flows were partially offset by the use of cash of $111.7 million related to inventories, $26.4 million related to income taxes, use of cash of $25.0 million related to trade accounts and other receivables, the use of cash of $15.5 million related to prepaid expenses and other current assets and the use of cash of $9.2 million related to long-term pension and other postretirement obligations.

Accounts payable and accrued expenses, including accounts payable to related parties, had proceeds of $119.9 million related to operating activities during 2019. This change resulted primarily from the timing of payments.

The change in inventories represented a $111.7 million use of cash related to operating activities during 2019. The change in cash related to an increase in our finished products inventory.

Trade accounts and other receivables, including accounts receivable from related parties, used cash of $25.0 million related to operating activities during 2019. This change is primarily due to the timing of customer payments.

Prepaid expenses and other current assets had uses of cash of $15.5 million related to operating activities during 2019. This change resulted primarily from a net increase in both commodity derivatives and value-added tax receivables.

Income taxes, which includes income taxes receivables, income taxes payable, deferred tax assets, deferred tax liabilities, reserves for uncertain tax positions and the tax components within accumulated other comprehensive loss, had uses of cash of $26.4 million. This change resulted primarily from the timing of estimated tax payments.

Net noncash expenses totaled $272.2 million in 2019, with net noncash expense items increasing primarily because of $287.2 million related to depreciation and amortization, $42.5 million related to deferred income tax expense, share-based compensation of $10.1 million and loan cost amortization of $4.8 million. Partially offsetting the net noncash expenses are a $56.9 million gain on bargain purchase related to the Tulip acquisition, $10.9 million gain on property disposals and foreign currency transaction gain related to borrowing arrangements of $5.0 million.

Cash used in investing activities was $717.1 million during 2019. Cash used to acquire Tulip totaled $384.7 million and cash used to acquire property, plant and equipment totaled $348.1 million. Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs. Capital expenditures for 2019 could not exceed $500.0 million under the terms of our U.S. credit facility. Cash proceeds generated from property disposals for the period totaled $15.8 million.

Cash used in financing activities was $34.5 million during 2019. Cash used for payments on revolving lines of credit, long-term borrowings and capital lease obligations totaled $289.9 million, cash used to purchase common stock under the share repurchase program totaled $2.9 million, cash used to pay capitalized loan costs $0.7 million and cash used to make equity distributions under a tax sharing agreement with JBS USA Food Company Holdings totaled $0.5 million. These uses of cash were offset by cash proceeds from long-term debt that totaled $259.5 million.

Calendar Year 2018

Cash provided by operating activities was $491.7 million during 2018. The cash flows provided by operating activities resulted primarily from net income of $246.8 million, net noncash expenses of $348.1 million, a change in accounts payable, accrued expenses and other current liabilities of $86.8 million and a change in inventories of $83.2 million. These cash flows were partially offset by the use of $248.5 million in cash related to income taxes, the use of $11.6 million in cash related to prepaid expenses and other current assets, the use of $10.9 million in cash related to trade accounts and other receivables and the use of $6.8 million in cash related to long-term pension and other postretirement obligations.

Accounts payable and accrued expenses, including accounts payable to related parties, had proceeds of $86.8 million related to operating activities during 2018. This change resulted primarily from the timing of payments.

The change in inventories represented a $83.2 million source of cash related to operating activities during 2018. The change in cash related to a decrease in our finished products inventory.

Trade accounts and other receivables, including accounts receivable from related parties, used cash of $10.9 million related to operating activities during 2018. This change is primarily due to customer payment timing.

Prepaid expenses and other current assets had uses of cash of $11.6 million related to operating activities during 2018. This change resulted primarily from a net increase in both commodity derivatives and value-added tax receivables.

Income taxes, which includes income taxes receivables, income taxes payable, deferred tax assets, deferred tax liabilities, reserves for uncertain tax positions and the tax components within accumulated other comprehensive loss, had proceeds of cash of $248.5 million. This change resulted primarily from the timing of estimated tax payments.

Net noncash expenses totaled $348.1 million in 2018, increasing primarily because of $274.1 million related to depreciation and amortization, $32.5 million related to deferred income tax expense, noncash loss on early extinguishment of debt of $15.8 million, share-based compensation of $13.2 million, and foreign currency transaction loss related to borrowing arrangements of $5.3 million.

Cash used in investing activities was $338.9 million during 2018. Cash used to acquire property, plant and equipment totaled $348.7 million. Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs. Capital expenditures for 2018 could not exceed $500.0 million under the terms of our U.S. credit facility. Cash proceeds generated from property disposals for the period totaled $9.8 million.

Cash used in financing activities was $384.2 million during 2018. Cash proceeds from long-term debt totaled $748.4 million, cash proceeds from equity contributions under a tax sharing agreement with JBS USA Food Company Holdings totaled $5.6 million and capital contributions to subsidiary by noncontrolling stockholders totaled $1.4 million. These sources of cash were offset by $1.1 billion in cash used for payments on revolving lines of credit, long-term borrowings and capital lease obligations, $12.6 million in cash used to pay capitalized loan costs, $9.8 million in cash used for payments relating to early extinguishment of debt and $0.2 million in cash used to purchase common stock under the share repurchase program.

Long-Term Debt and Other Borrowing Arrangements

Our long-term debt and other borrowing arrangements consist of senior notes, revolving credit facilities and and other term loan agreements. For a description, refer to Part II, Item 8, Notes to Consolidated Financial Statements, “Note 12. Long-Term Debt and other Borrowing Arrangements.”

Collateral

Substantially all of our domestic inventories and domestic fixed assets are pledged as collateral to secure the obligations under the U.S. Credit Facility.

Capital Expenditures

We anticipate spending between $340 million and $360 million on the acquisition of property, plant and equipment in 2020. Capital expenditures will primarily be incurred to improve efficiencies and reduce costs. We expect to fund these capital expenditures with cash flow from operations and proceeds from the revolving lines of credit under our various debt facilities.

Contractual Obligations

In addition to our debt commitments at December 29, 2019, we had other commitments and contractual obligations that obligate us to make specified payments in the future. The following table summarizes the total amounts due as of December 29, 2019, under all debt agreements, commitments and other contractual obligations. The table indicates the years in which payments are due under the contractual obligations.

	Payments Due By Period				
Contractual Obligations[a]	**Total**	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**Greater than Five Years**
	(In thousands)				
Long-term debt[b]	$ 2,325,949	$ 25,906	$ 50,043	$ 400,000	$ 1,850,000
Interest[c]	763,931	121,220	240,058	224,090	178,563
Finance leases	2,414	586	988	840	—
Operating leases	347,389	81,544	124,292	81,545	60,008
Derivative liabilities	10,830	10,830	—	—	—
Purchase obligations[d]	328,570	328,570	—	—	—
Total	$ 3,779,083	$ 568,656	$ 415,381	$ 706,475	$ 2,088,571

(a) The total amount of unrecognized tax benefits at December 29, 2019 was $12.8 million. We did not include this amount in the contractual obligations table above as reasonable estimates cannot be made at this time of the amounts or timing of future cash outflows.
(b) Long-term debt is presented at face value and excludes $41.6 million in letters of credit outstanding related to normal business transactions.
(c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings as of December 29, 2019.
(d) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

We expect cash flows from operations, combined with availability under the U.S. Credit Facility, and U.K. and Europe Credit Facilities to provide sufficient liquidity to fund current obligations, projected working capital requirements, maturities of long-term debt and capital spending for at least the next twelve months.

Recent Accounting Pronouncements

Refer to Part II, Item 8, Notes to Consolidated Financial Statements, “Note 1. Business and Summary of Significant Accounting Policies.”

Critical Accounting Policies and Estimates

General. Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, inventory, goodwill and other intangible assets, litigation and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition. The vast majority of our revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer's order is accepted by us. We account for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

We evaluate the transaction for distinct performance obligations, which are the sale of our products to customers. Since our products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination) and depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at our facilities, in which case control transfers to the customer at that point and we recognize revenue. Our performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

We make judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Inventory. Live chicken inventories are stated at the lower of cost or net realizable value and breeder hen inventories at the lower of cost, less accumulated amortization, or net realizable value. The costs associated with breeder hen inventories are accumulated up to the production stage and amortized over their productive lives using the unit-of-production method. Finished poultry products, feed, eggs and other inventories are stated at the lower of cost (average) or net realizable value. Inventory typically transfers from one stage of production to another at a standard cost, where it accumulates additional cost directly incurred with the production of inventory, including overhead. The standard cost at which each type of inventory transfers is set by management to reflect the actual costs incurred in the prior steps. We monitor and adjust standard costs throughout the year to ensure that standard costs reasonably reflect the actual average cost of the inventory produced.

We allocate meat costs between our various finished chicken products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the remaining amount being reflected as our breast meat cost. Generally, we perform an evaluation of whether any lower of cost or market adjustments are required at the country level based on a number of factors, including: (1) pools of related inventory, (2) product continuation or discontinuation, (3) estimated market selling prices and (4) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required.

We also record valuation adjustments, when necessary, for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting inventory obsolescence, including significantly aged products, discontinued product lines, or damaged or obsolete products.

Goodwill and Other Intangibles, net. Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a business combination. Identified intangible assets represent trade names, customer relationships and non-compete agreements arising from acquisitions that are recorded at fair value as of the date acquired less accumulated amortization, if any. We use various market valuation techniques to determine the fair value of its identified intangible assets.

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis in the fourth quarter of each fiscal year or more frequently if impairment indicators arise. For goodwill, an impairment loss is recognized for any excess of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. Management first reviews relevant qualitative factors to determine if an indication of impairment exists for a reporting unit. If management determines there is an indication that the carrying amount of reporting unit goodwill might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting no indications of goodwill impairment in any of its reporting units as of December 29, 2019. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Management first reviews relevant qualitative factors to determine if an indication of impairment exists. If management determines there is an indication that the carrying amount of the intangible asset might be impaired, and quantitative analysis is performed. Management performed a qualitative analysis noting no indications of impairment for any of its indefinite-lived intangible assets as of December 29, 2019.

Identifiable intangible assets with definite lives, such as customer relationships, non-compete agreements and trade names that we expect to use for a limited amount of time, are amortized over their estimated useful lives on a straight-line basis. The useful lives range from three to 20 years for trade names and non-compete agreements and 5 to 16 years for customer relationships. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Management assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets with definite lives might not be recoverable and determined that there were no impairment indicators during the fifty-two weeks ended December 29, 2019 and fifty-two weeks ended December 31, 2018.

Litigation and Contingent Liabilities. We are subject to lawsuits, investigations and other claims related to employment, environmental, product, and other matters. We are required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. We estimate the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. We expense legal costs related to such loss contingencies as they are incurred. With respect to our environmental remediation obligations, the accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in our assumptions, the effectiveness of strategies, or other factors beyond our control.

Income Taxes. We follow provisions under ASC No. 740-10-30-27 in the Expenses-Income Taxes topic with regard to members of a group that file a consolidated tax return but issue separate financial statements. We file our own U.S. federal tax return, but we are included in certain state unitary returns with JBS USA Holdings. Our income tax expense is computed using the separate return method. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. For the unitary states, we have an obligation to make tax payments to JBS USA Holdings for our share of the unitary taxable income, which is included in taxes payable in our Consolidated Balance Sheets. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date. We recognize potential interest and penalties related to income tax positions as a part of the income tax provision.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk-Sensitive Instruments and Positions

The risk inherent in our market risk-sensitive instruments and positions is primarily the potential loss arising from adverse changes in commodity prices, foreign currency exchange rates, interest rates and the credit quality of available-for-sale securities as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ from those described below.

Commodity Prices

We purchase certain commodities, primarily corn, soybean meal and wheat, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. In the past, we have from time to time attempted to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to, (1) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (2) purchasing or selling derivative financial instruments such as futures and options.

For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% change in the weighted-average cost of our primary feed ingredients as of December 29, 2019 and December 30, 2018. However, fluctuations greater than 10.0% could occur. Based on our feed consumption during 2019 and 2018, such a change would have resulted in a change to cost of sales of approximately $301.1 million and $304.0 million respectively, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredients inventories as of December 29, 2019 and December 30, 2018 would be $15.2 million and $11.6 million, respectively, excluding any potential impact on the production costs of our chicken inventories.

We purchase commodity derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for the next 12 months. A 10.0% increase in corn, soybean meal, and soybean oil prices on December 29, 2019 and December 30, 2018 would have resulted in an increase of approximately $1.6 million and $2.1 million, respectively, in the fair value of our net commodity derivative position, including margin cash, as of that date.

Interest Rates

Our variable-rate debt instruments represent approximately 20.4% and 21.3% of our total debt as of December 29, 2019 and December 30, 2018, respectively. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by less than $0.1 million in 2019 and 2018.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 10.0%. Using a discounted cash flow analysis, a hypothetical 10.0% decrease in interest rates would have decreased the fair value of our fixed-rate debt by approximately $10.4 million and $12.9 million as of December 29, 2019 and December 30, 2018, respectively.

Foreign Currency

Our earnings are also affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. We currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations.

The Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of a devaluation of its currency. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets in 2019 and 2017 of our Mexican subsidiaries denominated in Mexican pesos, were $4.9 million and $2.7 million, respectively. Foreign currency exchange losses, representing the change in the U.S. dollar value of the net monetary assets in 2018 of our Mexican subsidiaries was $15.9 million. The average exchange rates for 2019, 2018, and 2017 were 19.25 Mexican pesos to 1 U.S. dollar, 19.22 Mexican pesos to 1 U.S. dollar, and 18.93 Mexican pesos to 1 U.S. dollar, respectively. For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% deterioration in the current exchange rate used to convert Mexican pesos to U.S. dollars as of December 29, 2019 and December 30, 2018. However, fluctuations greater than 10.0% could occur. Based on the net monetary asset position of our Mexico operations as of December 29, 2019 and December 30, 2018, such a change would have resulted in a decrease in foreign currency transaction gains recognized in 2019 and 2018 of approximately $0.1 million and $2.7 million, respectively. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

Additionally, we are exposed to foreign exchange-related variability of investments and earnings from our foreign investments in U.K. and Europe. Foreign currency market risk is the possibility that our financial results or financial position could be better or worse than planned because of changes in foreign currency exchange rates. As of December 29, 2019 and December 30, 2018, our U.K. and Europe reportable segment had net assets of approximately $1.1 billion and $1.5 billion, respectively, denominated in British pounds, after consideration of our derivative and nonderivative financial instruments. Based on our sensitivity analysis, a 10% adverse change in exchange rates would have caused a reduction of $114.8 million and $151.7 million to our net assets for December 29, 2019 and December 30, 2018, respectively.

As of December 29, 2019 and December 30, 2018, we had foreign currency forward contracts, which were designated and qualify as cash flow hedges, with an aggregate notional amount of $30.4 million and $35.0 million, respectively, to hedge a portion of our investments in U.K. and Europe. On the basis of our sensitivity analysis, a weakening of the U.S. dollar against the British pound by 10% would have resulted in a $3.8 million and $2.6 million negative change in our cash flow on settlement for December 29, 2019 and December 30, 2018, respectively. A weakening of the U.S. dollar against the euro by 10% would result in a $0.7 million and $0.9 million negative change in our cash flows on settlement for December 29, 2019 and December 30, 2018, respectively. No assurance can be given as to how future movements in currency rates could affect our future financial condition or results of operations.

Quality of Investments

Certain retirement plans that we sponsor invest in a variety of financial instruments. We have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which we participate hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

Impact of Inflation

Due to low to moderate inflation in the U.S., the U.K., continental Europe and Mexico and our rapid inventory turnover rate, the results of operations have not been significantly affected by inflation during the past three-year period.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Pilgrim’s Pride Corporation:

Opinion on the Consolidated and Combined Financial Statements

We have audited the accompanying consolidated balance sheets of Pilgrim’s Pride Corporation and subsidiaries (the Company) as of December 29, 2019 and December 30, 2018, the related consolidated and combined statements of income, comprehensive income, stockholders’ equity, and cash flows for the fifty-two weeks ended December 29, 2019, the fifty-two weeks ended December 30, 2018, and the fifty-three weeks ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the consolidated and combined financial statements). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2019 and December 30, 2018, and the results of its operations and its cash flows for the fifty-two weeks ended December 29, 2019, the fifty-two weeks ended December 30, 2018, and the fifty-three weeks ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 20, 2020 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Changes in Accounting Principle

ASU 2014-09

As discussed in Note 1 to the consolidated and combined financial statements, the Company has changed its method of accounting for revenue as of January 1, 2018 due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers.*

ASU 2016-02

As discussed in Note 1 to the consolidated and combined financial statements, the Company has changed its method of accounting for leases as of December 31, 2018 due to the adoption of ASU 2016-02, *Leases*.

Basis for Opinion

These consolidated and combined financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated and combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated and combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated and combined financial statements that was communicated or required to be communicated to the audit committee and that: (1)

relates to accounts or disclosures that are material to the consolidated and combined financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated and combined financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of cost of inventory

As discussed in Note 1 to the consolidated and combined financial statements, the majority of the Company's inventory is recorded at the lower of cost or net realizable value. The Company has inventories of approximately $1.4 billion as of December 29, 2019. Inventory cost consists of a combination of actual costs incurred and standard costs. The production of inventory is a process with many steps. When transferred to the next stage in the production process, the transfer is often done at a standard cost, where additional costs may be incurred. As such, the cost of inventory at a particular step in the production process is often dependent on the costs recorded at a previous step in the production process.

We identified the evaluation of cost of inventory as a critical audit matter. Due to the frequent movement of products, the many steps that a product takes through the production cycle, and the variety of costs incurred at certain steps, especially challenging auditor judgement was required to evaluate the amounts recorded as the costs are incurred and transferred throughout steps in the production process.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's inventory costing process, specifically controls over 1) actual costs incurred, 2) the monitoring of variances between actual costs incurred and standard costs, and 3) the transfer of costs throughout steps in the production process. For a sample of transactions, we assessed the actual costs incurred and the transfer of costs throughout steps in the production process by obtaining evidence over the actual costs incurred and tracing the standard cost transferred to the prior step in the production process. We evaluated the nature and cause of the aggregate variances between actual costs incurred and standard costs.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Denver, Colorado
February 20, 2020

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 29, 2019	December 30, 2018
	(In thousands, except share and par value data)	
Cash and cash equivalents	$ 260,568	$ 338,386
Restricted cash and cash equivalents	20,009	23,192
Trade accounts and other receivables, less allowance for doubtful accounts	741,281	561,549
Accounts receivable from related parties	944	1,331
Inventories	1,383,535	1,159,519
Income taxes receivable	60,204	38,479
Prepaid expenses and other current assets	131,695	112,201
Total current assets	2,598,236	2,234,657
Deferred tax assets	4,426	4,248
Other long-lived assets	36,325	16,717
Operating lease assets, net	301,513	—
Identified intangible assets, net	596,053	564,128
Goodwill	973,750	949,750
Property, plant and equipment, net	2,592,061	2,161,702
Total assets	$ 7,102,364	$ 5,931,202
Accounts payable	$ 993,780	$ 827,825
Accounts payable to related parties	3,819	7,269
Revenue contract liability	41,770	33,328
Accrued expenses and other current liabilities	575,319	389,175
Income taxes payable	7,075	8,221
Current maturities of long-term debt	26,392	30,405
Total current liabilities	1,648,155	1,296,223
Noncurrent operating lease liability, less current maturities	235,382	—
Long-term debt, less current maturities	2,276,029	2,295,190
Noncurrent income taxes payable	7,731	7,731
Deferred tax liabilities	301,907	237,422
Other long-term liabilities	97,100	75,051
Total liabilities	4,566,304	3,911,617
Common stock, $.01 par value, 800,000,000 shares authorized; 261,119,064 and 260,396,032 shares issued at year-end 2019 and year-end 2018, respectively; 249,572,119 and 248,965,081 shares outstanding at year-end 2019 and year-end 2018, respectively	2,611	2,604
Treasury stock, at cost, 11,546,945 shares and 11,430,951 shares at year-end 2019 and year-end 2018, respectively	(234,892)	(231,994)
Additional paid-in capital	1,955,261	1,945,136
Retained earnings	877,812	421,888
Accumulated other comprehensive loss	(75,129)	(127,834)
Total Pilgrim's Pride Corporation stockholders' equity	2,525,663	2,009,800
Noncontrolling interest	10,397	9,785
Total stockholders' equity	2,536,060	2,019,585
Total liabilities and stockholders' equity	$ 7,102,364	$ 5,931,202

The accompanying notes are an integral part of these Consolidated and Combined Financial Statements.

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	Fifty-Two Weeks Ended December 29, 2019	Fifty-Two Weeks Ended December 30, 2018	Fifty-Three Weeks Ended December 31, 2017
		(In thousands, except per share data)	
Net sales	$ 11,409,219	$ 10,937,784	$ 10,767,863
Cost of sales	10,338,825	10,094,308	9,296,249
Gross profit	1,070,394	843,476	1,471,614
Selling, general and administrative expense	379,910	343,025	389,517
Administrative restructuring activities	(84)	4,765	9,775
Operating income	690,568	495,686	1,072,322
Interest expense, net of capitalized interest	132,630	162,812	107,183
Interest income	(14,277)	(13,811)	(7,730)
Foreign currency transaction loss (gain)	6,917	17,160	(2,659)
Gain on bargain purchase	(56,880)	—	—
Miscellaneous, net	4,633	(2,702)	(6,538)
Income before income taxes	617,545	332,227	982,066
Income tax expense	161,009	85,423	263,899
Net income	456,536	246,804	718,167
Less: Net income from Granite Holdings Sàrl prior to acquisition by Pilgrim's Pride Corporation	—	—	23,486
Less: Net income (loss) attributable to noncontrolling interest	612	(1,141)	102
Net income attributable to Pilgrim's Pride Corporation	$ 455,924	$ 247,945	$ 694,579
Weighted average shares of Pilgrim's Pride Corporation common stock outstanding:			
Basic	249,401	248,945	248,738
Effect of dilutive common stock equivalents	308	204	233
Diluted	249,709	249,149	248,971
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:			
Basic	$ 1.83	$ 1.00	$ 2.79
Diluted	$ 1.83	$ 1.00	$ 2.79

The accompanying notes are an integral part of these Consolidated and Combined Financial Statements.

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Fifty-Two Weeks Ended December 29, 2019	Fifty-Two Weeks Ended December 30, 2018	Fifty-Three Weeks Ended December 31, 2017
		(In thousands)	
Net income	$ 456,536	$ 246,804	$ 718,167
Other comprehensive loss:			
Foreign currency translation adjustment			
Gains (losses) arising during the period	54,662	(99,475)	100,081
Income tax effect	—	1,624	3,137
Derivative financial instruments designated as cash flow hedges			
Gains (losses) arising during the period	(2,106)	817	60
Reclassification to net earnings for losses (gains) realized	383	348	(639)
Available-for-sale securities			
Gains arising during the period	510	1,146	132
Income tax effect	(124)	(279)	(50)
Reclassification to net earnings for gains realized	(619)	(1,118)	(34)
Income tax effect	151	272	13
Defined benefit plans			
Gains (losses) realized during the period	(2,161)	(1,242)	(8,738)
Income tax effect	1,016	303	968
Reclassification to net earnings of losses realized	1,313	1,203	932
Income tax effect	(320)	(293)	(353)
Total other comprehensive income (loss), net of tax	52,705	(96,694)	95,509
Comprehensive income	509,241	150,110	813,676
Less: Comprehensive income (loss) for Granite Holdings Sàrl prior to acquisition by Pilgrim's Pride Corporation	—	—	88,050
Less: Comprehensive income (loss) attributable to noncontrolling interests	612	(1,141)	102
Comprehensive income attributable to Pilgrim's Pride Corporation	$ 508,629	$ 151,251	$ 725,524

The accompanying notes are an integral part of these Consolidated and Combined Financial Statements.

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

	Pilgrim's Pride Corporation Stockholders								
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
	(In thousands)								
Balance at December 25, 2016	272,682	$ 307,288	(10,636)	$ (217,117)	$ 3,100,332	$ (782,785)	$ (329,858)	$ 8,272	$ 2,086,132
Comprehensive income:									
Net income	—	—	—	—	—	718,065	—	102	718,167
Other comprehensive income, net of tax expense of $3,715	—	—	—	—	—	—	95,509	—	95,509
Capital contribution under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation (the "TSA")	—	—	—	—	5,558	—	—	—	5,558
Share-based compensation plans:									
Common stock issued under compensation plans	486	5	—	—	(5)	—	—	—	—
Requisite service period recognition	—	—	—	—	3,019	—	—	—	3,019
Common stock purchased under share repurchase program	—	—	(780)	(14,641)	—	—	—	—	(14,641)
Deemed equity contribution resulting from the transfer of Granite Holdings Sàrl net assets from JBS S.A. to Pilgrim's Pride Corporation in a common-control transaction	—	—	—	—	237,195	—	—	—	237,195
Transfer of Granite Holdings Sàrl to Pilgrim's from JBS S.A.	(13,000)	(304,691)	—	—	(1,413,590)	238,663	203,209	1,131	(1,275,278)
Balance at December 31, 2017	260,168	$ 2,602	(11,416)	$ (231,758)	$ 1,932,509	$ 173,943	$ (31,140)	$ 9,505	$ 1,855,661
Comprehensive income:									
Net income (loss)	—	—	—	—	—	247,945	—	(1,141)	246,804
Other comprehensive loss, net of tax benefit of $1,627	—	—	—	—	—	—	(96,694)	—	(96,694)
Capital contribution under TSA	—	—	—	—	(524)	—	—	—	(524)
Share-based compensation plans:									
Common stock issued under compensation plans	228	2	—	—	(2)	—	—	—	—
Requisite service period recognition	—	—	—	—	13,153	—	—	—	13,153
Common stock purchased under share repurchase program	—	—	(15)	(236)	—	—	—	—	(236)
Capital contribution to subsidiary by noncontrolling interest	—	—	—	—	—	—	—	1,421	1,421
Balance at December 30, 2018	260,396	$ 2,604	(11,431)	$ (231,994)	$ 1,945,136	$ 421,888	$ (127,834)	$ 9,785	$ 2,019,585
Comprehensive income:									
Net income	—	—	—	—	—	455,924	—	612	456,536
Other comprehensive income, net of tax benefit of $733	—	—	—	—	—	—	52,705	—	52,705
Capital distribution under the TSA	—	—	—	—	—	—	—	—	—
Share-based compensation plans:									
Common stock issued under compensation plans	723	7	—	—	(7)	—	—	—	—
Requisite service period recognition	—	—	—	—	10,132	—	—	—	10,132
Common stock purchased under share repurchase program	—	—	(116)	(2,898)	—	—	—	—	(2,898)
Balance at December 29, 2019	261,119	$ 2,611	(11,547)	$ (234,892)	$ 1,955,261	$ 877,812	$ (75,129)	$ 10,397	$ 2,536,060

The accompanying notes are an integral part of these Consolidated and Combined Financial Statements.

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	Fifty-Two Weeks Ended December 29, 2019	Fifty-Two Weeks Ended December 30, 2018	Fifty-Three Weeks Ended December 31, 2017
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 456,536	$ 246,804	$ 718,167
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	287,230	274,088	271,824
Gain on bargain purchase	(56,880)	—	—
Deferred income tax expense (benefit)	42,478	32,540	(49,963)
Share-based compensation	10,132	13,153	3,020
Gain on property disposals	(10,896)	(1,889)	(506)
Foreign currency transaction losses (gains) related to borrowing arrangements	(4,970)	5,267	(1,387)
Loan cost amortization	4,821	5,569	5,968
Accretion of bond discount	982	812	—
Amortization of bond premium	(668)	(668)	(180)
Gain on equity method investments	(63)	(63)	(59)
Loss on early extinguishment of debt recognized as a component of interest expense	—	15,818	—
Asset impairment	—	3,504	5,156
Changes in operating assets and liabilities:			
Trade accounts and other receivables	(25,000)	(10,918)	(82,169)
Inventories	(111,748)	83,174	(207,399)
Prepaid expenses and other current assets	(15,490)	(11,612)	(14,827)
Accounts payable and accrued expenses	119,892	86,834	(22,827)
Income taxes	(26,378)	(248,470)	188,120
Long-term pension and other postretirement obligations	(9,221)	(6,751)	(10,864)
Other	5,764	4,458	(753)
Cash provided by operating activities	666,521	491,650	801,321
Cash flows from investing activities:			
Purchase of acquired business, net of cash acquired	(384,694)	—	(658,520)
Acquisitions of property, plant and equipment	(348,120)	(348,666)	(339,872)
Proceeds from property disposals	15,753	9,775	4,475
Proceeds from settlement of life insurance contract	—	—	1,845
Cash used in investing activities	(717,061)	(338,891)	(992,072)
Cash flows from financing activities:			
Payments on revolving line of credit, long-term borrowings and finance lease obligations	(289,917)	(1,117,009)	(628,677)
Proceeds from revolving line of credit and long-term borrowings	259,466	748,382	1,871,818
Purchase of common stock under share repurchase program	(2,898)	(236)	(14,641)
Payment of capitalized loan costs	(652)	(12,581)	(13,631)
Proceeds (distribution) from capital contribution under the TSA	(525)	5,558	5,038
Capital contributions to subsidiary by noncontrolling stockholders	—	1,421	—
Payment on early extinguishment of debt	—	(9,781)	—
Payment of note payable to affiliate	—	—	(753,512)
Cash provided by (used in) financing activities	(34,526)	(384,246)	466,395
Effect of exchange rate changes on cash and cash equivalents	4,065	3,534	16,364
Increase (decrease) in cash and cash equivalents	(81,001)	(227,953)	292,008
Cash and cash equivalents, beginning of period	361,578	589,531	297,523
Cash and cash equivalents, end of period	$ 280,577	$ 361,578	$ 589,531
Supplemental Disclosure Information:			
Interest paid (net of amount capitalized)	$ 130,882	$ 154,627	$ 81,260
Income taxes paid	125,856	253,932	122,956

The accompanying notes are an integral part of these Consolidated and Combined Financial Statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Pilgrim’s Pride Corporation (referred to herein as “Pilgrim’s,” “PPC,” “the Company,” “we,” “us,” “our,” or similar terms) is one of the largest chicken producers in the world, with operations in the United States (“U.S.”), the United Kingdom (“U.K.”), Mexico, France, Puerto Rico and the Netherlands. Pilgrim’s products are sold to foodservice, retail and frozen entrée customers. The Company’s primary distribution is through retailers, foodservice distributors and restaurants throughout the countries listed above. Additionally, the Company exports chicken and pork products to approximately 110 countries. Pilgrim’s fresh products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens, selected chicken parts that are either marinated or non-marinated, primary pork cuts, added value pork and pork ribs. The Company’s prepared products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded, either marinated or non-marinated, processed sausages, bacon, slow-cooked, smoked meat and gammon joints. The Company’s other products include ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts, pre-packed meats, sandwich, deli counter meats, pulled pork balls, meat balls and coated foods. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Mexico, France, Puerto Rico and the Netherlands. As of December 29, 2019, Pilgrim’s had approximately 53,100 employees and the capacity to process more than 45.3 million birds per week for a total of more than 13.0 billion pounds of live chicken annually. Approximately 4,900 contract growers supply poultry for the Company’s operations. As of December 29, 2019, Pilgrim’s had 5,400 employees and the capacity to process more than 46,200 pigs per week for a total of 443.0 million pounds of live pork annually. Approximately 280 contract growers supply pork for the Company’s operations. As of December 29, 2019, JBS S.A., through its indirect wholly-owned subsidiaries (together, “JBS”) beneficially owned 78.31% of the Company’s outstanding common stock.

Consolidated and Combined Financial Statements

The Company operates on the basis of a 52/53-week fiscal year ending on the Sunday falling on or before December 31. Any reference we make to a particular year in the notes to these Consolidated and Combined Financial Statements applies to our fiscal year and not the calendar year.

On September 8, 2017, a subsidiary of the Company acquired 100% of the issued and outstanding shares of Granite Holdings Sàrl and its subsidiaries (together, “Moy Park”) from JBS S.A. in a common-control transaction. Moy Park was acquired by JBS S.A. from an unrelated third party on September 30, 2015. For the period from September 30, 2015 through September 7, 2017, the Consolidated and Combined Financial Statements include the accounts of the Company and its majority-owned subsidiaries combined with the accounts of Moy Park. For the periods subsequent to September 8, 2017, the Consolidated and Combined Financial Statements include the accounts of the Company and its majority-owned subsidiaries, including Moy Park. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Consolidated and Combined Financial Statements have been prepared in conformity with accounting principles generally accepted in the U.S. (“U.S. GAAP”) using management’s best estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments. Significant estimates made by the Company include the allowance for doubtful accounts, reserves related to inventory obsolescence or valuation, useful lives of long-lived assets, goodwill, valuation of deferred tax assets, insurance accruals, valuation of pension and other postretirement benefits obligations, income tax accruals, certain derivative positions and valuations of acquired businesses.

The functional currency of the Company's U.S. and Mexico operations and certain holding-company subsidiaries in Luxembourg, the U.K. and Ireland is the U.S. dollar. The functional currency of its U.K. operations is the British pound. The functional currency of the Company's operations in France and the Netherlands is the euro. For foreign currency-denominated entities other than the Company's Mexico operations, translation from local currencies into U.S. dollars is performed for most assets and liabilities using the exchange rates in effect as of the balance sheet date. Income and expense accounts are remeasured using average exchange rates for the period. Adjustments resulting from translation of these financial records are reflected as a separate component of *Accumulated other comprehensive loss* in the Consolidated Balance Sheets. For the Company's Mexico operations, remeasurement from the Mexican peso to U.S. dollars is performed for monetary assets and liabilities using the exchange rate in effect as of the balance sheet date. Remeasurement is performed for non-monetary assets using the historical exchange rate in effect on the date of each asset’s acquisition. Income and expense accounts are remeasured using average exchange rates for the period. Net adjustments resulting from remeasurement of these financial records are reflected in *Foreign currency transaction losses (gains)* in the Consolidated and Combined Statements of Income.

The Company or its subsidiaries may use derivatives for the purpose of mitigating exposure to changes in foreign currency exchange rates. Foreign currency transaction gains or losses are reported in the Consolidated and Combined Statements of Income.

During 2017, the Company reported an adjustment resulting from the translation of a British pound-denominated note payable owed to JBS as a component of *Accumulated other comprehensive loss* in the Consolidated Balance Sheets. The Company designated this note payable as a hedge of its net investment in Moy Park. This adjustment remains in *Accumulated other comprehensive loss* as of December 29, 2019 and will be reclassified if the Company disposes of its investment in Moy Park.

Revenue Recognition

The vast majority of the Company's revenue is derived from contracts which are based upon a customer ordering its products. While there may be master agreements, the contract is only established when the customer’s order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), and depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company's facilities, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company's performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Shipping and Handling Costs

In the rare case when shipping and handling activities are performed after a customer obtains control of the good, the Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. When revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Shipping and handling costs are recorded within cost of sales.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs are included in selling, general and administrative (“SG&A”) expense and totaled $26.5 million, $20.8 million and $18.5 million for 2019, 2018 and 2017, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $5.1 million, $4.0 million and $3.7 million for 2019, 2018 and 2017, respectively.

Cash and Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The majority of the Company’s disbursement bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as accounts payable and the change in the related balance is reflected in operating activities on the Consolidated and Combined Statements of Cash Flows.

Restricted Cash

The Company is required to maintain cash balances with a broker as collateral for exchange traded futures contracts. These balances are classified as restricted cash as they are not available for use by the Company to fund daily operations. The balance of restricted cash may also include investments in U.S. Treasury Bills that qualify as cash equivalents, as required by the broker, to offset the obligation to return cash collateral.

The following table reconciles cash, cash equivalents and restricted cash as reported in the Consolidated Balance Sheets to the total of the same amounts shown in the Consolidated and Combined Statements of Cash Flows:

	December 29, 2019	December 30, 2018
	(In thousands)	
Cash and cash equivalents	$ 260,568	$ 338,386
Restricted cash	20,009	23,192
Total cash, cash equivalents and restricted cash shown in the Consolidated and Combined Statements of Cash Flows	$ 280,577	$ 361,578

Investments

The Company’s current investments are all highly liquid investments with a maturity of three months or less when acquired and are, therefore, considered cash equivalents. The Company’s current investments are comprised of fixed income securities, primarily commercial paper and a money market fund. These investments are classified as available-for-sale. These securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income. Investments in fixed income securities with remaining maturities of less than one year and those identified by management at the time of purchase for funding operations in less than one year are classified as current assets. Investments in fixed income securities with remaining maturities in excess of one year that management has not identified at the time of purchase for funding operations in less than one year are classified as long-term assets. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. Management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the impact of changing interest rates in the short and long term, and the Company’s intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company determines the cost of each security sold and each amount reclassified out of accumulated other comprehensive income into earnings using the specific identification method. Purchases and sales are recorded on a settlement date basis.

Investments in entities in which the Company has an ownership interest greater than 50% and exercises control over the entity are consolidated in the Consolidated and Combined Financial Statements. Investments in entities in which the Company has an ownership interest between 20% and 50% and exercises significant influence are accounted for using the equity method. The Company invests from time to time in ventures in which its ownership interest is less than 20% and over which it does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the historical performance of the ventures, the ventures’ forecasted financial performance and management’s evaluation of the ventures’ viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge.

Accounts Receivable

The Company records accounts receivable when revenue is recognized. We record an allowance for doubtful accounts, reducing our receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable, and periodic credit evaluations of our customers’ financial condition. We write off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

Inventories

Live chicken inventories are stated at the lower of cost or net realizable value and breeder hen inventories at the lower of cost, less accumulated amortization, or net realizable value. The costs associated with breeder hen inventories are accumulated up to the production stage and amortized over their productive lives using the unit-of-production method. Finished poultry products, feed, eggs and other inventories are stated at the lower of average cost or net realizable value.

Pork inventories are stated at the lower of cost and net realizable value. Cost includes costs incurred in bringing each product to its present location and condition such as purchase price, transportation, labor, and appropriate proportion of manufacturing overhead based on actual production.

We record valuation adjustments for our inventory and for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting inventory, including significantly aged products, discontinued product lines, or damaged or obsolete products. We allocate meat costs between our various finished chicken products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the remaining amount being reflected as our breast meat cost.

Generally, the Company performs an evaluation of whether any lower of cost or net realizable value adjustments are required at the country level based on a number of factors, including: (1) pools of related inventory, (2) product continuation or discontinuation, (3) estimated market selling prices and (4) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in *Operating lease assets, net, Accrued expenses and other current liabilities,* and *Noncurrent operating lease liability, less current maturities,* in our Consolidated Balance Sheets. Finance leases are included in *Property, plant and equipment, net, Current maturities of long-term debt, and Long-term debt, less current maturities*, in our Consolidated Balance Sheets.

Beginning with the adoption of Accounting Standards Update (“ASU”) 2016-02 on December 31, 2018, operating lease assets and operating lease liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate (“IBR”) based on the information available at commencement date in determining the present value of future payments. IBR is derived from our credit facility’s margin as a basis with adjustments to periodically updated LIBOR swap rate and foreign currency curve. The operating lease asset also includes any lease payments made, including upfront costs and prepayments, and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate a lease when it is reasonably certain that we will exercise that option. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term with a corresponding reduction to the operating lease asset.

The Company has lease agreements with lease and non-lease components. Beginning in 2019, lease and non-lease components are generally accounted for separately. For certain equipment leases, such as vehicles, we account for the lease and non-lease components as a single lease component.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, and repair and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Estimated useful lives for building, machinery and equipment are five to 33 years and for automobiles and trucks are three to ten years. The charge to income resulting from amortization of assets recorded under capital leases is included with depreciation expense.

The Company records impairment charges on long-lived assets held for use when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. When the above is true, the impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (1) future cash flows estimated to be generated by these assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values, (2) estimated fair market value of the assets and (3) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities. Given the interdependency of the Company’s individual facilities during the production process, which operate as a vertically integrated network, it evaluates impairment of assets held for use at the country level (i.e., the U.S. and Mexico). Management believes this is the lowest level of identifiable cash flows for its assets that are held for use in production activities. At the present time, the Company’s forecasts indicate that it can recover the carrying value of its assets held for use based on the projected undiscounted cash flows of the operations.

The Company records impairment charges on long-lived assets held for sale when the carrying amount of those assets exceeds their fair value less appropriate selling costs. Fair value is based on amounts documented in sales contracts or letters of intent accepted by the Company, amounts included in counteroffers initiated by the Company, or, in the absence of current contract negotiations, amounts determined using a sales comparison approach for real property and amounts determined using a cost approach for personal property. Under the sales comparison approach, sales and asking prices of reasonably comparable properties are considered to develop a range of unit prices within which the current real estate market is operating. Under the cost approach, a current cost to replace the asset new is calculated and then the estimated replacement cost is reduced to reflect the applicable decline in value resulting from physical deterioration, functional obsolescence and economic obsolescence. Appropriate selling costs includes reasonable broker's commissions, costs to produce title documents, filing fees, legal expenses and the like. We estimate appropriate closing costs as 4% to 6% of asset fair value. This range of rates is considered reasonable for our assets held for sale based on historical experience.

Goodwill and Other Intangibles, net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a business combination. Identified intangible assets represent trade names, customer relationships and non-compete agreements arising from acquisitions that are recorded at fair value as of the date acquired less accumulated amortization, if any. The Company uses various market valuation techniques to determine the fair value of its identified intangible assets.

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis in the fourth quarter of each fiscal year or more frequently if impairment indicators arise. For goodwill, an impairment loss is recognized for any excess of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. Management first reviews relevant qualitative factors to determine if an indication of impairment exists for a reporting unit. If management determines there is an indication that the carrying amount of reporting unit goodwill might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting no indications of goodwill impairment in any of its reporting units as of December 29, 2019. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Management first reviews relevant qualitative factors to determine if an indication of impairment exists. If management determines there is an indication that the carrying amount of the intangible asset might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting no indications of impairment for any of its indefinite-lived intangible assets as of December 29, 2019.

Identifiable intangible assets with definite lives, such as customer relationships, non-compete agreements and trade names that the Company expects to use for a limited amount of time, are amortized over their estimated useful lives on a straight-line basis. The useful lives range from three to 20 years for trade names and non-compete agreements and 5 to 16 years for customer relationships. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Management assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets with definite lives might not be recoverable and determined that there were no impairment indicators during the fifty-two weeks ended December 29, 2019 and fifty-two weeks ended December 30, 2018.

Book Overdraft Balances

The majority of the Company's disbursement bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as accounts payable and the change in the related balance is reflected in operating activities on the Consolidated and Combined Statements of Cash Flows.

Litigation and Contingent Liabilities

The Company is subject to lawsuits, investigations and other claims related to employment, environmental, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. The Company estimates the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. The Company expenses legal costs related to such loss contingencies as they are incurred. The accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in the Company's assumptions, the effectiveness of strategies, or other factors beyond the Company's control.

Accrued Self Insurance

Insurance expense for casualty claims and employee-related health care benefits are estimated using historical and current experience and actuarial estimates. Stop-loss coverage is maintained with third-party insurers to limit the Company's total exposure. Certain categories of claim liabilities are actuarially determined. The assumptions used to arrive at periodic expenses are reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

Asset Retirement Obligations

The Company monitors certain asset retirement obligations in connection with its operations. These obligations relate to clean-up, removal or replacement activities and related costs for "in-place" exposures only when those exposures are moved or modified, such as during renovations of our facilities. These in-place exposures include asbestos, refrigerants, wastewater, oil, lubricants and other contaminants common in manufacturing environments. Under existing regulations, the Company is not required to remove these exposures and there are no plans to undertake a renovation that would require removal of the asbestos or the remediation of the other in-place exposures at this time. The facilities are expected to be maintained and repaired by activities that will not result in the removal or disruption of these in-place exposures at this time. As a result, there is an indeterminate settlement date for these asset retirement obligations because the range of time over which the Company may incur these liabilities is unknown and cannot be reasonably estimated. Therefore, the Company has not recorded the fair value of any potential liability.

Income Taxes

The Company follows provisions under ASC No. 740-10-30-27 in the Expenses-Income Taxes topic with regard to members of a group that file a consolidated tax return but issue separate financial statements. The Company files its own U.S. federal tax return, but it is included in certain state unitary returns with JBS USA Food Company Holdings ("JBS USA Holdings"). The income tax expense of the Company is computed using the separate return method. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. For the unitary states, we have an obligation to make tax payments to JBS USA Holdings for our share of the unitary taxable income, which is included in taxes payable in our Consolidated Balance Sheets. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date.

The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, potential for carry back of tax losses, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for net operating loss carry forwards of certain foreign subsidiaries.

The Company deems its earnings from Mexico, Puerto Rico and the U.K. as of December 29, 2019 to be permanently reinvested. As such, U.S. deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and U.S. income taxes would be provided.

The Company follows provisions under ASC No. 740-10-25 that provide a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See "Note 13. Income Taxes" to the Consolidated and Combined Financial Statements.

Pension and Other Postemployment Benefits

Our pension and other postemployment benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, long-term return on plan assets and other factors. We base the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. We determine the long-term return on plan assets based on historical portfolio results and management's expectation of the future economic environment. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, amortized over either (1) the estimated average future service period of active plan participants if the plan is active or (2) the estimated average future life expectancy of all plan participants if the plan is frozen.

Derivative Financial Instruments

The Company uses derivative financial instruments (e.g., futures, forwards and options) for the purpose of mitigating exposure to changes in commodity prices and foreign currency exchange rates.

- *Commodity Price Risk* - The Company utilizes various raw materials, which are all considered commodities, in its operations, including corn, soybean meal, soybean oil, wheat, natural gas, electricity and diesel fuel. The Company considers these raw materials to be generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company enters into derivative contracts such as physical forward contracts and exchange-traded futures or option contracts in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for periods up to 12 months. The Company may enter into longer-term derivatives on particular commodities if deemed appropriate.

- *Foreign Currency Risk* - The Company has foreign operations and, therefore, has exposure to foreign exchange risk when the financial results of those operations are translated to US dollars. The Company will occasionally purchase derivative financial instruments such as foreign currency forward contracts in an attempt to mitigate currency exchange rate exposure related to the net assets of its Mexico operations that are denominated in Mexican pesos. The Company's Moy Park operation also attempts to mitigate foreign currency exposure on certain euro- and U.S. dollar-denominated transactions through the use of derivative financial instruments.

Pilgrim's recognizes all commodity derivative instruments that qualify for derivative accounting treatment as either assets or liabilities and measures those instruments at fair value unless they qualify for, and we elect, the normal purchases and normal sales scope exception ("NPNS"). The permitted accounting treatments include: cash flow hedge; fair value hedge; and undesignated contracts. Undesignated contract accounting is the default accounting treatment for all derivatives unless they qualify, and we specifically designate them, for one of the other accounting treatments. Derivatives designated for any of the elective accounting treatments must meet specific, restrictive criteria both at the time of designation and on an ongoing basis.

The Company has generally applied the NPNS exception to its forward physical grain purchase contracts. NPNS contracts are accounted for using the accrual method of accounting; therefore, there were no amounts recorded in the Consolidated and Combined Financial Statements at December 29, 2019 and December 30, 2018.

Undesignated contracts may include contracts not designated as a hedge or for which the NPNS exception was not elected, contracts that do not qualify for hedge accounting and derivatives that do not or no longer qualify for the NPNS scope exception. The fair value of these derivatives is recognized in the Consolidated Balance Sheets within *Prepaid expenses and other current assets* or *Accrued expenses and other current liabilities*. Changes in fair value of these derivatives are recognized immediately in the Consolidated and Combined Statements of Income within *Net sales*, *Cost of sales* or *Selling, general and administrative expense*, depending on the risk they are intended to mitigate. While management believes these instruments help mitigate various market risks, they are not designated nor accounted for as hedges as a result of the extensive record keeping requirements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We make significant estimates in regard to receivables collectability; inventory valuation; realization of deferred tax assets; valuation of long-lived assets; valuation of contingent liabilities, liabilities subject to compromise and self-insurance liabilities; valuation of pension and other postretirement benefits obligations; and valuation of acquired businesses.

Recent Accounting Pronouncements Adopted in 2019

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, along with several updates, which, in an effort to increase transparency and comparability among organizations utilizing leasing, requires an entity that is a lessee to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. In transition, the entity may elect to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach or the beginning of the period of adoption using a cumulative-effect adjustment approach. We adopted the new standard on December 31, 2018 and recognized and measured leases at the beginning of the period of adoption. We elected the package of practical expedients available under the transition guidance which, among other things, allows the carry-forward of historical lease classification. The Company also elected the practical expedient allowing use of hindsight in assessing the lease term. We made an accounting policy election to not apply the new guidance to leases with a term of 12 months or less and will recognize those payments in the Consolidated Statement of Income on a straight-line basis over the lease term. We implemented a system solution for administering our leases and facilitating compliance with the new guidance. Adoption of the standard had a material impact on our Consolidated Balance Sheets as a result of the increase in assets and liabilities from recognition of operating lease assets and operating lease liabilities. However, the standard did not have a material impact on our Consolidated Statement of Income.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, an accounting standard update that simplifies the application of hedge accounting guidance in current U.S. GAAP and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Among the simplification updates, the standard eliminates the requirement in current U.S. GAAP to separately recognize periodic hedge ineffectiveness. Mismatches between the changes in value of the hedged item and hedging instrument may still occur but they will no longer be separately reported. The standard requires the presentation of the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The standard is effective for annual and interim reporting periods beginning after December 15, 2018, but early adoption is permitted. We have adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, an accounting standard update that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act. The Company will not reclassify the stranded tax effects associated with the U.S. Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. We adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In July 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, an accounting standard update to improve non-employee share-based payment accounting. The accounting standard update more closely aligns the accounting for employee and non-employee share based payments. The accounting standards update is effective as of the beginning of our 2019 calendar year with early adoption permitted. We adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

Recent Accounting Pronouncements Adopted in 2018

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides for a single five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. We adopted this standard as of January 1, 2018, the beginning of our 2018 fiscal year, using the cumulative effect adjustment, often referred to as modified retrospective approach. Under this method, we did not restate the prior financial statements presented, and would record any adjustments in the opening balance sheet for January 2018. There was no cumulative effect to be recorded as an adjustment to the opening balance of retained earnings. The comparative information was not restated and continues to be presented under the accounting standards in effect for those periods. Additional disclosures will include the amount by which each financial statement line item is affected in the current reporting period during 2018, as compared to the prior guidance. We expect minimal impact from the adoption of the new standard to the financial statements on a go forward basis, except for expanded disclosures. Revenue is currently recognized at destination and will continue to be recognized at point in time under the new guidance. Additional information regarding revenue recognition is included in "Note 14. Revenue Recognition."

Recent Accounting Pronouncements Not Yet Adopted as of December 29, 2019

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. We will adopt the provisions of the new guidance effective December 30, 2019, the beginning of our 2020 fiscal year. We do not expect the impact of the new guidance on our financial statements to be material.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, new accounting guidance to improve the effectiveness of disclosures related to fair value measurements. The new guidance removes certain disclosure requirements related to transfers between Level 1 and Level 2 of the fair value hierarchy along with the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. Additions to the disclosure requirements include more quantitative information related to significant unobservable inputs used in Level 3 fair value measurements and gains and losses included in other comprehensive income. We will adopt the provisions of the new guidance effective December 30, 2019, the beginning of our 2020 fiscal year. We do not expect the impact of the new guidance on our financial statements to be material.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, new accounting guidance to improve the effectiveness of disclosures related to defined benefit plans by eliminating certain required disclosures, clarifying existing disclosures, and adding new disclosures. Changes include removing disclosures related to the amounts in accumulated other comprehensive income expected to be recognized in the next fiscal year, adding narrative disclosure of the reasons for significant gains and losses related to changes in the defined benefit obligation, and clarifying the disclosures required for plans with projected and accumulated benefit obligations in excess of plan assets. We will adopt the provisions of the new guidance effective December 30, 2019, the beginning of our 2020 fiscal year. We do not expect the impact of the new guidance on our financial statements to be material.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which is intended to improve consistency and simplify several areas of existing guidance. ASU 2019-12 removes certain exceptions to the general principles related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect that the ASU 2019-12 will have on our consolidated financial statements.

2. BUSINESS ACQUISITIONS

Tulip

On October 15, 2019, the Company acquired 100% of the equity of Tulip from Danish Crown AmbA for £310.0 million, or $391.5 million, subject to customary working capital adjustments. The acquisition was funded with cash on hand. Tulip, a leading, integrated prepared pork supplier, is headquartered in Warwick, U.K., operates 14 fresh and value-added facilities in that country and employs approximately 5,400 people as of December 29, 2019. The acquisition solidifies Pilgrim's as a leading European food company, creating one of the largest integrated prepared foods businesses in the U.K. The Tulip operations are included in the Company’s U.K. and Europe reportable segment.

Transaction costs incurred in conjunction with the acquisition were approximately $1.3 million. These costs were expensed as incurred.

The results of operations of the acquired business since October 15, 2019 are included in the Company’s Consolidated and Combined Statements of Income. Net sales generated and net loss incurred by the acquired business during 2019 totaled $306.7 million and $2.7 million, respectively.

The assets acquired and liabilities assumed in the Tulip acquisition were measured at their fair values as of October 15, 2019 as set forth below. The excess of the fair values of the net tangible assets and identifiable intangible assets over the purchase price was recorded as gain on bargain purchase in the Company’s U.K. and Europe reportable segment. The fair values recorded were determined based upon various external and internal valuations. The preliminary fair values recorded were determined based upon a preliminary valuation. The estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to the preliminary nature of the valuation of property, plant and equipment, intangible assets and residual gain on bargain purchase as well as calculation of final working capital adjustments. We continue to review inputs and assumptions used in the preliminary valuations.

The fair values recorded for the assets acquired and liabilities assumed for Tulip are as follows (in thousands):

Cash and cash equivalents	$	6,854
Trade accounts and other receivables		146,423
Inventories		104,211
Prepaid expenses and other current assets		6,579
Operating lease assets		5,613
Property, plant and equipment		329,711
Identified intangible assets		40,418
Other assets		14,647
Total assets acquired		654,456
Accounts payable		110,296
Other current liabilities		55,830
Operating lease liabilities		5,613
Deferred tax liabilities		14,798
Pension obligations		18,435
Other long-term liabilities		1,056
Total liabilities assumed		206,028
Total identifiable net assets		448,428
Gain on bargain purchase		(56,880)
Total consideration transferred	$	391,548

The Company performed a valuation of the assets and liabilities of Tulip as of October 15, 2019. Significant assumptions used in the valuation and the bases for their determination are summarized as follows:

- Property, plant and equipment, net. Property, plant and equipment at fair value gave consideration to the highest and best use of the assets. The valuation of the Company's real property improvements and the majority of its personal property was based on the cost approach. The valuation of the Company's land, as if vacant, and certain personal property assets was based on the market or sales comparison approach.

- Customer relationships. The Company valued Tulip customer relationships using the income approach, specifically the multi-period excess earnings model. Under this model, the fair value of the customer relationships asset was determined by estimating the net cash inflows from the relationships discounted to present value. In estimating the fair value of the customer relationships, net sales related to existing Tulip customers were estimated to grow at a rate of 2.0% annually, but we also anticipate losing existing Tulip customers at an attrition rate of 10.0%. Income taxes were estimated at 18.0% of pre-tax income in 2020 and 17.0% of pre-tax income thereafter and net cash flows attributable to our existing customers were discounted using a rate of 22.0%. The resulting customer relationships intangible asset has a fair value of $40.4 million and a useful life of 11 years.

See “Note 8. Goodwill and Intangible Assets” for additional information regarding the goodwill and intangible assets recognized by the Company in the Tulip acquisition.

Moy Park

On September 8, 2017, the Company purchased 100% of the issued and outstanding shares of Moy Park from JBS S.A. for cash of $301.3 million and a note payable to the seller in the amount of £562.5 million. Moy Park is one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers. With four fresh processing plants, ten prepared foods cook plants, three feed mills, six hatcheries and one rendering facility in Northern Ireland, England, France, and the Netherlands, Moy Park processes 6.1 million birds per seven-day work week, in addition to producing around 462.0 million pounds of prepared foods per year. Its product portfolio comprises fresh and added-value poultry, ready-to-eat meals, breaded and multi-protein frozen foods, vegetarian foods and desserts, supplied to major food retailers and restaurant chains in Europe (including the U.K.). Moy Park has approximately 10,200 employees as of December 29, 2019. The Moy Park operations are included in our U.K. and Europe reportable segment.

The acquisition was treated as a common-control transaction under U.S. GAAP. A common-control transaction is a transfer of net assets or an exchange of equity interests between entities under the control of the same parent. The accounting and reporting for a transaction between entities under common control is not to be considered a business combination under U.S. GAAP. Since there is no change in control over the net assets from the parent’s perspective, there is no change in basis in the assets or liabilities. Therefore, Pilgrim's, as the receiving entity, recognized the assets and liabilities received at their historical carrying amounts, as reflected in the parent’s financial statements. The difference between the proceeds transferred and the carrying amounts of the net assets on the date of the acquisition is recognized in equity.

Transaction costs incurred in conjunction with the acquisition were approximately $19.9 million. These costs were expensed as incurred.

Beginning September 8, 2017, the results of operations and financial position of Moy Park have been included in the consolidated results of operations and financial position of the Company. The results of operations and financial position of Moy Park have been combined with the results of operations and financial position of Pilgrim's from September 30, 2015, the common control date, through September 7, 2017. Net sales and net income generated by the acquired business during 2019 totaled $2.1 billion and $70.7 million, respectively. Net sales and net income generated by the acquired business during 2018 totaled $2.1 billion and $52.1 million, respectively.

GNP

In January 6, 2017, the Company acquired 100% of the membership interests of JFC LLC and its subsidiaries (together, “GNP”) from Maschhoff Family Foods, LLC for $350.0 million, subject to customary working capital adjustments. The purchase was funded through cash on hand and borrowings under the U.S. Credit Facility. GNP is a vertically integrated poultry business located in Minnesota and Wisconsin. The acquired business has a production capacity of 2.1 million birds per five-day work week in its two plants and employed approximately 1,700 people as of December 29, 2019. The GNP operations are included in our U.S. reportable segment.

The following table summarizes the consideration paid for GNP (in thousands):

Negotiated sales price	$	350,000
Working capital adjustment		7,252
Preliminary purchase price	$	357,252

Transaction costs incurred in conjunction with the purchase were approximately $0.6 million. These costs were expensed as incurred.

The results of operations of the acquired business since January 6, 2017 are included in the Company’s Consolidated and Combined Statements of Income. Net sales and net income generated by the acquired business during 2019 totaled $422.1 million and $39.5 million, respectively. Net sales generated and net loss incurred by the acquired business during 2018 totaled $398.4 million and $1.4 million, respectively.

The assets acquired and liabilities assumed in the GNP acquisition were measured at their fair values as of January 6, 2017 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the acquisition as well the assembled workforce. These benefits include (1) complementary product offerings, (2) an enhanced footprint in the U.S., (3) shared knowledge of innovative technologies such as gas stunning, aeroscalding and automated deboning, (4) enhanced position in the fast-growing antibiotic-free and certified organic chicken segments due to the addition of GNP’s portfolio of Just BARE® Certified Organic and Natural/American Humane CertifiedTM/No-Antibiotics-Ever product lines and (5) attractive cost-reduction synergy opportunities and value creation. The Company has tax basis in the goodwill, and therefore, the goodwill is deductible for tax purposes. The fair values recorded were determined based upon various external and internal valuations.

The fair values recorded for the assets acquired and liabilities assumed for GNP are as follows (in thousands):

Cash and cash equivalents	$	10
Trade accounts and other receivables		18,453
Inventories		56,459
Prepaid expenses and other current assets		3,414
Property, plant and equipment		144,138
Identifiable intangible assets		131,120
Other long-lived assets		829
Total assets acquired		354,423
Accounts payable		23,848
Other current liabilities		11,866
Other long-term liabilities		3,393
Total liabilities assumed		39,107
Total identifiable net assets		315,316
Goodwill		41,936
Total net assets	$	357,252

The Company recognized certain identifiable intangible assets as of January 6, 2017 due to this acquisition. The following table presents the fair values and useful lives, where applicable, of these assets:

		Fair Value	Useful Life
		(In thousands)	(In years)
Customer relationships	$	92,900	13.0
Trade names		38,200	20.0
Non-compete agreement		20	3.0
Total fair value	$	131,120	
Weighted average useful life			15.2

The Company performed a valuation of the assets and liabilities of GNP as of January 6, 2017. Significant assumptions used in the valuation and the bases for their determination are summarized as follows:

- Property, plant and equipment, net. Property, plant and equipment at fair value gave consideration to the highest and best use of the assets. The valuation of the Company's real property improvements and the majority of its personal property was based on the cost approach. The valuation of the Company's land, as if vacant, and certain personal property assets was based on the market or sales comparison approach.

- Trade names. The Company valued two trade names using the income approach, specifically the relief from royalty method. Under this method, the asset value of each trade name was determined by estimating the hypothetical royalties that would have to be paid if it was not owned. Royalty rates were selected based on consideration of several factors, including (1) prior transactions involving GNP trade names, (2) incomes derived from license agreements on comparable trade names within the food industry and (3) the relative profitability and perceived contribution of each trade name. The royalty rate used in the determination of the fair values of the two trade names was 2.0% of expected net sales related to the respective trade names. In estimating the fair value of the trade names, net sales related to the respective trade names were estimated to grow at a rate of 2.5%. Income taxes were estimated at 39.3% of pre-tax income, a tax amortization benefit factor was estimated at 1.2098 and the hypothetical savings generated by avoiding royalty costs were discounted using a rate of 13.8%.

- Customer relationships. The Company valued GNP customer relationships using the income approach, specifically the multi-period excess earnings model. Under this model, the fair value of the customer relationships asset was determined by estimating the net cash inflows from the relationships discounted to present value. In estimating the fair value of the customer relationships, net sales related to existing GNP customers were estimated to grow at a rate of 2.5% annually, but we also anticipate losing existing GNP customers at an attrition rate of 4.0%. Income taxes were estimated at 39.3% of pre-tax income, a tax amortization benefit factor was estimated at 1.2098 and net cash flows attributable to our existing customers were discounted using a rate of 13.8%.

See “Note 8. Goodwill and Intangible Assets” for additional information regarding the goodwill and intangible assets recognized by the Company in the GNP acquisition.

Unaudited Pro Forma Financial Information

The following unaudited pro forma information presents the combined financial results for the Company, Tulip, Moy Park and GNP as if the acquisitions had been completed at the beginning of 2017.

	2019	2018	2017
	(In thousands, except per share amounts)		
Net sales	$ 12,462,566	$ 12,342,475	$ 12,165,647
Net income attributable to Pilgrim's Pride Corporation	385,958	140,508	608,188
Net income attributable to Pilgrim's Pride Corporation per common share - diluted	1.55	0.56	2.44

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the Company’s results of operations would have been had it completed the acquisitions on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisitions.

3. FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities measured at fair value must be categorized into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or
Level 3	Unobservable inputs, such as discounted cash flow models or valuations.

The valuation of financial assets and liabilities classified in Level 1 is determined using a market approach, taking into account current interest rates, creditworthiness, and liquidity risks in relation to current market conditions, and is based upon unadjusted quoted prices for identical assets in active markets. The valuation of financial assets and liabilities in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for substantially the full term of the financial instrument. The valuation of financial assets in Level 3 is determined using an income approach based on unobservable inputs such as discounted cash flow models or valuations. For each class of assets and liabilities not measured at fair value in the Consolidated Balance Sheets but for which fair value is disclosed, the Company is not required to provide the quantitative disclosure about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy.

In addition to the fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company’s financial instruments. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods or significant assumptions from prior periods are also required to be disclosed.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

As of December 29, 2019 and December 30, 2018, the Company held derivative assets and liabilities that were required to be measured at fair value on a recurring basis. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity futures instruments and foreign currency forward contracts to manage translation and remeasurement risk.

The following items were measured at fair value on a recurring basis:

	December 29, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Commodity futures instruments	$ 4,147	$ —	$ —	$ 4,147
Commodity options instruments	906	—	—	906
Foreign currency instruments	426	—	—	426
Fair value liabilities:				
Commodity futures instruments	(4,797)	—	—	(4,797)
Commodity options instruments	(633)	—	—	(633)
Foreign currency instruments	(5,400)	—	—	(5,400)

	December 30, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Commodity futures instruments	$ 2,244	$ —	$ —	$ 2,244
Commodity options instruments	—	—	—	—
Foreign currency instruments	1,311	—	—	1,311
Fair value liabilities:				
Commodity futures instruments	(1,479)	—	—	(1,479)
Commodity option instruments	(3,312)	—	—	(3,312)
Foreign currency instruments	(6,649)	—	—	(6,649)

See “Note 7. Derivative Financial Instruments” for additional information.

The carrying amounts and estimated fair values of our fixed-rate debt obligation recorded in the Consolidated Balance Sheets consisted of the following:

	December 29, 2019		December 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Fixed-rate senior notes payable at 5.75%, at Level 1 inputs	$ (1,002,095)	$ (1,034,200)	$ (1,002,497)	$ (937,300)
Fixed-rate senior notes payable at 5.875%, at Level 1 inputs	(844,433)	(919,505)	(843,717)	(768,188)
Secured loans, at Level 3 inputs	(948)	(939)	(319)	(319)

See “Note 12. Long-Term Debt and Other Borrowing Arrangements” for additional information.

The carrying amounts of our cash and cash equivalents, derivative trading accounts' margin cash, restricted cash and cash equivalents, accounts receivable, accounts payable and certain other liabilities approximate their fair values due to their relatively short maturities. Derivative assets were recorded at fair value based on quoted market prices and are included in the line item *Prepaid expenses and other current assets* on the Consolidated Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item *Accrued expenses and other current liabilities* on the Consolidated Balance Sheets. The fair values of the Company’s Level 1 fixed-rate debt obligation was based on the quoted market price at December 29, 2019 or December 30, 2018, as applicable. The fair values of the Company’s Level 3 fixed-rate debt obligation was based on discounted cash flows at December 29, 2019 or December 30, 2018, as applicable.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. There were no significant fair value measurement losses recognized for such assets and liabilities in the periods reported.

4. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables (including accounts receivable from related parties), less allowance for doubtful accounts, consisted of the following:

	December 29, 2019	December 30, 2018
	(In thousands)	
Trade accounts receivable	$ 696,372	$ 533,645
Notes receivable	4,187	4,630
Other receivables	48,189	31,331
Receivables, gross	748,748	569,606
Allowance for doubtful accounts	(7,467)	(8,057)
Receivables, net	$ 741,281	$ 561,549
Accounts receivable from related parties[a]	$ 944	$ 1,331

(a) Additional information regarding accounts receivable from related parties is included in "Note 19. Related Party Transactions."

Changes in the allowance for doubtful accounts were as follows:

	Total
	(In thousands)
Balance as of December 30, 2018	$ (8,057)
Provision charged to operating results	(1,690)
Account write-offs and recoveries	2,390
Tulip acquisition	(134)
Effect of exchange rate	24
Balance as of December 29, 2019	$ (7,467)

5. INVENTORIES

Inventories consisted of the following:

	December 29, 2019	December 30, 2018
	(In thousands)	
Raw materials and work-in-process	$ 800,749	$ 747,801
Finished products	425,919	317,410
Operating supplies	82,447	43,825
Maintenance materials and parts	74,420	50,483
Total inventories	$ 1,383,535	$ 1,159,519

6. INVESTMENTS IN SECURITIES

We recognize investments in available-for-sale securities as cash equivalents, current investments or long-term investments depending upon each security's length to maturity. Additionally, those securities identified by management at the time of purchase for funding operations in less than one year are classified as current.

The following table summarizes our investments in available-for-sale securities:

	December 29, 2019		December 30, 2018	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Cash equivalents:				
Fixed income securities	$ 159,623	$ 159,623	$ 135,286	$ 135,286
Other	—	—	67,474	67,474

Securities classified as cash and cash equivalents mature within 90 days. Securities classified as short-term investments mature between 91 and 365 days. Securities classified as long-term investments mature after 365 days. The specific identification method is used to determine the cost of each security sold and each amount reclassified out of accumulated other comprehensive loss to earnings. Gross realized gains recognized during 2019 and 2018 related to the Company's available-for-sale securities totaled $11.5 million and $8.0 million, respectively, while gross realized losses were immaterial. Proceeds received from the sale or maturity of available-for-sale securities during 2019 and 2018 are disclosed in the Consolidated and Combined Statements of Cash Flows. Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during 2019 and 2018 that have been included in accumulated other comprehensive loss and the net amount of gains and losses reclassified out of accumulated other comprehensive loss to earnings during 2019 and 2018 are disclosed in "Note 16. Stockholders' Equity."

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, wheat, natural gas, electricity and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company purchases derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for approximately the next twelve months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate.

The Company has operations in Mexico, the U.K., France and the Netherlands. Therefore, it has exposure to translational foreign exchange risk when the financial results of those operations are remeasured in U.S. dollars. The Company has purchased foreign currency forward contracts to manage this translational foreign exchange risk.

The fair value of derivative assets is included in the line item *Prepaid expenses and other current assets* on the Consolidated Balance Sheets while the fair value of derivative liabilities is included in the line item *Accrued expenses and other current liabilities* on the same statements. The Company's counterparties require that it post collateral for changes in the net fair value of the derivative contracts. This cash collateral is reported in the line item *Restricted cash and cash equivalents* on the Consolidated Balance Sheets.

The Company has not designated certain derivative financial instruments that it has purchased to mitigate commodity purchase exposures in the U.S. and Mexico or foreign currency transaction exposures on our Mexico operations as cash flow hedges. Therefore, the Company recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to the commodity derivative financial instruments are included in the line item *Cost of sales* in the Consolidated and Combined Statements of Income. Gains or losses related to the foreign currency derivative financial instruments are included in the line item *Foreign currency transaction loss (gain)* and *Cost of sales* in the Consolidated and Combined Statements of Income.

The Company has designated certain derivative financial instruments related to its U.K. and Europe reportable segment that it has purchased to mitigate foreign currency transaction exposures as cash flow hedges. Before the settlement date of the financial derivative instruments, the Company recognizes changes in the fair value of the effective portion of the cash flow hedge into accumulated other comprehensive income ("AOCI") while it recognize changes in the fair value of the ineffective portion immediately in earnings. When the derivative financial instruments associated with the effective portion are settled, the amount in AOCI is then reclassified to earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Consolidated and Combined Statements of Income.

The Company recognized $30.1 million and $27.1 million in net losses related to changes in the fair value of its derivative financial instruments during 2019 and 2018, respectively. The Company recognized $6.7 million in net gains during 2017.

Information regarding the Company's outstanding derivative instruments and cash collateral posted with brokers is included in the following table:

	December 29, 2019	December 30, 2018
	(Fair values in thousands)	
Fair values:		
Commodity derivative assets	$ 5,053	$ 2,263
Commodity derivative liabilities	(5,430)	(4,791)
Foreign currency derivative assets	426	1,311
Foreign currency derivative liabilities	(5,400)	(6,649)
Cash collateral posted with brokers[a]	20,009	23,192
Derivatives Coverage[b]:		
Corn	12.0%	6.0%
Soybean meal	44.0%	6.0%
Period through which stated percent of needs are covered:		
Corn	December 2020	March 2020
Soybean meal	July 2020	December 2019

(a) Collateral posted with brokers consists primarily of cash, short term treasury bills, or other cash equivalents.
(b) Derivatives coverage is the percent of anticipated commodity needs covered by outstanding derivative instruments through a specified date.

The following tables present the components of the gain or loss on derivatives that qualify as cash flow hedges (in thousands):

	Gain (Loss) Recognized in Other Comprehensive Loss on Derivative (Effective Portion)		
	December 29, 2019	December 30, 2018	December 31, 2017
Foreign currency derivatives	$ (2,052)	$ 829	$ 60
Total	$ (2,052)	$ 829	$ 60

	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		
	December 29, 2019	December 30, 2018	December 31, 2017
Foreign currency derivatives	$ 383	$ (348)	$ 639
Total	$ 383	$ (348)	$ 639

As of December 29, 2019, the before-tax deferred net gains on derivatives recorded in AOCI that are expected to be reclassified to the Consolidated and Combined Statements of Income during the next twelve months are $1.0 million. This expectation is based on the anticipated settlements on the hedged investments in foreign currencies that will occur over the next twelve months, at which time the Company will recognize the deferred gains (losses) to earnings.

8. GOODWILL AND INTANGIBLE ASSETS

The activity in goodwill by reportable segment for the years ended December 29, 2019 and December 30, 2018 were as follows:

	December 30, 2018	Additions	Other	Currency Translation	December 29, 2019
			(In thousands)		
U.S.	$ 41,936	$ —	$ —	$ —	$ 41,936
U.K. and Europe	782,207	—	—	24,000	806,207
Mexico	125,607	—	—	—	125,607
Total	$ 949,750	$ —	$ —	$ 24,000	$ 973,750

	December 31, 2017	Additions	Other	Currency Translation	December 30, 2018
			(In thousands)		
U.S.	$ 41,936	$ —	$ —	$ —	$ 41,936
U.K. and Europe	834,346	—	(1,156)	(50,983)	782,207
Mexico	125,607	—	—	—	125,607
Total	$ 1,001,889	$ —	$ (1,156)	$ (50,983)	$ 949,750

Identified intangible assets consisted of the following:

	December 30, 2018	Additions	Amortization	Currency Translation	Reclassification	December 29, 2019
			(In thousands)			
Carrying amount:						
Trade names	$ 78,343	$ —	$ —	$ —	$ —	$ 78,343
Customer relationships	247,706	40,418	—	4,154	—	292,278
Non-compete agreements	320	—	—	—	—	320
Trade names not subject to amortization	380,067	—	—	11,364	—	391,431
Accumulated amortization:						
Trade names	(43,552)	—	(1,966)	—	—	(45,518)
Customer relationships	(98,441)	—	(20,920)	(1,120)	—	(120,481)
Non-compete agreements	(315)	—	(5)	—	—	(320)
Total	$ 564,128	$ 40,418	$ (22,891)	$ 14,398	$ —	$ 596,053

	December 31, 2017	Additions	Amortization	Currency Translation	Reclassification	December 30, 2018
			(In thousands)			
Carrying amount:						
Trade names	$ 79,686	$ —	$ —	$ —	$ (1,343)	$ 78,343
Customer relationships	251,952	—	—	(5,589)	1,343	247,706
Non-compete agreements	320	—	—	—	—	320
Trade names not subject to amortization	403,594	—	—	(23,527)	—	380,067
Accumulated amortization:						
Trade names	(40,888)	—	(3,287)	—	623	(43,552)
Customer relationships	(77,194)	—	(22,441)	1,817	(623)	(98,441)
Non-compete agreements	(307)	—	(8)	—	—	(315)
Total	$ 617,163	$ —	$ (25,736)	$ (27,299)	$ —	$ 564,128

Additions shown in above table are comprised of a customer relationships intangible asset recorded as part of the Tulip acquisition. The Company valued this asset using the income approach resulting in a fair value of $40.4 million. The intangible asset has a useful life of 11 years. For additional information regarding the initial valuation and assumptions used, refer to “Note 2. Business Acquisitions.”

Intangible assets are amortized over the estimated useful lives of the assets as follows:

Customer relationships	5-16 years
Trade names	3-20 years
Non-compete agreements	3 years

The Company recognized amortization expense related to identified intangible assets of $22.9 million in 2019, $25.7 million in 2018 and $26.4 million in 2017.

The Company expects to recognize amortization expense associated with identified intangible assets of $22.5 million in 2020, $22.5 million in 2021, $22.5 million in 2022 and $21.5 million in 2023, and $20.4 million in 2024.

As of December 29, 2019, the Company assessed qualitative factors to determine if it was necessary to perform either the two-step quantitative impairment test related to the carrying amount of its goodwill or quantitative impairment tests related to the carrying amounts of its identified intangible assets not subject to amortization. Based on these assessments, the Company determined that it was not necessary to perform either the two-step quantitative impairment test related to the carrying amount of its goodwill nor the quantitative impairment tests related to the carrying amounts of its identified intangible assets not subject to amortization at that date.

As of December 29, 2019, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets subject to amortization might not be recoverable. There were no indicators present that required the Company to test the recoverability of the aggregate carrying amount of its identified intangible assets subject to amortization at that date.

9. LEASES

The Company is party to operating lease agreements for warehouses, office space, vehicle maintenance facilities and livestock growing farms in the U.S., distribution centers, hatcheries and office space in Mexico and farms, processing facilities and office space in the U.K. and Europe. Additionally, the Company leases equipment, over-the-road transportation vehicles and other assets in all three reportable segments. The Company is also party to a limited number of finance lease agreements in the U.S.

Our leases have remaining lease terms of one year to 16 years, some of which may include options to extend the lease for up to one year and some of which may include options to terminate the lease within one year. The exercise of options to extend lease terms is at our sole discretion. Certain leases also include options to purchase the leased property.

Certain lease agreements include rental payment increases over the lease term that can be either fixed or variable. Fixed payment increases and variable payment increases based on an index or rate are included in the initial lease liability using the index or rate at commencement date. Variable payment increases not based on an index are recognized as incurred. Certain lease agreements contain residual value guarantees, primarily vehicle and transportation equipment leases.

The following table presents components of lease expense (in thousands). Operating lease cost, finance lease amortization and finance lease interest are respectively included in *Cost of sales*, *Selling, general and administrative expense* and *Interest expense, net of capitalized interest* in the Consolidated and Combined Statements of Income.

	Fifty-Two Weeks Ended December 29, 2019
Operating lease cost[(a)]	$ 99,242
Amortization of finance lease assets	167
Interest on finance leases	32
Short-term lease cost	59,225
Variable lease cost	3,031
Net lease cost	$ 161,697

(a) Sublease income is immaterial and not included in operating lease costs.

Rent expense was $86.0 million for the fifty-two weeks ended December 30, 2018.

The weighted-average remaining lease term and discount rate for lease liabilities included in our Consolidated Balance Sheets are as follows:

	December 29, 2019
Weighted-average remaining lease term (years):	
Operating leases	5.77
Finance leases	4.54
Weighted-average discount rate:	
Operating leases	4.80%
Finance leases	5.21%

Supplemental cash flow information related to leases is as follows (in thousands):

	Fifty-Two Weeks Ended December 29, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	100,473
Operating cash flow from finance leases		32
Financing cash flows from finance leases		167
Operating lease assets obtained in exchange for operating lease liabilities	$	34,648
Finance lease assets obtained in exchange for finance lease liabilities		2,182

Future minimum lease payments under noncancellable leases as of December 29, 2019 are as follows (in thousands):

	Operating Leases		Finance Leases	
For the fiscal years ending December:				
2020	$	81,544	$	586
2021		67,082		494
2022		57,210		494
2023		46,897		494
2024		34,648		346
Thereafter		60,008		—
Total future minimum lease payments		347,389		2,414
Less: imputed interest		(45,768)		(264)
Present value of lease liabilities	$	301,621	$	2,150

Future minimum lease payments under capital and noncancellable operating leases with terms exceeding one year as of December 30, 2018 were as follows (in thousands):

	Capital Lease Obligations	Noncancellable Operating Lease Obligations
For the fiscal years ending December:		
2019	$ 2,971	$ 84,220
2020	1,033	63,196
2021	36	53,908
2022	3	45,557
2023	—	36,136
Thereafter	—	66,637
Net minimum lease payments	4,043	$ 349,654
Amount representing interest	(337)	
Present value of net minimum lease payments	$ 3,706	

Lease liabilities as of December 29, 2019 are included in our Consolidated Balance Sheets as follows (in thousands):

	Operating Leases	Finance Leases[(a)]
Accrued expenses and other current liabilities	$ 66,239	$ —
Current maturities of long-term debt	—	486
Noncurrent operating lease liability, less current maturities	235,382	—
Long-term debt, less current maturities	—	1,664
Total lease liabilities	$ 301,621	$ 2,150

(a) Additional information regarding finance lease assets is included in “Note 10. Property, Plant and Equipment.”

As of December 29, 2019, the Company had immaterial operating leases and did not have finance leases that have not commenced.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (“PP&E”), net consisted of the following:

	December 29, 2019	December 30, 2018
	(In thousands)	
Land	$ 222,076	$ 196,769
Buildings	1,754,219	1,697,703
Machinery and equipment	3,139,748	2,618,213
Autos and trucks	64,122	59,195
Finance leases	2,182	—
Construction-in-progress	229,015	269,166
PP&E, gross	5,411,362	4,841,046
Accumulated depreciation	(2,819,301)	(2,679,344)
PP&E, net	$ 2,592,061	$ 2,161,702

The Company recognized depreciation expense of $264.3 million, $248.3 million and $245.4 million during 2019, 2018 and 2017, respectively.

During 2019, the Company spent $348.1 million on capital projects and transferred $368.2 million of completed projects from construction-in-progress to depreciable assets. Capital expenditures were primarily incurred during 2019 to improve operational efficiencies and reduce costs. During 2018, the Company spent $348.7 million on capital projects and transferred $246.5 million of completed projects from construction-in-progress to depreciable assets.

During 2019, the Company sold certain PP&E for $15.8 million and recognized a gain of $10.9 million. PP&E sold in 2019 included broiler farms in Mexico, a breeder farm in Texas, vacant land in Minnesota and miscellaneous equipment. During

2018, the Company sold certain PP&E for $9.8 million and recognized a gain of $1.9 million. PP&E sold in 2018 included processing plants in Alabama and Minnesota, a residential building in Georgia, vacant land in Georgia and North Carolina, and miscellaneous equipment.

The Company has closed or idled various facilities in the U.S. and the U.K. Neither the Board of Directors nor JBS has determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. As of December 29, 2019, the carrying amount of these idled assets was $43.4 million based on depreciable value of $226.2 million and accumulated depreciation of $182.8 million.

As of December 29, 2019, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its property, plant and equipment held for use might not be recoverable. There were no indicators present that required the Company to test the recoverability of the aggregate carrying amount of its property, plant and equipment held for use at that date.

11. CURRENT LIABILITIES

Current liabilities, other than income taxes and current maturities of long-term debt, consisted of the following components:

	December 29, 2019	December 30, 2018
	(In thousands)	
Accounts payable:		
Trade accounts[(a)]	$ 875,374	$ 741,871
Book overdrafts	98,267	69,475
Other payables	20,139	16,479
Total accounts payable	993,780	827,825
Accounts payable to related parties[(b)]	3,819	7,269
Revenue contract liability[(c)]	41,770	33,328
Accrued expenses and other current liabilities:		
Compensation and benefits[(d)]	164,946	144,391
Taxes[(d)]	41,901	25,208
Interest and debt-related fees	31,183	33,596
Insurance and self-insured claims	67,332	80,990
Current maturities of operating lease liabilities	66,239	—
Derivative liability	10,830	11,440
Other accrued expenses[(d)]	192,888	93,550
Total accrued expenses and other current liabilities	575,319	389,175
Total current liabilities	$ 1,614,688	$ 1,257,597

(a) *Trade accounts* contains a $2.2 million reclassification related to trade accounts discounts previously presented in *Other accrued expenses* on our annual report on Form 10-K for the year ended December 30, 2018 to conform to *Current liabilities* presented as of December 29, 2019.
(b) Additional information regarding accounts payable to related parties is included in “Note 19. Related Party Transactions.”
(c) Additional information regarding revenue contract liabilities is included in “Note 14. Revenue Recognition.”
(d) *Taxes* contains a $5.1 million reclassification related to payroll withholding taxes previously presented in *Compensation and benefits* and a $20.0 million reclassification related to accrued taxes previously presented in *Other accrued expenses* on our annual report on Form 10-K for the year ended December 30, 2018 to conform to *Current liabilities* presented as of December 29, 2019.

12. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consisted of the following components:

	Maturity	December 29, 2019	December 30, 2018
Long-term debt and other long-term borrowing arrangements:		(In thousands)	
Senior notes payable, net of premium and discount at 5.75%	2025	$ 1,002,095	$ 1,002,497
Senior notes payable, net of discount at 5.875%	2027	844,433	843,717
U.S. Credit Facility (defined below):			
Term note payable at 2.94%	2023	475,000	500,000
Revolving note payable at 5.00%	2023	—	—
Moy Park France Invoice Discounting Revolver with payables at EURIBOR plus 0.8%	2019	—	2,277
Moy Park Credit Agricole Bank Overdraft with notes payable at EURIBOR plus 1.50%	On Demand	—	88
Moy Park Bank of Ireland Revolving Facility with notes payable at LIBOR or EURIBOR plus 1.25% to 2.00%	2023	—	—
Mexico Credit Facility (defined below) with notes payable at TIIE Rate plus 1.50%	2023	—	—
Secured loans with payables at weighted average of 3.34%	Various	948	319
Capital/finance lease obligations	Various	2,150	3,707
Long-term debt		2,324,626	2,352,605
Less: Current maturities of long-term debt		(26,392)	(30,405)
Long-term debt, less current maturities		2,298,234	2,322,200
Less: Capitalized financing costs		(22,205)	(27,010)
Long-term debt, less current maturities, net of capitalized financing costs		$ 2,276,029	$ 2,295,190

U.S. Senior Notes

On March 11, 2015, the Company completed a sale of $500.0 million aggregate principal amount of its 5.75% senior notes due 2025. On September 29, 2017, the Company completed an add-on offering of $250.0 million of these senior notes. The issuance price of this add-on offering was 102.0%, which created gross proceeds of $255.0 million. The additional $5.0 million will be amortized over the remaining life of the senior notes. On March 7, 2018, the Company completed another add-on offering of $250.0 million of these senior notes (together with the senior notes issued in March 2015 and September 2017, the “Senior Notes due 2025”). The issuance price of this add-on offering was 99.25%, which created gross proceeds of $248.1 million. The $1.9 million discount will be amortized over the remaining life of the senior notes. Each issuance of the Senior Notes due 2025 is treated as a single class for all purposes under the 2015 Indenture (defined below) and have the same terms.

The Senior Notes due 2025 are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among the Company, its guarantor subsidiaries and U.S. Bank National Association, as trustee (the “2015 Indenture”). The 2015 Indenture provides, among other things, that the Senior Notes due 2025 bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015 for the Senior Notes due 2025 that were issued in March 2015 and beginning on March 15, 2018 for the Senior Notes due 2025 that were issued in September 2017 and March 2018.

On September 29, 2017, the Company completed a sale of $600.0 million aggregate principal amount of its 5.875% senior notes due 2027. On March 7, 2018, the Company completed an add-on offering of $250.0 million of these senior notes (together with the senior notes issued in September 2017, the “Senior Notes due 2027”). The issuance price of this add-on offering was 97.25%, which created gross proceeds of $243.1 million. The $6.9 million discount will be amortized over the remaining life of the Senior Notes due 2027. Each issuance of the Senior Notes due 2027 is treated as a single class for all purposes under the 2017 Indenture (defined below) and have the same terms.

The Senior Notes due 2027 are governed by, and were issued pursuant to, an indenture dated as of September 29, 2017 by and among the Company, its guarantor subsidiaries and U.S. Bank National Association, as trustee (the “2017 Indenture”). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on March 30, 2018 for the Senior Notes due 2027 that were issued in September 2017 and beginning on March 15, 2018 for the Senior Notes due 2027 that were issued in March 2018.

The Senior Notes due 2025 and the Senior Notes due 2027 are each guaranteed on a senior unsecured basis by the Company's guarantor subsidiaries. In addition, any of the Company's other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes due 2025 and the Senior Notes due 2027. The Senior Notes due 2025 and the Senior Notes due 2027 and related guarantees are unsecured senior obligations of the Company and its guarantor subsidiaries and rank equally with all of the Company's and its guarantor subsidiaries' other unsubordinated indebtedness. The Senior Notes due 2025, the 2015 Indenture, the Senior Notes due 2027 and the 2017 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Senior Notes due 2027, respectively, when due, among others.

U.S. Credit Facility

On July 20, 2018, the Company, and certain of the Company's subsidiaries entered into a Fourth Amended and Restated Credit Agreement (the "U.S. Credit Facility") with CoBank, ACB, as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a $750.0 million revolving credit commitment and a term loan commitment of up to $500.0 million (the "Term Loans"). The Company used the proceeds from the term loan commitment under the U.S. Credit Facility, together with cash on hand, to repay the outstanding loans under the Company's previous credit agreement with Coöperatieve Rabobank U.A., New York Branch, as administrative agent, and the other lenders and financial institutions party thereto.

The U.S. Credit Facility includes an accordion feature that allows the Company, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.25 billion, subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on July 20, 2023. All principal on the Term Loans is due at maturity on July 20, 2023. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the Term Loans, on a quarterly basis prior to the maturity date of the Term Loans. Covenants in the U.S. Credit Facility also require the Company to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. As of December 29, 2019, the Company had Term Loans outstanding totaling $475.0 million and the amount available for borrowing under the revolving loan commitment was $708.4 million. The Company had letters of credit of $41.6 million and no borrowings outstanding under the revolving loan commitment as of December 29, 2019.

The U.S. Credit Facility includes a $75.0 million sub-limit for swingline loans and a $125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (1) in the case of LIBOR loans, LIBOR plus a margin based on the Company's net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (2) in the case of alternate base rate loans, the base rate plus a margin based on the Company's net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains customary financial and other various covenants for transactions of this type, including restrictions on the Company's ability to incur additional indebtedness, incur liens, pay dividends, make certain restricted payments, consummate certain asset sales, enter into certain transactions with the Company's affiliates, or merge, consolidate and/or sell or dispose of all or substantially all of its assets, among other things. The U.S. Credit Facility requires the Company to comply with a minimum level of tangible net worth covenant. The U.S. Credit Facility also provides that the Company may not incur capital expenditures in excess of $500.0 million in any fiscal year.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of the Company's subsidiaries and continue to be secured by a first priority lien on (1) the accounts receivable and inventory of the Company and its non-Mexico subsidiaries, (2) 100% of the equity interests in the Company's domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in its direct foreign subsidiaries and (3) substantially all of the assets of the Company and the guarantors under the U.S. Credit Facility. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

U.K and Europe Credit Facilities

Moy Park France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl entered into a €20.0 million invoice discounting facility with GE De Facto (the "Invoice Discounting Facility"). The facility limit was decreased by 50 percent in June 2018. The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated by either party with three months' notice. Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus 0.80%. As of December 29, 2019, the U.S. dollar-equivalent loan commitment and borrowing availability under the Invoice Discounting Facility were $11.1 million. As of December 29, 2019, there were no outstanding borrowings under the Invoice Discounting Facility.

The Invoice Discounting Facility contains financial covenants and various other covenants that may adversely affect Moy Park's ability to, among other things, incur additional indebtedness, consummate certain asset sales, enter into certain transactions with JBS and the Company's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of Moy Park's assets.

Moy Park Credit Agricole Bank Overdraft

On December 3, 2018, Moy Park entered into an unsecured €0.5 million bank overdraft agreement (the "Overdraft Agreement") with Credit Agricole. The Overdraft Agreement is payable on demand and can be cancelled anytime by Moy Park or Credit Agricole. Outstanding borrowings under the Overdraft Agreement bears interest at a per annum rate equal to EURIBOR plus 1.50%. As of December 29, 2019, there were no outstanding borrowings under the Overdraft Agreement.

Moy Park Bank of Ireland Revolving Facility Agreement

On June 2, 2018, Moy Park Holdings (Europe) Ltd. and its subsidiaries entered into an unsecured multicurrency revolving facility agreement (the "Bank of Ireland Facility Agreement") with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The Bank of Ireland Facility Agreement provides for a multicurrency revolving loan commitment of up to £100.0 million. The multicurrency revolving loan commitments under the Bank of Ireland Facility Agreement mature on June 2, 2023. Outstanding borrowings under the Bank of Ireland Facility Agreement bear interest at a rate per annum equal to the sum of (1) LIBOR or, in relation to any loan in euros, EURIBOR, plus (2) a margin, ranging from 1.25% to 2.00% based on Leverage (as defined in the Bank of Ireland Facility Agreement). All obligations under the Bank of Ireland Facility Agreement are guaranteed by certain of Moy Park's subsidiaries. As of December 29, 2019, the U.S. dollar-equivalent loan commitment and borrowing availability were both $130.8 million. As of December 29, 2019, there were no outstanding borrowings under the Bank of Ireland Facility Agreement.

The Bank of Ireland Facility Agreement contains representations and warranties, covenants, indemnities and conditions that the Company believes are customary for transactions of this type. Pursuant to the terms of the Bank of Ireland Facility Agreement, Moy Park is required to meet certain financial and other restrictive covenants. Additionally, Moy Park is prohibited from taking certain actions without consent of the lenders, including, without limitation, incurring additional indebtedness, entering into certain mergers or other business combination transactions, permitting liens or other encumbrances on its assets and making restricted payments, including dividends, in each case except as expressly permitted under the Bank of Ireland Facility Agreement. The Bank of Ireland Facility Agreement contains events of default that the Company believes are customary for transactions of this type. If a default occurs, any outstanding obligations under the Bank of Ireland Facility Agreement may be accelerated.

Mexico Credit Facility

On December 14, 2018, certain of the Company's Mexican subsidiaries entered into an unsecured credit agreement (the "Mexico Credit Facility") with Banco del Bajio, Sociedad Anónima, Institución de Banca Múltiple, as lender. The loan commitment under the Mexico Credit Facility is $1.5 billion Mexican pesos and can be borrowed on a revolving basis. The U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility is $79.6 million. Outstanding borrowings under the Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.50%. The Mexico Credit Facility contains covenants and defaults that the Company believes are customary for transactions of this type. The Mexico Credit Facility will be used for general corporate and working capital purposes. The Mexico Credit Facility will mature on December 14, 2023. As of December 29, 2019, there were no outstanding borrowings under the Mexico Credit Facility.

13. INCOME TAXES

Income before income taxes by jurisdiction is as follows:

	2019	2018	2017
		(In thousands)	
U.S.	$ 342,110	$ 175,805	$ 773,160
Foreign	275,435	156,422	208,906
Total	$ 617,545	$ 332,227	$ 982,066

The components of income tax expense are set forth below:

	2019	2018	2017
		(In thousands)	
Current:			
Federal	$ 27,585	$ 8,835	$ 213,146
Foreign	78,099	45,311	65,100
State and other	12,847	(1,263)	35,614
Total current	118,531	52,883	313,860
Deferred:			
Federal	51,387	41,104	(19,434)
Foreign	(18,596)	(17,160)	(34,264)
State and other	9,687	8,596	3,737
Total deferred	42,478	32,540	(49,961)
	$ 161,009	$ 85,423	$ 263,899

The effective tax rate for 2019 was 26.1% compared to 25.7% for 2018 and 26.9% for 2017.

The following table reconciles the statutory U.S. federal income tax rate to the Company's effective income tax rate:

	2019	2018	2017
Federal income tax rate	21.0 %	21.0 %	35.0 %
State tax rate, net	3.0	3.6	2.6
One-time transition tax	—	7.9	—
Permanent items	(1.7)	1.4	—
Domestic production activity	—	—	(1.6)
Difference in U.S. statutory tax rate and foreign country effective tax rate	2.1	2.3	(1.4)
Rate change	(0.1)	(2.5)	(5.3)
Tax credits	(0.7)	(7.9)	(0.5)
Change in reserve for unrecognized tax benefits	2.7	(1.7)	(0.7)
Change in valuation allowance	0.1	2.7	(1.2)
Other	(0.3)	(1.1)	—

Total	26.1 %	25.7 %	26.9 %

Included in the change in reserve for unrecognized tax benefits is an increase of 2.6% in the effective tax rate related to a specific transaction undertaken by a Mexico subsidiary of the Company during tax year 2011. The amount was recorded and paid during the fifty-two weeks ended December 29, 2019.

Significant components of the Company's deferred tax liabilities and assets are as follows:

	December 29, 2019	December 30, 2018
	(In thousands)	
Deferred tax liabilities:		
PP&E and identified intangible assets	$ 290,427	$ 217,353
Inventories	81,469	69,464
Insurance claims and losses	31,642	29,964
Business combinations	47,450	46,779
Incentive compensation	12,860	11,838
Operating lease assets	68,846	—
Other	14,267	11,596
Total deferred tax liabilities	546,961	386,994
Deferred tax assets:		
Net operating losses	3,120	2,923
Foreign net operating losses	50,806	38,531
Credit carry forwards	15,575	14,461
Allowance for doubtful accounts	5,429	6,788
Accrued liabilities	51,148	60,572
Workers compensation	36,147	25,297
Pension and other postretirement benefits	29,429	28,266
Operating lease liabilities	68,846	—
Other	22,502	3,133
Total deferred tax assets	283,002	179,971
Valuation allowance	(33,522)	(26,150)
Net deferred tax assets	249,480	153,821
Net deferred tax liabilities	$ 297,481	$ 233,173

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment.

As of December 29, 2019, the Company believes it has sufficient positive evidence to conclude that realization of its federal, state and foreign net deferred tax assets are more likely than not to be realized. The increase in valuation allowance of $7.4 million during 2019 was primarily due to the acquisition of Tulip. As of December 29, 2019, the Company's valuation allowance is $33.5 million, of which $12.6 million relates to its Moy Park operations, $8.2 million relates to its Tulip operations, $11.7 million relates to U.S. foreign tax credits and $1.0 million relates to state net operating losses.

As of December 29, 2019, the Company had state net operating loss carry forwards of approximately $79.8 million that begin to expire in 2020. The Company also had Mexico net operating loss carry forwards as of December 29, 2019 of approximately $10.2 million that begin to expire in 2021. The Company also had U.K. net operating loss carry forwards as of December 29, 2019 of approximately $175.2 million that may be carried forward indefinitely.

As of December 29, 2019, the Company had approximately $3.7 million of state tax credit carry forwards that begin to expire in 2020.

For the fifty-two weeks ended December 29, 2019 and fifty-two weeks ended December 30, 2018, there is a tax effect of $0.7 million and $1.6 million, respectively, reflected in other comprehensive income.

For the fifty-two weeks ended December 29, 2019, there are immaterial tax effects reflected in income tax expense due to excess tax benefits and shortfalls related to share-based compensation. For the fifty-two weeks ended December 30, 2018, there is a tax effect of ($0.8) million reflected in income tax expense due to excess tax benefits related to share-based compensation. See "Note 1. Business and Summary of Significant Accounting Policies" for additional information.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	December 29, 2019	December 30, 2018
	(In thousands)	
Unrecognized tax benefits, beginning of year	$ 12,412	$ 11,866
Increase as a result of tax positions taken during the current year	—	261
Increase as a result of tax positions taken during prior years	597	1,152
Decrease for lapse in statute of limitations	(233)	(867)
Unrecognized tax benefits, end of year	$ 12,776	$ 12,412

Included in unrecognized tax benefits of $12.8 million as of December 29, 2019, was $1.2 million of tax benefits that, if recognized, would reduce the Company's effective tax rate. It is not practicable at this time to estimate the amount of unrecognized tax benefits that will change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. As of December 29, 2019, the Company had recorded a liability of $2.3 million for interest and penalties. During 2019, accrued interest and penalty amounts related to uncertain tax positions increased by $0.8 million.

The Company operates in the U.S. (including multiple state jurisdictions), Puerto Rico and several foreign locations including Mexico and the U.K. With few exceptions, the Company is no longer subject to examinations by taxing authorities for years prior to 2015 in U.S. federal, state and local jurisdictions, for years prior to 2011 in Mexico, and for years prior to 2017 in the U.K.

The Company has a tax sharing agreement with JBS USA Food Company Holdings effective for tax years beginning 2010. No net tax payable was accrued for the 2019 tax year.

14. REVENUE RECOGNITION

The vast majority of the Company's revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer's order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), and faithfully depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company's facilities, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company's performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Disaggregated Revenue

Revenue has been disaggregated into the following categories to show how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows:

	Fifty-Two Weeks Ended December 29, 2019		
	Domestic	Export	Net Sales
		(In thousands)	
U.S.	$ 7,353,925	$ 282,791	$ 7,636,716
U.K. and Europe	2,105,578	278,215	2,383,793
Mexico	1,388,710	—	1,388,710
Net Sales	$ 10,848,213	$ 561,006	$ 11,409,219

	Fifty-Two Weeks Ended December 30, 2018		
	Domestic	Export	Net Sales
		(In thousands)	
U.S.	$ 7,166,929	$ 258,732	$ 7,425,661
U.K. and Europe	1,844,745	303,921	2,148,666
Mexico	1,363,457	—	1,363,457
Net Sales	$ 10,375,131	$ 562,653	$ 10,937,784

Shipping and Handling Costs

In the rare case when shipping and handling activities are performed after a customer obtains control of the good, the Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. When revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Shipping and handling costs are recorded within *Cost of sales*.

Contract Costs

The Company can incur incremental costs to obtain or fulfill a contract such as broker expenses that are not expected to be recovered. The amortization period for such expenses is less than one year; therefore, the costs are expensed as incurred.

Taxes

There is no change in accounting for taxes due to the adoption of the new revenue standard, as there is no material change to the timing of revenue recognition. We exclude all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (for example, sales, use, value added, and some excise taxes) from the transaction price.

Contract Balances

The Company receives payment from customers based on terms established with the customer. Payments are typically due within two weeks of delivery. There are rarely contract assets related to costs incurred to perform in advance of scheduled billings. Revenue contract liabilities relate to payments received in advance of satisfying the performance under the customer contract. The revenue contract liability relates to customer prepayments and the advanced consideration received from governmental agency contracts for which performance obligations to the end customer have not been satisfied.

Changes in the revenue contract liability balances for the years ended December 29, 2019 and December 30, 2018 were as follows:

	December 29, 2019	December 30, 2018
	(In thousands)	
Balance, beginning of year	$ 33,328	$ 36,607
Revenue recognized	(57,074)	(59,332)
Cash received, excluding amounts recognized as revenue during the period	65,516	56,053
Balance, end of year	$ 41,770	$ 33,328

Accounts Receivable

The Company records accounts receivable when revenue is recognized. The Company records an allowance for doubtful accounts to reduce the receivables balance to an amount it estimates is collectible from customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable and periodic credit evaluations of customers' financial condition. The Company writes off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

15. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans, nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plans. Expenses recognized under all retirement plans totaled $19.0 million, $12.1 million and $10.8 million in 2019, 2018 and 2017, respectively.

The Company used a year-end measurement date of December 29, 2019 for its pension and postretirement benefits plans. Certain disclosures are listed below. Other disclosures are not material to the financial statements.

Qualified Defined Benefit Pension Plans

The Company sponsors four qualified defined benefit pension plans named the Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan"), the Pilgrim's Pride Pension Plan for Legacy Gold Kist Employees (the "GK Pension Plan"), the Tulip Limited Pension Plan (the "Tulip Plan") and the Geo Adams Group Pension Fund (the "Geo Adams Plan" and, together with the Tulip Plan, the "U.K. Plans"). The Union Plan covers certain locations or work groups within PPC. The GK Pension Plan covers certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007 for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007. The U.K. Plans cover certain eligible active and former U.K. employees who were employed at locations that the Company purchased through its acquisition of Tulip in 2019. Participation in the Tulip Plan was frozen as of October 31, 2007 and participation in the Geo Adams Plan was frozen as of September 5, 2018.

Nonqualified Defined Benefit Pension Plans

The Company sponsors two nonqualified defined benefit retirement plans named the Former Gold Kist Inc. Supplemental Executive Retirement Plan (the "SERP Plan") and the Former Gold Kist Inc. Directors' Emeriti Retirement Plan (the "Directors' Emeriti Plan"). Pilgrim's Pride assumed sponsorship of the SERP Plan and Directors' Emeriti Plan through its acquisition of Gold Kist in 2007. The SERP Plan provides benefits on compensation in excess of certain IRC limitations to certain former executives with whom Gold Kist negotiated individual agreements. Benefits under the SERP Plan were frozen as of February 8, 2007. The Directors' Emeriti Plan provides benefits to former Gold Kist directors.

Defined Benefit Postretirement Life Insurance Plan

The Company sponsors one defined benefit postretirement life insurance plan named the Gold Kist Inc. Retiree Life Insurance Plan (the "Retiree Life Plan" and together with the Union Plan, the GK Pension Plan, the SERP Plan and the Directors' Emeriti Plan, the "U.S. Plans"). Pilgrim's Pride assumed defined benefit postretirement medical and life insurance obligations, including the Retiree Life Plan, through its acquisition of Gold Kist in 2007. In January 2001, Gold Kist began to substantially curtail its programs for active employees. On July 1, 2003, Gold Kist terminated medical coverage for retirees age 65 or older, and only retired employees in the closed group between ages 55 and 65 could continue their coverage at rates above the average cost of the medical insurance plan for active employees. These retired employees all reached the age of 65 in 2012 and liabilities of the postretirement medical plan then ended.

Defined Benefit Plans Obligations and Assets

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for these plans were as follows:

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of year	$ 157,619	$ 178,247	$ 1,462	$ 1,603
Interest cost	6,673	5,463	52	46
Actuarial losses (gains)	20,729	(15,635)	132	(72)
Benefits paid	(8,288)	(10,456)	—	—
Settlements[a]	(10,076)	—	(119)	(115)
Other	8	—	—	—
Tulip acquisition	198,417	—	—	—
Currency translation loss	3,984	—	—	—
Projected benefit obligation, end of year	$ 369,066	$ 157,619	$ 1,527	$ 1,462

(a) A settlement is a transaction that is an irrevocable action, relieves the employer or the plan of primary responsibility for a pension or postretirement obligation and eliminates significant risks related to the obligation and the assets used to affect the settlement. A settlement can be triggered when a plan pays lump sums totaling more than the sum of the plan's interest cost and service cost. The GK Pension Plan met this threshold in 2019 and the Retiree Life Plan met this threshold in 2019 and 2018.

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of year	$ 102,414	$ 112,570	$ —	$ —
Actual return on plan assets	18,904	(10,881)	—	—
Contributions by employer	8,295	11,181	119	115
Benefits paid	(8,288)	(10,456)	—	—
Settlements	(10,076)	—	(119)	(115)
Other	(70)	—	—	—
Tulip acquisition	179,702	—	—	—
Currency translation gain	3,708	—	—	—
Fair value of plan assets, end of year	$ 294,589	$ 102,414	$ —	$ —

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Funded status:	(In thousands)			
Unfunded benefit obligation, end of year	$ (74,477)	$ (55,205)	$ (1,527)	$ (1,462)

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Amounts recognized in the Consolidated Balance Sheets as of end of year:	(In thousands)			
Current liability	$ (14,967)	$ (8,267)	$ (158)	$ (149)
Long-term liability	(59,510)	(46,938)	(1,369)	(1,313)
Recognized liability	$ (74,477)	$ (55,205)	$ (1,527)	$ (1,462)

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Amounts recognized in accumulated other comprehensive loss at end of year:	(In thousands)			
Net actuarial loss (gain)	$ 58,239	$ 54,343	$ 91	$ (34)

The accumulated benefit obligation for the Company's defined benefit pension plans was $369.1 million and $157.6 million as of December 29, 2019 and December 30, 2018, respectively. Each of the Company's defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets as of December 29, 2019 and December 30, 2018. As of December 29, 2019, the weighted average duration of our defined benefit obligation is 28.31 years.

Net Periodic Benefit Costs

Net benefit costs include the following components:

	Pension Benefits			Other Benefits		
	2019	2018	2017	2019	2018	2017
	(In thousands)					
Interest cost	$ 6,673	$ 5,463	$ 5,571	$ 52	$ 46	$ 51
Estimated return on plan assets	(6,921)	(6,065)	(5,254)	—	—	—
Settlement loss (gain)	3,538	—	—	7	(3)	2
Other	(62)	—	—	—	—	—
Amortization of net loss	1,313	1,203	932	—	—	—
Net cost	$ 4,541	$ 601	$ 1,249	$ 59	$ 43	$ 53

Economic Assumptions

The weighted average assumptions used in determining pension and other postretirement plan information were as follows:

	Pension Benefits			Other Benefits		
	2019	2018	2017	2019	2018	2017
Benefit obligation:						
Discount rate	2.56%	4.40%	3.69%	2.77%	4.07%	3.39%
Net pension and other postretirement cost:						
Discount rate	3.10%	3.69%	4.32%	4.07%	3.39%	3.81%
Expected return on plan assets	4.62%	5.50%	5.50%	NA	NA	NA

The discount rate represents the interest rate used to determine the present value of future cash flows currently expected to be required to settle the Company's pension and other benefit obligations. The weighted average discount rate for each plan was established by comparing the projection of expected benefit payments to the AA Above Median yield curve. The expected benefit payments were discounted by each corresponding discount rate on the yield curve. For payments beyond 30 years, the Company extended the curve assuming the discount rate derived in year 30 is extended to the end of the plan's payment expectations. Once the present value of the string of benefit payments was established, the Company determined the single rate on the yield curve, that when applied to all obligations of the plan, would exactly match the previously determined present value. As part of the evaluation of pension and other postretirement assumptions, the Company applied assumptions for mortality that incorporate generational white and blue collar mortality trends. In determining its benefit obligations, the Company used generational tables that take into consideration increases in plan participant longevity. As of December 29, 2019 and December 30, 2018, the U.S. Plans used variations of the RP2014 mortality table in combination with the MP2015 mortality improvement scale. As of December 29, 2019, the U.K. Plans used variations of the AxC00 mortality table in combination with the CMI_2018 Sk=7.5 mortality improvement scale for pre-retirement employees and the S3PxA mortality table in combination with the CMI_2018 Sk=7.5 mortality improvement scale for postretirement employees.

The sensitivity of the projected benefit obligation for pension benefits to changes in the discount rate is set out below. The impact of a change in the discount rate of 0.25% on the projected benefit obligation for other benefits is less than $1,000. This sensitivity analysis is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as that for calculating the liability recognized in the Consolidated Balance Sheets.

	Increase in Discount Rate of 0.25%	Decrease in Discount Rate of 0.25%
	(In thousands)	
Impact on projected benefit obligation for pension benefits	$ (9,920)	$ 10,444

The expected rate of return on plan assets was primarily based on the determination of an expected return and behaviors for each plan's current asset portfolio that the Company believes are likely to prevail over long periods. This determination was made using assumptions for return and volatility of the portfolio. Asset class assumptions were set using a combination of empirical and forward-looking analysis. To the extent historical results were affected by unsustainable trends or events, the effects of those trends or events were quantified and removed. The Company also considered anticipated asset allocations, investment strategies and the views of various investment professionals when developing this rate.

Plan Assets

The following table reflects the pension plans' actual asset allocations:

	2019	2018
Cash and cash equivalents	4%	—%
Pooled separate accounts for the Union Plan[a]:		
Equity securities	2%	4%
Fixed income securities	2%	5%
Pooled separate accounts and common collective trust funds for the GK Pension Plan[a]:		
Equity securities	20%	45%
Fixed income securities	12%	41%
Real estate	2%	5%
Pooled separate accounts for the U.K. Plans[a]:		
Equity securities	40%	—%
Fixed income funds	18%	—%
Total assets	100%	100%

(a) Pooled separate accounts ("PSAs") and common collective trust funds ("CCTs") are two of the most common types of alternative vehicles in which benefit plans invest. These investments are pooled funds that look like mutual funds, but they are not registered with the Securities and Exchange Commission. Often times, they will be invested in mutual funds or other marketable securities, but the unit price generally will be different from the value of the underlying securities because the fund may also hold cash for liquidity purposes, and the fees imposed by the fund are deducted from the fund value rather than charged separately to investors. Some PSAs and CCTs have no restrictions as to their investment strategy and can invest in riskier investments, such as derivatives, hedge funds, private equity funds, or similar investments.

Absent regulatory or statutory limitations, the target asset allocation for the investment of pension assets in the PSAs for the Union Plan is 50% in each of fixed income securities and equity securities, the target asset allocation for the investment of pension assets in the PSAs and/or CCTs for the GK Pension Plan is 35% in fixed income securities, 60% in equity securities and 5% in real estate and investment of pension assets in the PSAs for the U.K. Plans is 28% in fixed income securities, 62% in equity securities and 10% in real estate. The plans only invest in fixed income and equity instruments for which there is a readily available public market. The Company develops its expected long-term rate of return assumptions based on the historical rates of returns for equity and fixed income securities of the type in which its plans invest.

The fair value measurements of plan assets fell into the following levels of the fair value hierarchy as of December 29, 2019 and December 30, 2018:

	2019				2018			
	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total
	(In thousands)							
Cash and cash equivalents	$ 11,582	$ —	$ —	$ 11,582	$ 110	$ —	$ —	$ 110
PSAs for the Union Plan:								
Large U.S. equity funds[(d)]	—	3,071	—	3,071	—	2,491	—	2,491
Small/Mid U.S. equity funds[(e)]	—	372	—	372	—	292	—	292
International equity funds[(f)]	—	1,878	—	1,878	—	1,489	—	1,489
Fixed income funds[(g)]	—	4,452	—	4,452	—	4,763	—	4,763
PSAs and CCTs for the GK Pension Plan:								
Large U.S. equity funds[(d)]	—	20,378	—	20,378	—	17,351	—	17,351
Small/Mid U.S. equity funds[(e)]	—	12,495	—	12,495	—	5,880	—	5,880
International equity funds[(f)]	—	25,149	—	25,149	—	22,516	—	22,516
Fixed income funds[(g)]	—	35,627	—	35,627	—	42,217	—	42,217
Real estate[(h)]	—	5,613	—	5,613	—	5,305	—	5,305
PSAs for the U.K. Plans:								
Large U.S. equity funds[(d)]	—	17,756	—	17,756	—	—	—	—
International equity funds[(f)]	—	102,494	—	102,494	—	—	—	—
Fixed income funds[(e)]	—	53,722	—	53,722	—	—	—	—
Total assets	$ 11,582	$ 283,007	$ —	$ 294,589	$ 110	$ 102,304	$ —	$ 102,414

(a) Unadjusted quoted prices in active markets for identical assets are used to determine fair value.
(b) Quoted prices in active markets for similar assets and inputs that are observable for the asset are used to determine fair value.
(c) Unobservable inputs, such as discounted cash flow models or valuations, are used to determine fair value.
(d) This category is comprised of investment options that invest in stocks, or shares of ownership, in large, well-established U.S. companies. These investment options typically carry more risk than fixed income options but have the potential for higher returns over longer time periods.
(e) This category is generally comprised of investment options that invest in stocks, or shares of ownership, in small to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns.
(f) This category is comprised of investment options that invest in stocks, or shares of ownership, in companies with their principal place of business or office outside of the U.S.
(g) This category is comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and non-U.S. entities). It may also include real estate investment options that directly own property. These investment options typically carry more risk than short-term fixed income investment options (including, for real estate investment options, liquidity risk), but less overall risk than equities.
(h) This category is comprised of investment options that invest in real estate investment trusts or private equity pools that own real estate. These long-term investments are primarily in office buildings, industrial parks, apartments or retail complexes. These investment options typically carry more risk, including liquidity risk, than fixed income investment options.

The valuation of plan assets in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities primarily include equity and fixed income securities funds.

Benefit Payments

The following table reflects the benefits as of December 29, 2019 expected to be paid through 2029 from the Company's pension and other postretirement plans. The Company’s pension plans are primarily funded plans. Therefore, anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. The Company's other postretirement plans are unfunded. Therefore, anticipated benefits with respect to these plans will come from the Company’s own assets.

	Pension Benefits	Other Benefits
	(In thousands)	
2020	$ 21,271	$ 158
2021	18,373	155
2022	17,985	150
2023	18,138	144
2024	18,128	137
2025-2029	87,922	565
Total	$ 181,817	$ 1,309

As required by funding regulations or laws, the Company anticipates contributing $15.0 million and $0.2 million to its pension and other postretirement plans, respectively, during 2020.

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss

The amounts in accumulated other comprehensive loss that were not recognized as components of net periodic benefits cost and the changes in those amounts are as follows:

	Pension Benefits			Other Benefits		
	2019	2018	2017	2019	2018	2017
	(In thousands)					
Net actuarial loss (gain), beginning of year	$ 54,343	$ 54,235	$ 46,494	$ (34)	$ 35	$ (31)
Amortization	(1,313)	(1,203)	(932)	—	—	—
Settlement adjustments	(3,538)	—	—	(7)	3	(2)
Actuarial loss (gain)	20,729	(15,635)	15,745	132	(72)	68
Asset loss (gain)	(11,982)	16,946	(7,072)	—	—	—
Net actuarial loss (gain), end of year	$ 58,239	$ 54,343	$ 54,235	$ 91	$ (34)	$ 35

The Company expects to recognize in net pension cost throughout 2020 an actuarial loss of $1.6 million that was recorded in accumulated other comprehensive income as of December 29, 2019.

Risk Management

Through its plans, the Company is exposed to many risks, the most significant of which are detailed below:

Asset volatility. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets under perform this yield, this will create a deficit. The pension plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term. The Company monitors the level of investment risk but has no current plan to significantly modify the mixture of investments. The investment position is discussed more below.

Changes in bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The investment position is managed and monitored by a committee of individuals from various departments. This group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The majority of equities are in U.S. large and small cap companies with some global diversification into international entities. The plans are not exposed to significant foreign currency risk.

Remeasurement

The Company remeasures both plan assets and obligations on a quarterly basis.

Defined Contribution Plans

The Company sponsors two defined contribution retirement savings plans in the U.S. reportable segment named the Pilgrim's Pride Retirement Savings Plan (the "RS Plan") and the To-Ricos Employee Savings, Retirement Plan (the "To-Ricos Plan"). The RS Plan is an IRC Section 401(k) salary deferral plan maintained for certain eligible U.S. employees. Under the RS Plan, eligible U.S. employees may voluntarily contribute a percentage of their compensation. The Company matches up to 30.0% of the first 2.00% to 6.00% of salary based on the salary deferral and compensation levels up to $245,000. The To-Ricos Plan is an IRC Section 1165(e) salary deferral plan maintained for certain eligible Puerto Rico employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various company matching provisions. The Company maintains three postretirement plans for eligible Mexico employees, as required by Mexico law, which primarily cover termination benefits. The Company maintains two defined contribution retirement savings plans in the U.K. and Europe for eligible U.K. and Europe employees, as required by U.K. and Europe law. Salaried employees can contribute up to 3.0% of salary and the Company matches between 4.0% and 5.5%. Weekly employees can contribute up to 1.0% of wages with a 1.0% Company match.

The Company's expenses related to its defined contribution plans totaled $13.7 million, $11.4 million and $9.5 million in 2019, 2018 and 2017, respectively.

16. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

The following tables provide information regarding the changes in accumulated other comprehensive loss during 2019 and 2018:

	2019[a]				
	Losses Related to Foreign Currency Translation	Unrealized Losses on Derivative Financial Instruments Classified as Cash Flow Hedges	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Losses on Available-for-Sale Securities	Total
	(In thousands)				
Balance, beginning of year	$ (55,770)	$ (683)	$ (71,463)	$ 82	$ (127,834)
Other comprehensive income (loss) before reclassifications	54,662	(2,052)	(1,145)	386	51,851
Amounts reclassified from accumulated other comprehensive loss to net income	—	383	993	(468)	908
Currency translation	—	(54)	—	—	(54)
Net current year other comprehensive income (loss)	54,662	(1,723)	(152)	(82)	52,705
Balance, end of year	$ (1,108)	$ (2,406)	$ (71,615)	$ —	$ (75,129)

	2018[a]				
	Losses Related to Foreign Currency Translation	Unrealized Gains (Losses) on Derivative Financial Instruments Classified as Cash Flow Hedges	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Gains on Available-for-Sale Securities	Total
	(In thousands)				
Balance, beginning of year	42,081	(1,848)	(71,434)	61	(31,140)
Other comprehensive income (loss) before reclassifications	(97,851)	829	(939)	867	(97,094)
Amounts reclassified from accumulated other comprehensive loss to net income	—	348	910	(846)	412
Currency translation	—	(12)	—	—	(12)
Net current year other comprehensive income (loss)	(97,851)	1,165	(29)	21	(96,694)
Balance, end of year	(55,770)	(683)	(71,463)	82	(127,834)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss[a] 2019	2018	Affected Line Item in the Consolidated and Combined Statements of Income
	(In thousands)		
Realized loss on settlement of derivative financial instruments classified as cash flow hedges	$ (383)	$ (348)	Cost of sales
Realized gain on sale of securities	619	1,118	Interest income
Amortization of pension and other postretirement plan actuarial losses:			
Union Plan[c]	(73)	(49)	Miscellaneous, net
Legacy Gold Kist Plans[b][c]	(1,240)	(1,154)	Miscellaneous, net
Total before tax	(1,077)	(433)	
Tax expense	169	21	
Total reclassification for the period	$ (908)	$ (412)	

(a) Amounts in parentheses represent debits to results of operations.
(b) The Company sponsors the GK Pension Plan, the SERP Plan, the Directors' Emeriti Plan and the Retiree Life Plan (collectively, the "Legacy Gold Kist Plans").
(c) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See "Note 15. Pension and Other Postretirement Benefits" to the Consolidated and Combined Financial Statements.

Share Repurchase Program and Treasury Stock

On October 31, 2018, the Company's Board of Directors approved a $200.0 million share repurchase authorization. The Company plans to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company's management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. As of December 29, 2019, the Company had repurchased approximately 132,000 shares under this program with a market value of approximately $3.1 million. The Company accounted for the shares repurchased using the cost method. The Company currently plans to maintain these shares as treasury stock.

Capital Contributions to a Subsidiary

In December 2018, the stockholders of Gallina Pesada, S.A.P.I. de C.V. ("GAPESA"), a subsidiary that is controlled, but not wholly owned, by the Company, contributed additional capital to fund a capacity expansion project in southern Mexico. The Company contributed $0.6 million of additional capital. This capital contribution was eliminated upon consolidation. The noncontrolling stockholders contributed $1.4 million of additional capital.

Restrictions on Dividends

Both the U.S. Credit Facility and the indentures governing the Company's senior notes restrict, but do not prohibit, the Company from declaring dividends. Additionally, the Moy Park Multicurrency Revolving Facility Agreement restricts Moy Park's ability and the ability of certain of Moy Park's subsidiaries to, among other things, make payments and distributions to the Company.

17. INCENTIVE COMPENSATION

The Company sponsors short-term incentive plans that provides the grant of either cash or share-based bonus awards payable upon achievement of specified performance goals. Full-time, salaried exempt employees of the Company's U.S. operations who are selected by the administering committee are eligible to participate in the Pilgrim's Short Term Incentive Plan ("STIP"). Certain full-time, salaried employees of the Company's Mexico operations are eligible to participate in the Pilgrim's Mexico Incentive Plan ("PMIP"). The Company assumed responsibility for the JFC LLC Long-Term Equity Incentive Plan dated January 1, 2014, as amended (the "JFC LTIP") through its acquisition of GNP on January 6, 2017. The Company assumed responsibility for the Moy Park Incentive Plan dated January 1, 2013, as amended (the "MPIP") through its acquisition of Moy Park on September 8, 2017. As of December 29, 2019, the Company has accrued $32.9 million, $1.3 million, $3.8 million and $3.9 million related to cash bonus awards that could potentially be awarded under the STIP, JFC LTIP, MPIP and PMIP, respectively.

The Company also sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and liability-based awards to the Company's officers and other employees, members of the Board of Directors and any consultants (the "LTIP"). Awards that may be granted under the LTIP include "incentive stock options," within the meaning of the IRC, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units ("RSUs"). Equity-based awards are converted into shares of the Company's common stock shortly after award vesting. Compensation cost to be recognized for an equity-based awards grant is determined by multiplying the number of awards granted by the closing price of a share of the Company's common stock on the award grant date. Liability-based awards granted under the LTIP are converted into cash shortly after award vesting. Compensation cost to be recognized for a liability-based awards grant is first determined by multiplying the number of awards granted by the closing price of a share of the Company's common stock on the award grant date. However, the compensation cost to be recognized is adjusted at each subsequent milestone date (i.e., forfeiture date, vesting date or financial reporting date) by multiplying the number of awards granted by the closing price of a share of the Company's common stock on the milestone date. As of December 29, 2019, we have in reserve approximately 3.3 million shares of common stock for future issuance under the LTIP. The LTIP will expire pursuant to its terms on December 28, 2019 and no awards will be granted under the LTIP after that date. On May 1, 2019, the Company's stockholders approved the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan (the "2019 LTIP") and reserved 2.0 million shares of common stock for awards under the plan. The 2019 LTIP is intended to replace the expiring plan. The 2019 LTIP became effective as of December 28, 2019.

The following awards were outstanding during 2019:

Award Type	Benefit Plan	Awards Granted	Grant Date	Intended Settlement Method	Grant Date Fair Value per Award	Milestone Date Fair Value per Award	Vesting Condition	Vesting Date	Awards Forfeited to Date
RSU	LTIP	410,000	02/14/2018	Stock	25.59	NA	Service	01/01/2019	—
RSU	LTIP	163,764	03/01/2018	Stock	24.93	NA	Service	(a)	45,755
RSU	LTIP	250,351	03/01/2018	Stock	24.93	NA	Performance / Service	(b)	151,229
RSU	LTIP	33,174	03/01/2018	Cash	24.93	32.97	Performance / Service	(c)	—
RSU	LTIP	8,358	05/10/2018	Stock	21.54	NA	Service	(d)	—
RSU	LTIP	2,786	05/10/2018	Cash	21.54	26.86	Service	05/01/2019	—
RSU	LTIP	262,500	12/18/2018	Stock	16.06	NA	Service	07/01/2019	—
RSU	LTIP	396,763	01/07/2019	Stock	16.47	NA	Performance / Service	(e)	92,075
RSU	LTIP	109,654	01/07/2019	Cash	16.47	32.97	Performance / Service	(f)	—
RSU	LTIP	200,000	04/30/2019	Stock	26.91	NA	Service	07/01/2020	—
RSU	LTIP	11,170	05/24/2019	Stock	27.86	NA	Service	(d)	—
RSU	LTIP	470,000	04/30/2019	Stock	26.91	NA	Performance	(g)	—

(a) The restricted stock units vest in ratable tranches on December 31, 2018, December 31, 2019 and December 31, 2020. Expected compensation cost related to these units totals $2.9 million based on a closing stock price for the Company's common stock of $24.93 per share on March 1, 2018. Compensation cost will be amortized to profit/loss over the remaining vesting period.

(b) The restricted stock units vest in ratable tranches on December 31, 2019, December 31, 2020 and December 31, 2021. Expected compensation cost related to these units totals $2.5 million based on a closing stock price for the Company's common stock of $24.93 per share on March 1, 2018. Compensation cost will be amortized to profit/loss over the remaining vesting period.

(c) The restricted stock units vest in ratable tranches on December 31, 2019, December 31, 2020 and December 31, 2021. Expected compensation cost related to these units totals $1.0 million based on a closing stock price for the Company's common stock of $32.97 per share on December 29, 2019. Compensation cost will be amortized to profit/loss over the remaining vesting period.

(d) These restricted stock units were granted to the non-employees who currently serve on the Company's Board of Directors. Each participating director's units will vest upon his departure from the Company's Board of Directors. Compensation cost was recognized in profit/loss upon the grant date.

(e) If performance conditions related to the Company's 2019 operating results are satisfied, the restricted stock units vest in ratable tranches on December 31, 2020, December 31, 2021 and December 31, 2022. Expected compensation cost related to these units totals $5.0 million based on a closing stock price for the Company's common stock of $16.47 per share on January 7, 2019. Compensation cost will be amortized to profit/loss upon satisfaction of the performance conditions over the remaining vesting period.

(f) If performance conditions related to the Company's 2019 operating results are satisfied, the restricted stock units vest in ratable tranches on December 31, 2020, December 31, 2021 and December 31, 2022. Expected compensation cost related to these units totals $3.6 million based on a closing stock price for the Company's common stock of $32.97 per share on December 29, 2019. Compensation cost will be amortized to profit/loss upon satisfaction of the performance conditions over the remaining vesting period.

(g) If performance conditions related to the Company's 2019 free cash flow results are satisfied, the restricted stock units vest in ratable tranches on July 1, 2022, July 1 2023, and July 1, 2024. Expected compensation cost related to these units totals $6.3 million based on a closing price for the Company's common stock of $26.91 per share on April 30, 2019. Compensation cost will be amortized to profit/loss upon satisfaction of the performance conditions over the remaining vesting period. Currently, management assumes a 50% probability that the performance conditions will be satisfied.

Compensation costs and the income tax benefit recognized for our share-based compensation arrangements are included below:

	2019	2018	2017
		(In thousands)	
Equity-based awards compensation cost:			
Cost of sales	$ 461	$ 389	$ 256
Selling, general and administrative expense	9,671	12,764	2,763
Total cost	10,132	13,153	3,019
Income tax benefit	2,466	3,202	1,006
Net cost	$ 7,666	$ 9,951	$ 2,013
Liability-based awards compensation cost:			
Selling, general and administrative expense	$ 671	$ —	$ —
Income tax benefit	163	—	—
Net cost	$ 508	$ —	$ —

The Company's RSU activity is included below:

	2019		2018		2017	
	Number	Weighted Average Milestone Date Fair Value(a)	Number	Weighted Average Milestone Date Fair Value(a)	Number	Weighted Average Milestone Date Fair Value(a)
			(In thousands, except weighted average fair values)			
Equity-based RSUs:						
Outstanding at beginning of period	1,069	$ 22.97	389	$ 18.39	906	$ 20.00
Transferred to liability-based awards	(36)	24.67	—	—	—	—
Granted	843	22.01	1,114	23.05	461	18.72
Vested	(723)	22.08	—	—	(714)	18.09
Forfeited	(227)	21.51	(434)	19.06	(264)	25.33
Outstanding at end of period	926	$ 24.04	1,069	$ 22.97	389	$ 18.39

	2019		2018		2017	
	Number	Weighted Average Milestone Date Fair Value[(a)]	Number	Weighted Average Milestone Date Fair Value[(a)]	Number	Weighted Average Milestone Date Fair Value[(a)]
	(In thousands, except weighted average fair values)					
Liability-based RSUs:						
Outstanding at beginning of period	—	$ —	—	$ —	—	$ —
Transferred from equity-based awards	36	14.77				
Granted	110	16.47	—	—	—	—
Vested	(3)	26.86	—	—	—	—
Forfeited	—	—	—	—	—	—
Outstanding at end of period	143	$ 32.97	—	$ —	—	$ —

(a) The milestone date fair value is either the closing price of the Company's common stock on the grant date for equity-based awards or the closing price of a share of the Company's common stock on the respective milestone date for cash-based liability-based awards (i.e., grant date, vesting date, forfeiture date or financial reporting date).

The total fair values of equity-based awards and liability-based awards vested during 2019 were $14.0 million and $0.1 million, respectively. No awards vested during 2018.

As of December 29, 2019, the total unrecognized compensation cost related to all nonvested equity-based awards was $13.5 million. This cost is expected to be recognized over a weighted average period of 1.40 years. As of December 29, 2019, the total unrecognized compensation cost related to all nonvested liability-based awards was $3.0 million. This cost is expected to be recognized over a weighted average period of 2.28 years.

Historically, we have issued new shares to satisfy equity-based award conversions.

18. RESTRUCTURING-RELATED ACTIVITIES

In 2018, the Company elected to close its 40 North Foods product incubator operation located in Boulder, Colorado. Implementation of this restructuring initiative is expected to result in total pre-tax charges of approximately $0.6 million, and approximately $0.5 million of these charges are estimated to result in cash outlays. These activities were initiated in the second quarter of 2018 and were substantially completed in the third quarter of 2019.

In 2017, the Company initiated a restructuring initiative to capitalize on cost-saving opportunities within its GNP operations located in Luverne, Minnesota and St. Cloud, Minnesota. Implementation of the initiative is expected to result in total pre-tax charges of approximately $6.2 million, and approximately $4.3 million of these charges are estimated to result in cash outlays. These activities initiated in the first quarter of 2017 and are expected to be substantially completed by the second quarter of 2020.

The following table provides a summary of our estimates of costs associated with these restructuring initiatives by major type of cost:

Type of Cost	40 North Foods	GNP	Total Estimated Amount Expected to be Incurred
		(In thousands)	
Employee termination benefits	$ 449	$ 4,224	$ 4,673
Inventory adjustments	—	472	472
Asset impairments	103	781	884
Other, net[(a)]	18	736	754
	$ 570	$ 6,213	$ 6,783

(a) Comprised of other costs directly related to the restructuring initiatives, including prepaid software impairment, St. Cloud, Minnesota office lease costs, Luverne, Minnesota plant closure costs, and Boulder, Colorado office lease costs.

During 2019, the Company recognized the following expenses (income) and paid (received) the following cash related to each restructuring initiative:

	Expenses (Income)	Cash Outlays (Receipts)
	(In thousands)	
40 North Foods - Other, net	$ (84)	$ 1
GNP - Employee termination benefits	—	76
	$ (84)	$ 77

These expenses (income) are reported in the line item *Administrative restructuring activities* on the Consolidated and Combined Statements of Income and are recognized in the U.S. reportable segment.

The following table reconciles liabilities and reserves associated with each restructuring initiative from initiative inception to December 29, 2019. Ending liability balances for employee termination benefits and other charges are reported in the line item *Accrued expenses and other current liabilities* in our Consolidated Balance Sheets. The ending reserve balance for inventory impairments is reported in the line item *Inventories* in our Consolidated Balance Sheets.

	40 North Foods			GNP			
	Employee Termination Benefits	Other, Net	Total	Employee Termination Benefits	Inventory Impairments	Other, Net	Total
	(In thousands)						
Restructuring charges incurred	$ —	$ —	$ —	$ 3,381	$ 699	$ 752	$ 4,832
Cash payments and disposals	—	—	—	(2,581)	—	—	(2,581)
Liability or reserve as of December 31, 2017	—	—	—	800	699	752	2,251
Restructuring charges incurred	449	150	599	936	(227)	(17)	692
Restructuring income recognized	—	(35)	(35)	—	—	—	—
Cash payments and disposals	(449)	(65)	(514)	(1,500)	(472)	(735)	(2,707)
Cash received	—	36	36	—	—	—	—
Liability or reserve as of December 30, 2018	—	86	86	236	—	—	236
Restructuring income recognized	—	(84)	(84)	—	—	—	—
Cash payments and disposals	—	(85)	(85)	(76)	—	—	(76)
Cash received	—	84	84	—	—	—	—
Liability or reserve as of December 29, 2019	$ —	$ 1	$ 1	$ 160	$ —	$ —	$ 160

19. RELATED PARTY TRANSACTIONS

Pilgrim's has been and, in some cases, continues to be a party to certain transactions with affiliated companies.

	2019	2018	2017
	(In thousands)		
Sales to related parties:			
JBS USA Food Company[(a)]	$ 14,108	$ 13,843	$ 15,289
JBS Five Rivers	—	7,096	31,004
JBS Global (UK) Ltd.	141	—	44
JBS Chile Ltda.	482	60	178
J&F Investimentos Ltd.	—	—	104
Combo, Mercado de Congelados	207	159	—
Seara International Ltd.	—	—	104
Total sales to related parties	$ 14,938	$ 21,158	$ 46,723

	2019	2018	2017
		(In thousands)	
Cost of goods purchased from related parties:			
JBS USA Food Company[(a)]	$ 134,790	$ 117,596	$ 101,685
Seara Meats B.V.	22,797	36,223	13,949
JBS Aves Ltda.	—	1,123	—
Seara Internatonal Ltd.	—	—	11,236
JBS Toledo NV	307	445	231
JBS Global (UK) Ltd.	170	21	—
Total cost of goods purchased from related parties	$ 158,064	$ 155,408	$ 127,101
Expenditures paid by related parties:			
JBS USA Food Company[(b)]	$ 32,161	$ 62,189	$ 40,313
JBS S.A.	—	—	3,777
JBS Chile Ltda.	6	33	—
Seara Food Europe Holdings	77	—	—
Seara Alimentos	—	—	64
Total expenditures paid by related parties	$ 32,244	$ 62,222	$ 44,154
Expenditures paid on behalf of related parties:			
JBS USA Food Company[(b)]	$ 9,103	$ 9,192	$ 5,376
JBS S.A.	—	170	5
Seara International Ltd.	—	45	—
Seara Meats B.V.	—	—	12
Rigamonti Salumificio S.P.A.	—	—	—
Total expenditures paid on behalf of related parties	$ 9,103	$ 9,407	$ 5,393
Other related party transactions:			
Capital contribution (distribution) under tax sharing agreement[(c)]	$ —	$ (525)	$ 5,558
Total other related party transactions	$ —	$ (525)	$ 5,558

	December 29, 2019	December 30, 2018
	(In thousands)	
Accounts receivable from related parties:		
JBS USA Food Company[(a)]	$ 643	$ 1,236
JBS Chile Ltda.	301	—
Combo, Mercado de Congelados	—	79
Seara International Ltda.	—	16
Total accounts receivable from related parties	$ 944	$ 1,331
Accounts payable to related parties:		
JBS USA Food Company[(a)]	$ 2,826	$ 5,121
JBS Global UK Ltd	5	—
Seara Meats B.V.	988	2,142
JBS Chile Ltda.	—	6
Total accounts payable to related parties	$ 3,819	$ 7,269

(a) The Company routinely execute transactions to both purchase products from JBS USA Food Company (“JBS USA”) and sell products to them. As of December 29, 2019 and December 30, 2018, the outstanding payable to JBS USA was \$2.8 million and \$5.1 million, respectively. As of December 29, 2019 and December 30, 2018, the outstanding receivable from JBS USA was \$0.6 million and \$1.2 million, respectively. As of December 29, 2019, approximately \$0.9 million of goods from JBS USA were in transit and not reflected on our Consolidated Balance Sheets.

(b) The Company has an agreement with JBS USA to allocate costs associated with JBS USA's procurement of SAP licenses and maintenance services for both companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of the underlying SAP license agreement. The Company also has an agreement with JBS USA to allocate the costs of supporting the business operations by one consolidated corporate team, which have historically been supported by their respective corporate teams. Expenditures paid by JBS USA on behalf of the Company will be reimbursed by the Company and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on December 31, 2020.

(c) The Company entered into a tax sharing agreement during 2014 with JBS USA Holdings effective for tax years starting in 2010. The net tax payable for tax year 2018 was accrued in 2018 and was paid in 2019. The net tax receivable for tax year 2017 was accrued in 2017 and was paid in 2018. The net tax receivable for tax year 2016 was accrued in 2016 and paid in January 2017.

20. COMMITMENTS AND CONTINGENCIES

General

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. Among other considerations, the Company has not recorded a liability for any of these indemnities because, based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on our financial condition, results of operations and cash flows.

Purchase Obligations

The Company will sometimes enter into noncancelable contracts to purchase capital equipment and certain commodities such as corn, soybean meal, wheat and electricity. As of December 29, 2019, the Company was party to outstanding purchase contracts totaling $328.6 million payable in 2020. There were no outstanding purchase contracts in 2021.

Operating Leases

Additional information regarding operating leases is included in "Note 9. Leases."

Financial Instruments

The Company's loan agreements generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (1) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (2) any tax, duty or other charge with respect to the loan (except standard income tax) or (3) capital adequacy requirements. In addition, some of the Company's loan agreements contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

Litigation

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company's opinion, it has made appropriate and adequate accruals for claims where necessary; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company. For a discussion of the material legal proceedings and claims, see Part I, Item 3. "Legal Proceedings." Below is a summary of some of these material proceedings and claims. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

Tax Claims and Proceedings

During 2014 and 2015 the Mexican Tax Authorities opened a review of Avícola Pilgrim's Pride de Mexico, S.A. de C.V. ("APPM") in regards to tax years 2009 and 2010, respectively. In both instances, the Mexican Tax Authorities claim that controlled company status did not exist for certain subsidiaries because APPM did not own 50% of the shares in voting rights of Incubadora Hidalgo, S. de R.L de C.V. and Commercializadora de Carnes de México S. de R.L de C.V. (both in 2009) and Pilgrim's Pride, S. de R. L. de C.V. (in 2010). As a result, APPM should have considered dividends paid out of these subsidiaries partially taxable since a portion of the dividend amount was not paid from the net tax profit account (CUFIN). APPM is currently appealing. Amounts under appeal are $24.3 million and $16.1 million for tax years 2009 and 2010, respectively. No loss has been recorded for these amounts at this time.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation*, Case No. 1:16-cv-08637 were filed with the U.S. District Court for the Northern District of Illinois against PPC and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The class plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. Between December 8, 2017 and October 22, 2019, 32 individual direct action complaints *(Affiliated Foods, Inc., et al. v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:17-cv-08850; *Sysco Corp. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00700; *U.S. Foods Inc. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00702; *Action Meat Distributors, Inc., et al. v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:18-cv-03471; *Jetro Holdings, LLC v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04000; *Associated Grocers of the South, Inc., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-4616; *The Kroger Co., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04534; *Ahold Delhaize USA, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-05351; *Samuels as Trustee In Bankruptcy for Central Grocers, Inc. et al., v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05341; *W. Lee Flowers & Company, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05345; *BJ's Wholesale Club, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-05877; *United Supermarkets LLC, et al. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-06693; *Associated Wholesale Grocers, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-06316 (transferred from the U.S. District Court for the District of Kansas on September 17, 2018, following Defendants' successful motion to transfer); *Shamrock Foods Company, et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-7284; *Winn-Dixie Stores, Inc., et al. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-00245; *Quirch Foods, LLC, f/k/a Quirch Foods Co. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-08511; *Sherwood Food Distributors, L.L.C., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00354, *Hooters of America, LLC v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00390, *Darden Restaurants, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00530; *Associated Grocers, Inc., et al. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, et al.*, Case No. 1:19-cv-00638; *Checkers Drive-In Restaurants, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-01283; *Conagra Brands, Inc., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-02190, *Giant Eagle, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, et al.*, Case No. 1:19-cv-02758; *Save Mart Supermarkets v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-02805; *Walmart Inc., et al. v. Pilgrim's Pride Corporation, et al.*, Case No. 1:19-cv-03915 (transferred from the U.S. District Court for the Western District of Arkansas on June 11, 2019, following Plaintiffs' unopposed motion to transfer); *Services Group of America, Inc. v. Tyson Food, Inc., et al.*, Case No. 1:19-cv-04194; *Restaurants of America, Inc., et al. v. Tyson Foods, Inc., et al.*, No. 19-cv-04824; *Anaheim Wings, d/b/a Hooters of Anaheim, et al. v. Tyson Foods, Inc., et al.*, No. 19-cv-05229; *Amigos Meat Distributors, LP, et al. v. Tyson Foods, Inc., et al.*, No. 19-cv-05424; *PJ Food Service, Inc. v. Tyson Foods, Inc., et al.*, No. 19-cv-6141; *The Golub Corporation, et al. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, et al.*, Case No. 19-cv-06955; and *Commonwealth of Puerto Rico v. Koch Foods, Inc., et al.*, Case No. 3:19-cv-01605 (transferred from the U.S. District Court for the District of Puerto Rico)) were filed with the U.S. District Court for the Northern District of Illinois by individual direct purchaser entities naming PPC as a defendant, the allegations of which largely mirror those in the class action complaints. The Court has ordered the parties to coordinate scheduling of the direct action complaints with the class complaints with any necessary modifications to reflect time of filing. Discovery will be consolidated. On June 21, 2019, the U.S. Department of Justice (the "DOJ") filed a motion to intervene and stay discovery in the *In re Broiler Chicken Antitrust Litigation* for a period of six months. Following a hearing on June 27, 2019, on June 28, 2019, the Court granted the government's motion to intervene, ordering a limited stay first until September 27, 2019, and then, following a subsequent request for an extension by the DOJ, to June 27, 2020. On July 1, 2019, the DOJ issued a subpoena to PPC in connection with its investigation. PPC is currently in the process of complying with the subpoena. On December 18, 2019, the Court reset the date for the lifting of the stay to March 31, 2020. On January 29, 2020, the Court issued a scheduling order through trial, which contemplates class certification briefing and related expert reports proceeding from June 18, 2020 to November 25, 2020, the close of all merits fact discovery on December 18, 2020, and summary judgment briefing and related expert reports proceeding from January 15, 2021 to August 10, 2021. The Court has set a trial date of April 4, 2022.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of PPC's stock between February 21, 2014 and October 6, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against PPC and its named executive officers. The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (1) PPC colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation*, (2) its conduct constituted a violation of federal antitrust laws, (3) PPC's revenues during the class period were the result of illegal conduct and (4) that PPC lacked effective internal control over financial reporting. The complaint also states that PPC's industry was anticompetitive and seeks compensatory damages. On April 4, 2017, the Court appointed another stockholder, George James Fuller, as lead plaintiff. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2017. PPC and the other defendants moved to dismiss on June 12, 2017, and the plaintiff filed its opposition on July 12, 2017. PPC and the other defendants filed their reply on August 1, 2017. On March 14, 2018, the Court dismissed the plaintiff's complaint without prejudice and issued final judgment in favor of PPC and the other defendants. On April 11, 2018, the plaintiff moved for reconsideration of the Court's decision and for permission to file a Second

Amended Complaint. PPC and the other defendants filed a response to the plaintiff's motion on April 25, 2018. On November 19, 2018, the Court denied the plaintiff's motion for reconsideration and granted plaintiff leave to file a Second Amended Complaint. As of the date of these financial statements, the plaintiff has not yet filed a Second Amended Complaint.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed consolidated amended class action complaint styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033-RJS (the *"Grower Litigation"*). The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint on September 9, 2017. The Court initially held oral argument on January 19, 2018, during which it considered and granted only certain other defendants' motions challenging jurisdiction. Oral argument on the remaining pending motions in the Oklahoma court occurred on April 20, 2018. In addition, on March 12, 2018, the Northern District of Texas, Fort Worth Division ("Bankruptcy Court") enjoined the plaintiffs from litigating the *Grower Litigation* complaint as pled against PPC because allegations in the consolidated complaint violate the confirmation order relating to PPC's bankruptcy proceedings in 2008 and 2009. Specifically, the 2009 bankruptcy confirmation order bars any claims against PPC based on conduct occurring before December 28, 2009. On March 13, 2018, PPC notified the trial court of the Bankruptcy Court's injunction. On January 6, 2020, the Court held a motion hearing and denied the pending Rule 12 motion and lifted the stay on discovery. The Court also set a briefing schedule for the plaintiffs to file a motion seeking leave to amend their complaint in light of the Bankruptcy Court's injunction. Plaintiffs' Motion for Leave to Amend is due on January 27, 2020, and Defendants' response is due on February 18, 2020. A status conference is set for April 6, 2020.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.*, No. 2017 cv. 30207, was brought against all of PPC's directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation*, and issuing false and misleading statements as alleged in the Hogan class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.*, No. 2017 cv. 30308, was brought against all of PPC's directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The Brima complaint contains largely the same allegations as the DiSalvio complaint. On May 4, 2017, the plaintiffs in both the DiSalvio and Brima actions moved to (1) consolidate the two stockholder derivative cases, (2) stay the consolidated action until the resolution of the motion to dismiss in the Hogan putative securities class action, and (3) appoint co-lead counsel. The Court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the Hogan action.

On January 24, 2018 a stockholder derivative action styled as *Sciabacucchi v. JBS S.A. et al.* was brought against all of PPC's directors, JBS S.A., JBS USA Holdings and several members of the Batista family, in the Court of Chancery of the State of Delaware (the "Chancery Court"). The complaint alleges, among other things, that the named defendants breached their fiduciary duties arising out of PPC's acquisition of Moy Park. On May 24, 2018, Employees Retirement System of the City of St. Louis filed a derivative complaint, which was virtually identical to the Sciabacucchi complaint. Both complaints sought compensatory damages. On July 2, 2018, the Chancery Court granted a stipulation consolidating the cases and making the first complaint (Sciabacucchi) the operative complaint. Also by stipulation, various defendants have been voluntarily dismissed from the case without prejudice. The remaining defendants are JBS S.A., JBS USA Holding, and directors Lovette, Nogueira de Souza, Tomazoni, and Molina. PPC also remains in the case as a nominal defendant. On March 15, 2019, the Chancery Court denied the non-PPC defendants' motion to dismiss. As a result, the case proceeded to discovery, and trial was scheduled to commence in November 2020. On October 3, 2019, the parties entered into a stipulation agreeing to settle the dispute for (1) a cash payment to PPC by the non-PPC defendants of $42.5 million less any fees and expenses awarded to the plaintiffs' counsel, as well as any applicable taxes, and (2) corporate governance changes to be implemented by PPC. No portion of the settlement amount will be paid by PPC to the non-PPC defendants. The settlement was approved by the Court of Chancery on January 28, 2020.

Between August 30, 2019 and October 16, 2019, four purported class action lawsuits were filed in the U.S. District Court for the District of Maryland against PPC and a number of other chicken producers, as well as WMS (Webber, Meng, Sahl and Company) and Agri Stats. The plaintiffs seek to represent a nationwide class of processing plant production and maintenance workers ("Plant Workers"). They allege that the defendants conspired to fix and depress the compensation paid to Plant Workers in violation of the Sherman Act and seek damages from January 1, 2009 to the present. The four cases are *Jien v. Perdue Farms, Inc.*, Case No. 19-cv-2521; *Earnest v. Perdue Farms, Inc. et al.*, Case No. 19-cv-02680; *Robinson v. Tyson Foods, Inc. et al.*, Case No. 19-cv-02960; and *Avila v. Perdue Farms, Inc., et al.*, Case No. 19-cv-03018 (together, the "Wages Litigation"). On November 12, 2019, the Court ordered the consolidation of the four cases for pretrial purposes. The defendants (including PPC) jointly moved to dismiss the consolidated complaint on November 22, 2019. Shortly thereafter, the plaintiffs informed the defendants and the Court they would be amending their complaint, which they did on December 20, 2019. The consolidated amended complaint asserts largely similar allegations to the pleadings in the consolidated complaint extended to include more class members and turkey processors as well as chicken. The defendants' motions to dismiss the consolidated amended complaint are due on March 2, 2020, with oppositions due on April 24, 2020 and replies on May 21, 2020.

PPC believes it has strong defenses in each of the above litigations and intends to contest them vigorously. PPC cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of these litigations, PPC could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

J&F Investigation

On May 3, 2017, certain officers of J&F Investimentos S.A. ("J&F," and together with the companies controlled by J&F, the "J&F Group"), a company organized in Brazil and an indirect controlling stockholder of the Company, including a former senior executive and former board members of the Company, entered into cooperation agreements (*acordos de colaboração*) (collectively, the "Cooperation Agreements") with the Office of the Prosecutor General (*Procuradoria-Geral da República*), or PGR, in connection with certain illicit conduct by J&F and such individuals acting in their capacity as J&F executives. The details of such illicit conduct are set forth in separate annexes to the Cooperation Agreements, and include admissions of improper payments to politicians and political parties in Brazil during a ten-year period in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

On June 5, 2017, J&F, for itself and as the controlling shareholder of the J&F Group companies, entered into a leniency agreement (the "Leniency Agreement") with the Federal Prosecution Service (Ministério Público Federal), or MPF, whereby J&F assumed responsibility for the conduct that was described in the annexes to the Cooperation Agreements. In connection with the Leniency Agreement, J&F has agreed to pay a fine of 10.3 billion Brazilian *reais* (R$), adjusted for inflation, over a 25-year period. J&F has made five R$50.0 million payments, representing R$250.0 million of the total fine, which payments have been accepted by the MPF. Various proceedings by Brazilian governmental authorities remain pending against J&F and certain of its former or current officers seeking to invalidate the Cooperation Agreements and impose more severe penalties for additional alleged illicit conduct that was not disclosed in the annexes to the Cooperation Agreements.

On December 11, 2017, the PGR requested to the STF the termination of the Cooperation Agreements executed by Joesley Mendonça Batista and a former executive of J&F alleging, among others, that they received improper support by a member of the PGR on the negotiation of their Cooperation Agreements. On May 17, 2018, the PGR requested to the Federal Supreme Court (*Supremo Tribunal Federal*), or STF, the termination of the Cooperation Agreements executed by Wesley Mendonça Batista and another J&F executive on the same grounds. Within such proceedings, on December 17, 2018, the STF issued a ruling that there is no necessary link between the termination of the Cooperation Agreements, on the one hand, and the Leniency Agreement on the other hand and that the termination of the Cooperation Agreements would not automatically invalidate the Leniency Agreement. However, a final decision by the STF on the termination of the Cooperation Agreements may change such ruling and directly impact the Leniency Agreement. On April 30, 2019, in connection with an administrative proceeding relating to the Leniency Agreement, the MPF argued that if the STF terminated the Cooperation Agreements, such termination could have repercussions with respect to the Leniency Agreement. According to the MPF, such repercussions could include termination of the Leniency Agreement and the inclusion of additional fines or other obligations that would be payable by J&F.

We cannot assure you that the Leniency Agreement will not be impacted by the termination of any of the Cooperation Agreements or that the MPF will not continue to argue to the STF that the termination of the Cooperation Agreements by the STF should affect the Leniency Agreement. If the Leniency Agreement is terminated or nullified, the facts included therein could be exposed to potential proceedings and sanctions by Brazilian governmental authorities, which could have a material adverse effect on our business, reputation and financial condition.

In accordance with the terms of the Leniency Agreement, J&F is conducting internal investigations and has engaged outside advisors to assist in conducting these investigations, which are ongoing, and with which we are fully cooperating. In addition, JBS S.A., JBS USA and the Company have (i) conducted an independent investigation in connection with matters disclosed in the Leniency Agreement and the Cooperation Agreements; and (ii) communicated with relevant U.S. authorities, including the Department of Justice and the Securities and Exchange Commission, regarding the factual findings of these investigations. Additionally, JBS S.A. and the Company have taken, and are continuing to take, measures to enhance their compliance programs, including to prevent and detect bribery and corruption.

We cannot predict when these investigations will be completed or the results of such investigations, including whether any litigation will be brought against us or the outcome or impact of any resulting litigation, nor can we predict any potential actions that may be taken by such relevant U.S. authorities, which could include substantial fines and penalties, violations that impact our disclosure, and which could also result in litigations by shareholders against us.

In addition, we cannot guarantee that the investigations will not uncover other instances of prior illicit conduct by any of the parties to the Leniency Agreement or any of the Cooperation Agreements, or by other parties affiliated with us (including, without limitation, any of our shareholders, directors, officers, employees, agents or third parties acting in our name) which are not party to the Leniency Agreement or the Cooperation Agreements. It is possible that other facts not covered by the Leniency Agreement or the Cooperation Agreements will be discovered in the future. If that occurs, Brazilian authorities may bring proceedings and impose sanctions, fines or other penalties in relation to any such additional uncovered facts and may seek to use such discoveries to invalidate or terminate the Leniency Agreement or the Cooperation Agreements.

Separately, Joesley Mendonça Batista and Wesley Mendonça Batista (who equally and indirectly own 100% of the equity interests in J&F), JBS S.A. and other defendants are party to administrative proceedings and/or sanctioning administrative proceedings initiated by the CVM. The matters under investigation with respect to Joesley Mendonça Batista and Wesley Mendonça Batista include possible violations of Brazilian laws regarding the following: insider trading in regulated market transactions, management due diligence obligations in connection with internal controls, misuse of JBS S.A.'s assets and conflicts of interest in approving management accounts. On September 25, 2018, the Board of Commissioners of the CVM rejected the settlement proposal submitted jointly by Joesley Mendonça Batista and Wesley Mendonça Batista, JBS S.A. and the other defendants to end the administrative proceedings related to insider trading in regulated market transactions and management due diligence obligations in connection with internal controls. On December 3, 2019, the Board of Commissioners of the CVM rejected their settlement proposal to close the sanctioning administrative proceeding regarding the misuse of JBS S.A.'s assets. These proceedings in Brazil are ongoing and their results cannot be predicted.

Any further adverse developments in these, or other, matters involving Joesley Mendonça Batista and Wesley Mendonça Batista or other parties affiliated with us (including, without limitation, any of our shareholders, directors, officers, employees, agents or third parties acting in our name), could subject us to potential fines or penalties set forth under applicable law, materially adversely affect our public perception or reputation and could have a material adverse effect on us, including: (1) threatening our ability to obtain new financing, which could impair our ability to operate our business; and (2) shifting management's focus to these matters, which could harm our ability to meet our strategic objectives. Additionally, while we have taken, and are continuing to take, measures to enhance our compliance programs, which are intended to assist us in detecting and prevent bribery and corruption, there can be no assurance that these efforts will enable us to detect or prevent all such activities.

We will monitor the results of the investigations and J&F will continue to engage in dialogue with the relevant U.S. authorities. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

21. MARKET RISKS AND CONCENTRATIONS

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, investment securities and trade accounts receivable. The Company's cash equivalents and investment securities are high-quality debt and equity securities placed with major banks and financial institutions. The Company's trade accounts receivable are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across geographic areas. The Company does not have a single customer that exceeds the 10% of net sales. For the year ended December 29, 2019, our largest single customer was 6.5% of net sales. The Company does not believe it has significant concentrations of credit risk in its trade accounts receivable.

As of December 29, 2019, we employed approximately 31,900 persons in the U.S. reportable segment, approximately 11,000 persons in the Mexico reportable segment and approximately 15,600 persons in the U.K. and Europe reportable segment. Approximately 35.8% of the Company's employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2020 or later, with the exception. On May 31, 2019, a labor contract had expired at our To-Ricos facility, however, the labor contact is extended until a new agreement is reached. We have not experienced any labor-related work stoppage at any location in over ten years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. In the absence of an agreement, we may become subject to labor disruption at one or more of these locations, which could have an adverse effect on our financial results.

As of December 29, 2019, the aggregate carrying amount of net assets belonging to our Mexico and U.K. and Europe reportable segments was $873.9 million and $2.1 billion, respectively. As of December 30, 2018, the aggregate carrying amount of net assets belonging to our Mexico and U.K. and Europe reportable segments was $829.7 million and $1.6 billion, respectively.

22. REPORTABLE SEGMENTS

The Company operates in three reportable segments: U.S., U.K. and Europe and Mexico. The Company measures segment profit as operating income. Corporate expenses are allocated to the Mexico and U.K. and Europe reportable segments based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. reportable segment.

U.S. Reportable Segment

We conduct separate operations in the continental U.S. and in Puerto Rico. For segment reporting purposes, the Puerto Rico operations are included in the U.S. reportable segment. The chicken products processed by the U.S. reportable segment are sold to foodservice, retail and frozen entrée customers. The segment’s primary distribution is through retailers, foodservice distributors and restaurants. On January 6, 2017, the Company acquired GNP, a vertically integrated poultry business with locations in Minnesota and Wisconsin. GNP's results from operations subsequent to the acquisition date are included in the U.S. reportable segment.

U.K. and Europe Reportable Segment

The U.K. and Europe reportable segment processes primarily chicken and pork products that are sold to foodservice, retail and frozen entrée customers. The segment’s primary distribution is through retailers, foodservice distributors and restaurants. On October 15, 2019, the Company completed the acquisition of Tulip, a leading integrated pork supplier operating within the U.K., from Danish Crown AmbA. On September 8, 2017, the Company acquired Moy Park, one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers, from JBS S.A. in a common-control transaction.

Mexico Reportable Segment

The chicken products processed by the Mexico reportable segment are sold to foodservice, retail and frozen entrée customers. The segment’s primary distribution is through retailers, foodservice distributors and restaurants.

Additional information regarding reportable segments is as follows:

	December 29, 2019[(a)]	December 30,2018[(b)]	December 31, 2017[(c)]
		(In thousands)	
Net sales			
U.S.	$ 7,636,716	$ 7,425,661	$ 7,443,222
U.K. and Europe	2,383,793	2,148,666	1,996,319
Mexico	1,388,710	1,363,457	1,328,322
Total	$ 11,409,219	$ 10,937,784	$ 10,767,863

(a) For the year 2019, the United States reportable segment had intercompany sales to the Mexico reportable segment of $188.9 million. These sales consisted of fresh products, prepared products and grain.
(b) For the year 2018, the United States reportable segment had intercompany sales to the Mexico reportable segment of $100.7 million. These sales consisted of fresh products, prepared products and grain.
(c) For the year 2017, the United States reportable segment had intercompany sales to the Mexico reportable segment of $84.3 million. These sales consisted of fresh products, prepared products and grain.

	December 29, 2019	December 30, 2018	December 31, 2017
		(In thousands)	
Operating income			
U.S.	$ 487,275	$ 291,381	$ 841,492
U.K. and Europe	79,182	84,524	77,105
Mexico	124,015	119,649	153,631
Elimination	96	132	94
Total operating income	690,568	495,686	1,072,322
Interest expense, net of capitalized interest	132,630	162,812	107,183
Interest income	(14,277)	(13,811)	(7,730)
Foreign currency transaction loss (gain)	6,917	17,160	(2,659)
Gain on bargain purchase	(56,880)	—	—
Miscellaneous, net	4,633	(2,702)	(6,538)
Income before income taxes	617,545	332,227	982,066
Income tax expense	161,009	85,423	263,899
Net income	$ 456,536	$ 246,804	$ 718,167

	December 29, 2019	December 30, 2018	December 31, 2017
		(In thousands)	
Depreciation and amortization:			
U.S.	$ 207,584	$ 196,079	$ 195,259
U.K. and Europe	60,499	50,586	49,562
Mexico	19,147	27,423	27,003
Total	$ 287,230	$ 274,088	$ 271,824

	December 29, 2019	December 30, 2018	December 31, 2017
		(In thousands)	
Capital expenditures:			
U.S.	$ 269,609	$ 257,913	$ 258,495
U.K. and Europe	58,795	58,334	52,349
Mexico	19,716	32,419	29,028
Total	$ 348,120	$ 348,666	$ 339,872

	December 29, 2019	December 30, 2018
	(In thousands)	
Total assets:		
U.S.	$ 3,364,171	$ 3,067,248
U.K. and Europe	2,824,382	1,986,938
Mexico	913,811	877,016
Total	$ 7,102,364	$ 5,931,202

	December 29, 2019	December 30, 2018	December 31, 2017
		(In thousands)	
Net sales to customers by customer location:			
U.S.	$ 7,355,631	$ 7,173,280	$ 7,452,758
Mexico	1,437,081	1,411,727	1,019,170
Asia	175,296	158,864	136,144
Europe	2,363,017	2,134,822	2,000,843
Canada, Caribbean and Central America	31,808	26,450	114,543
Africa	28,400	21,286	29,905
South America	17,384	10,704	13,279
Pacific	602	651	1,221
Total	$ 11,409,219	$ 10,937,784	$ 10,767,863

	December 29, 2019[b]	December 30, 2018
	(In thousands)	
Long-lived assets[a]:		
U.S.	$ 1,789,530	$ 1,506,217
U.K. and Europe	801,887	359,621
Mexico	302,157	295,864
Total	$ 2,893,574	$ 2,161,702

(a) For this disclosure, we exclude financial instruments, deferred tax assets and intangible assets in accordance with ASC 280-10-50-41, *Segment Reporting*. Long-lived assets, as used in ASC 280-10-50-41, implies hard assets that cannot be readily removed.

(b) For the year 2019 and going forward, operating leases assets are and will be included in long-lived assets for this disclosure.

The following table sets forth, for the periods beginning with 2017, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of products.

	2019	2018	2017
		(In thousands)	
U.S. chicken:			
Fresh	$ 6,214,954	$ 5,959,458	$ 5,700,503
Prepared	842,365	773,983	950,378
Exports	282,791	258,732	213,595
Total U.S. chicken	7,340,110	6,992,173	6,864,476
U.K. and Europe chicken:			
Fresh	918,852	925,124	846,575
Prepared	817,292	865,864	792,284
Exports	262,041	303,921	318,699
Total U.K. and Europe chicken	1,998,185	2,094,909	1,957,558
Mexico chicken:			
Fresh	1,245,976	1,252,403	1,245,144
Prepared	95,733	76,860	58,512
Total Mexico chicken	1,341,709	1,329,263	1,303,656
Total chicken	10,680,004	10,416,345	10,125,690
U.K. and Europe pork:			
Fresh	135,985	—	—
Prepared	134,426	—	—
Exports	16,174	—	—
Total U.K. and Europe pork	286,585	—	—
Other products:			
U.S.	296,606	433,488	578,746
U.K. and Europe	99,023	53,757	38,761
Mexico	47,001	34,194	24,666
Total other products	442,630	521,439	642,173
Total net sales	$ 11,409,219	$ 10,937,784	$ 10,767,863

23. QUARTERLY RESULTS (UNAUDITED)

2019	First	Second	Third	Fourth[a]	Year
	(In thousands, except per share data)				
Net sales	$ 2,724,675	$ 2,843,085	$ 2,777,970	$ 3,063,489	$ 11,409,219
Gross profit	218,939	367,864	282,197	201,394	1,070,394
Net income attributable to PPC common stockholders	84,011	170,068	109,765	92,080	455,924
Net income per share amounts - basic	0.34	0.68	0.44	0.37	1.83
Net income per share amounts - diluted	0.34	0.68	0.44	0.37	1.83
Number of days in period	91	91	91	91	364

2018	First[b]	Second[c]	Third[d]	Fourth[e]	Year
	(In thousands, except per share data)				
Net sales	$ 2,746,678	$ 2,836,713	$ 2,697,604	$ 2,656,789	$ 10,937,784
Gross profit	287,665	274,222	169,741	111,848	843,476
Net income (loss) attributable to PPC common stockholders	119,418	106,541	29,310	(7,324)	247,945
Net income (loss) per share amounts - basic	0.48	0.43	0.12	(0.03)	1.00
Net income (loss) per share amounts - diluted	0.48	0.43	0.12	(0.03)	1.00
Number of days in period	91	91	91	91	364

2017	First[f]	Second[g]	Third[h]	Fourth[i]	Year
	(In thousands, except per share data)				
Net sales	$ 2,479,340	$ 2,752,286	$ 2,793,885	$ 2,742,352	$ 10,767,863
Gross profit	256,388	474,838	478,584	261,804	1,471,614
Net income attributable to PPC common stockholders	93,921	233,641	232,680	134,337	694,579
Net income per share amounts - basic	0.38	0.94	0.94	0.54	2.79
Net income per share amounts - diluted	0.38	0.94	0.93	0.54	2.79
Number of days in period	91	91	91	98	371

(a) On October 15, 2019, the Company acquired 100% of the equity of Tulip Limited and its subsidiaries (together, “Tulip”) from Danish Crown AmbA for £310.0 million, or $391.5 million for cash. In the fourth quarter of 2019, the Company recognized a bargain purchase gain of $56.9 million and transaction costs of approximately $1.3 million related to the acquisition of Tulip.

(b) In the first quarter of 2018, the Company recognized impairment charges of approximately $0.5 million related to the Luverne, Minnesota plant held for sale. Also in the first quarter of 2018, the Company had transaction costs of approximately $0.2 million related to the acquisition of Moy Park and GNP.

(c) In the second quarter of 2018, the Company recognized impairment charges of approximately $0.1 million related to its 40 North Foods leasehold improvements.

(d) In the third quarter of 2018, the Company recognized impairment charges of approximately $0.3 million related to the Luverne, Minnesota plant held for sale.

(e) In the fourth quarter of 2018, the Company recognized impairment charges of approximately $2.6 million related to Rose Energy Ltd. within its U.K. and Europe reportable segment. Also in the fourth quarter of 2018, the Company recognized nonrecurring charges of $3.0 million and $11.9 million related to Hurricane Michael and Hurricane Maria, respectively. Hurricane Michael hit the Company’s Live Oak complex in October 2018, causing two days of plant closure. Hurricane Maria hit the Company’s Puerto Rico complex in September 2017, causing six months of plant closure.

(f) On January 6, 2017, the Company acquired 100% of the membership interests of GNP from Maschhoff Family Foods, LLC for a cash purchase price of $350 million. In the first quarter, the Company had transaction costs of approximately $0.6 million for the acquisition of GNP.

(g) In the second quarter of 2017, the Company recognized impairment charges of approximately $3.5 million related to its Athens, Alabama plant held for sale.

(h) In the third quarter of 2017, the Company had transaction costs of approximately $15.0 million for the acquisition of Moy Park.

(i) In the fourth quarter of 2017, the Company had transaction costs of approximately $4.5 million for the acquisition of Moy Park.

24. PUERTO RICO HURRICANE IMPACT

Hurricane Maria became the strongest storm to make landfall in Puerto Rico in 85 years when it came ashore on September 20, 2017. The Company suffered significant damage because of the storm. Pilgrim's lost 2.1 million birds on the island, many of the Company's contract growers lost their poultry houses, and the Company incurred damage at its processing plant, feed mill and hatchery.

Estimated damages incurred by the Company through December 30, 2018 included property and casualty losses related to its facilities totaling $5.2 million and a business interruption loss totaling $15.1 million, resulting primarily from damages suffered by its contract growers and damage to the island's roadways and power grid. These losses, which were recognized by the U.S. reportable segment, are included in *Cost of sales* on the Consolidated and Combined Statements of Income.

SCHEDULE II

PILGRIM'S PRIDE CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions: Charged to Operating Results	Additions: Charged to Other Accounts	Deductions		Ending Balance
			(In thousands)			
Trade Accounts and Other Receivables—						
Allowance for Doubtful Accounts:						
2019	$ 8,057	$ 1,690	$ 110	$ 2,390	(a)	$ 7,467
2018	8,145	1,633	(39)	1,682	(a)	8,057
2017	6,661	2,683	339	1,538	(a)	8,145
Trade Accounts and Other Receivables—						
Allowance for Sales Adjustments:						
2019	$ 12,987	$ 267,165	$ —	$ 271,772	(b)	$ 8,380
2018	9,477	254,135	—	250,625	(b)	12,987
2017	4,874	185,198	—	180,595	(b)	9,477
Deferred Tax Assets—						
Valuation Allowance:						
2019	$ 26,150	$ —	$ 8,190	$ 818	(c)	$ 33,522
2018	14,479	11,776	—	105	(c)	26,150
2017	25,611	—	—	11,132	(c)	14,479

(a) Uncollectible accounts written off, net of recoveries.
(b) Deductions either written off, rebilled or reclassified as liabilities for market development fund rebates.
(c) Reductions in the valuation allowance.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 29, 2019. Consistent with guidance issued by the SEC for a recently acquired business, management is excluding the internal control over financial reporting of Tulip from its evaluation of the effectiveness of the Company’s disclosure controls and procedures as of December 29, 2019. Total assets and net sales of Tulip, which the company acquired in the fourth quarter of 2019, included in our Consolidated and Combined Financial Statements as of and for the fifty-two weeks ended December 29, 2019 were $689.5 million and $306.7 million, respectively. Based on that evaluation and subject to the foregoing, the Company’s Chief Executive Officer and Chief Financial Officer, concluded that, as of December 29, 2019, the Company’s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the Company’s quarter ended December 29, 2019 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. As mentioned above, the Company acquired Tulip on October 15, 2019. The Company is in the process of reviewing the internal control structure of Tulip and, if necessary, will make appropriate changes as it integrates Tulip into the Company's overall internal control over financial reporting process.

Management’s Report on Internal Control over Financial Reporting

Pilgrim’s Pride Corporation’s (“PPC”) management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). PPC’s internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

PPC's management assessed the effectiveness of the Company’s internal control over financial reporting as of December 29, 2019 based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework (2013). The Company’s evaluation of internal control over financial reporting did not include the internal control over financial reporting of Tulip, which the Company acquired in the fourth quarter of 2019. Total assets and revenue of Tulip included in our Consolidated and Combined Financial Statements as of and for the fifty-two weeks ended December 29, 2019 were $689.5 million and $306.7 million, respectively.

Based on this assessment, management concluded that PPC’s internal control over financial reporting was effective as of December 29, 2019.

KPMG LLP, an independent registered public accounting firm which audited our Consolidated and Combined Financial Statements included in this Form 10-K, has issued an unqualified report on the effectiveness of the Company’s internal control over financial reporting as of December 29, 2019. That report is included in this Item 9A of this annual report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

Pilgrim's Pride Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Pilgrim's Pride Corporation's and subsidiaries' (the Company) internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 29, 2019 and December 30, 2018, the related consolidated and combined statements of income, comprehensive income, stockholders' equity, and cash flows for the fifty-two weeks ended December 29, 2019, the fifty-two weeks ended December 30, 2018, and the fifty-three weeks ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the consolidated and combined financial statements), and our report dated February 19, 2020 expressed an unqualified opinion on those consolidated and combined financial statements.

The Company acquired Tulip Limited during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 29, 2019, Tulip Limited's internal control over financial reporting associated with total assets of $690 million and total revenues of $307 million included in the consolidated and combined financial statements of the Company as of and for the fifty-two weeks ended December 29, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Tulip Limited.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Denver, Colorado

February 20, 2020

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information regarding our executive officers has been presented under "Information about our Executive Officers" included in "Item 1. Business," above.

We have adopted a Code of Business Conduct and Ethics, which applies to all employees, including our Chief Executive Officer and our Chief Financial Officer and Principal Accounting Officer. The full text of our Code of Business Conduct and Ethics is published on our website, at www.pilgrims.com, under the "Investors-Corporate Governance" caption. We intend to disclose, if required, future amendments to, or waivers from, certain provisions of this Code on our website within four business days following the date of such amendment or waiver.

The other information required by Item 10 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

Plan Category[(a)]	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights[(b)]	Weighted-Average Exercise Price of Outstanding Option, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by securities holders	926	$ 24.04	2,000,000
Equity compensation plans not approved by securities holders	—	—	—
Total	926	$ 24.04	2,000,000

(a) The table provides certain information about our common stock that may be issued under the Long Term Incentive Plan (the "LTIP"), as of December 29, 2019. For additional information concerning terms of the LTIP, see "Note 17. Incentive Compensation" of our Consolidated and Combined Financial Statements included in this annual report.

(b) These amounts represent restricted stock units outstanding, but not yet vested, as of December 29, 2019.

The other information required by Item 12 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

(1) The financial statements and schedules listed in the index to financial statements and schedules on page 1 of this annual report are filed as part of this annual report.

(2) All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore have been omitted.

(3) The financial statements schedule entitled "Valuation and Qualifying Accounts and Reserves" is filed as part of this annual report on page 105.

(b) Exhibits

Exhibit Number	
2.1	Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed September 18, 2009).
2.2	Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company's Annual Report on Form 10-K/A (No. 001-09273) filed January 22, 2010).
2.3	Share Purchase Agreement, dated as of September 8, 2017, among JBS S.A., Granite Holdings S.à r.l., Onix Investments UK Limited and the Company (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 11, 2017).
2.4	Share Purchase Agreement, dated as of August 25, 2019, by and among Tulip International (UK) Limited and Onix Investments UK Limited.*
2.5	Exhibits to the Share Purchase Agreement, dated as of August 25, 2019, by and among Tulip International (UK) Limited and Onix Investments UK Limited.*
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on November 8, 2017).
4.1	Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended (incorporated by reference from Exhibit 3.3 to the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
4.2	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K (No. 001-09273) filed on December 29, 2009).
4.3	Indenture dated as of March 11, 2015 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and Wells Fargo Bank, National Association, as Trustee, Form of Senior 5.750% Note due 2025, and Form of Guarantee attached (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No 001-09273) filed on March 11, 2015).
4.4	Indenture dated as of September 29, 2017 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC, JFC LLC and U.S. Bank National Association, as Trustee (incorporated by reference from Exhibit 4.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on October 3, 2017).
4.5	Form of Senior 5.750% Note due 2025 (included in Exhibit 4.3).
4.6	Form of Senior 5.875% Note due 2027 (included in Exhibit 4.4).
4.7	Description of Securities Registered Pursuant to Section 12(b) of the Exchange Act.*
10.1	Pilgrim's Pride Corporation Short-Term Management Incentive Plan (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on December 30, 2009). †

10.2	Pilgrim's Pride Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on December 30, 2009). †
10.3	Employment Agreement dated January 14, 2011 between the Company and William Lovette (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on January 18, 2011). †
10.4	Restricted Share Agreement dated January 14, 2011 between the Company and William Lovette (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on January 18, 2011). †
10.5	Pilgrim's Pride Corporation 2012 Long Term Incentive Program (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 10, 2012). †
10.6	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 10, 2012). †
10.7	Checking Account Loan Opening Contract dated July 23, 2014 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower (incorporated by reference from Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on July 28, 2016).
10.8	Agreement to Modify Checking Account Loan Opening Contract dated November 3, 2015 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower (incorporated by reference from Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on July 28, 2016).
10.9	Checking Account Loan Opening Contract dated September 27, 2016 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on October 27, 2016).
10.10	Multicurrency Revolving Facility Agreement, dated as of June 2, 2018, by and among Moy Park Holdings (Europe) Limited, certain of its subsidiaries, the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on June 12, 2018).
10.11	Fourth Amended and Restated Credit Agreement, dated as of July 20, 2018, by and among Pilgrim's Pride Corporation, certain of its subsidiaries, CoBank ACB, as administrative agent and collateral agent, and the other lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on July 24, 2018).
10.12	Revolving Line of Credit Agreement, dated as of December 14, 2018, by and among Banco del Bajío, Sociedad Anónima, Institución de Banca Múltiple as lender, Avícola Pilgrim's Pride de México, Sociedad Anónima de Capital Variable as borrower, and Comercializadora de Carnes de México, Sociedad de Responsabilidad Limitada de Capital Variable, Pilgrim's Pride, Sociedad de Responsabilidad Limitada de Capital Variable, and Pilgrim's Operaciones Laguna, Sociedad de Responsabilidad Limitada de Capital Variable, as guarantors (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on December 20, 2018).
10.13	Transition Agreement, dated as of March 22, 2019, between William W. Lovette and the Company (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on May 2, 2019).†
10.14	2019 Pilgrim's Pride Corporation Long-Term Incentive Program.†
10.15	Incentive Compensation Agreement, dated as of 03/22/2019, between Jayson Penn and the Company.†
21	Subsidiaries of Registrant.*
23.1	Consent of KPMG LLP.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

32.2	Certification of Principal Financial Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Label
101.PRE	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

***** **Filed herewith**

****** **Furnished herewith**

† **Represents a management contract or compensation plan arrangement**

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 20, 2020.

PILGRIM'S PRIDE CORPORATION

By: /s/ Fabio Sandri
Fabio Sandri
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT that the undersigned officers and directors of Pilgrim's Pride Corporation do hereby constitute and appoint Jayson J. Penn and Fabio Sandri, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Gilberto Tomazoni Gilberto Tomazoni	Chairman of the Board	February 20, 2020
/s/ Jayson J. Penn Jayson J. Penn	President and Chief Executive Officer (Principal Executive Officer)	February 20, 2020
/s/ Fabio Sandri Fabio Sandri	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 20, 2020
/s/ Farha Aslam Farha Aslam	Director	February 20, 2020
/s/ Arquimedes A. Celis Arquimedes A. Celis	Director	February 20, 2020
/s/ Michael L. Cooper Michael L. Cooper	Director	February 20, 2020
/s/ Wallim Cruz de Vasconcellos Junior Wallim Cruz de Vasconcellos Junior	Director	February 20, 2020
/s/ Charles Macaluso Charles Macaluso	Director	February 20, 2020
/s/ Denilson Molina Denilson Molina	Director	February 20, 2020
/s/ Andre Nogueira de Souza Andre Nogueira de Souza	Director	February 20, 2020
/s/ Vincent Trius Vincent Trius	Director	February 20, 2020

Signing Version

Share Purchase Agreement

Project Channel

among

TULIP INTERNATIONAL (UK) LIMITED

and

ONIX INVESTMENTS UK LIMITED

Dated as of 25 August 2019

CONTENTS

This Share Purchase Agreement (this "**Agreement**") is made and entered into as of 25 August 2019 2019 by and among (i) Tulip International (UK) Limited, an entity organized under the Laws of England and Wales (the "**Seller**") having its registered address at Seton House Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA and wholly owned by Danish Crown A/S, an entity organized under the Laws of Denmark, having its registered address at Marsvej 43, DK-8960 Randers SØ, Denmark and

Onix Investments UK Limited, an entity organized under the Laws of England and Wales, company number 10934285, having its registered address at 2nd Floor, Building 1 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire WD6 1JN (the "**Buyer**"). The Buyer is wholly owned by Pilgrims Pride Corporation, an entity organized under the Laws of the state of Delaware, US, having its registered address at 1770 Promontory Circle, Greeley, CO 80634, United States of America. The Seller and the Buyer are each sometimes referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

(a) The Seller owns all of the Shares (being the entire issued and outstanding share capital of Tulip Limited), an entity organized under the Laws of England and Wales, company number 00608077, having its registered address at Seton House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA (the "**Company**");

(b) The Company is in the business of breeding, finishing and slaughtering of pork, as well as processing and packaging of beef, pork and other meat products for its branded lines and to private label customers primarily in the United Kingdom and with a certain level of exporting abroad (the "**Business**");

(c) The Seller has agreed to sell to the Buyer and the Buyer has agreed to purchase from the Seller all of the Shares on the terms and subject to the conditions set forth in this Agreement; and

now it is hereby agreed as follows:

1 Definitions

"**Accounting Principles**" means the accounting policies, practices, and procedures of the Company set out in the Company's Financial Statement for 2017/2018.

"**Affiliate**" means, with respect to any particular Person, any Person controlling, controlled by or under common control with such Person, whether by ownership or control of voting securities, by contract or otherwise.

"**Ancillary Agreements**" means the Disclosure Letter, the Trademark License Agreement, the Trademark Sub-License Agreement, the Transition Services Agreement, the Supply

AP

Agreement, and any agreements or documents executed or delivered in connection with this Agreement.

"**Auditors**" means the auditors for the time being of the Company.

"**Business Day**" means a day on which commercial banks are generally open for business (excluding internet banking) in the United Kingdom and Denmark.

"**Buyer's Knowledge**", or any similar phrases means the actual knowledge of Jayson Penn and Fabio Sandri.

"**Buyer's Relief**" means:

(a) any Relief arising to the Buyer or any member of the Buyer's group other than the Company; and

(b) any Relief arising to the Company as a consequence of, or by reference to, an Event occurring after Closing;

"**Cash**" , as of the Closing, all cash and cash equivalents held by the Company (including marketable securities and short-term investments incl. lending, financial and GR Receivables and prepayments (prepaid costs)(of which securities shall be valued at then-current market rates), and net of uncashed cheques), calculated in accordance with the Accounting Principles as applied by the Company consistent with its past practices.

"**Closing**" has the meaning given to it in Section 2.2.1.

"**CMA**" means Competition and Markets Authority.

"**Company**" means Tulip Limited.

"**Company Benefit Plan**" means the benefit plans operated for the benefit of any employee or any ex-employee of any member of the Group.

"**Competition Authorities**" means any competition authority or regulator to which a notification or filing is required under applicable law to be made with respect to the transaction contemplated hereunder, for that authority's/regulator's pre-Closing approval, including the Irish Competition and Consumer Protection Commission.

"**Competition Law**" means the national and directly effective legislation of any jurisdiction which governs the conduct of companies or individuals in relation to restrictive or other anti-competitive agreements or practices (including, but not limited to, cartels, pricing, resale

AP

pricing, market-sharing, bid-rigging, terms of trading, purchase or supply and joint ventures), dominant or monopoly market positions (whether held individually or collectively) and the control of acquisitions or mergers.

"**Corporation Taxes**" shall mean any Taxes imposed on, or measured by, income, profits or gains in the United Kingdom.

"**Corporation Tax Return**" shall mean a Tax Return for Corporation Taxes.

"CTA 2009" means the Corporation Tax Act 2009.

"CTA 2010" means the Corporation Tax Act 2010.

"Data Room" means the Seller's virtual data room hosted on the data site https://datarooms.gorrissenfederspiel.com/gorrissenfederspiel/documentHome.action?metaData.siteID=3025&metaData.parentFolderID=32844&metaData.moduleView=columnView&metaData.paginationNo=0&metaData.loadMoreNo=0&sortOrder=0&filterShared=0 under the project name "*Project Channel*". An index of the contents of the Data Room as of the date of this Agreement (the "**Data Room Index**") is attached as Exhibit XX, which documentation the Seller will also provide to the Buyer in digital form in connection with the Closing.

"Disclosure Letter" means the letter in agreed form delivered on the date hereof and updated in accordance with Section 4.3.3 from the Seller to the Buyer disclosing information constituting exceptions to the Warranties given by the Seller under this Agreement; and (ii) details of other matters referred to.

"Disallowance" means a disallowance under Chapter 2 of Part 10 TIOPA 2010.

"EA 2002" means the Enterprise Act 2002.

"Effective Tax Liability" means the utilisation or set off in whole or in part of any Buyer's Relief against Tax or against income, profits or gains in circumstances where but for that utilisation as set off the Seller would have been liable under section 9.6.

"**Encumbrance**" means any mortgage, pledge, lien, encumbrance, charge, or other security interest, option, right or restriction, other than (a) statutory liens of landlords and liens of carriers, warehousemen, mechanics, materialmens, and similar liens for amounts not yet due and payable or that are being contested in good faith through appropriate proceedings, (b) liens for Taxes not yet due and payable, or for Taxes that the Group is contesting in good faith through appropriate proceedings and which are properly reserved for in the Financial

APR

Statements, and (c) such liens and encumbrances, if any, set forth in the Disclosure Letter (the items described in clauses (a) – (c) herein referred to as the "**Permitted Encumbrances**").

"**Enterprise Value**" means the amount indicated as such in the Equity Bridge.

"**Environmental Claim**" means any claim, action, notice of violation, proceeding, litigation, summons or investigation, whether civil, criminal, administrative, or regulatory, whether at law or in equity, Order, lien, fine or penalty by or from any Person alleging or related (but only to the extent so related) to liability (including without limitation liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) to the extent arising out of, based on or resulting from: (a) the presence, release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with or liability under any Environmental Law or term or condition of any Environmental Permit.

"**Environmental Laws**" means all Laws (including common law) whose purpose is to prevent pollution or to protect the environment or human health and safety, including Laws to the extent relating to emissions, spills, discharges, leaks, injection, leaching, seepage, releases or threatened releases of Hazardous Materials into the environment (including ambient air, surface water, ground water, land surface or subsurface strata), together with any regulation, code, plan, order, decree, permit, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder to the extent the same have force of law as at the date of this Agreement.

"**Event**"means any event, transaction, arrangement, act, circumstance, failure or omission including but not limited to the execution and performance of this Agreement, Closing, any distribution, failure to distribute, acquisition, disposal, transfer, payment, loan or advance, the expiry of any time period, membership of or ceasing to be a member of any group or partnership or any other association, death, residence or any change in the residence of any person for Tax purposes and the earning, receipt or accrual for any Tax purpose of any income, profits or gains.

"**Excluded Business**" means the Company's business related to canned meat and the food service industry, which includes certain employees working primarily with such business who will be transferred to the Seller's Group prior to Closing, and a stock of goods, which will be transferred to the Seller's Group prior to Closing at cost price.

"**Exhibits**" means the exhibits that are attached to this Agreement and are incorporated by reference herein.

RP

"Food" means all types of food and drink intended to be, or reasonably expected to be, consumed by humans, including any substance intentionally incorporated into the food or drink during its manufacture, preparation or treatment.

"Food Laws" means applicable EU and UK Laws that relate to Food and are applicable to the Company, Group and/ or the Business, including (but not limited to) all such laws relating to food safety, feed safety, official food and feed controls, products of animal origin, diseases and disease control, welfare of animals, slaughterhouses, animal by-products, identification of animals and related products, chemical safety, food and feed hygiene, traceability, contaminants, additives, flavourings, pesticides, residues, food contact materials, genetically modified and novel foods, organic foods, weights and measures, country of origin, microbiological criteria, allergens and food information/ labelling.

"**FA**" means Finance Act.

"Financial Statements" has the meaning set out in Section 4.1.5(a).

"**Fundamental Warranties**" means the warranties set forth in Section 4.1.1 (Organization, Qualification and Authority), Section 4.1.2 (Capitalization), Section 4.1.3 (Authorization; Valid and Binding Agreements), Section 4.1.4(a) (Noncontravention), , Section 5.1.1 (Organization and Power), Section 5.1.2 (Authorization; Valid and Binding Agreements), Section 5.1.3 (Noncontravention), Section 5.1.4 (Ownership) and Section 5.1.5 (Broker's Fees).

"GBP" or **"£"** means pound(s) sterling, being the lawful currency of the United Kingdom.

"**Governmental Authority**" means any: (a) nation, state, county, city, town, village, district, or other similar jurisdiction; (b) United Kingdom, EU, local, municipal, foreign, or other government; (c) governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal but excluding a taxing authority); or (d) multi-national governmental organization or other multi-national governmental body entitled to exercise any administrative, executive, judicial, legislative, police, or regulatory authority (but excluding a taxing authority).

"**Group**" means the Company and its Subsidiaries.

"**Group Relief**" means:

(a) a Relief surrendered or claimed pursuant to Part 5 or Part 5A CTA 2010 (group relief);

(b) amounts eligible for surrender under the Double Taxation Relief (Surrender of Relievable Tax Within a Group) Regulations 2001;

AP

(c) a Tax refund relating to an accounting period as defined by section 963(4) CTA 2010 in respect of which a notice has been given pursuant to section 963(2) of that statute;

(d) the notional transfer of an asset or reallocation of a gain or loss pursuant to section 171A TCGA and the notional reallocation of gain pursuant to section 792 CTA 2009; or

(e) any other Relief eligible for surrender or capable of being claimed or surrendered between members of the same group of companies for Tax purposes in accordance with any legislation in relation to Tax.

"**GR Receivables**" means any sum due to the Company in respect of surrenders of Group Relief made by it to other members of the Seller's Group for any Pre-Closing Tax Period.

"**Hazardous Material**" means (i) any petroleum, hazardous or toxic petroleum-derived substance or petroleum product, flammable or explosive material, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, foundry sand or polychlorinated biphenyls (PCBs); or (ii) any chemical or other material or substance that is now capable of causing harm or damage to the environment, including controlled, special, hazardous, toxic or dangerous pollutants.

"**Indebtedness**" means, as of the Closing, the aggregate amount (including the current portions thereof) of all (a)(i) indebtedness of the Company for borrowed money, including in connection with any intercompany loans between the Company and any Affiliate, (ii) indebtedness of the type described in subsection (i) above guaranteed, directly or indirectly, in any manner by the Company, including any letters of credit to the extent drawn, but excluding endorsements of checks and other instruments in the Ordinary Course of Business, (iii) interest expense accrued but unpaid on or relating to any of such indebtedness and (iv) prepayment penalties and premiums relating to any of such indebtedness, (b) all capitalized lease obligations, synthetic lease obligations and sale leaseback obligations, whether secured or unsecured, (c) all obligations under conditional sale or other title retention agreements relating to any purchased property, (d) the present value of pension obligations net of fair value of pension plan assets, and (e) liabilities related to national minimum wages legislation. For the avoidance of any doubt, (i) neither deferred Tax liabilities nor Taxes payable are included in "Indebtedness" as such term is used herein, (ii) the Parties agree that Indebtedness shall be calculated in accordance with the Net Working Capital and NIBD Methodology set out in Exhibit A, to the extent not then currently due and payable, shall not constitute "Indebtedness" as such term is used herein. Also as it is agreed the Stay Bonuses shall be for the account of the Company and hence the Buyer, any provision for such Stay Bonuses in the accounts of the Company shall be netted out to give effect to the agreement between the Parties. As regard (d) above, the Parties have agreed that the present value of pension obligations net of fair value of the pension plan assets, may at the discretion of the Buyer – such decision, however, to be made and remitted to the Seller no later than at Closing

/PP

- be i) the fair value included in the Company's annual accounts for the accounting year 2018/2019, ending on 30 September 2019 ii) such an amount which is set out in a full actuarial report, made up by the Company as at the Closing Date, based on such principles and procedures which have previously been applied by the Company when having such reports drawn up or iii) the present value of the pension obligations as set out in the 30 September 2019 accounts of the Company net of the fair value of the pension plan assets as of the Closing Date, such fair value to be based on such principles and procedures which have previously been applied by the Company when having such fair asset value made up.

"**Indebtedness to be Repaid**" means all Indebtedness as of immediately prior to Closing.

"**ITEPA**" means the Income Tax (Earnings and Pensions) Act 2003.

"**Losses**" means (i) all claims, damages, judgments, fines, losses, liabilities, penalties, costs, Taxes, expenses or other damages, (ii) all amounts paid incident to any compromise or settlement of any claim or Proceeding, (iii) all costs and expenses reasonably incurred in investigating any such claim or Proceeding, (iv) all costs and expenses reasonably incurred to mitigate Losses, and (v) all reasonable attorneys', experts', consultants' and other similar fees incurred in connection therewith.

"**Material Adverse Effect**" means a material adverse effect or impact upon the assets, financial condition, results of operations or Business of the Company or on the ability of the Company and the Seller, as a group, to consummate the transactions contemplated hereby; provided, however, that none of the following shall be deemed in themselves, either alone or in combination, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (a) any failure by the Company to meet financial projections or forecasts or earnings predictions provided to the Buyer or its representatives or any presentation made by the Company or their representatives to the Buyer or its representatives (provided that the underlying causes of such failures shall not be excluded), (b) any adverse change, impact, effect, event, occurrence, state of facts or development attributable to, resulting from, or relating to (i) the announcement or pendency of the transactions contemplated by this Agreement; (ii) conditions affecting the industry in which the Company participates, the United Kingdom economy as a whole, including direct Brexit effects, or the capital markets in general or any of the markets in which the Company operates; (iii) any change in accounting requirements or principles or any change in applicable laws, rules or regulations or the interpretation thereof; (iv) actions required to be taken under applicable laws, rules, regulations, contracts or agreements; or (v) acts of God, fire, natural disaster, epidemic, riot, terrorism or military action or the threat thereof; provided, however, that with respect to clauses (ii) through (iv) immediately above, each shall be taken into account in determining whether a Material Adverse Effect has occurred to the extent that there is a disproportionate effect on the Company compared to other participants in the industries in which the Company conducts its Business.

LP

"**Net Working Capital**" means (a) all current assets (excluding Cash, prepayments (prepaid costs), financial receivables and GR Receivables and any deferred Tax assets) of the Company as of the Closing determined in accordance with the Accounting Principles as applied by the Company consistent with its past practices (except for the exclusion of (i) Cash and (ii) deferred Tax assets (iii) prepayments (prepaid costs), (iv) financial receivables and GR Receivables), minus (b) all current liabilities (excluding Indebtedness, Transaction Expenses, deferred Tax liabilities and income Taxes (including, without limitation, Corporation Tax)), of the Company as of the Closing, determined in accordance with the Accounting Principles as applied by the Company consistent with its past practices (except for the exclusion of Indebtedness, Transaction Expenses, deferred Tax liabilities and income Taxes (including, without limitation, Corporation Tax)). For the avoidance of any doubt, the Parties agree that Net Working Capital shall be calculated in accordance with Exhibit A as attached hereto (the "**Net Working Capital and NIBD Methodology**").

"**Ordinary Course of Business**" means the ordinary course of business of the Company consistent with past custom and practice (including as to frequency and amount) and with due consideration to the turnaround and restructuring process as outlined in the Disclosure Letter, including "Project Castle".

"**Overprovision**" means (a) the amount by which any provision for Tax (excluding any provision for deferred Tax) contained or taken into account (but not merely noted) in the Closing Date Statement proves to be an over provision except to the extent to which that over provision is taken into account in determining the amount of any liability of the Seller under section 9.6(a) and section 4.1.7 and (b) the amount by which any refund recognized or taken into account (but not merely noted) in the Closing Date Statement is understated.

"**Pension Benefits**" means any pension, allowance, lump sum or other similar benefit on death, disability, retirement or termination of employment (whether voluntary or not) for the benefit of any of the Group's employees, former employees or any of their respective dependants.

"**Pension Scheme**" means the defined pension schemes included and described in the Latest Financial Statement, and continued within and subject to the Ordinary Course of Business.

"**Payoff Letter**" has the meaning given to it in Section 3.1.1(e)(iii).

"**Person**" means any individual, trust, corporation, partnership, limited partnership, limited liability company or other business association or entity, court, governmental body or governmental agency.

"**Pre-Closing Tax Period**" shall mean any Tax period ending on or prior to the Closing Date.

AP

"**Properties**" means the freehold and leasehold properties detailed in the Disclosure Letter, each being a "**Property**".

"**Relevant Person**" means the Seller and any company (other than the Company), partnership or individual which may be treated for relevant Tax purposes as being, or as having at any time been, either a member of the same group of companies as the Company or otherwise associated with the Company.

"**Relief**" means:

(a) any loss, allowance, credit relief, deduction or set-off from or against or in respect of Tax; or

(b) any right to a repayment of Tax.

"**Reporting Company**" means the person from time to time appointed as the reporting company (within the meaning of Schedule 7A TIOPA 2010) in the Seller's Interest Restriction Group.

"**Seller's Group**" means the Seller and the Seller's Affiliates.

"**Seller's Interest Restriction Group**" means the Seller and any person in the same worldwide group (as defined in Section 473 TIOPA 2010) as the Seller, for the period that person is in that group.

"**Seller's Knowledge**", or any similar phrases, means the actual knowledge of Jais Valeur (CEO of Danish Crown A/S) and Preben Sunke (COO and CFO of Danish Crown A/S) after reasonable inquiry of each such Person's direct reports.

"**Shares**" means the entire issued share capital of the Company having an aggregate nominal value of GBP 7,540,100 divided into shares with a nominal value of GBP 1.00 each.

"**Straddle Period Returns**" means the Tax Returns that are required to be filed by the Company for any Straddle Period.

"**Subsidiary**" or "**Subsidiaries**" means the Subsidiaries of Tulip Limited set out in the Disclosure Letter.

"**Target Net Working Capital**" means an amount equal to £ 50,831,000.

"**Tax**" or "**Taxes**" means all forms of taxation (other than deferred tax) and statutory, governmental, state, provincial, local governmental or municipal impositions, duties,

AP

contributions and levies in the nature of tax, whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or otherwise and shall further include payments to a Tax Authority on account of tax, whenever and wherever imposed and whether chargeable directly or primarily against or attributable directly or primarily to the Group and its Subsidiaries or any other person and all penalties and interest relating thereto.

"**Tax Authority**" means any statutory or governmental authority or body (whether in the United Kingdom or elsewhere) involved in the collection or administration of Tax including HMRC.

"**Tax Return**" means any computation, return, claim, election, surrender, disclaimer, statement, notice, consent or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Tax Statutes**" means any primary or secondary statute, instrument, enactment, order, law, by-law or regulation making any provision for or in relation to Tax.

"**TCGA**" means the Taxation of Chargeable Gains Act 1992.

"**TIOPA**" means the Taxation (International and Other Provisions) Act 2010.

"**Transition Services Agreement**" means the transition services agreement between the Company and the relevant entity or entities of the Seller's Group in order to facilitate the orderly continuation of the business of the Group after Closing with a scope and in a form to be agreed between the Buyer and the Seller prior to Closing, but, for the avoidance of doubt, with a duration of no more than three years.

"**Transaction Expenses**" means costs, fees, expenses and other amounts owing to third parties incurred prior to or in connection with Closing by the Group or for which the Group otherwise has the obligation to pay relating to, arising out of or in connection with planning, structuring, negotiating or consummating the transactions contemplated hereunder to the extent unpaid as of immediately prior to Closing, including (a) fees and disbursements of attorneys, investment bankers, accountants and other professional advisors which, in each case, have not been paid as of Closing. The Parties have agreed that the value of the stay bonuses made or to be made by the Group in connection with the signing of this Agreement and/or Closing to those employees of the Group agreed between the Seller and the Buyer, together with the Group's portion of any withholding taxes applicable to such stay bonuses and any employer's national insurance contributions thereon, (collectively, the "**Stay Bonuses**") shall not be considered Transaction Expenses or Indebtedness or the like. For the avoidance of doubt, Transaction Expenses shall not include deferred Tax liabilities or Taxes payable (other than irrecoverable VAT incurred on such Transaction Expenses), and any amounts included as a Transaction Expense shall not be included in any calculation of Indebtedness or Net Working Capital.

"**TUPE**" means the Transfer of Undertakings (Protection of Employment) Regulations 1981 or the Transfer of Undertakings (Protection of Employment) Regulations 2006, as applicable.

"**United Kingdom**" means England, Scotland, Wales, and Northern Ireland.

"**VAT**" means value added tax.

"**VATA**" means the Value Added Tax Act 1994.

"**Warranties**" means the warranties set out in Sections 4 and 5.

"**Working Hours**" means from 9.00 a.m. to 5.00 p.m. on a Business Day in the country in question.

1.2 The value of an Effective Tax Liability is the amount of Tax saved by the utilisation or set-off of a Buyer's Relief.

1.3 In this Agreement references in Sections 4, 5 and 9 (and in any definitions used therein) to the "**Company**" shall be read as not only referring to Tulip Limited but also to any Subsidiary.

2 Purchase and Sale

2.1 Purchase and Sale of Shares

2.1.1 Subject to the terms and conditions of this Agreement, at Closing, the Buyer will purchase and the Seller will sell to the Buyer with full title guarantee, the Shares, which Shares shall constitute one hundred percent (100%) of the issued and outstanding share capital of the Company as of the Closing Date. As consideration for the purchase of the Shares at Closing, subject to the provisions of this Agreement and the adjustments and payments set forth in Section 2.3 and Section 2.4, the Buyer shall pay to the Seller the "**Consideration**" which shall be an amount equal to the Enterprise Value, *plus* any Actual Cash, *less* the Indebtedness to be Repaid, *less* the Transaction Expenses, *plus or minus* the difference between the Actual Net Working Capital and the Target Net Working Capital.

2.2 Closing

2.2.1 The closing of the purchase and sale of the Shares and the other transactions contemplated hereby (the "**Closing**") will take place commencing at a time and place to be agreed by the Parties, thirteen (13) Business Days following the date that all of the conditions in Section 3.1

lPl

and Section 3.2 are satisfied and/or waived by each of the Parties, as applicable, however in no event after the date set out in Section 10.1(d), unless another time, date or place is agreed to by the Parties in writing. If no Merger Clearance Filings are to be made, the Parties agree that the Buyer will inform the Seller as soon as possible following Signing and that the Closing Date in such event shall be Monday 30 September 2019.The date on which Closing actually occurs is referred to herein as the "**Closing Date**". For all purposes hereunder, including the calculation of the amounts set forth in Section 2.3 and Section 2.4, Closing shall be deemed effective at 12:01 a.m. GMT on the Closing Date.

2.3 Payments at Closing

2.3.1 At least three (3) Business Days prior to the Closing Date, the Seller shall provide the Buyer with: (i) a good faith estimate of the Net Working Capital (the "**Estimated Net Working Capital**") and the amount, if any, by which the Estimated Net Working Capital exceeds the Target Net Working Capital (the "**Estimated Net Working Capital Surplus**") or the amount, if any, by which the Target Net Working Capital exceeds the Estimated Net Working Capital (the "**Estimated Net Working Capital Deficit**"), (ii) the amount of Indebtedness to be Repaid, (iii) a good faith estimate of the amount of Cash (the "**Estimated Cash**") and (iv) the amount of Transaction Expenses. The "**Estimated Payment**" shall be an amount equal to the Enterprise Value, *plus* any Estimated Net Working Capital Surplus, *minus* any Estimated Net Working Capital Deficit, *less* the Indebtedness to be Repaid, *plus* the Estimated Cash, *less* the Transaction Expenses. A draft calculation of the Estimated Payment is included hereto as Exhibit C ("**Equity Bridge**").

2.3.2 At Closing, the Buyer shall

(a) under direction from the Seller, procure that the Company pays the amounts of Indebtedness to be Repaid by wire transfer of immediately available funds in accordance with the applicable Payoff Letters, and

(b) subject to adjustment pursuant to Section 2.4, pay to the Seller the Estimated Payment by wire transfer of immediately available funds to an account or accounts designated by the Seller.

2.4 Post-Closing Adjustments.

2.4.1 Within sixty (60) days after the Closing Date, the Buyer shall deliver to the Seller a statement ("**Closing Date Statement**") setting forth a calculation of (i) the actual Net Working Capital (an aggregate number expressed, if negative, as a shortfall, or, if positive, as an excess) ("**Actual Net Working Capital**"), and (ii) the actual amount of Cash ("**Actual Cash**").

AR

2.4.2 The Closing Date Statement and the Actual Net Working Capital shall be in form and substance consistent with Exhibit A, including the calculations and methodologies set forth therein used to calculate the Target Net Working Capital and the Estimated Net Working Capital. If the Seller has any objections to the Closing Date Statement as prepared by the Buyer, the Seller shall, within thirty (30) days after the Seller's receipt thereof (the "**Notice Period**"), give written notice (the "**Notice**") to the Buyer specifying in reasonable detail such objections and the basis therefor, and calculations which the Seller has determined in good faith are necessary to eliminate such objections. If the Seller does not deliver the Notice within the Notice Period, the Buyer's determinations on the Closing Date Statement shall be final, binding and conclusive on the Seller and the Buyer. If the Seller provides a Notice within the Notice Period, the Seller and the Buyer shall negotiate in good faith during the fifteen (15) Business Day period (the "**Resolution Period**") after the date of the Buyer's receipt of the Notice to resolve any disputes regarding the Closing Date Statement. If the Seller and the Buyer are unable to resolve all such disputes within the Resolution Period, then within fifteen (15) Business Days after the expiration of the Resolution Period, all unresolved disputes shall be submitted to Ernst & Young UK or, if Ernst & Young UK is not available, another chartered accountant who is a partner of an accounting firm with an international reputation, having an office in the United Kingdom, to be appointed by The Institute of Chartered Accountants in England and Wales (the "**Reporting Accountants**"), who shall be engaged jointly by the Buyer and the Seller on the terms set out in this Section 2.4.1 and as may otherwise be agreed to provide a final, binding and conclusive resolution of all such unresolved disputes within thirty (30) Business Days after such engagement. Except if and to the extent that the Seller and the Buyer agree otherwise, the Reporting Accountants shall determine their own procedure but:

(a) apart from procedural matters and as otherwise set out in this Agreement shall determine only:

(i) whether any of the arguments for an alteration to the Closing Date Statement put forward in the Notice is correct in whole or in part and

(ii) if so, what alterations should be made to the Closing Date Statement in order to correct the relevant inaccuracy in it;

(b) they shall apply the accounting principles, policies, procedures, practices and techniques set out in Exhibit A;

(c) they shall make their determination above as soon as is reasonably practicable;

(d) the procedure of the Reporting Accountants shall:

AP

(i) give the Seller and the Buyer a reasonable opportunity to make written and oral representations to them;

(ii) require that each of the Seller and the Buyer supply the other with a copy of any written representations at the same time as they are made to the Reporting Accountants;

(iii) permit each Party to be present while oral submissions are being made by the other Party;

(e) for the avoidance of doubt, the Reporting Accountants shall not be entitled to determine the scope of their own jurisdiction.

The determination of the Reporting Accountants shall be made available to the Seller and the Buyer in writing and unless otherwise agreed by the Seller and the Buyer shall include reasons for each relevant determination. The Reporting Accountants shall act as experts and not as arbitrators and their determination of any matter falling within their jurisdiction shall be final and binding on the Seller and the Buyer save in the event of manifest error (when the relevant part of their determination shall be void and the matter shall be remitted to the Reporting Accountants for correction). In particular, their determination shall be deemed to be incorporated into the Closing Date Statement. The Buyer and the Seller shall make readily available to the Reporting Accountants all relevant books and records and any work papers (including those of the Parties' respective accountants) relating to the calculation of the Closing Date Statement and all other items reasonably requested by the Reporting Accountants and the fees and expenses of the Reporting Accountants shall be borne by the Seller (on the one hand) and the Buyer (on the other hand) in proportion to the aggregate amounts by which their proposals differed from the Reporting Accountants' final determination. In connection with the resolution of any dispute, each Party (the Seller on one hand and the Buyer on the other) shall pay its own fees and expenses, including without limitation, legal, accounting and consultant fees and expenses. Notwithstanding anything to the contrary in this Agreement, any disputes regarding amounts shown in the Closing Date Statement shall be resolved as set forth in this Section 2.4.

2.4.3 The post-Closing adjustments to the Estimated Payment shall be made as follows (any payments required pursuant to Section 2.4.3(a) through Section 2.4.3(b) ("**True-Up Payments**")):

(a) If the Estimated Net Working Capital is greater than the Actual Net Working Capital, then the Seller shall pay to the Buyer an amount equal to the difference between the Estimated Net Working Capital and the Actual Net Working Capital. If the Actual Net Working Capital is greater than the Estimated Net Working Capital, then the Buyer shall

AEL

pay to the Seller an amount equal to the difference between the Actual Net Working Capital and the Estimated Net Working Capital.

(b) If the Estimated Cash is greater than the Actual Cash, then the Seller shall pay to the Buyer an amount equal to the difference between the Estimated Cash and the Actual Cash. If the Actual Cash is greater than the Estimated Cash, then the Buyer shall pay to the Seller an amount equal to the difference between the Actual Cash and the Estimated Cash.

(c) If the net amount of all True-Up Payments is undisputed then such net amount shall be paid to the applicable recipient party within five (5) Business Days after the end of the Notice Period. If any portion of the True-Up Payments is disputed then the net amount of all True-Up Payments shall be paid to the applicable recipient party within five (5) Business Days after final resolution of such disputed amount pursuant to Section 2.4.1. All True-Up Payments shall be made by wire transfer of immediately available funds to a bank account designated by the recipient party.

3 Conditions to Closing

3.1 Conditions to the Buyer's Obligations

3.1.1 The obligation of the Buyer to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions as of the Closing Date:

(a) Warranties. The Warranties set forth in Section 4 and Section 5 shall be true and correct at and as of the Closing Date (except for those Warranties made as of a particular date, which shall be true and correct as of such date) as though then made and as though the Closing Date (or such particular date) was substituted for the date of this Agreement throughout such Warranties, except where the failure of such Warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(b) Fundamental Warranties. The Fundamental Warranties shall be true and correct at and as of the date of this Agreement and at and as of the Closing Date, with the same force and effect as if made on and as of Closing;

(c) Performance of Covenants and Agreements. The Seller shall have performed in all material respects all of the covenants and agreements required to be performed by it under this Agreement at or prior to Closing;

(d) Actions, Orders and Proceedings. No Party shall be subject to any Order which would prevent the performance of this Agreement or the transactions contemplated hereby, and

/PP

no Proceeding shall be pending or formally threatened in writing wherein an unfavorable judgment, decree or order would prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded;

(e) Closing Deliverables. The Seller shall have delivered or made available to the Buyer each of the following:

(i) a certificate of the Seller, dated the Closing Date, stating that the conditions specified in Section 3.1.1(a) and Section 3.1.1(c) have been satisfied;

(ii) all minute books, shareholder registers, ledgers and registers, if any, and other records relating to the organization, ownership and maintenance of the Company and the Subsidiaries in the Seller's possession or control, if not already located on the premises of the Company;

(iii) customary payoff letters evidencing the Indebtedness to be Repaid in form and substance reasonably satisfactory to Buyer (collectively, the "**Payoff Letters**");

(iv) resignations, effective as of the Closing Date, from all members of the board of directors and the secretary of the Company and the Subsidiaries (where appropriate);

(v) copy of the resolutions duly adopted by the Company's, the Subsidiaries' (in respect of (ii) below only) and the Seller's respective board of directors authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of all transactions contemplated hereby and thereby, including approval of the Company's board of directors of both (i) the registration of the share transfers contemplated in this Agreement subject only to their being duly stamped and (ii) the appointment of a new secretary and new members of the board (within the maximum number permitted in the Company's articles of association) as the Buyer may nominate;

(vi) a non-compete agreement, dated as of the Closing Date and in the form attached hereto as Exhibit B duly executed by the relevant entity within the Seller's Group (the "**Non-Compete Agreement**");

(vii) the Trademark License Agreement, dated as of the Closing Date, duly executed by the Company and the relevant entity within the Seller's Group;;

(viii) a Trademark Sub-License Agreement regarding the Company's use of the "DANISH" trademark, dated as of the Closing Date and in the form attached hereto

AP

as Exhibit 9.2, duly executed by the Company and the relevant entity within the Seller's Group;

(ix) documentation to the fact that the Seller's Group and the Company prior to Closing have executed the transfer of the Excluded Business from the Company to the Seller's Group;

(x) the Transition Services Agreement, dated as of the Closing Date, duly executed by the relevant entities within the Seller's Group and the Company;

(xi) a Supply Agreement, dated as of the Closing Date and in the form attached hereto as Exhibit 9.3, duly executed by the Company and the relevant entity within the Seller's Group Seller; and

(xii) the transfer of the Shares duly executed by the registered holders in favour of the Buyer or as the Buyer may direct, accompanied by the relative share certificates (or an express indemnity in a form satisfactory to the Buyer in the case of any certificate found to be missing);

(f) Competition Law Clearances. All Competition Conditions having been satisfied or waived, see Section 7.6.

If the Closing occurs, all Closing conditions set forth in this Section 3.1 which have not been fully satisfied as of Closing shall be deemed to have been fully waived by the Buyer with no further action by the Parties.

3.2 Conditions to the Seller's Obligations.

3.2.1 The obligations of the Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions as of the Closing Date:

(a) Warranties. The warranties set forth in Section 6 shall be true and correct at and as of Closing (except for those warranties made as of a particular date, which shall be true and correct as of such date) as though then made and as though the Closing Date (or such particular date) was substituted for the date of this Agreement throughout such warranties, except where the failure of such warranties to be so true and correct would not, in the aggregate, have a Material Adverse Effect on the ability of the Buyer to consummate the transactions contemplated hereby;

(b) Performance of Covenants and Agreements. The Buyer shall have performed in all material respects all the covenants and agreements required to be performed by it under this Agreement at or prior to Closing;

/K

(c) Actions and Proceedings. No Party shall be subject to any Order which would prevent the performance of this Agreement or the transactions contemplated hereby, and no Proceeding shall be pending or formally threatened in writing wherein an unfavorable judgment, decree or order would prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded; and

(d) Closing Deliverables. The Buyer shall have delivered or made available to the Seller each of the following:

(i) under direction by the Seller, pay to the payees thereof (on behalf of the Company), cash by wire transfer in immediately available funds to accounts designated in the Payoff Letters, the amount equal to the aggregate of all Indebtedness to be Repaid;

(ii) the Estimated Payment, by wire transfer of immediately available funds;

(iii) a copy of the resolutions duly adopted by the Buyer's board of directors (or its equivalent governing body) authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of all transactions contemplated hereby and thereby;

(iv) a certificate, dated as of the Closing Date, stating that the conditions specified in Section 3.2.1(a) and Section 3.2.1(b) have been satisfied;

(v) the Non-Compete Agreement, dated as of the Closing Date and in the form attached hereto as Exhibit B duly executed by the Buyer;

(vi) any such documentation which have been required by Nordea for the Buyer to take over and assume, and to entirely and irrevocably release the Seller's Group from, any and all obligations and liabilities towards Nordea regarding the Company's business in Brechin;

3.2.2 If Closing occurs, all Closing conditions set forth in this Section 3.2 which have not been fully satisfied as of Closing shall be deemed to have been fully waived by the Seller with no further action by the Parties.

4 Warranties Regarding the Company

4.1 Subject to Section 4.3, the Seller hereby warrants to the Buyer that at and as of the date of this Agreement and at and as of the Closing Date (except for those Warranties made as of a particular date, which shall deemed to be given as of such date):

RP

4.1.1 Organization, Qualification and Authority.

(a) The Company. The Company is a corporation duly formed and validly existing under the laws of England and Wales. The Company has all requisite corporate power and authority to carry on the Business and to own and use the Properties and assets presently owned and used by it. True and correct copies of the Company's certificate of incorporation and articles of association, as amended to date, have been made available to the Buyer. The Company is qualified to conduct business and is in good standing or is active, as the case may be, under the laws of each jurisdiction wherein the nature of its Business or its ownership of property requires it to be so qualified, except where the failure to be so qualified could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

(b) Subsidiaries. Other than as set out in the Disclosure Letter and subject to any ongoing liquidation or winding up proceedings, the Company does not own or hold the right to acquire any share capital, membership interest, partnership interest, joint venture interest or other equity ownership interest in any other Person.

(c) Encumbrances. The Company has not created or granted or agreed to create or grant any Encumbrance in respect of any of its – if any – uncalled share capital. There is no Encumbrance on, over or affecting any of the share capital of the Subsidiaries and there is no agreement or arrangement to give or create any such Encumbrance. No claim has been or will be made by any person to be entitled to any such Encumbrance.

(d) Compliance. The Company has at all times carried on business and conducted its affairs in all material respects in accordance with its memorandum and articles of association for the time being in force. Due compliance has been made with the Companies Act 2006 and all other legal requirements in connection with the formation of the Company, the allotment or issue or transfer of any of its shares, debentures and other securities and the payment of dividends.

4.1.2 Capitalization

(a) The Disclosure Letter sets forth (a) the authorized Shares of the Company, (b) the number of issued and outstanding shares of each class of the Company, all of which are owned by the Seller, and (c) all of the current directors and other executive officers of the Company. All of the issued and outstanding share capital of the Company has been duly authorized and are validly issued, fully paid, and nonassessable. There are no currently outstanding or authorized options, warrants, rights, contracts, rights of first refusal or first offer, calls, preemptive rights, puts, rights to subscribe, conversion rights, or other agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance, disposition, or acquisition of any of its share capital or securities convertible into or exchangeable for its share capital. There are no outstanding or authorized equity appreciation, phantom equity, or similar rights with respect to the Company. The Company is the sole legal and beneficial owner of the whole of the issued share capital of the Subsidiaries. The whole of the issued share capital of the Company have been validly allotted and issued and is fully paid or properly credited as fully paid.

4.1.3 Authorization; Valid and Binding Agreements.

The execution, delivery and performance by the Company of the Ancillary Agreements to which the Company is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action, and no other proceedings on its part are necessary to authorize the execution, delivery or performance of the Ancillary Agreements to which the Company is a party. The Ancillary Agreements to which the Company is a party have been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other Parties and Persons hereto and thereto, constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies.

4.1.4 Noncontravention; Consents.

(a) Noncontravention. Except as set forth in the Disclosure Letter, the execution and the delivery by the Company of the Ancillary Agreements to which the Company is a party, and the consummation of the transactions contemplated thereby will not (i) violate or conflict with any EU, state, local, municipal, foreign, international, multinational or other administrative statute, regulation, law, rule, ordinance, constitution or common law doctrine, to the extent the same have force of law as at the date of this Agreement (collectively, "**Laws**") applicable to the Company, (ii) violate or conflict in any way with any judgment, order, decree, stipulation, injunction, charge, award, decision, ruling, subpoena or other restriction of any Governmental Authority (collectively, "**Order**") to which the Company is subject or any provision of the Company's certificate of incorporation or articles of association, or (iii) result in a material breach of, constitute a default under (with or without notice or lapse of time, or both), result in the acceleration of, create in any party the right to accelerate, terminate or cancel, or require any notice, consent or approval under, any Contract described in Section 4.1.10(a) .

(b) Consents. Except as set forth in the Disclosure Letter and in any competition Law filings which are required , the Company is not required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or

/R

performance by it of the Ancillary Agreements to which the Company is a party or the consummation of the transactions contemplated thereby, and no consent, approval or other authorization of any Governmental Authority or any other party or Person ("**Consent**") is required to be obtained by the Seller or the Company in connection with its execution, delivery and performance of this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

4.1.5 Financial Statements, Books and Records; No Undisclosed Liabilities.

(a) The Seller has provided the Buyer with the audited financial statements of the Company for the financial years for 2015/2016, 2016/2017, and 2017/2018 (collectively the "**Financial Statements**" of which the Financial Statement for 2017/2018 shall be the "**Latest Financial Statement**"). The Financial Statements have been prepared in accordance with the Accounting Principles as applied by the Company consistent with its past practices and fairly present in all material respects the financial condition and results of operations of the Company as of the times and for the periods referred to therein and reserve or provide for Tax for which the Company was at the relevant time liable and reserve in accordance with generally accepted accounting practice for any contingent or deferred liability to Tax.

(b) The material books of account, all minute books and all shareholder registers of the Company and each of the Subsidiaries have been made available to Buyer and its representatives. Except as set forth in the Disclosure Letter, such books and records are complete and correct in all material respects and have been maintained in accordance with sound business practices, are correctly written up to date and are in the possession of the Company.

(c) To the Seller's Knowledge, the Company has no material liabilities or obligations, and to the Seller's Knowledge, no facts or circumstances exist that, to the Seller's Knowledge, would imminently cause any material liabilities or obligations, except for (i) liabilities reflected or reserved against in the Latest Financial Statement, (ii) liabilities and obligations incurred since the date of the Latest Financial Statement in the Ordinary Course of Business, (iii) liabilities and obligations incurred since the date of the Latest Financial Statement pursuant to or in connection with this Agreement or the contemplated transactions, (iv) liabilities which are disclosed in the Disclosure Letter or which are not required to be disclosed under any warranty in this Article 4 because of a materiality, amount or knowledge threshold or qualifier, or (v) liabilities and obligations, if any, set forth in the Disclosure Letter. Notwithstanding the foregoing, this Section 4.1.5(c) does not apply to any liabilities or obligations relating to Tax, compliance with Environmental Laws and/or Environmental Permits, Environmental Claims, or compliance with the Food Laws, which shall be governed exclusively by Section 4.1.7, Section 4.1.16 and Section 4.1.20, respectively.

𝒜

4.1.6 Recent Events.

(a) Except as reflected in the Latest Financial Statement or as set forth in the Disclosure Letter, or as expressly contemplated by this Agreement and/or the Ancillary Agreements and/or the fact that the Company's operations in its sites in Bromborough and Boston has been suspended/closed down, since 30 September 2018, the Company has conducted the Business only in the Ordinary Course of Business and has not:

(b) borrowed any amount or incurred or become subject to any material liabilities (other than liabilities incurred in the Ordinary Course of Business, liabilities under Contracts entered into in the Ordinary Course of Business and borrowings from financial institutions necessary to meet working capital requirements in the Ordinary Course of Business);

(c) sold, leased, transferred, assigned, abandoned or permitted to lapse any material assets, tangible or intangible, other than in the Ordinary Course of Business;

(d) authorized the issuance of, issued, sold or transferred any of its share capital, warrants, options or other rights to acquire its share capital, or any bonds or debt securities;

(e) experienced any material damage, destruction, or loss (whether or not covered by insurance) to any material assets;

(f) made or committed to make any capital expenditures outside the Ordinary Course of Business;

(g) entered into, terminated or materially modified any material Contract;

(h) adopted, entered into, terminated or made a material modification to any Company Benefit Plan;

(i) entered into any collective bargaining agreement, made any general wage or salary increase or granted any increase in excess of £30,000 in the salary of any employee of the Company or paid or committed to pay any bonus or other compensation, in each case in excess of £30,000, or any change of control, severance or employment termination payment, to any director, officer or employee, or announced or otherwise committed to any such entry, increase or payment (in each case, other than the Stay Bonuses);

(j) changed the Accounting Principles, methods or practices or made any change in its depreciation or amortization policies or rates;

AP

(k) experienced a Material Adverse Effect or any event that would reasonably be expected to have a Material Adverse Effect;

(l) declared, set aside, made, set a record date for or paid any dividend or other distribution in respect of its share capital, or otherwise split, combined, purchased or redeemed, directly or indirectly, any share capital;

(m) made or changed any Tax accounting method (unless required by Law), intentionally surrendered any right to claim a refund of Taxes (other than by allowing a statute of limitations to lapse in a situation where no specific refund has been identified), or consented to any extension or waiver of the limitation period applicable to any Tax claim or the payment of any Tax;

(n) instituted, settled or agreed to settle any material Proceeding or canceled or waived any material claims or rights;

(o) made any amendment or changes in the certificate of incorporation or articles of association of the Company;

(p) entered into, terminated, received notice of termination of (i) any material license, agency, sales representative, joint venture or similar Contract, or (ii) any employment, consulting or severance Contract with any officer, director or employee of the Company (other than in the Ordinary Course of Business);

(q) (a) acquired (by merger, consolidation, acquisition of share capital or assets or otherwise) any other Person or assets comprising substantially all the assets of any other Person, (b) disposed, transferred or leased any material property or assets, except for acquisitions or dispositions effected in the Ordinary Course of Business, (c) acquired any equity interests of any other Person or entered into any joint venture, partnership or similar arrangement, or (d) made any loans or advances to (other than to employees in the Ordinary Course of Business), or investments in, any other Person; or

(r) entered into any agreement to take any of the foregoing actions.

4.1.7 Tax Matters.

(a) Since the date of its formation, the Company has been classified as and properly treated as a limited liability company for United Kingdom Tax purposes and applicable law. Neither the Company nor Seller has taken any position on any Tax Return or in any Proceeding which is inconsistent with such classification.

/R

(b) The Company has timely filed all computations and returns required to be filed within the past six (6) years and all other material Tax Returns required to be filed by them in the past six (6) years and all such Tax Returns are true and accurate in all material respects and all Taxes required to be paid (whether or not shown as payable thereon) have been paid. The Company has withheld and timely paid over to the relevant Tax Authority all Taxes required to be so withheld and paid over in connection with amounts paid or owing to any Person and all Tax Returns required with respect thereto have been properly completed and timely filed.

(c) The Company has not, at the date of this agreement, consented to extend the time in which any Tax may be assessed or collected by any Tax Authority, which extension is in effect as of the date hereof.

(d) The Company has not requested or been granted, in each case at the date of this agreement, an extension of the time for filing any Tax Return to a date later than the Closing Date.

(e) No written claim has been made within the last six (6) years by a Tax Authority in a jurisdiction where Company does not file Tax Returns that Company is or may be subject to Taxes by that jurisdiction. There is no Encumbrance for Taxes upon any of the assets of the Company other than Permitted Encumbrances.

(f) There is no Proceeding in progress at the date of this agreement or, to the Seller's Knowledge, threatened with respect to the Company with respect to any Tax.

(g) All statements and disclosures made within the last six (6) years to any Tax Authority in connection with the Tax Statutes were when made and, to the Seller's Knowledge, remain complete and accurate in all material respects.

(h) The Company has maintained and has in its possession or under its control all records and documentation which it is required by any of the Tax Statutes to maintain.

(i) No Tax Authority has within the last six (6) years agreed to operate any special arrangement (being an arrangement which is not based on a strict application of the relevant legislation) in relation to the Company's affairs which remains in force at the date of this Agreement.

(j) The Company is not involved in any dispute with any Tax Authority and the Company has not been and, so far as the Seller is aware, is not likely to be subject to any investigation or non-routine audit or visit by any Tax Authority.

(k) The Company is not part of a group payment arrangement for corporation tax purposes.

LR

(l) In respect of every transaction or series of transactions under which the Company is an affected person within the meaning of Part 4 TIOPA and in respect of which those provisions permit HMRC to make adjustments:

(i) the terms and conditions of such transaction or series of transactions have been made on an arm's length basis; and

(ii) the Company has prepared and retained all documentation as is necessary or reasonable to identify the terms of the transactions and the methodology used in arriving at arm's length terms for the transactions.

(m) There have been no land transactions in the last six (6) years, within the meaning of section 43 FA 2003 (land transactions), to which the Company has been a party in respect of which the Company has or may have future compliance obligations.

(n) In respect of every surrender or claim for group or consortium relief pursuant to Part 5 CTA 2010 (group relief) made or received or agreed to be made or received by the Company in the six (6) years ending on the date of this Agreement a receivable (which for the accounting periods up to the period ended 30 September 2018 is set out in the Latest Financial Statement and for the accounting periods up to the period ended 30 September 2019 will be set out in the audited financial statements of the Company for the financial year for 2018/2019) remains due and relevant claims, elections and, so far as the Seller is aware, surrenders will be allowed in full and no further action is required of the Company. All such receivables which remain due will be paid to the Company in full on or prior to Closing and will be reflected in the Closing Date Statement.

(o) The Company is registered for the purposes of the VATA and has made, given, obtained and kept full, complete, correct and up-to-date records, invoices and other documents appropriate or required for those purposes and is not in arrears with any payments or returns due and has not been required by HMRC to give security under paragraph 4 Schedule 11 VATA (power to require security and production of evidence).

(p) No member of the Group has ever been treated as a member of a group under section 43 VATA (groups of companies).

(q) No member of the Group has within the last four (4) years made any supplies which are exempt from VAT of such a proportion that it is unable to claim credit for all input tax paid or suffered by it.

(r) No member of the Group is or has within the last three years agreed to become an agent for any person for the purposes of section 47 VATA (agents etc) or a VAT representative for the purposes of section 48 VATA (VAT representatives).

RP.

(s) The Company has not entered into or been a party to any schemes or arrangements designed partly or wholly for the purpose of avoiding or deferring any liability to Tax or to which Part 5 FA 2013 (general anti-abuse rule) could apply.

(t) The Company has not been a party to, or acted as a promoter of, any notifiable arrangements or notifiable proposals within the meaning of section 306 FA 2004.

(u) The Company has not been a party to any designated scheme or notifiable scheme within the meaning of Schedule 11A VATA.

(v) The Company has at all times in the last six years:

(i) properly operated the PAYE system, making deductions and payments of tax as required by law from all payments to or treated as made to employees, ex-employees, officers and ex-officers of the Company;

(ii) punctually accounted to HMRC for all such tax; and

(iii) all returns required to be made by the Company pursuant to section 684 ITEPA (PAYE regulations) and regulations made under that section have been punctually made and are accurate and complete in all respects.

(w) The Company has not granted any right over or in respect of any shares of the Company or been party to any arrangement in connection with the grant of any such right to, or in relation to, any employee or officer or former employee or officer of the Company or any other company or to, or in relation to, any person connected or related to any such employee or officer or former employee or officer of the Company or any other company.

(x) The Company has at all times in the last three years complied with section 421J ITEPA (duty to provide information).

4.1.8 Properties and Inventory.

(a) The Properties

(i) The Properties comprise all of the premises and land owned, occupied or used by the Company and all the estate, interest, right and title whatsoever of the Company in respect of any land or premises;

(ii) To the Seller's Knowledge, the Company has not at any time had vested in it any freehold or leasehold property other than the Properties in respect of which any contingent or potential liability remains with the Company or given any covenant or indemnity or entered into any agreement, deed or other document in respect of any freehold or leasehold property except as set forth in the Disclosure Letter in respect of which any contingent or potential liability remains with the Company. Environmental matters are solely covered by Section 4.1.16 and not by this Section 4.1.8(a)(ii).

(iii) The particulars of the Properties set out in the Disclosure Letter are true and accurate in all respects.

(b) Title

(i) In relation to each Property, except as set forth in the Disclosure Letter:

(ii) the Company is the legal owner of and beneficially entitled to the whole of the Property;

(iii) there are no mortgages, charges, debentures or other security interest in or over the Property;

(iv) there are no third party rights or interests, options or rights of pre-emption or first refusal affecting the Property nor is any person in the course of acquiring any such rights or interests;

(v) there are no notices or disputes between the Company and any third party which have had or may have a material adverse effect on the use of the Property for the purpose of the Business;

(vi) to the Seller's Knowledge, there are no material development works, redevelopment works or fitting-out works outstanding;

(vii) the documents of title include all licenses, and approvals required from the landlords, any superior landlords or any third party under any lease of the Property and the covenants on the part of the Company contained in such licenses, consents and approvals have been duly performed and observed;

(viii) to the Seller's Knowledge, the Company has in all material respects complied with all statutory and bylaw requirements and all regulations, rules and delegated legislation relation to the Property and its current use; and

(ix) the rent and all other sums payable under any lease of the Property has been paid on the due dates for payment and there are no rent reviews currently in progress

/Pf

and the Company and the landlord under any lease of the Property has materially observed and preformed the covenants and the conditions contained any such lease.

(c) Title to Assets. Except as set forth in the Disclosure Letter, the Company owns good title to, or holds pursuant to valid and enforceable leases (subject to proper authorization and execution of each such lease by the other party thereto and the application of bankruptcy and other laws relating to creditors' rights), all of the personal property owned or used in the Business (excluding any Intellectual Property), free and clear of all Encumbrances (except Permitted Encumbrances). The material Properties, buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of material tangible personal property of the Company are in good operating condition and repair, except for ordinary wear and tear and routine maintenance and repairs. The material Properties, buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of material tangible personal property currently owned or leased by the Company, together with all other Properties and assets of the Company, are sufficient for the continued conduct of the Company's business after Closing in substantially the same manner as currently conducted.

4.1.9 Intellectual Property.

Except as set forth in the Disclosure Letter and subject to the Trademark License Agreement and the Trademark Sub-License Agreement the Group owns free and clear of all Encumbrances, or has the right to use by operation of law or under valid and enforceable agreements, all trademarks, service marks, trade names, Internet domain names, copyrighted materials, computer programs, patent s, rights in inventions, business processes and systems, moral rights, know-how, confidential information, database rights, rights in designs (registered or otherwise), trade secrets (collectively, "**Intellectual Property**") used in the conduct of the Business and, to the Seller's Knowledge, such Intellectual Property that is owned by the Company and used in the conduct of the Business is valid and enforceable. All renewal, maintenance and prosecution fees, which have become due for payment in respect of any Intellectual Property have been paid on time and in full, except to the extent that the Company has decided to abandon such Intellectual Property. The Disclosure Letter lists all material registered Intellectual Property owned by the Company, including trademarks, all pending trademark applications, all registered copyrights, all issued patents and all pending patent applications, and all registered domain names that are owned or have been made by the Company. The Company has the right to use any domain names used as part of the Business. The Company is entitled (pursuant to a valid and binding agreement) to use all of the Intellectual Property owned by a third party for all purposes necessary to carry out its Business. Except as set forth in the Disclosure Letter, there are no pending or, to the Seller's Knowledge, threatened claims by any third party against the Company alleging that its use of any material Intellectual Property in the Business infringes upon, or otherwise misappropriates or violates, the intellectual property rights of a third party, and, to the Seller's

RP

Knowledge, there is no basis for any such claim nor has there been any such claim or threatened claim against the Company or infringement carried out by the Company in the six years prior to the Closing Date. To the Seller's Knowledge, no third party is infringing upon, misappropriating or otherwise violating any material Intellectual Property nor has there been any claim or threatened claim made by the Company or infringement by a third party of which the Company is aware in the six years prior to the Closing Date. The Disclosure Letter sets forth a list of all pending material actions issued by any Governmental Authority regarding any material trademarks or service marks used by the Company. The Company uses commercially reasonable efforts to safeguard the confidentiality of its trade secrets and of its other material confidential information and to secure ownership of any Intellectual Property developed by or on behalf of the Company by its employees or contractors.

4.1.10 Contracts.

(a) Definitions. For the purpose of this warranty 4.1.10 the following definitions shall apply.

"Contracts" means any agreement, commitment, contract, lease, license, mortgage, indenture instrument, note, obligation, promise or undertaking (whether written or oral), including all amendments thereto including those of the type set out in clauses 4.1.10(a)(i) to 4.1.10(a)(x).

"Material Contract" means any Contract to which the Company is a party or by which the Company or its assets are bound and which is material to the continued operations and business of the Company.

(i) Contracts or groups of related Contracts with the same party providing for the purchase or sale of products or services by or from the Company;

(ii) any partnership or joint venture Contract;

(iii) any Contract relating to the development, ownership, licensing or use of any Intellectual Property used in the conduct of the Business;

(iv) any Contract related to Indebtedness;

(v) any Contract containing a covenant not to compete that impairs the ability of the Company to freely conduct the Business as such business is conducted on the Closing Date in any geographic area or any line of business;

(vi) any Contract that is not of an arm's length nature or was not entered into in the Ordinary Course of Business providing for payments to or from the Company;

/PF

(vii) any power of attorney that is currently effective and outstanding except for any such that have been entered into in the Ordinary Course of Business or that is in place by way of general authority to an employee of the Company;

(viii) each written warranty, guaranty or other similar undertaking with respect to contractual performance extended by the Company other than in the Ordinary Course of Business;

(ix) equipment leases, rental or hire agreements, hire purchase agreements, conditional sale or credit sale agreements or agreements for payment on deferred terms or by way of periodical payment;

(x) each amendment, supplement, and modification (whether oral or written) in respect of any Contract of the type described in subsections (i) through (vii) of this Section 4.1.10(a); and

(xi) any outstanding binding commitment to enter into any Contract of the type described in subsections (i) through (viii) of this Section 4.1.10(a).

(b) No Breach. The Seller has made available to the Buyer a correct and complete copy of each written Material Contract (including all amendments thereto) and a summary of the material terms of each oral Material Contract. Each Material Contract is in full force and effect and is a valid and binding obligation of the Company and, to the Seller's Knowledge, the other parties thereto, and neither the Seller nor the Company has received written or, to the Seller's Knowledge, oral notice from any party to a Material Contract that such party intends either to materially adversely modify, cancel or terminate such Material Contract. The Company is not, nor, to the Seller's Knowledge, is any other applicable party, in material breach or default under any such Contract, except for any breaches, defaults, terminations, modifications or accelerations which have been cured or waived and no Material Contract is the subject of any material dispute or claim and, to the Seller's Knowledge, there are no facts, matters or circumstances which could give rise to any material dispute or claim.

(c) Products. Except as included in the Disclosure Letter, the Company has not manufactured, sold or supplied products or services which are or were or will become in any material respect faulty or defective or which do not comply in any material respect with any warranties or representations made by or on behalf of the Company or with all applicable Laws, regulations, standards and requirements.

(d) Suppliers. Except as included in the Disclosure Letter, during the 12 months preceding the date of Closing, none of the top 10 suppliers of the Company by value of all purchases made by the Company during such period has ceased to deal with the Company or has

APL

indicated in writing an intention to cease to deal with, or change the terms pursuant to which it supplies, the Company, either in whole or in part.

(e) Customers. During the 12 months preceding the date of Closing, no top 10 customer of the Company by value of all sales made by the Company during such period has ceased to deal with the Company or has indicated in writing an intention to cease to deal with the Company, either in whole or in part.

(f) IT Agreements. Subject to the Transition Services Agreement, all IT Agreements are:

(i) sufficient in scope for the past and future requirements of the Company;

(ii) valid and binding and are in full force and effect;

(iii) not determinable by virtue of the Seller having entered into this Agreement;

(iv) not and have not been subject to any breach or act or omission by the Seller or the Company which would enable any IT Agreement to be terminated or which in any way constitutes a breach of any of the terms of any IT Agreement; and

(v) not and have not been subject to any breach, claim or dispute. For the purpose of this Section 4.1.10(f), "IT Agreement" means any licenses, sub licenses, agreements, authorization and permissions whether express or implied, oral or in writing, relating to the use, enjoyment and/or exploitation of an IT system, including leasing, hire, purchase, maintenance, website hosting, data hosting, software hosting, software as a service, outsourcing, security, disaster recovery and services.

4.1.11 Litigation; Orders.

Except as set forth in the Disclosure Letter, there are no actions, suits, arbitrations, audits, hearings or other litigation (whether civil, criminal, or administrative) ("**Proceedings**") pending before any Governmental Authority or arbitrator (or settled by the Company within the past three (3) years) or, to the Seller's Knowledge, threatened against the Company, the Company's assets or Properties or any of its directors, officers, employees or agents (in their capacities as such), or seeking to prevent, hinder or delay the transactions contemplated by this Agreement, at law or in equity, (ii) neither the Company nor its assets and Properties is subject to any material Order, and (iii) to the Seller's Knowledge, there are no investigations pending or threatened against the Company involving any Governmental Authority.

4.1.12 Employees; Employment Matters.

APf

(a) As of the date hereof, no member of the Company's executive committee has given or received notice terminating his/her employment or office and no such executive committee member will be entitled to give notice as a result of this Agreement. No such notice is reasonably expected or threatened.

(b) The salaries and other benefits of all employees and workers have been fully and properly paid up to the Closing Date and there are no sums owing to any such persons other than the reimbursement of expenses, wages, benefits and other remuneration payable in the current pay period and holiday pay payable for the current year.

(c) Except as set forth in the Disclosure Letter, during the three (3) year period ending on the Closing Date: (A) there has not been (and to the Seller's Knowledge, is not now threatened) any strike, lockout, picketing, handbilling, primary or secondary boycott, work stoppage or slowdown, labor dispute, or similar labor activity, involving the Company; (B) no employees of the Company have been represented by a labor union or labor organization with respect to their employment by the Company; (C) the Company has not been a party to or negotiated any collective bargaining agreement, labor contract, or other written or oral agreement or understanding with any labor union or labor organization; (D) since January 1, 2016, the Company has not engaged in any unfair labor practice, and no claim has been filed with any court, tribunal or Governmental Authority alleging that the Company has violated any Law related to employment or termination of employment, employment policies or practices, terms and conditions of employment, compensation, pensions, labor or employee relations, equal employment opportunity, and fair employment practices, whistle-blowing, retaliation, or employee safety or health ("**Employment Laws**") nor, to the Seller's Knowledge, is any now threatened; and (E) the Company has not received any written notice that any Governmental Authority or body responsible for the enforcement of any Employment Law sought or intended to conduct any inspection, investigation, audit, or compliance review pertaining to any employees of the Company or the Company Benefit Plans.

(d) All Persons employed by the Company are employed such that the Company may terminate their employment by serving notice in accordance with Employment Laws.

(e) Except as set forth in the Disclosure Letter, the Company has complied in all material respects with all contracts of employment and applicable Employment Laws, including but not limited to any provisions thereof relating to wages, pensions, hours, withholding, immigration, termination pay, vacation pay, record keeping, fringe benefits, collective bargaining and all Taxes, insurance and all other costs and expenses applicable thereto, and the Company is not liable for any arrearage, or any Taxes, costs or penalties for failure to comply with any of the foregoing.

AP

(f) To the Seller's Knowledge, the Company has no obligation or liability to provide Pension Benefits, or to contribute or provide access to any arrangement which provides Pension Benefits, other than under the Pension Scheme.

(g) To the Seller's Knowledge, all benefits (other than lump sum benefits on death in service) payable under the Pension Scheme are money purchase benefits (as defined in sections 181 and 181B of the Pension Schemes Act 1993).

(h) In relation to any employee whose contract of employment transferred to the Company from another employer in circumstances where TUPE applied, the Company has no obligation to provide an early retirement benefit as a result of the operation of TUPE.

4.1.13 Licenses, Permits and Approvals.

(a) The Disclosure Letter lists all material licenses, authorizations, franchises, certificates, permits and approvals issued, granted or given by or under the authority of any Governmental Authority or pursuant to any Law (collectively, the "**Permits**") to which the Company or the Business is subject, which constitute the only necessary Permits for the conduct of the Business as currently conducted. The Company is, and at all times since January 1, 2016 has been, in material compliance with the terms of each such Permit.

(b) Except as set forth in the Disclosure Letter, all applications required by Governmental Authorities to have been filed at any time since January 1, 2016 on behalf of the Company for the renewal of Permits have been timely filed with the appropriate Governmental Authorities.

4.1.14 Competition

(a) To the Seller's Knowledge, neither the Company, nor any of its Subsidiaries, is or has been engaged in any agreement, arrangement, practices or conduct which would amount to a material infringement of Competition Law in any jurisdiction in which the Company or its Subsidiaries conduct business and none of their respective directors, officers or employees is or has been engaged in any activity which would be an offence or infringement under any Competition Law.

(b) To the Seller's Knowledge, neither the Company nor any of its Subsidiaries, nor any of their of their respective directors, officers or employees, is the subject of any investigation, inquiry or proceedings by any government body, agency or authority, or court in connection with any actual or alleged infringement of Competition Law in any jurisdiction in which the Company or any of its Subsidiaries conducts business.

AP

(c) To the Seller's Knowledge, no such investigation, inquiry or proceedings mentioned in paragraph 2 have been threatened or are pending and there are no circumstances likely to give rise to any such investigation, inquiry or proceedings.

(d) To the Seller's Knowledge, neither the Company nor any of its Subsidiaries is affected by any existing or pending decisions, judgments, orders or rulings of any government body, agency or authority, or court responsible for enforcing Competition Law in any jurisdiction, and have not given to such bodies any undertakings or commitments that affect the conduct of the business of the Company and its Subsidiaries.

(e) To the Seller's Knowledge, neither the Company nor any of its Subsidiaries is in receipt of any payment, guarantee, financial assistance or other aid from the government or any state body which was not, but should have been, notified to the European Commission under Article 108 of the Treaty on the Functioning of the European Union for decision declaring such aid to be compatible with the common market.

4.1.15 Insurance.

(a) The Disclosure Letter lists and briefly describes each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements and self-insurance arrangements) maintained by the Company or otherwise covering the Company or its Properties and assets. All such insurance policies are in full force and effect, and all premiums that are due and payable on such policies have been paid or accrued in the Financial Statements.

(b) Except as set forth in the Disclosure Letter,

(i) such policies are sufficient for compliance in all material respects with all Laws applicable to the Company and the Business and with requirements to maintain insurance contained in Material Contracts to which the Company is a party;

(ii) such policies do not provide for any retrospective premium adjustment or other experience-based liability on the part of the Company; neither the Seller nor the Company has received (A) any material refusal of coverage or any material notice that a defense will be afforded with reservation of rights, or (B) any notice of cancellation or any other written indication that any insurance policy is no longer in full force or effect or will not be renewed or that the issuer of any policy is not willing or able to perform its obligations thereunder; and

(c) the Company has given notice to the insurer of all claims of which it is actually aware that may be insured thereby.

NP

4.1.16 Environmental Matters.

Except as set forth in the Disclosure Letter,

(a) the Company is and has been in compliance with all applicable Environmental Laws.

(b) The Company holds and is in compliance with all Permits required under applicable Environmental Laws ("**Environmental Permits**") or necessary to carry on the Business as now conducted. All such Environmental Permits are in full force and effect any necessary renewal applications have been timely filed.

(c) There are no Environmental Claims in progress, pending or, to the Seller's Knowledge, threatened against the Company and the Seller is unaware of any circumstances that may give rise to any Environmental Claims.

(d) There has been no release or deposit of Hazardous Materials at, on, in, under or from any of the Properties or any other land which could give rise to liability under applicable Environmental Laws or an Environmental Claim against the Company.

(e) Neither the Seller nor the Company has received notice or correspondence from any Governmental Authority or any other person regarding any actual or alleged violation of applicable Environmental Laws or Environmental Permits or regarding Environmental Claims.

(f) To the Seller's Knowledge no portion of the Properties is or has been used as a landfill or for the disposal of Hazardous Materials and no underground storage tanks are or have been present on the Properties.

(g) The Warranties in this Section 4.1.16 are the sole and exclusive Warranties of the Seller concerning any environmental, health, or safety matters, including matters arising under applicable Environmental Laws or relating to any Hazardous Material.

4.1.17 Transactions with Affiliates.

Except as set forth in the Disclosure Letter and except for normal advances to employees in the Ordinary Course of Business and payment of compensation for employment to employees in the Ordinary Course of Business, the Company has not purchased, acquired or leased any property or services from, or sold, transferred or leased any property or services to, or loaned or advanced money to, or borrowed any money from or entered into or been subject to any management, consulting or similar agreement with, any officer, director, shareholder or Affiliate of the Company.

lpl

4.1.18 Compliance with Laws.

Except as set forth in the Disclosure Letter, the Company has complied in all material respects with all applicable Laws and Orders, and neither the Seller nor the Company has received any written or, to the Seller's Knowledge, oral notice from any Governmental Authority alleging any violation or breach of, or failure to be in compliance with, any applicable Law in any material respect that has not been cured or waived. All material reports, filings and returns required to be filed by or on behalf of the Company with any Governmental Authority have been filed. It is understood and agreed that this Section 4.1.18 shall not apply to matters related to Tax, employee matters, compliance with Environmental Laws, or compliance with the Food Laws, which shall be governed exclusively by Section 4.1.7, Section 4.1.12, Section 4.1.16 and Section 4.1.20, respectively.

4.1.19 Bank Accounts; Powers of Attorney

The Disclosure Letter sets forth a list of all of Company's bank accounts (including account numbers and lists of authorized signatories). There are no outstanding powers of attorney for any bank accounts executed by or on behalf of the Company, except as set forth in the Disclosure Letter.

4.1.20 Products/Regulatory.

Each product of the Company (including any product in finished goods inventory) that is manufactured, slaughtered, dressed, cut, produced, mechanically separated, processed, packaged, labeled, marketed, sold and/or distributed by the Company is manufactured, slaughtered, dressed, cut, produced, mechanically separated, processed, packaged, labeled, marketed, sold and/or distributed in compliance in all material respects with all applicable requirements under the Food Laws and to the Seller's Knowledge, there are no circumstances or facts which might require notification to the competent authorities, withdrawal of a product from the supply chain, recall of any products supplied to customers and/ or prosecution of the Company or any of its officers in respect of any offence or alleged offence under the Food Laws. The Company has not at any time within the three (3) year period prior to Closing, been subject to any material adverse inspection, finding of deficiency, finding of non-compliance, complaint, regulatory or warning letter, investigation or other compliance or enforcement action, from or by any Governmental Authority related to the Food Laws. During the three (3) year period prior to Closing, the Company has not received any written or, to the Seller's Knowledge, oral notification from any Governmental Authority alleging that any product of the Company (including any product in finished goods inventory) manufactured or sold during such period was or is adulterated, contaminated or misbranded or otherwise not compliant with Food Laws and no proceedings have been started, are, to the Seller's Knowledge, pending, or have, to the Seller's Knowledge, been threatened against the Company

/PP

in which it is claimed that any product of the Company is defective, has caused injury to any person, or in respect of any offence or alleged offence under the Food Laws.

Each of the properties operated by the Company as a meat establishment are approved by the Food Standards Agency or the local authority within the meaning of and to the extent required by applicable Food Laws and any other property operated by the Company for the purposes of food operations but other than as a meat establishment, is registered with the relevant local authority for the food operation activities carried out at each such property.

The Seller has provided to the Food Standards Agency confirmation that the Company and its establishments should be included on the list of establishments for approval by the EU to export products of animal origin in the event that the United Kingdom leaves the EU without a deal and, in connection with such notification, has also provided details of the product(s) and volume of material exported to the EU by the Business over the preceding 12 months and the number of consignments dispatched to the EU, together with confirmation of the product(s) and volume of material produced in the preceding 12 months which is not exported, as requested by the Food Standards Agency in its letter to producers of 28 November 2018.

4.2 The Company has made preparations for an event where the United Kingdom leaves the EU without a deal. Notwithstanding anything to the contrary in this Agreement, the Seller makes no warranties in respect of the existence, amount or usability of the Tax attributes of the Company for Tax periods (or portions thereof) beginning on or after the Closing Date, including net operating losses, capital loss carry forwards, state or local income Tax credits, foreign Tax credit carry forwards, asset bases, research and development credits, or depreciation periods. The Warranties set forth in Section 4.1.6(n), 4.1.7 constitute the Company's sole and exclusive Warranties with respect to Taxes. The Warranties set forth in Sections 4.1.7(e), (f), (k), (l), (n), (o), (s) and (u) shall be given solely as at the date of this agreement and shall not be repeated on the Closing Date

4.3 Seller's disclosures:

4.3.1 The Warranties given by the Seller under this Agreement are subject to any matter which is fairly disclosed in this Agreement, in the Ancillary Agreements, in the Data Room or in the Disclosure Letter in each case in sufficient detail to enable the Buyer to make a reasonable assessment of the nature and scope of that matter;

4.3.2 References in the Disclosure Letter to section or paragraph numbers shall be to the sections or paragraphs in this Agreement to which the disclosure is most likely to relate. Such references are given for convenience only and do not limit the effect of any of the disclosures, all of which are made against the Warranties given by the Seller as a whole.

PL

4.3.3 From time to time following execution of this Agreement, but in no event later than 2 weeks following the date hereof, the Seller may supplement or otherwise update the Disclosure Letter with respect to any event, circumstance or change arising after the date hereof, if the items or matters added, deleted or modified in the Disclosure Letter:

(a) would not reasonably be expected to, individually or in the aggregate, materially and adversely impact the Business and will not materially and adversely affect Seller's ability to consummate the transactions and perform its obligations contemplated herein; or

(b) occurred in the Business's Ordinary Course of Business.

4.3.4 The Disclosure Letter as so updated shall become the Disclosure Letter for all purposes of this Agreement.

5 Warranties of the Seller

5.1 Subject to Section 4.3, the Seller warrants to the Buyer that at and as of the date of this Agreement and at and as of the Closing Date:

5.1.1 Organization and Power.

The Seller is duly incorporated and validly existing under the laws of the jurisdiction of its incorporation or formation and has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to perform its obligations hereunder and thereunder.

5.1.2 Authorization; Valid and Binding Agreements.

(a) The execution, delivery and performance by Seller or a company within the Seller's Group of this Agreement and the Ancillary Agreements to which Seller or a company within the Seller's Group is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action, and no other such proceedings on its part are necessary to authorize its execution, delivery or performance of this Agreement and the Ancillary Agreements to which Seller or a company within the Seller's Group is a party.

(b) This Agreement and the Ancillary Agreements to which Seller or a company within the Seller's Group is a party have been duly executed and delivered by the Seller or a company within the Seller's Group, and assuming the due authorization, execution and delivery by the other Parties and Persons hereto and thereto, constitute legal, valid and binding obligations of the Seller or a company within the Seller's Group, enforceable against Seller or a company within the Seller's Group in accordance with their terms,

/RP

except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity effecting the availability of specific performance and other equitable remedies.

5.1.3 Noncontravention.

The execution and the delivery by Seller of this Agreement and the Ancillary Agreements to which it is a party, and the consummation of the transactions contemplated hereby and thereby will not (a) violate or conflict with any Law applicable to the Seller, (b) violate or conflict in any way with any Order to which the Seller is subject or any provision of the Seller's certificate of formation or operating agreement, or (c) result in a material breach of, constitute a default under (with or without notice or lapse of time, or both), result in the acceleration of, create in any party the right to accelerate, terminate or cancel, or require any notice, consent or approval under, any lease, sublease, license, sublicense, franchise, permit, indenture, agreement for borrowed money or other material agreement or instrument to which the Seller is a party or by which it is bound.

5.1.4 Ownership.

The Seller is the sole legal and beneficial owner of all of the Shares. On the Closing Date, the Seller shall transfer to the Buyer good title to the Shares, free and clear of all Encumbrances and other restrictions and limitations of any kind.

5.1.5 Broker's Fees.

Except as set forth on Schedule 5.5, neither the Seller nor any member of the Group has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or otherwise obligated.

5.1.6 Legal Proceedings.

There is no material Proceeding pending, or, to Seller's Knowledge, threatened, by or before any Governmental Authority, in each case against or involving Seller or its business, Properties or assets that would reasonably be expected to adversely affect the ability of Seller to consummate the transactions contemplated by this Agreement or the Ancillary Agreements to be consummated by Seller. Seller is not subject to any material Order that would affect the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements to be consummated by Seller.

/Pl

5.1.7 Sole Warranties.

The Seller shall not be deemed to have made to the Buyer any warranty other than as expressly made in Article 4 or this Article 5 or in the Ancillary Agreements and the Buyer cannot rely on any implied warranties, representations, assumptions etc.

6 Warranties of the Buyer

6.1 The Buyer warrants to the Seller that at and as of the date of this Agreement and at and as of the Closing Date:

6.1.1 Organization and Power.

The Buyer is a corporation duly incorporated and validly existing under the laws of England and Wales, with full corporate power and authority to enter into this Agreement and the Ancillary Agreements and perform its obligations hereunder and thereunder.

6.1.2 Authorization; Valid and Binding Agreements.

The execution, delivery and performance of this Agreement and the Ancillary Agreements by the Buyer and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite action, and no other proceedings on its part are necessary to authorize the execution, delivery or performance of this Agreement and the Ancillary Agreements. This Agreement and the Ancillary Agreements have been duly executed and delivered by the Buyer and assuming the due authorization, execution and delivery by the other Parties hereto and thereto constitute legal, valid and binding obligations of the Buyer, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity effecting the availability of specific performance and other equitable remedies.

6.1.3 Noncontravention; Consents.

(a) The execution and the delivery of this Agreement and the Ancillary Agreements by the Buyer, and the consummation of the transactions contemplated hereby and thereby will not (A) violate or conflict in any material way with any statute, regulation, law, rule, ordinance or common law doctrine applicable to the Buyer, (B) violate or conflict in any way with any judgment, order, decree, stipulation, injunction, charge or other restriction of any government, governmental agency or court to which the Buyer is subject or any provision of the Buyer's articles of association, or (C) result in a material breach of, constitute a default under (with or without notice or lapse of time, or both), result in the acceleration of, create in any party the right to accelerate, terminate or cancel, or require any notice, consent or approval under, any lease, sublease, license, sublicense, franchise,

/HP

permit, indenture, agreement for borrowed money or other material agreement or instrument to which the Buyer is a party or by which it is bound.

(b) Except as set out in Section 7.6, the Buyer is not required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or performance by it of this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, and no consent, approval or authorization of any governmental or regulatory authority or any other party or Person is required to be obtained by the Buyer in connection with its execution, delivery and performance of this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

6.1.4 Litigation.

There are no Proceedings pending or, to the Buyer's Knowledge, overtly threatened against or affecting the Buyer at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which would adversely affect the Buyer's performance under this Agreement or the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

6.1.5 Financing.

The Buyer shall have at Closing, sufficient cash and committed credit facilities to pay the full consideration payable to the Seller, to make all other necessary payments by it in connection with transactions contemplated in this Agreement and to pay all of the Buyer's related fees and expenses.

6.1.6 Solvency.

The Buyer is not entering into the transactions contemplated by this Agreement with the actual intent to hinder, delay or defraud either present or future creditors. Assuming that the warranties of the Seller contained in this Agreement are true and correct in all material respects, at and immediately after Closing, and after giving effect to the other transactions contemplated hereby, the Company and the Buyer (i) will be solvent (in that both the fair value of their assets will not be less than the sum of their debts and that the present fair saleable value of their assets will not be less than the amount required to pay the probable liability on their debts as they become absolute and matured); (ii) will have adequate capital and liquidity with which to engage in their businesses; and (iii) will not have incurred and does not plan to incur debts beyond their abilities to pay as they become absolute and matured.

/RP

7 Pre-Closing Covenants

7.1 Conduct of the Business.

7.1.1 Conduct of Business. From the date hereof until the Closing Date, except as expressly contemplated by this Agreement and Ancillary Agreements or as may be required by applicable Law, the Company shall conduct the Business in the Ordinary Course of Business and substantially in the same manner as previously conducted, unless the Buyer shall have consented in writing, which consent will not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Company is permitted to settle any intercompany accounts payable or receivable prior to Closing. Without limiting the generality of the first sentence of this Section 7.1.1, the Seller will (unless the Buyer shall consent in writing):

(i) cause the Company to preserve and maintain all of its Permits;

(ii) cause the Company to maintain the Properties and assets owned, operated or used by the Company in a materially similar condition as they were on the date of this Agreement, subject to reasonable wear and tear;

(iii) cause the Company to continue in full force and effect without modification all insurance policies of the Company as of the date of this Agreement, except as required by applicable law;

(iv) cause the Company to perform, in all material respects, its obligations under all Contracts relating to or affecting its assets or Business;

(v) cause the Company to comply and perform, in all material respects its obligations in respect of the Properties;

(vi) cause the Company to maintain its books and records in accordance with past practice;

(vii) use commercially reasonable efforts to preserve the current business organization of the Company,

(viii) not take any action that is solely or primarily intended to harm any relationships between the Company, on the one hand, and its officers, key employees, Top Company Customers, Top Company Suppliers and landlords of Leased Real Property, on the other hand; and

(ix) not make or change any Tax accounting method (unless required by Law), intentionally surrender any right to claim a refund of Taxes (other than by allowing a statute of limitations to lapse in a situation where no specific refund has been identified), or

/PP

consent to any extension or waiver of the limitation period applicable to any Tax claim or the payment of any Tax.

7.1.2 Prohibited Actions. From the date hereof until the Closing Date, to the extent permitted under applicable Competition Law and except as otherwise provided for by this Agreement or consented to in writing by the Buyer in its reasonable discretion, neither the Seller nor the Company shall permit or take any action that would cause any of the changes, events or conditions described in Section 4.1.6 to occur.

7.2 Access to Books and Records.

From the date hereof until the Closing Date and subject to Section 8.3 hereof, the Company shall provide the Buyer and its authorized representatives ("**Buyer's Representatives**") with access during the Company's normal business hours and upon at least forty-eight (48) hours prior notice to the offices, Properties (however, no environmental studies may be performed without the prior written consent of the Seller), senior management, books and records of the Company in order for the Buyer to have the opportunity to make such investigation as it shall reasonably desire to make of the affairs of the Company; provided, however, that the activities of the Buyer and the Buyer's Representatives shall be conducted in a manner as not to interfere unreasonably with the operation of the Business of the Company. The Parties acknowledge that they remain bound by the Confidentiality Agreement, dated 30 April 2019 (the "**Confidentiality Agreement**"). Notwithstanding anything to the contrary contained in this Agreement, Seller and the Company shall not be required to provide any information or access that the Company reasonably believes could violate applicable law, including Competition Law, data protection laws, or the terms of any confidentiality agreement, or cause forfeiture of attorney/client privilege.

7.3 Conditions.

The Seller shall use reasonable best efforts to cause the conditions set forth in Section 3.1 to be satisfied and to consummate the transactions contemplated herein. The Buyer shall use reasonable best efforts to cause the conditions set forth in Section 3.2 to be satisfied and to consummate the transactions contemplated herein.

7.4 Notification.

From the date hereof until the Closing Date, the Seller shall give written notice to the Buyer of any event or development causing any material variances from the warranties contained in Section 4 and Section 5, as applicable, promptly upon discovery thereof. Except as set out in Section 4.3.3, such disclosures shall be for informational purposes only and shall not be deemed to have amended or supplemented the Disclosure Letter, or to have qualified the warranties contained in Section 4 and Section 5, or to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the development for any purpose whatsoever.

7.5 Publicity.

From and after the date hereof, including after the Closing Date, no public release or announcement concerning the transactions contemplated hereby shall be issued by any Party or the Company without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed), except as such release or announcement may be required by law or the rules or regulations of any securities exchange, in which case the Party required to make the release or announcement shall allow the other Parties reasonable time to comment on such release or announcement in advance of such issuance; provided, however, that each of the Parties may make internal announcements to their respective employees and investor groups that are consistent with the Parties' prior public disclosures regarding the transactions contemplated hereby.

7.6 Government Approvals and Consents

Closing is conditional upon satisfaction or waiver of the following conditions precedent (the **"Competition Conditions"** and each a **"Competition Condition"**):

7.6.1 All obligatory and suspensory (pre-)notifications and filings with the Competition Authorities in connection with the transaction contemplated hereunder (the **"Merger Clearance Filings"**) having been made and each such Competition Authority, to the extent required before Completion, shall have either:

(a) given the approvals, consents or clearances required under relevant applicable Competition Law for the completion of the transaction contemplated hereunder;

(b) rendered a decision that no approval, consent or clearance is required under relevant applicable Competition Law for completion of the transaction contemplated hereunder;

(c) failed to render a decision within the applicable waiting period under relevant Competition Law applicable and such failure is considered under such Competition Law to be a grant of all requisite approvals, consents or clearances under such Competition Law; or

(d) referred the transaction contemplated hereunder or any part thereof to another competition authority in accordance with relevant applicable Competition Law and that one of the requirements listed in items (a) through (c) above has been fulfilled in respect of such other competition authority;

/PP

7.6.2 The CMA:

(a) on the date on which all other conditions to Closing in Section 3 have been satisfied (or waived, if capable of being waived), not having commenced an investigation in relation to the transaction contemplated hereunder or any matters arising therefrom pursuant to Part 3 EA 2002 (**"Review"**) and not having made any communication to either Party indicating that the CMA is considering commencing a Review; or

(b) the CMA confirming in terms satisfactory to the Buyer that, following consideration of the transaction contemplated hereunder or any matters arising therefrom by the CMA's mergers intelligence committee, the CMA has no further questions and is not minded to commence a Review; or

(c) indicating to the Buyer that the CMA has unconditionally decided not to refer the transaction contemplated hereunder, or any part of it, under section 33 EA (**"Unconditional Phase 1 Clearance Decision"**) and the period for an application for a judicial review of the Unconditional Phase 1 Clearance Decision having expired without any such application being made; or

(d) indicating to the Buyer that it accepts undertakings in lieu offered by the Buyer in accordance with sections 73 and 73A EA 2002 (**"Conditional Phase 1 Clearance Decision"**) and the period for an application for a judicial review of the Conditional Phase 1 Clearance Decision having expired without any such application being made; or

(e) having failed to decide, within the period provided for under sections 34ZA, 34ZB and 34ZC EA 2002, whether or not the CMA has a duty to refer the transaction contemplated hereunder for an investigation by a CMA Phase 2 inquiry group under sections 38 and 41 EA 2002 (**"CMA Phase 2 Investigation"**) so that section 33(3)(za) EA 2002 applies and the period for an application for a judicial review of the CMA's failure to make such decision having also expired without any such application being made; or

(f) where the transaction contemplated hereunder or any part of it has been referred for a CMA Phase 2 Investigation, deciding either:

(i) that the transaction contemplated hereunder or the part which is subject to a CMA Phase 2 Investigation may proceed unconditionally (**"Unconditional Phase 2 Clearance Decision"**) and the period for an application for a judicial review of the Unconditional Phase 2 Clearance Decision having expired without any such application being made; or

(ii) to accept undertakings pursuant to section 82 EA or to make an order(s) pursuant to section 84 EA (**"Phase 2 Remedies"**) (**"Phase 2 Remedies Decision"**), on

/PF

terms satisfactory to the Buyer in its discretion, and, in either event, the period for an application for a judicial review of the Phase 2 Remedies Decision having expired without any such application being made.

7.6.3 The Buyer shall use reasonable endeavors to ensure the satisfaction of clause 7.6. For the avoidance of doubt, nothing in this Agreement shall be construed as requiring the Buyer to submit or otherwise offer to a Competition Authority and/or the CMA any remedy, commitment or undertaking in lieu, or to Close the transaction in circumstances where any Competition Authority has decided to impose any remedy or commitment, which shall be at the Buyer's sole discretion.

7.6.4 The Buyer shall, as promptly as reasonably possible after the date hereof, submit any initial filing or submission to be made with any Competition Authority.

7.6.5 The Buyer shall submit any Submissions, notification(s), responses to enquiries or supporting evidence required to satisfy any investigation by a Competition Authority and/or the CMA and shall:

(a) provide the Seller with a reasonable opportunity to comment on drafts of any notifications, submissions or other material documentation prior to its submission to a Competition Authority and/or the CMA (it being acknowledged that certain such drafts and/or documents may be shared on a confidential outside Counsel to Counsel basis only) and to take account of any reasonable comments received from the Seller within a reasonable time;

(b) respond as soon as reasonably practicable to all inquiries received from a Competition Authority and/or the CMA for additional information or documentation and to supplement such submissions or filings as reasonably requested by a Competition Authority and/or the CMA; and

(c) make the Seller aware of any meetings with a Competition Authority and/or the CMA, and, subject to any requirements to protect confidential information or any CMA requirements, allow one or more representatives of the Seller to attend such meetings

7.6.6 The Seller shall, to the extent permitted by law, co-operate with the Buyer in good faith and use all reasonable endeavours to assist the Buyer in any Competition Authority and/or CMA investigation (subject to appropriate protection in respect of confidential information) as follows:

(a) the provision of information, the communication of documents and the submission of arguments in good time for the purpose of making any submissions, notifications, filings to or other communication with a Competition Authority and/or the CMA;

/R

(b) assistance with any preparatory steps in advance of initiating any discussions with or responding to any requests from a Competition Authority and/or the CMA;

(c) keeping the Buyer fully informed of any material written or oral contact that the Seller may have with a Competition Authority and/or the CMA in connection with such Competition Authority and/or the CMA investigation and notify the Buyer in advance of any submission, response or other communication which the Seller proposes to make or submit to a Competition Authority and/or the CMA and take due consideration of any comments which the Buyer may have in relation to any such notification, submission, communication or response to a request for information prior to making the relevant notification, submission or response.

8 Covenants of the Buyer

8.1 Access to Books and Records.

From and after Closing, the Buyer shall, and shall cause the Company to, provide the Seller and its authorized representatives with reasonable access (for the purpose of examining and copying), during normal business hours, to the books and records of the Company with respect to periods prior to and including the Closing Date in connection with any matter whether or not relating to or arising out of this Agreement or the transactions contemplated hereby. Unless otherwise consented to in writing by the Seller, the Buyer shall not permit the Company, for a period of seven (7) years following the Closing Date, to destroy, alter or otherwise dispose of any books and records of the Company, or any portions thereof, relating to periods prior to and including the Closing Date without first giving reasonable prior written notice to the Seller and offering to surrender to the Seller such books and records of such portions thereof.

8.2 Director and Officer Liability and Indemnification.

(a) For a period of six (6) years after Closing, to the extent possible, the Buyer shall, and shall cause the Company to, cause the articles of association of the Company to contain provisions no less favorable with respect to the limitation or elimination of liability and indemnification for directors and officers than are set forth therein as of the date of this Agreement.

(b) Prior to Closing, the Seller shall, or shall cause the Company to, obtain a "tail" insurance policy with a claims period of six (6) years from the Closing Date with respect to officer liability insurance which insurance shall provide coverage for the individuals who were officers and directors of the Company prior to Closing comparable to the policy or policies maintained by the Company immediately prior to the date of this Agreement for the benefit of such individuals. The cost of such "tail" policy shall be paid by the Buyer and, for the avoidance of doubt, shall not be a Transaction Expense.

8.3 Contact with Employees, Customers and Suppliers.

Prior to Closing, the Buyer and the Buyer's Representatives shall contact and communicate with the employees, customers and suppliers of the Company in connection with the transactions contemplated hereby only with the prior written consent of the Seller upon conditions acceptable to the Seller in its sole and reasonable discretion.

9 Additional Covenants and Agreements

9.1 The Buyer acknowledges that it has conducted an independent investigation of the Company, including by conducting site visits to certain Properties, by having access to information contained in the Data Room and by having access to the executive management of Danish Crown A/S. The Seller gives no representation or warranty and accepts no liability whatsoever in respect of any matter which is, or may amount to, an opinion, budget, forecast, estimate, assessment or projection as to the future operation or profitability of the Group nor does the Seller give any representation or warranty about any opinion, budget, forecast, estimate, assessment or projection with regard to any information provided to the Buyer.

9.2 Voting and control of the Shares

9.2.1 The Seller undertakes that, immediately following Closing until such time as the transfers of the Shares have been registered in the register of members of the Company, the Seller will:

(a) hold those Shares registered in his name on trust for and as nominee for the Buyer; and

(b) hold all dividends and distributions and exercise all voting rights available in respect of the Shares in accordance with the directions of the Buyer.

9.2.2 If the Seller is in breach of the undertakings contained in this clause the Seller irrevocably authorises the Buyer to appoint some person to execute all instruments or proxies (including consents to short notice) or other documents which the Buyer may reasonably require and which may be necessary to enable the Buyer to attend and vote at general meetings or to pass written resolutions of the Company and to do anything necessary to give effect to the rights contained in clause 9.2.

9.2.3 At any time after Closing, the Seller shall, at its own expense, sign and execute (and shall use their reasonable endeavours to procure that any necessary third party shall sign and execute) all such documents and do all such acts and things as the Buyer may reasonably require for effectively vesting the legal and beneficial title in the Shares in the Buyer.

IRf

9.3 Trademarks

9.3.1 The trademark "Tulip", in any form, including any figurative and word formats, and whether registered or unregistered, is and will remain owned by the Seller or its Affiliates following Closing. As part of the transaction contemplated by this Agreement, the Company and the Seller will enter into the Trademark License Agreement regarding the Company's continued use of the "Tulip" trademark, in the form as set out in Exhibit 9.3.1, which is however subject to finalization of Schedules A ("Trademarks") and B ("List of products within the Licensed Purpose"), to be agreed between the Parties acting reasonably, no later than 14 days after the date of this Agreement. Irrespective of the trademark license given to the Company under the Trademark License Agreement, the Company shall, and the Buyer shall ensure that the Company will, cease using the word "Tulip" or any name which is confusingly similar to the name "Tulip" as part of its company name (including by way of formal registration of a new name) as soon as possible and in any event no later than 12 months following the Closing Date. The Buyer shall provide the Seller with sufficient documentation of the change of name within the deadline set out.

9.3.2 With respect to the trademark "DANISH", which is also used by the Company and which is owned by Svineslagteriernes Varemærkeselskab ApS, a company registered under the Laws of Denmark, and of which the Seller owns 92 %, and which trademark the Seller is a non-exclusive licensee of, the Company and the Seller will enter into a Trademark Sub-License Agreement in the form as set out in Exhibit 9.2 regarding the Company's continued use of the "DANISH" trademark. The Buyer is aware that the Sub-License Agreement and the Company's continued use of the "DANISH" trademark is subject and restricted to the Company's purchase of raw material products from the Seller or its Affiliates and its sale of such products.

9.3.3 The Buyer shall procure that:

(a) from Closing, the Company shall cease use of the trademarks "Tulip" and "DANISH" other than as permitted under the Trademark License Agreement and the Trademark Sub-License Agreement;

(b) the Company and the Buyer shall not, at any time following Closing, hold itself out as having any current affiliation with any member of the Seller's Group, except that they may make accurate statements in relation to the licenses granted under the Trademark License Agreement and the Trademark Sub-License Agreement.

9.4 Transition Services Agreement

The Seller and/or its Affiliates will for a fixed period following Closing be obliged to provide certain IT related services to the Company as well as other services, which have previously

Ml

been provided by the Seller or its Affiliates to the Company ("**Separation Issues Services**"). The scope of the Separation Issues Services to be provided to the Company following Closing shall be agreed between the Parties in the period between the date hereof and Closing and shall be governed by and be subject to the terms and conditions of the Transition Services Agreement.

9.5 Supply Agreement

The Company and the relevant entity within the Seller's Group will at Closing enter into a Raw Material Supply Agreement regarding sale of UK approved raw material from the Seller or its Affiliates to the Company following Closing in the form as set out in Exhibit 9.5, which is however subject to finalization of Appendix 1 ("Product Specifications") and Appendix 3 ("Minimum applicable package sizes, lead times etc."), to be agreed between the Parties acting reasonably, no later than 14 days after the date of this Agreement.

9.6 Tax Matters.

The following provisions shall govern the allocation of responsibility as between Buyer and Seller for certain Tax matters following Closing:

(a) Tax Indemnification. From and after Closing, Seller shall be liable for and covenants to pay to the Buyer an amount equal to any liability for:

(i) all Taxes (including the non-payment thereof) of the Company for all Pre-Closing Tax Periods (whenever those Taxes are assessed);

(ii) all Taxes (including the non-payment thereof) of the Company attributable to a Pre-Closing Straddle Period pursuant to 9.6(c) hereof (whenever those Taxes are assessed);

(iii) all Taxes (including the non-payment thereof) of any Person which are imposed on the Company under secondary liability legislation or for which the Company may otherwise be liable as a result of the Company having been a member of an affiliated, consolidated, combined or unitary or other group with the Seller or any Relevant Person for any Tax purposes prior to Closing (including as a result of the Seller or any Relevant Person failing to pay Tax due to be paid by them at any time);

(iv) the payment by the Company of any amounts of the type and for the periods described in clause (i) and (ii) above and (v) below as a result of any obligation to indemnify or otherwise assume or succeed to the liability of any other Person as a result of an agreement, indemnity, covenant, guarantee or charge entered into prior to Closing (excluding for purposes of this clause (iv) pursuant to agreements

/PP

entered into in the Ordinary Course of Business the primary purpose of which is not related to Taxes, such as leases, licenses or credit agreements);

(v) all Taxes or payments in respect of Taxes (including the non-payment thereof) which have arisen or which arise whether before, on or after Closing, in respect of or as a result of any Event occurring on or before Closing;

(vi) the value of any Effective Tax Liability;

(vii) any liability of the Company to repay in whole or in part any payment received or receivable by the Company (including, but not limited to the GR Receivables), or a liability of the Company to make any payment for the surrender of Group Relief, in each case pursuant to any arrangement or agreement entered into by the Company on or before Closing in respect of a surrender of Group Relief;

(viii) all Taxes (including the non-payment thereof) in respect of the Excluded Business and/or all Taxes (including the non-payment thereof) of the Company which arise as a result of or in connection with the transfer of the Excluded Business to the Seller's Group; and

(ix) any reasonable costs or expenses properly incurred by the Buyer or the Company:

(i) in respect of the matters listed in this Section 9.6 for which the Seller is liable;

(ii) in connection with any Tax Contest for which the Seller is liable; or

(iii) in successfully taking or defending any action under Section 4.1.7 and this Section 9.6.

(b) Limits on Indemnification. The Seller shall not be liable under the covenant contained in Section 9.6(a) and the Buyer shall have no claim against the Seller under Section 9.6(a) and/or under Section 4.1.7 if, but only to the extent that:

(i) provision, allowance or reserve for the liability in question is made or reflected in the Closing Date Statement;

(ii) that liability was paid or discharged on or before Closing and the payment or discharge of that liability has been taken into account in the Closing Date Statement;

AP

(iii) the income, profits or gains to which the liability in question is attributable were actually earned or received by or actually accrued to the Company, but were not reflected in the Closing Date Statement (and should have been so reflected) and the income, profits or gains were retained by the Company at Closing;

(iv) the liability in question arises as a result of a voluntary act of the Buyer (at any time) or the Company (after Closing and in each case outside the ordinary course of business of the Company) which the Buyer or the Company knew or ought reasonably to have known would give rise to that liability other than any of the following:

(a) an act carried out pursuant to a legally binding obligation of the Company entered into on or before Closing (including pursuant to this Agreement);

(b) an act which the Company was required to do by any Tax Statutes (whether relating to Tax or otherwise) or pursuant to an obligation imposed by any law or any regulation or requirement having the force of law;

(d) any act taking place with the written consent of the Seller or pursuant to this Agreement or any document executed pursuant to this Agreement; or

(e) consisting of the lodging of a document for stamping with HMRC (or other equivalent Tax Authority outside the United Kingdom) or the bringing into the United Kingdom of any document executed prior to Completion outside the United Kingdom;

(v) the liability in question arises or is increased solely as a result of the failure of the Buyer to comply with the provisions of Section 9.6(d), 9.6(e), or 9.6(f);

(vi) the liability in question arises or is increased as a result of or is attributable to:-

(a) the passing or coming into force of, or any change in, any Tax Statute or other law, rule, treaty, regulation or directive; or

(b) any increase in the rates of Tax or any imposition of Tax,

in each case occurring after Closing;

(vii) the liability in question arises or is increased as a result of, or is otherwise attributable to, any changes made after Closing in the accounting policies or practices or any Tax reporting practice or the length of any accounting period for Tax purposes of the Company (except where such change was necessary in order to comply with any applicable legal, regulatory, financial reporting, accounting or other requirement in force before Closing);

(viii) any Relief other than a Buyer's Relief

(a) is available and can be used unrestricted (at no cost to the Buyer or the Company) so as to reduce or eliminate the liability in question; or

(b) would have been so available had it not been used after Closing so as to reduce or eliminate a liability for Tax for which the Seller is not liable under this Agreement,

and for these purposes it shall be assumed that the Company makes or has made all such claims and elections as are or would be required for the Relief to reduce or eliminate the liability in question;

(ix) the liability in question is in respect of any interest and penalties and such interest and penalties are attributable to unreasonable delay by the Buyer or the Company in paying over to any Tax Authority any payment made by the Seller under this Section 9.6;

(x) the liability in question is in respect of the existence, amount or usability of the Tax attributes of the Company for Tax periods (or portions thereof) beginning on or after the Closing Date, such Tax attributes being net operating losses, capital loss carry forwards, state or local income Tax credits, foreign Tax credit carry forwards, asset bases, research and development credits, or depreciation periods in each case to the extent not taken into account in the Closing Date Statement as assets;

(xi) the Buyer has recovered an amount from the Seller under another provision of this Agreement in respect of the same liability; or

(xii) the liability has been made good by insurers or otherwise compensated for without cost to the Buyer or the Company.

(c) Straddle Period. In the case of any taxable period of the Company that includes (but does not begin or end on) the Closing Date (a "**Straddle Period**"), the portion of Taxes for which the Company is liable in respect of any Straddle Period shall be apportioned between the part of the Straddle Period that begins before the Closing Date and ends on and includes the Closing Date (the "**Pre-Closing Straddle Period**") and the part of the Straddle Period that begins the day after the Closing Date and ends at the end of the Straddle Period. The portion of such Taxes attributable to the Pre-Closing Straddle Period shall (i) in the case of, value-added taxes, employment taxes, withholding taxes and any other Tax based on or measured by income (including Corporation Taxes), profits, payroll or receipts of the Company shall be determined based on an interim closing of the books as if the Straddle Period ended on and included the Closing Date; and (ii) in the case of any other Taxes of the Company for a Straddle Period shall be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction the numerator of which is the number of days in the Pre-Closing Straddle Period and the denominator of which is the number of days in the Straddle Period.

(d) Responsibility for Filing Tax Returns.

(i) The Seller at the Company's expense shall prepare all Corporation Tax Returns for the Company for each Pre-Closing Tax Period that are due (including applicable extensions) after the Closing Date (the "**Pre-Closing Tax Returns**"). All Pre-Closing Tax Returns shall be prepared in accordance with applicable law and in a manner consistent with the prior practice of the Company (including, without limitation, accounting methods or conventions made or utilized by the Company) to the extent in compliance with applicable law and generally accepted accounting practice. Seller shall present the prepared Pre-Closing Tax Returns to the Company to review and submit to the relevant Tax Authority no later than 30 Business Days prior to the due date for submission and the Buyer shall be entitled to make reasonable comments on each Pre-Closing Tax Return and to the extent such reasonable comments are accepted by the Seller (the Seller having had a reasonable amount of time to review such comments and the Seller acting reasonably and not unreasonably withholding or delaying such acceptance) the Company shall make revisions to such Pre-Closing Tax Return to reflect such comments prior to filing with the relevant Tax Authority.

(ii) Buyer shall prepare and file or cause to be prepared and filed all Tax Returns relating to the Straddle Period ("**Straddle Period Return**") for the Company. All Straddle Period Returns shall be prepared in accordance with the applicable law. Buyer shall permit Seller to review and comment (such comments not to be unreasonably withheld or delayed) on each such Straddle Period Return at least 30 days prior to filing such Straddle Period Return and, insofar as relevant to any amount for which the Seller may be liable under this agreement, shall make such revisions to such Straddle Period Return as are reasonably requested by Seller.

(iii) The Buyer shall be under no obligation to procure the authorisation, signing or submission to a Tax Authority of any Pre-Closing Tax Return or Straddle Period Return which it considers in its reasonable opinion to be false, misleading or inaccurate in any way (other than in respect of clerical or other immaterial matters).

(iv) The Buyer shall procure that the Seller is afforded such access (including the taking of copies) to the books, accounts and records of the Company and such other assistance as the Seller reasonably requires to enable the Seller to discharge its obligations under this Section.

(v) Surrender of Group Relief. The Buyer shall procure that the Company shall as soon as reasonably practicable following the written request of the Seller and to the extent permitted by law make any provisional or final claims to either i) surrender to the Seller or any Affiliate of the Seller (as the Seller may request) any Group Relief eligible for surrender or capable of being surrendered in accordance with any legislation or treaty relating to Tax and/or ii) enter into any Group Relief election so as to transfer gains from the Seller or any Affiliate of the Seller to the Company, in each case in respect of any Pre-Closing Tax Period (provided always that this paragraph shall not apply to a Buyer's Relief). The Buyer shall not be obliged to procure any such claim in respect of the Straddle Period or any period which is not a Pre-Closing Tax Period. In consideration for any claim made in respect of Group Relief (and as a condition of the same), the Seller shall pay (or shall procure that the relevant Affiliate of the Seller pays) to the Company an amount equal to the amount so surrendered, claimed, transferred or reallocated multiplied by the prevailing UK corporation tax rate in respect of the relevant Pre-Closing Tax Period. The Buyer and Seller shall ensure that the Tax Returns of the Company shall be consistent with such surrenders and/or claims to the extent permitted by law.

(vi) Any dispute between the Parties relating to the preparation of Tax Returns pursuant to this Section 9.6(d)(v) shall be resolved by the Reporting Accountants in accordance with the provisions of Section 2.4.1.

(vii) The Seller shall procure that the Reporting Company allocates to the Company (and not the Subsidiaries), up to 100% of any Disallowance attributable to the Seller's Interest Restriction Group, in respect of any Pre-Closing Tax Period and/or the Pre-Closing Straddle Period.

(viii) Notwithstanding Section 9.6(d)(vii) above, if a Disallowance attributable to the Seller's Interest Restriction Group in respect of any Pre-Closing Tax Period and/or the Pre-Closing Straddle Period is allocated to or otherwise suffered by the Company (not the Subsidiaries), the Seller shall not be obliged to pay to the Purchaser any amount in respect of Taxation attributable to the Disallowance.

(e) Tax Proceedings.

(i) Buyer shall deliver a written notice to the Seller promptly, but in any event within ten (10) Business Days, following the commencement of any action or Event with

APP

respect to Taxes of the Company for which the Seller may be liable under Section 9.6(a) or 4.1.7 ("**Tax Contest**") and shall describe in reasonable detail (to the extent known by Buyer) the facts constituting the basis for such Tax Contest, the nature of the relief sought, and the amount of the claimed losses (including Taxes), if any (the "**Tax Claim Notice**"); provided, however, that the failure or delay to so notify the Seller shall not relieve the Seller of any obligation or liability that the Seller may have to Buyer.

(ii) Provided the Seller agrees to indemnify the Buyer for its reasonable costs properly incurred, the Buyer shall (A) take such action and give such information and assistance as the Seller or the Seller's professional advisers may reasonably request to resist, appeal or compromise any Tax Contest, (B) keep the Seller informed of all developments and events relating to any Tax Contest (including promptly forwarding copies to the Seller of any related correspondence and shall provide the Seller with an opportunity to review and comment on any material correspondence before Buyer sends such correspondence to any taxing authority), (C) consult with the Seller in connection with the defense or prosecution of any Tax Contest and not send any correspondence to a Tax Authority in connection with the Tax Contest or settle or otherwise compromise any Tax Contest, without the prior written consent of the Seller (such consent not to be unreasonably withheld or delayed), and (D) provide such cooperation and information as the Seller shall reasonably request, and the Seller shall have the right, at its own cost and expense, to participate in and give instructions in relation to the defense of any Tax Contest (including participating in any discussions with the applicable taxing authorities regarding any Tax Contests provided always that such participation shall not be in the name of the Company).

(iii) The Company and the Buyer shall not be obliged to comply with any request of the Seller which involves appealing any Tax Contest before any court, tribunal or other appellate body (other than a Tax Authority) unless the Seller obtains (at its cost and expense) the written opinion of Tax counsel of at least five years' call that such contest will, on the balance of probabilities, be successful.

(iv) If within twenty one (21) days of service of the notice under Section 9.6(e)(i) the Seller fails to notify the Buyer in writing of its intention to resist the Tax Contest or fails within that period to give the indemnity therein referred to the Buyer shall be free to procure that the Company takes the action as it may in its absolute discretion think fit and without prejudice to its rights and remedies under this section or otherwise.

(v) This Section 9.6(e) shall not apply if a Tax Authority alleges that the Seller or the Company (before Completion) or anyone connected with them has committed acts

/PP

or omissions which constitute or are alleged to constitute fraud or wilful default and the Buyer shall be free to procure that the Company takes the action that it may in its absolute discretion think fit.

(vi) Notwithstanding anything to the contrary contained in this Agreement, the procedures for all Tax Contests shall be governed exclusively by this Section 9.6(e) (and not Section 11.4) and neither the Seller or its advisers shall have the right to be delegated conduct of any Tax Contest nor, without the prior written consent of the Buyer, to correspond directly with any Tax Authority in respect of the same.

(f) Cooperation on Tax Matters. Each Party shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, investigation, appeal or other Proceeding with respect to Taxes. Such cooperation shall include the retention and, upon the other Party's reasonable request, the provision of records and information that are reasonably relevant to any such audit, investigation, appeal or other Proceeding and making employees available during normal business hours and on a mutually convenient basis to provide additional information, testimony and explanation of any material provided hereunder.

(g) Post Closing Actions. None of Buyer, the Company or any of their respective Affiliates shall amend any previously filed Tax Returns for a Pre Closing Tax Period, initiate discussions or examinations with any Tax Authority regarding Taxes with respect to any Pre Closing Tax Period or make any voluntary disclosures with respect to Taxes for Pre Closing Tax Periods which in each case might reasonably be expected to give rise to a liability of the Seller under Section 9.6 or Section 4.1.7 (disregarding the limit on indemnification at Section 9.6(b)(iv)) without having given prior written notice to the Seller reasonably in advance of taking such action.

(h) Refunds and Overprovisions, etc.

(i) If before the seventh anniversary of Closing the Auditors certify (at the request and expense of the Seller) that there has been an Overprovision then the amount of that Overprovision (the "**Relevant Amount**") shall be dealt with in accordance with paragraph (iii) provided that no account shall be taken of any Overprovision to the extent that it arises as a consequence of the utilisation of any Buyer's Relief or any change in law after Closing or any action taken by the Company after Closing.

(ii) If before the seventh anniversary of Closing the Auditors certify (at the request and expense of the Seller) that any liability for Tax which has resulted in a payment having been made by the Seller under Section 9.6 or Section 4.1.7 has given rise to a Relief for the Company (including any interest received from a Tax Authority, but excluding any Buyer's Relief) which would not otherwise have arisen, then the

/AP

amount by which a Tax liability of the Company for which the Sellers could not be liable under this agreement is reduced as a result of the use of such Relief (less any Corporation Taxes of the Buyer or Company attributable to any refund of Tax, if any, and less any reasonable costs incurred (excluding recoverable VAT) in connection with obtaining such Relief) (the amount of Tax so saved being a "**Relevant Amount**") shall be dealt with in accordance with paragraph (iii) (save to the extent that it has already been taken into account in determining the amount of any liability under Section Section 9.6 or Section 4.1.7.

(iii) Where it is certified under paragraph (i) or (ii) that a Relevant Amount has arisen the Relevant Amount is to be dealt with in accordance with this paragraph (iii):

(a) the Relevant Amount shall first be set off against any payment then due from the Seller under Section 9.6 and Section 4.1.7;

(b) to the extent that there is an excess of the Relevant Amount, a refund shall be made to the Seller of any previous payment or payments made by the Seller under Section 9.6(a) or Section 4.1.7 and not previously refunded to the Seller up to the amount of any excess; and

(c) to the extent that the excess referred to in paragraph (iii)(b) is not exhausted under that paragraph, the remainder of the excess shall be carried forward and set off against any future payment or payments which become due from the Seller under Section 9.6 or Section 4.1.7.

(iv) Where any certification as is mentioned in paragraph (i) or (ii) has been made, the Seller or the Buyer or the Company may request that the Auditors of the Company review (at the expense of the party so requesting) the certification in the light of all relevant circumstances, including any facts which have become known only since the certification, and to certify whether the certification remains correct or whether in the light of those circumstances the amount which was the subject of the certification should be amended.

(v) If the Auditors certify under paragraph (iv) that an amount previously certified should be amended, the amended amount shall be substituted for the purposes of paragraph (iii) as the Relevant Amount in respect of the certification in question in place of the amount originally certified, and the adjusting payment (if any) as may be required by virtue of the above-mentioned substitution shall be made as soon as practicable by the Seller or (as the case may be) to the Seller.

APh

(i) No party hereto nor any Affiliate thereof shall make an election under Section 336 or Section 338 of the Code or any similar provision of foreign, state or local law in respect of the transactions contemplated by this Agreement.

(j) Transfer Taxes. All transfer, documentary, sales, use, excise, stamp, registration, filing, recordation valued added, and other similar taxes and fees, that may be imposed or assessed on the Buyer (but not on the Company) as a result of the transaction contemplated by this Agreement, together with any interest, additions or penalties with respect thereto (collectively, "**Transfer Taxes**"), will be paid by Buyer when due. Any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared by the party primarily or customarily responsible under applicable law for filing such Tax Returns. Buyer and Seller shall cooperate in the timely completion and filing of all such Tax Returns. Buyer shall promptly pay all Transfer Taxes for which they are responsible. Any Transfer Taxes resulting from any subsequent increase in the Consideration paid for the Shares under this Agreement shall be borne in accordance with the provisions of this Section 9.6(j).

(k) VAT. Where under the terms of this Agreement one party is liable to indemnify or reimburse another party in respect of costs, charges or expenses, the payment shall exclude an amount equal to any VAT thereon recoverable by the other party or the representative member of any VAT group of which it forms part.

(l) Any payments under this Agreement made after Closing, including, without limitation, any payments under Section 2.4, this Section 9.6 or Section 11.2, shall, to the extent permitted under applicable law, be treated by all Parties for all Tax purposes as an adjustment to the Consideration paid for the Shares insofar as is permissible by law.

(m) All payments made under this agreement (other than a payment of consideration for the purchase of the Shares or the procurement of any repayment of debt pursuant to section 2) made by one party (the "**Payor**") to another party (the "**Payee**") shall be made on an after Tax basis and if any payment (other than a payment for interest) is subject to any deduction or withholding and/or is subject to Tax in the hands of the Payee the Payor shall pay to the Payee such additional amount as shall ensure that the Payee receives the same amount which it would have received had there been no Tax charge (whether by way of deduction, withholding or otherwise).

(n) Where a payment is made by the Payor and such payment is subject to a deduction or withholding for or on account of Tax, the Payee shall take such measures as are reasonable to claim from the appropriate Tax Authority any exemption, rate reduction, refund, credit or similar benefit (including pursuant to any relevant double tax treaty) to which it is entitled in respect of any deduction or withholding in respect of which a payment has been or would otherwise be required to be made. If the Payee obtains a

APP

refund of or obtains and utilises a credit for any Tax payable by it or similar benefit by reason of any deduction or withholding for or on account of Tax then it shall reimburse to the Payor such part of such additional amounts paid to it as will leave it (after such reimbursement) in no better and no worse position than it would have been arisen if the Payor had not been required to make such deduction or withholding.

9.7 Additional Documents and Instruments. From time to time, as and when requested by any Party hereto and at such Party's expense, any other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as the requesting Party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated by this Agreement.

9.8 Parent Company Guarantees.

9.8.1 By its signature hereto, Danish Crown hereby unconditionally and irrevocably guarantees the due and timely performance by Seller of all its obligations under or arising out of or in connection with this Agreement.

9.8.2 By its signature hereto, Pilgrims Pride Corporation hereby unconditionally and irrevocably guarantees the due and timely performance by the Buyer of all its obligations under or arising out of or in connection with this Agreement.

10 Termination

10.1 Termination.

This Agreement may be terminated at any time prior to Closing:

(a) by the mutual written consent of the Buyer and the Seller;

(b) by the Buyer, if there has been a violation or breach by the Seller of any covenant or warranty contained in this Agreement which has had a Material Adverse Effect and such violation or breach has not been waived by the Buyer or, in the case of a covenant breach, cured by the Company or the Seller (as the case may be) within fifteen (15) days after written notice thereof from the Buyer;

(c) by the Seller, if there has been a violation or breach by the Buyer of any covenant or warranty contained in this Agreement which has prevented the satisfaction of any condition to the obligations of Seller at Closing and such violation or breach has not been waived by the Seller or, with respect to a covenant breach, cured by the Buyer within fifteen (15) days after written notice thereof by the Seller; or

/PP

(d) by either the Buyer or the Seller if the transactions contemplated hereby have not been consummated 30 June 2020 provided that neither the Buyer nor the Seller shall be entitled to terminate this Agreement pursuant to this Section 10.1(d) if such Person's (or the Company's or the Seller's) knowing or willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby and provided further that the Buyer shall not be entitled to terminate this Agreement pursuant to this Section 10.1(d) if it is then in breach of the warranty contained in Section 6.1.5.

10.2 Effect of Termination.

In the event of termination of this Agreement by either the Buyer or the Seller as provided in Section 10.1, the provisions of this Agreement shall immediately become void and of no further force and effect (other than this Section 10.2 and Section 12.7, Section 12.8, Section 12.9, Section 12.10, Section 12.11, Section 12.12 and Section 12.13 and the Confidentiality Agreement, which shall each survive the termination of this Agreement), and there shall be no liability on the part of any of the Buyer or the Seller to one another, except for knowing or wilful breaches of this Agreement prior to the time of such termination.

11 Survival and Indemnification

11.1 Survival.

All of the Warranties and covenants of the Seller shall survive Closing until the twelve (12) month anniversary of the Closing Date (the "**Standard Survival Period**") except for the warranties set forth in Sections 4.1.7 and the covenants in Section 9.6(a), each of which shall survive until the 7th anniversary of the Closing Date and the Fundamental Warranties, which shall survive indefinitely from and after Closing (the "**Special Survival Periods**" and together with the Standard Survival Period, each, a "**Survival Period**") and (iii) any covenants that, by their express terms, survive beyond Closing, which shall survive until performed in accordance with the terms thereof, unless the covenant or agreement specifies a term, in which case such covenant or agreement shall survive for such specified term, (it being specifically agreed, however, that the covenants in Section 9.6(a) shall survive until the 7th year anniversary of the Closing Date).

11.2 Indemnification

(a) Indemnification by the Seller. The Seller shall (subject to Section 11.3) paid to the Buyer an amount equal to and indemnify, defend and hold harmless the Buyer from and against the entirety of any Losses suffered by, sustained by or to which the Buyer and/or its Affiliates, and their respective equity holders, directors, officers, managers, agents, employees, successors and assigns (collectively, the "**Buyer Indemnified Parties**") become subject to, through and after the date of the claim for indemnification, including any Losses the Buyer Indemnified Parties shall suffer after the end of the Survival Period with respect to claims made within such period to the extent required by Section 11.3(c) ("**Buyer Indemnifiable Losses**"), resulting from:

(i) any breach of the Warranties of the Seller made in Article 4 and Article 5 of this Agreement or any warranties in the Ancillary Agreements;

(ii) any breach of any covenant on the part of the Seller in this Agreement or in the Ancillary Agreements;

(iii) any Transaction Expenses or Indebtedness to be Repaid that were not accounted for in the calculation of the payments made by Buyer pursuant to Sections 2.3 or 2.4; or

(iv) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with the Company (or any Person acting on its behalf) in connection with any of the transactions contemplated by this Agreement other than Stay Bonuses.

(b) Indemnification by the Buyer. The Buyer (the Buyer and the Seller, as the context requires, are each sometimes referred to herein as an "**Indemnifying Party**") shall pay to the Seller an amount equal to and shall indemnify, defend and hold harmless the Seller from and against the entirety of any Losses suffered by, sustained by or to which the Company, Subsidiaries, the Seller and/or their Affiliates, and their respective equity holders, directors, officers, managers, agents, employees, successors and assigns (collectively, the "**Seller Indemnified Parties**"; the Buyer Indemnified Parties and the Seller Indemnified Parties, as the context requires, are each sometimes referred to herein as an "**Indemnified Party**") become subject to, through and after the date of the claim for indemnification ("**Seller Indemnifiable Losses**"; Buyer Indemnifiable Losses and Seller Indemnifiable Losses, as the context requires, are each sometimes referred to herein as "**Indemnifiable Losses**"), resulting from (i) any breach of the warranties made by it in Article 6; and (ii) any breach of any covenant on the part of the Buyer in this Agreement.

No Right of Contribution. Seller shall not have, and shall not exercise or assert (or attempt to exercise or assert), any right of contribution, reimbursement, subrogation or indemnity against the Company, in connection with any indemnification obligation to which Seller may become subject under or in connection with this Agreement. From and after Closing, the Seller hereby irrevocably waives and releases the Company from any such right of contribution, reimbursement, subrogation or indemnity.

11.3 Limits on Indemnification.

/PL

(a) The aggregate liability of the Seller to indemnify the Buyer Indemnified Parties from and against any Indemnifiable Losses arising under Section 11.2(a) shall not exceed an amount equal to 10% of the Enterprise Value (the "**Cap**"); provided, however, that the Cap shall not apply to the following (the items in clauses (i), (ii) and (iii) below shall be referred to collectively herein as the "**Excluded Matters**"):

(i) any breaches of the Fundamental Warranties or the warranties set forth in Section 4.1.7,

(ii) any breach of Section 6 and/or any amounts payable under the covenants in Section 9.6, or

(iii) Indemnifiable Losses arising under Section 11.2(a)(iii),

provided, further, that the aggregate liability of the Seller to indemnify the Buyer Indemnified Parties from and against any Indemnifiable Losses, inclusive of those arising from the Excluded Matters, shall not exceed the sum of the amount of actual proceeds received by the Seller from the Buyer pursuant to the terms of this Agreement plus the Indebtedness to be Repaid.

(b) The Seller will not have any obligation to indemnify any Buyer Indemnified Party with respect to (i) any Indemnifiable Losses arising under Section 11.2(a) until the Buyer Indemnified Parties shall first have suffered such aggregate Indemnifiable Losses in excess of GBP 5,000,000 (the "**Basket**") at which point the Seller will be obligated to indemnify the Buyer Indemnified Parties only for such part of the aggregate amount of all indemnifiable Losses which are in excess over such amount (a non-tipping basket), or (ii) any individual Indemnifiable Loss or series of related individual Indemnifiable Losses arising under Section 11.2(a) if the Buyer Indemnified Parties have suffered less than GBP 35,000 in Losses with respect to such individual Indemnifiable Loss; provided, however, (x) that the foregoing clauses (i) and (ii) of this Section 11.3(b) shall not apply to (I) the Fundamental Warranties or the warranties set forth in Section 4.1.7 or (II) the covenants under Section 9.6.

(c) The Seller shall have no obligation to indemnify any Buyer Indemnified Party from and against any Indemnifiable Losses arising out of the breach of any of the warranties or covenants made herein unless the Buyer makes a written claim for the breach that gives rise to such Indemnifiable Losses within the applicable Survival Period.

(d) Each Indemnified Party shall take and shall cause their respective Affiliates to take all reasonable steps to mitigate and otherwise minimize the Indemnifiable Losses (other than Indemnifiable Losses arising pursuant to Section 9.6) to the maximum extent reasonably possible upon and after becoming aware of any event which would reasonably

/RP

be expected to give rise to any Indemnifiable Losses. An Indemnified Party shall, at the Indemnifying Party's reasonable request, cooperate in the defense of any matter subject to indemnification or contribution hereunder (other than a claim under Section 9.6 or 4.1.7). Each Indemnified Party shall use commercially reasonable efforts to collect any amounts available under insurance coverage, or from any other Person alleged to be responsible, for any Indemnifiable Losses to the same extent that the Indemnified Party would if such Indemnifiable Loss were not subject to indemnification hereunder; provided, however, that (i) doing so is commercially reasonable and (ii) such obligation shall not be a condition to indemnification rights hereunder; and provided further, however, that the term "Losses" shall specifically exclude any costs incurred by or allocated to an Indemnified Party with respect to time spent by employees of such Person or any Affiliates of such Person.

(e) The amount of any Indemnifiable Losses payable under Section 11.2 (other than Indemnifiable Losses arising pursuant to Section 9.6) by the Indemnifying Party shall be reduced by amounts actually recovered (x) under applicable insurance policies, (y) from any other third party with indemnification or contribution obligations, or (z) from any other Person responsible therefor (in each case, net of any out-of-pocket costs incurred in connection with the collection thereof, including deductibles and self-insured retentions, but excluding recoverable VAT). If an Indemnified Party receives any amounts under applicable insurance policies, from any other third party with indemnification obligations or from any other Person alleged to be responsible for any Indemnifiable Losses subsequent to an indemnification payment by any Indemnifying Party, then such Indemnified Party shall (to the extent that it has not already done so under the terms of this Agreement or otherwise) promptly reimburse the Indemnifying Party for any payment made or expense incurred by such Indemnifying Party in connection with providing such indemnification payment) in an amount equal to the lesser of (x) the actual amount of such net insurance proceeds, and (y) the actual amount of the indemnification payment previously paid by or on behalf of the indemnifying persons with respect to such Losses, in each case, net of any out-of-pocket costs incurred in connection with the collection thereof, including deductibles and self-insured retentions, but excluding recoverable VAT.

(f) The Seller shall not be liable under Section 11.2(a) for any (i) Buyer Indemnifiable Losses (other than Indemnifiable Losses arising pursuant to Section 9.6) relating to any matter to the extent (A) included in the Actual Net Working Capital or (B) the Buyer had otherwise been fully compensated therefor pursuant to an adjustment under Section 2.3 or (ii) consequential, incidental or indirect damages (except, in each case, to the extent such damages were reasonably foreseeable at the time of the breach giving rise thereto) and any special or punitive damages (except, in each case, to the extent such damages are awarded to a third party) or (iii) damages calculated based on a multiple of earnings or any similar calculation.

/R

(g) After Closing, this Article 11 will provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement other than as provided in Section 2.4 and Section 9.6.

(h) From and after Closing, and except for the remedies provided for in section 9.6 and/or any equitable remedies available to the Buyer Indemnified Parties in respect of the Non-Compete Agreement (including for specific performance of, or injunctive relief thereunder) or in the case of fraud: (i) the remedies provided for in this Article 11 shall constitute the Buyer Indemnified Parties' sole and exclusive remedies for any claim relating to the Company, the Shares or the transactions contemplated hereby; and (ii) the Buyer, on behalf of itself and the other Buyer Indemnified Parties, hereby irrevocably waives and releases the Seller from any and all other rights, claims and remedies (whether under Law, in equity, in tort, or otherwise) relating to the Company, the Shares or the transactions contemplated hereby. The rights, claims and remedies waived by the Buyer include, without limitation, claims for contribution or other rights of recovery arising out of or relating to any environmental, health or safety statute, law, regulation or rule, claims for breach of contract, breach of warranty, negligent representation and all other claims for breach of duty. This clause (h) shall not apply in respect of any claims made under Section 9.6.

(i) Notwithstanding any other provision of this Agreement, nothing in this Agreement limits the rights of the Buyer in respect of fraud, fraudulent misrepresentation, criminal or willful misconduct on the part of the Seller.

11.4 Matters Involving Third Parties.

(a) If subsequent to Closing any third party shall notify an Indemnified Party with respect to any matter which may give rise to a claim for indemnification against the Indemnifying Party under this Article 11 (other than in respect of a claim under Section 4.1.7 or 9.6 (a "**Third Party Claim**"), then the Indemnified Party shall promptly notify the Indemnifying Party thereof in writing of the Third Party Claim together with a statement of any available information regarding such Third Party Claim.

(b) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of the Indemnifying Party's choice so long as (i) the Indemnifying Party notifies the Indemnified Party, within thirty (30) days after the Indemnified Party has given notice of the Third Party Claim to the Indemnifying Party that the Indemnifying Party is assuming the defense against (or settlement of) such Third Party Claim and will indemnify the Indemnified Party against such Third Party Claim in its name or, if necessary, in the name of the Indemnified Party in accordance with the terms and limitations of this Article 11 and (ii) the Indemnifying Party conducts the defense of the Third Party Claim in an active and diligent manner. In the event the

/PR

Indemnifying Party shall fail to give notice of a Third Party Claim within the time and as prescribed by Section 11.4(b), then in any such event the Indemnified Party shall have the right to conduct such defense in good faith. In the event that the Indemnifying Party does deliver notice prescribed in Section 11.4(b) and thereby elects to conduct the defense of the subject Third Party Claim, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as the Indemnifying Party may reasonably request, all at the expense of the Indemnifying Party. Regardless of which party defends such claim, the Indemnified Party shall always have the right to participate in the defense assisted by counsel of its own choosing.

(c) So long as the conditions set forth in Section 11.4(b) are and remain satisfied, then (i) the Indemnifying Party may conduct the defense of the Third-Party Claim in accordance with Section 11.4(b), (ii) the Indemnified Party may retain separate co-counsel at its sole cost and expense and (iii) the Indemnifying Party will not, without the prior written consent of the Indemnified Party, consent to the entry of any judgment with respect to the matter, or enter into any settlement which either imposes an injunction or other equitable relief upon the Indemnified Party or does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto.

12 Miscellaneous

12.1 No Third Party Beneficiaries.

Except as set forth in Sections 8.2 and 11.2, or as otherwise contemplated by this Agreement and/or the Ancillary Agreements, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

12.2 Entire Agreement.

Other than the Confidentiality Agreement, which is hereby incorporated herein and made a part hereof, this Agreement constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, that may have related in any way to the subject matter hereof.

12.3 Succession and Assignment.

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign this Agreement or any of such Party's rights, interests, or obligations hereunder without the prior written approval of the other Parties.

/Pl

12.4 Further Assurance.

The Parties shall from time to time (both during the term of this Agreement and after) do or procure to be done all such acts and execute or procure the execution of all such documents as may be reasonably necessary to give effect to the provisions of this Agreement and/or the other Ancillary Documents.

12.5 Third Party Rights.

(a) Subject to clauses 12.5(b) and 12.5(c), a person who is not a party to this Agreement shall have no right to enforce this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

(b) Where a term of this Agreement is expressed to be for the benefit of or confer a right on a member of the Buyer's Group (including the Company or any member of the Group), other than the Buyer, (the **"Third Party Rights"**), such rights are enforceable by each such member.

(c) The Buyer may, at its discretion, exercise the Third Party Rights on behalf of the Company, any member of the Group and/or any other relevant Buyer's Group member as if the Buyer were such person.

(d) Notwithstanding clause 12.5(b), the parties may vary or terminate this Agreement without the consent of any person who is not a party to this Agreement.

12.6 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. It is the express intent of the Parties to be bound by the exchange of signatures on this Agreement in electronic format (including by facsimile or portable document format (PDF), which the Parties agree shall constitute a writing for all legal purposes.

12.7 Notices

All notices, requests, demands, claims, and other communications hereunder will be in writing and sent by registered mail, by e-mail of by fax to a Party at the address, e-mail address, or fax number as set forth below. Any notice, request, demand, claim, or other communication hereunder given outside Working Hours of the place to which it is addressed shall be deemed to have been duly given at the beginning of the next Business Day

/PP

If to the Company or the Seller:
Danish Crown A/S
Marsvej 43
8960 Randers
CVR-no 26 12 12 64
E-mail: psu@danishcrown.dk
Fax: +45-86-44-80-66
Attn: Preben Sunke, COO and CFO

With a copy to:
Gorrissen Federspiel
Silkeborgvej 2
8000 Aarhus C
CVR-no 38 05 24 97
E-mail: apc@gorrissenfederspiel.com
Fax: +45 86-20-75-99
Attn: Anders Peter G. Christoffersen

If to the Buyer:
Pilgrims
1770 Promontory Circle
Greeley
CO 80634
E-mail: fabio.sandri@pilgrims.com
Attn: Fabio Sandri, CFO

With a copy to:
Squire Patton Boggs (UK) LLP
7 Devonshire Square
London
EC2M 4YH
Email: james.mckay@squirepb.com
Attn: James McKay

Any Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, or ordinary mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is delivered to the individual for whom it is intended. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

12.8 Governing Law and Arbitration.

(a) Governing Law. This Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and any non-contractual obligations arising out of or in connection with the Agreement and such documents shall be governed by English law.

(b) Arbitration. Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the LCIA Rules, which Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be three. The seat, or legal place, of arbitration shall be London, the United Kingdom. The language to be used in the arbitral proceedings shall be English.

12.9 Amendments and Waivers.

APC

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and the Seller. No waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence of such kind.

12.10 Severability.

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the invalid or unenforceable term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

12.11 Expenses.

Except as otherwise explicitly provided in this Agreement, each Party will bear its own expenses incurred in connection with the negotiation, preparation and execution of this Agreement and the transactions contemplated hereby, whether or not such transactions are consummated. Any sales or other similar Tax and any transfer, recording or similar fee imposed on the Buyer (but not the Company or any Subsidiary) with respect to the transactions provided for in this Agreement, and any interest or penalties related thereto, shall be paid by the Buyer.

12.12 Construction.

The Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any United Kingdom, EU, state, local, or other foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used herein has a comparable meaning whether used in a masculine, feminine or gender-neutral form. As used in this Agreement, the word "including" and its derivatives means "without limitation" and its derivatives, the word "or" is not exclusive and the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. The section headings contained in this Agreement are inserted for convenience or reference only and shall not affect in any way the meaning or interpretation of this Agreement. The Exhibits and the Disclosure Letter identified in this Agreement are incorporated herein by reference and made a part hereof. Any capitalized terms used in the Exhibits and the Disclosure Letter and not otherwise defined therein shall have the meanings set forth in this Agreement (or, in the absence of any ascribed meaning, the meaning customarily ascribed to any such term in the Company's industry or in general commercial usage). Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

12.13 Disclaimer of Projections.

The Seller and the Company make no warranty to the Buyer except as specifically made in this Agreement. In particular, the Seller and the Company make warranty to the Buyer with respect to (a) any information presented at any management presentation conducted in connection with the transactions contemplated hereby, or (b) any financial projection or forecast, written or oral, relating to the Company. With respect to any such projection or forecast delivered by or on behalf of Seller and the Company to the Buyer, the Buyer acknowledges that (i) there are uncertainties inherent in attempting to make such projections and forecasts, (ii) it is familiar with such uncertainties, (iii) it is taking full responsibility for making its own evaluation of the adequacy and accuracy of all such projections and forecasts so furnished to it, and (iv) except with respect to fraud or intentional misrepresentations, it shall have no claim against any Seller or the Company with respect thereto.

[The remainder of this page is intentionally left blank.]

/RC

IN WITNESS of which this document has been executed and, on the date set out above, delivered as a deed.

SIGNED as a deed (but not delivered until the date hereof) by **TULIP INTERNATIONAL (UK) LIMITED** acting by a director in the presence of a witness:

Director

Signature :
Name :

Witness

Signature :
Name :
Occupation :
Address :

SIGNED as a deed (but not delivered until the date hereof) by **ONIX INVESTMENTS UK LIMITED** acting by a director in the presence of a witness:

Officer

Signature : DocuSigned by: Fabio Sandri 8EFAC76EA0164E3...
Name : **Fabio Sandri**

Witness

Signature :
Name :
Occupation :
Address :

Signed by Danish Crown A/S, as the sole owner of the Seller. Danish Crown A/S shall no later than on 4 September 2019 procure that the Seller will execute this Agreement for itself and on its own behalf and Danish Crown A/S shall deliver the signature of the Seller to the Buyer. Except as otherwise expressly set out herein, the Seller will by its signature to this Agreement fully and in all respects replace and release Danish Crown as signatory to this Agreement. For the avoidance of doubt, any references in this Agreement to "the date of this Agreement" or similar expressions shall be deemed to refer to the date on which the Agreement is signed by Danish Crown A/S and the Buyer.

SIGNED by **DANISH CROWN A/S** acting by a director in the presence of a witness:

Executive Director

Signature :

Name : **Preben Sunke**

Witness

Signature :

Name :

Occupation :

Address :

Signed by Pilgrims Pride Corporation as the sole owner of the Seller with respect to Section 9.8.2.

SIGNED by **PILGRIMS PRIDE CORPORATION** acting by a director in the presence of a witness:

Officer

Signature : DocuSigned by: Fabio Sandri 8EFAC76EA0164E3...

Name : **Fabio Sandri**

Witness

Signature :

Name :

Occupation :

Address :

Exhibit A

Indebtedness Calculation

Indebtedness shall be calculated in accordance with the following example (based on 30 June 2019 as an example closing date):

£ in 000s

Net Interest Bearing Debt (Cash)	
Account	Balance as of 30 June 2019
Cash	(29)
Prepayments (prepaid costs)	(5,288)
Tax receivable and income tax	(1,155)
Other receiv financial. from group enterprises, short-term	(26,447)
Other securities and investments	(6,986)
Loans owed to group enterprises, long-term	25,000
Cash-pool Nordea, net	235,766
Present value of pension obligations	140,932
Fair value of plan assets	(141,054)
HRMC claim*	5,000
Net Interest Bearing Debt (Cash)	**225,739**

Note: Current estimate*

Please note that Deferred Tax Liability is excluded from both Indebtedness and Net Working Capital.

IPl

Exhibit A (cont.)

NET WORKING CAPITAL CALCULATION

Net Working Capital shall be calculated in accordance with the following example (based on 30 June 2019 as an example closing date):

£ in 000s

Working Capital	
Account	Balance as of 30 June 2019
Raw materials and consumables	15,143
Work in progress	16,847
Manufactured goods and goods for resale	14,728
Biological assets, current	40,153
Trade receivables	106,508
Supply chain financing, trade receivables	(7,906)
Provisions for loss on debtors	(462)
Trade receivables from group enterprises	6,380
Other receivables	6,149
Trade payables	(70,203)
Trade payables to group enterprises	(17,171)
Other payables	(50,580)
Net Working Capital	**59,586**

Please note that Deferred Tax Liability is excluded from both Indebtedness and Net Working Capital.

IR

EXHIBIT B
Non-Compete Agreement

1 **Definitions**

1.1 Except as otherwise stated, the definitions included in the Share Purchase Agreement shall apply to this Non-Compete Agreement.

1.2 For this Non-Compete Agreement, the following definitions shall apply:

"**Confidential Business Information**" means all information of a proprietary or confidential nature and not publicly known which is owned by any member of the Group or which is used in or otherwise relates to the business, customers or financial or other affairs of the Group.

"**Retail Business**" means the businesses carried on at Closing by the Group in the United Kingdom with production, sale and distribution of retail packed fresh and processed meat products from pigs and cows intended for retail sale through retailers to end consumers, such as i) fresh meat and ready meals ii) sliced cooked meat, iii) snacks iv) sausages and v) bacon.

"**Provenance Foodservice Business**" means the businesses carried on at Closing by the Group in the United Kingdom with production, sale and distribution of fresh and processed meat products either (a) from pigs or cows raised and slaughtered in the United Kingdom or (b) processed, sliced, or packaged in the United Kingdom based on UK raw material, and intended for sale through foodservice vendors to end consumers.

2 **Covenant**

2.1 The Seller covenants to the Buyer (for itself and as trustee for each member of the Buyer's group) that it shall not, and shall procure that any Affiliate shall not either, directly or indirectly:

(a) for a period of 3 years from the Closing Date compete with the Retail Business or the Provenance Foodservice Business;

(b) for a period of 3 years from the Closing Date in competition with the Group solicit or entice away or seek to entice away from the Group, any Person who is or has in the 12 months prior to Closing been a customer, representative, agent or supplier of the Group;

(c) for a period of 3 years from the Closing Date, seek to adversely affect the on-going relationships between the Group on the one hand and any of the Group's respective customers and business contacts on the other; and

(d) for an unlimited period make unlicensed commercial use of any protected Intellectual Property owned by the Group at the Closing Date or anything confusingly similar thereto.

2.2 If the Buyer finds that the Seller or an Affiliate of the Seller (the "**Non-Complying Person**") does not comply with the obligations in Section 2.1, the Buyer shall as soon as practicable send a Notice thereof to the Seller and the Non-Complying Person. The Notice must set forth the facts that have caused the alleged non-compliance with Clause 2.1. The Non-Complying Person shall as soon as practicable and no later than 30 Business Days after the receipt of the Notice, if relevant, cure the non-compliance and in any event send a reply to the Buyer indicating that it has ceased the activity, or alternatively setting out the reasons why the activity does not conflict with the Non-Complying Person's obligations under this Non-Compete Agreement. To the extent that the Non-Complying Person cures the non-compliance as set out herein, no further remedies shall be available to the Buyer with respect to the alleged non-compliance.

2.3 Nothing contained in this Non-Compete Agreement shall prevent:

(a) the Seller and its Affiliates from selling products derived from non-UK livestock and processed outside the UK to butchers and Food Service customers in the United Kingdom;

(b) the Seller and its Affiliates, including Tulip Food Company A/S as an Affiliate of the Seller, from producing, marketing and selling canned meat in the United Kingdom including production for third parties;

(c) the Seller and its Affiliates, including Sokolow S.A (Poland) as an Affiliate of the Seller, from producing, marketing and selling ethnic Polish fresh and processed meat products to specialty stores and retailers in the United Kingdom estimated revenue thereof in 2017/18 was 85 mill. PLN;

(d) the Seller and its Affiliates from holding and conducting the activities listed in Exhibit 2.2(c) to this Non-Compete Agreement.

2.4 Each of the restrictions in this Non-Compete Agreement shall be enforceable independently of each of the others, and its validity shall not be affected if any of the other restrictions are invalid.

2.5 If any of the restrictions are void but would have been valid if some parts of the restrictions were adjusted or deleted, the restriction in question shall be valid with such modifications as may be necessary to make it valid.

/PP

IN WITNESS of which this document has been executed and, on the date set out above, delivered as a deed.

SIGNED as a deed (but not delivered until the date hereof) by **TULIP INTERNATIONAL (UK) LIMITED** acting by a director in the presence of a witness:

Director
Signature :
Name :

Witness
Signature :
Name :
Occupation :
Address :

SIGNED as a deed (but not delivered until the date hereof) by **ONIX INVESTMENTS UK LIMITED** acting by a director in the presence of a witness:

Director
Signature :
Name :

Witness
Signature :
Name :
Occupation :
Address :

Exhibit C

EXAMPLE OF CALCULATION OF CONSIDERATION/ESTIMATED PAYMENT

Consideration (Equity Value) shall be calculated in accordance with the following example (based on 30 June 2019 as an example closing date):

£ in 000s

Purchase Price (Equity Value)	
Account	Balance as of 30 June 2019
Enterprise Value	290,000
- Net interest bearing debt	(225,739)
+ Actual Net Working Capital	59,586
- Target Net Working Capital	(50,831)
Purchase Price (Equity Value)	**73,016**

/JPf

Gorrissen Federspiel

Exhibit D

Project Channel - Index

Index
Project Channel(1)
1 Strategic, Commercial and Operational(4)
1.1 Project Channel Presentations(3)
1.1.1 Project Channel presentation_06062019.pdf (01 Aug 2019 12:20)
1.1.2 Project Channel additional info_05july2019.pdf (01 Aug 2019 12:20)
1.1.3 Tulip S&A Cost Analysis and Forecast - Preben comment (06062019 Channel).pdf (14 Aug 2019 10:29)
1.2 Cost of Production comparison.pdf (01 Aug 2019 12:20)
1.3 Primary Production performance overview.pdf (01 Aug 2019 16:32)
1.4 Cost of Production SPP and ODB July2019.pdf (02 Aug 2019 20:28)
1.5 Co-op contract Exec Summary_final.pdf (12 Aug 2019 20:01)
2 Organisation(6)
2.1 Service Agreements(5)
2.1.1 Morten Knudsen Service Agreement 20032019.pdf (23 Aug 2019 14:42)
2.1.2 Service Agreement - Rebecca Dearsly (1).pdf (23 Aug 2019 14:42)
2.1.3 18.12.2018 - REVISED Offer Letter - Rebecca Dearsly.pdf (23 Aug 2019 14:42)
2.1.4 Andrew Cracknell_Service Agreement 01102018.pdf (23 Aug 2019 14:42)
2.1.5 Service Agreement - Rachel Baldwin.pdf (23 Aug 2019 14:42)
2.2 Tulip Ltd Organisation Charts - 31.05.2019.pdf (01 Aug 2019 12:22)
2.3 Abattoir Organisation Charts - 31.05.2019.pdf (01 Aug 2019 12:22)
2.4 Retail Packing Organisation Charts - 31.05.2019.pdf (01 Aug 2019 12:22)
2.5 Dalehead Organisation Charts - 31.05.2019.pdf (01 Aug 2019 12:22)
2.6 Agriculture Organisation Chart - 31.05.2019.pdf (01 Aug 2019 12:22)
2.7 Bodmin Organisation Charts - 31.05.2019.pdf (01 Aug 2019 12:22)
3 Financial(6)
3.1 Statutory accounts 2015_16.pdf (01 Aug 2019 12:24)
3.2 Statutory accounts 2016_17.pdf (01 Aug 2019 12:24)
3.3 Statutory accounts 2017_18.pdf (01 Aug 2019 12:24)
3.4 Tax losses etc Tulip Ltd 201617.pdf (01 Aug 2019 12:24)
3.5 Loan agreement between Danish Crown AS and Tulip Ltd.pdf (21 Aug 2019 08:15)
3.6 MEMO on group services August 2019.pdf (21 Aug 2019 08:17)
4 Legal(17)
4.1 Incorporation(34)
4.1.1 ADAMS PORK PRODUCTS LIMITED.pdf (12 Aug 2019 20:17)
4.1.2 Belvoir Foods Limited.pdf (12 Aug 2019 20:17)
4.1.3 Celebrity Food Factories Limited.pdf (12 Aug 2019 20:17)
4.1.4 D. Blowers Limited.pdf (12 Aug 2019 20:17)
4.1.5 DALEHEAD FOODS LIMITED.pdf (12 Aug 2019 20:17)
4.1.6 Danish Bacon Company Limited.pdf (12 Aug 2019 20:17)
4.1.7 Danish Crown Holding (UK) Limited.pdf (12 Aug 2019 20:17)
4.1.8 EASEY HERDS LIMITED.pdf (12 Aug 2019 20:17)
4.1.9 EASEY HOLDINGS LIMITED.pdf (12 Aug 2019 20:17)
4.1.10 EASEY PIGS LIMITED.pdf (12 Aug 2019 20:17)
4.1.11 EASEY VETERINARY SERVICES LIMITED.pdf (12 Aug 2019 20:17)
4.1.12 FLAGSHIP FRESH MEATS LIMITED.pdf (12 Aug 2019 20:17)
4.1.13 Foodane Limited.pdf (12 Aug 2019 20:18)
4.1.14 Geo Adams & Sons (Farms) Limited.pdf (12 Aug 2019 20:18)
4.1.15 GEO. ADAMS & SONS LIMITED 1.pdf (12 Aug 2019 20:18)
4.1.16 GEO. ADAMS & SONS LIMITED 2.pdf (12 Aug 2019 20:18)
4.1.17 GEO. ADAMS & SONS LIMITED 3.pdf (12 Aug 2019 20:18)
4.1.18 GLENBROOK FOODS LIMITED.pdf (12 Aug 2019 20:18)
4.1.19 GOTT FOODS LIMITED.pdf (12 Aug 2019 20:18)
4.1.20 GOTT HOLDINGS LIMITED.pdf (12 Aug 2019 20:18)
4.1.21 Laxgate Limited.pdf (12 Aug 2019 20:18)
4.1.22 Meadowbrook Foods Limited.pdf (12 Aug 2019 20:18)
4.1.23 Norman C Roach & Son Limited.pdf (12 Aug 2019 20:18)
4.1.24 Plumrose Limited.pdf (12 Aug 2019 20:18)
4.1.25 Prideaux Stables Limited.pdf (12 Aug 2019 20:18)
4.1.26 ROACH FOODS LIMITED.pdf (12 Aug 2019 20:18)
4.1.27 The lane food company limited.pdf (12 Aug 2019 20:18)
4.1.28 Trophy Foods Limited.pdf (12 Aug 2019 20:18)
4.1.29 Tulip International (UK) Cooked Meat Division Ltd.pdf (12 Aug 2019 20:18)
4.1.30 TULIP INTERNATIONAL (UK) LIMITED.pdf (12 Aug 2019 20:18)
4.1.31 TULIP INTERNATIONAL (UK) WELLINGBOROUGH LIMITED.pdf (12 Aug 2019 20:18)
4.1.32 Tulip Limited.pdf (12 Aug 2019 20:18)

PP

4.1.33 VJS Foods Limited.pdf (12 Aug 2019 20:18)
4.1.34 VJS Holding Limited.pdf (12 Aug 2019 20:18)
4.2 Trademarks(2)
4.2.1 TULIP LIMITED registered trademarks.pdf (08 Aug 2019 17:28)
4.2.2 Tulip Brand in UK - Preben Sunke Comment 14082019.pdf (14 Aug 2019 19:06)
4.3 Spalding leasehold overview.pdf (01 Aug 2019 12:26)
4.4 Spalding - EMPP - all agreements.pdf (01 Aug 2019 12:27)
4.5 Summary of Brechin Structure 09 11 2018.pdf (01 Aug 2019 12:47)
4.6 Brechin Structure Diagram.pdf (01 Aug 2019 12:47)
4.7 Conformed Copy of Pig Kill Contract.pdf (01 Aug 2019 12:47)
4.8 Side Letter from Tulip to QPL and APJB covering various issues.pdf (01 Aug 2019 12:47)
4.9 application-pdf.pdf (08 Aug 2019 16:09)
4.10 2019 Staffline Standard Ts and Cs (FINAL) Signature 24.5.19 SIGNED.pdf (12 Aug 2019 20:06)
4.11 Memo Brechin 16-11-2016 Brechin - Wastewater - Status November 2016 - final.pdf (12 Aug 2019 20:09)
4.12 HMRC initial assesment April 2018.pdf (12 Aug 2019 20:09)
4.13 HMRC status update April 2019.pdf (12 Aug 2019 20:09)
4.14 Trade Unions.pdf (13 Aug 2019 15:17)
4.15 GMP - Presentation.pdf (18 Aug 2019 15:11)
4.16 GMP Equalisation - Tulip briefing memo by BUCK.pdf (18 Aug 2019 15:11)
4.17 Joint Meeting Pack - 23 May 2019.pdf (22 Aug 2019 16:12)
4.18 Tulip Limited Pension Plan - 23 May 2019.pdf (22 Aug 2019 16:13)
4.19 Geo Adams Meeting Pack - 23 May 2019.pdf (22 Aug 2019 16:13)
5 Project Channel - Data Room Index.xlsx (23 Aug 2019 15:19)

/PP

Final Version

The undersigned

Danish Crown A/S
Marsvej 43
DK- 8960 Randers
CVR No: DK 26121264

(= Licensor)

and

Tulip Limited
Seton House, Gallows Hill
Warwick Technology Park
Warwick
CV34 6DA
00608077

(= Licensee)

- jointly named the Parties – have entered into the following

Sublicence Agreement

1.0 **Whereas**

1.1 Svineslagteriernes Varemaerkeselskab ApS is the proprietor of the device mark "Danish";

1.2 Licensor has been granted a non-exclusive right by Svineslagteriernes Varemaerkeselskab ApS to grant sublicenses to commercial partners on the conditions set out below;

ΛPl

1.3 Licensee wishes to obtain a non-exclusive licence from Licensor in order to use the device mark "Danish" in connection with the sale and marketing of products bought from the Licensor or a member of the Licensor's group of companies;

1.4 In consideration of the mutual promises and conditions herein and for other consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

2.0 **Definitions**

2.1 The terms used in this Agreement are defined as follows:

a) the term **Trade Mark** shall mean the device mark "Danish" registered in class 29 for "pig meat and pig meat products" with registration no. EU000645374 which covers i.a. the United Kingdom (=The Trademark). The registration certificate is attached as appendix 1. In addition, the term Trade Mark shall mean any trademark, which is the result of the conversion of EU trade mark no. EU000645374 to a national UK trademark following Brexit;

b) the term **Products** shall mean meat products based on pig meat and pig meat products bought by Licensee from the Licensor or a member of the Licensor's group of companies and which are of Danish origin;

c) the term **Territory** shall mean the United Kingdom;

2.2 The **Effective Date** of this Agreement shall be the [date].

3.0 **Grant of Licence**

KPL

3.1 Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee and Licensee hereby accepts a non-exclusive, non-transferable licence to use the Trade Mark in the Territory on the following conditions.

a) Licensee may only use the Trade Mark in connection with the sale and marketing of Products as defined above. This right shall not only cover primal cuts but also Products which have been cut, sliced or chopped by the Licensee;

b) Notwithstanding section a) Licensee may not use the Trade Mark in connection with Products that have been further processed and/or mixed with other ingredients;

c) The Trade Mark may only be used in connection with Products that conform to the specifications and quality standards as well as all requirements to labelling, packaging and health safety required at any time by law in the Territory;

d) The Trade Mark may only be used if the packaging and labelling also displays the trade marks and trade names identifying Licensee and any other food business operator involved in the sale and marketing of each Product;

e) Licensee may also use the Trade Mark on signs, displays, brochures and leaflets as well as in advertisements and commercials in any media used for the marketing of the Products provided that the Licensee is in all instances clearly stated as responsible for the marketing of the Products;

f) The Trade Mark must always be printed/used in the colour red on white or neutral background and with the specific colour codes and proportions informed by the Licensor. Notwithstanding the foregoing the Trade Mark can be printed in black and white if the media is only printed in black and white;

g) The Trade Mark shall not be altered or adapted and Licensee shall always follow the instructions given by Licensor;

/pl

h) Licensee is obliged not to use any trade mark that is confusingly similar to the Trade Mark.

i) Licensee is obliged not to use the Trade Mark or trade marks confusingly similar to the Trade Mark as part of Licensee's own trade marks or trade names;

j) The Trade Mark shall be used separate from Licensee's own trade names and trade marks and cannot be used as part of Licensee's company name or other trade names.

4.0 **Royalties and Fees**

4.1 Royalty for the use of the Trade Mark is included in the price of the Products bought from Licensor.

5.0 **Reports and Inspections**

5.1 At Licensor's request Licensee shall deliver a report signed by Licensee's chartered accountant confirming that Licensee's use of the Trade Mark complies with this agreement. Such request shall be given with at least 1 month's prior notice.

5.2 If Licensee does not deliver the report required cf. section 5.1 or if Licensor has reasonable cause to believe that Licensee does not comply with this agreement Licensee will permit an independent authorised representative of Licensor to enter Licensee's premises at all reasonable times for the purposes of inspecting the Products and the methods of manufacturing and marketing the same and of taking samples of the Products, the packaging, labels and marketing material.

5.3 The authorised representative shall deliver a report to Licensor describing Licensee's compliance with this agreement. The authorised representative shall

/PR

ensure that the said report does not contain any sensitive information on the Licensee's suppliers or customers or any other sensitive business information unless and only to the extent that this information is essential in order to identify any suspected breach of this agreement.

6.0 **Assignment of the Licence / Grant of Sublicences**

6.1 This sublicence is not assignable and Licensee shall not assign his rights or obligations thereunder to a third party.

6.2 Licensee shall not grant sublicences.

7.0 **Trade mark infringements**

7.1 If to the knowledge of Licensee any unauthorised use of the Trade Mark occurs, Licensee shall immediately upon learning thereof notify Licensor setting forth the identity of the infringer, the nature of the infringement, the location and any other information relating to such unauthorised use.

7.2 Licensor shall have the sole right to determine whether any action should be taken and by whom and to settle, terminate or pursue any such unauthorised use.

7.3 If any third party claims infringement of its intellectual property rights due to a conflict with the rights granted pursuant to this agreement, either party shall immediately upon learning thereof notify the other party in writing, setting forth the facts in reasonable detail and shall co-operate in order to defend the above arguments or claims. Licensee shall bear its own expense in such actions.

(PC

8.0 **Indemnification**

Licensee shall indemnify, defend and hold harmless Licensor against any liability, damage, loss or expenses incurred in connection with any claims, suits, actions, demands or judgements arising out of Licensee's use of the Trade Mark.

9.0 **Term and termination**

9.1 This agreement takes effect on the Effective Date.

9.2 This agreement can be terminated giving 3 months' prior written notice.

9.3 If Licensee does not comply with section 5.0 Licensor may upon fourteen days' written notice to Licensee terminate this agreement. If the breach is not cured within the fourteen days set out in the written notice, the agreement shall terminate upon the date set out in the notice.

9.4 Notwithstanding the foregoing this agreement may be terminated forthwith by Licensor in case of any other type of material breach.

9.5 Licensee shall immediately cease all use of the Trade Mark upon termination and destroy all unused packaging, marketing material and any other material containing the Trade Mark.

9.6 The obligations set out in this article continue to exist after the termination of this Agreement.

10.0 **Choice of law and venue**

10.1 All disputes arising out of or in connection with this agreement shall be finally settled by the Maritime and Commercial High Court in Copenhagen.

10.2 The laws of Denmark shall govern this Agreement.

, this day of 2019

Licensor: Licensee:

Danish Crown A/S:

-------------------------------- -----------------------------

Appendices:

Appendix 1: The registration certificate of trade mark No. EU000645374

IPR

Appendix 1 to Sublicense Agreement

Device	Country	Official No.	Date Filed	Registered Date	Local Classes	Our Ref.
	European Union	645374	07-10-1997	11-11-1999	29	T199702866EU

Final Version

Trademark License Agreement

Project Channel

Gorrissen Federspiel

Table of Contents

Schedules

JP

This trademark license agreement is made on [date], between

Tulip Food Company GmbH
Christoph-Probst-Weg 26
D-20251 Hamburg
Germany
Company reg. no. HRB 38578

("**Licensor**")

and

Tulip Limited
Seton House, Gallows Hill
Warwick Technology Park
Warwick
CV34 6DA
Company reg. no. 00608077

("**Licensee**")

Whereas

A. Pursuant to the Share Purchase Agreement dated [date] 2019 (the "**SPA**"), entered into between Tulip International (UK) Limited and Onix Investments UK Limited, Onix Investments UK Limited has acquired the Licensee (the "**Acquisition**");

B. The Acquisition does not include a transfer of trademarks owned by the Licensor or by Licensor's Affiliates (as defined in the SPA), which are currently used by the Licensee (the "**Trademarks**"), and the Trademarks shall remain owned by Licensor or Licensor's Affiliates, respectively, following the Acquisition;

C. Licensor and the Licensee have agreed, *inter alia*, that following the Acquisition, Licensee shall be granted a license to continue to use the Trademarks within the Licensed Purpose and Territory for the License Period and subject to the terms of this Agreement to allow Licensee to identify and introduce new trademarks for the business; and

D. Following expiration of the License Period, the trademark license pursuant to this Agreement shall terminate and the Licensee shall at such time cease any and all use of the Trademarks and any confusingly similar trademarks, business name, designation and domain name,

now therefore it is hereby agreed as follows:

1 Definitions and interpretation

1.1 For the purpose of this Agreement, the following definitions as well as the definitions set out in the SPA (except for any terms specifically defined below) shall apply:

"Agreement"	means this trademark license agreement and its Schedules.
"Acquisition"	means Onix Investments UK Limited's acquisition of Tulip Limited pursuant to the SPA.
"Effective Date"	Means the Closing Date as defined in the SPA.
"License"	means the license granted in Clause 2.1.
"License Period"	means the period starting on the Effective Date and ending 3 years later.
"Licensed Purpose"	means use in production, offering and sale of bacon products specified in Schedule B. This does not include use of the Trademarks as business name or corporate identity, cf. Clause 2.2.
"Marketing Material"	means material (print or electronic) for the purposes of marketing and advertising of the Licensed Purpose.
"Parties"	means Licensor and Licensee, and a "Party" means either of them.
"Schedule(s)"	means Schedules A and/or B to this Agreement.
"SPA"	means the Share Purchase Agreement dated [date] 2019 (the "**SPA**"), entered into between Tulip International (UK) Limited and Onix Investments UK Limited .
"Territory"	means the United Kingdom.
"Trademarks"	means the trademarks listed in Schedule A to this Agreement with the following exception: if Brexit becomes effective during the License Period all EU trademarks and international trademark registrations designating the EU shall be excluded from the trademarks listed in Schedule A, and shall instead be replaced by any trademarks resulting from the conversion of such EU trademarks or international trademark registrations designating the EU listed in the original Schedule A to national UK trademarks following Brexit.

2 Grants and scope of use

2.1 Licensor hereby grants to the Licensee an exclusive, revocable, time-limited, non-transferable License to use the Trademarks in the Territory solely for the Licensed Purpose and solely during the License Period.

2.2 Further, for a period of 12 months from the Effective Date, Licensee is entitled to use the Trademarks as a company name or corporate identity in the Territory to the same extent as on the Effective Date. As of 12 months from the Effective Date, the Licensee is not entitled to use any of the Trademarks, parts hereof or the word "Tulip" as a company name or any part of its corporate identity. As of 12 months from the Effective Date, the Trademarks may only be used in relation to products within the Licensed Purpose as further listed in Schedule B except that Licensee may also after 12 months from the Effective Date use the word "Tulip" to reference the company's history and heritage of a 100 years in the United Kingdom provided such use would not constitute trademark use as established from time to time by the Court of Justice of the European Union.

3 Application of the Trademarks

3.1 Prior to the Licensee using the Trademarks for any purpose, the Licensee shall submit to Licensor its general concept proposals as to the manner and the context of the intended use of the Trademarks, including the general concept of text and layout of all proposed Marketing Material. The Licensee shall only use the Trademarks in the manner in which and to the extent that the general concept has been approved in writing by Licensor.

3.2 The Trademarks must be used only in accordance with existing practice and existing profile manuals or as otherwise agreed upon as of the Effective Date. The Licensee must comply with the directions of Licensor regarding the form and manner of the application of the Trademarks.

3.3 Upon request, the Licensee shall without undue delay and within 7 days provide Licensor with copies of any and all Marketing Material that has been published or distributed to the public.

3.4 The Licensee shall, in exercising its rights under this Agreement, comply with, and shall ensure that the Licensed Purpose complies with, all applicable Laws, regulations, industry standards and codes of practice.

3.5 The Licensee may not without Licensor's prior written approval:

(a) combine the Trademarks with other product names, trademarks or other written or figurative supplements, except in accordance with existing practice and existing profile manuals as of the Effective Date;

(b) vary, alter, edit or abbreviate the Trademarks or any elements that form an integral part of the Trademarks or use the Trademarks as a noun or verb; and

RP

(c) use the Trademarks or any elements that form an integral part of the Trademarks in a manner that may cause confusion to the public, including without limitation, use of the Trademarks in paid internet search engine advertisement text in a manner that is not clear and accurate about the Licensee's relationship to Licensor.

3.6 The Licensee must cease any unauthorised use of the Trademarks promptly (and in any event within 36 hours) upon written notification by Licensor.

3.7 The Licensee shall promptly comply with any reasonable instructions from Licensor to replace the version of the Trademarks being used with an updated or amended version and cease use of such replaced version of the Trademarks.

3.8 Licensor may require that the Licensee ensures that all (or some of the) Marketing Materials carrying the Trademarks, is marked with (or with any other statement as notified in writing from Licensor to the Licensee):

"[Tulip]" is the registered trademark of Tulip Food Company GmbH and is used under license."

4 Title and registrations

4.1 Licensor warrants as of the Effective Date:

(a) Licensor has authority to grant to Licensee all the rights granted under this Agreement;

(b) Licensor and/or its subsidiaries are the sole owners of the Trademarks; and

(c) To the knowledge of Licensor (which shall be understood as "Seller's Knowledge as defined in the SPA), the use of the Trademarks by Licensee in accordance with the License will not infringe any intellectual property rights owned by any third party.

4.2 The Licensee acknowledges that Licensor is the owner of the Trademarks and that any goodwill and other rights derived from the use by the Licensee of the Trademarks shall accrue to the benefit of Licensor.

4.3 Licensee shall not do, or omit to do, or permit to be done, any act that will or may weaken, damage or be detrimental to the Trademarks or the reputation or goodwill associated with the Trademarks or Licensor, or that may invalidate or jeopardise any registration of the Trademarks.

4.4 The Licensee may not apply for, obtain or hold registration of the Trademarks for any goods or services in any jurisdiction.

4.5 The Licensee may not apply for, obtain or hold registration of any trademarks anywhere in the Teritory which consists of, form an integral part of, comprises, or is confusingly similar to, the Trademarks.

PP

4.6 Nothing in this Agreement shall be construed as preventing Licensor from granting any other licenses outside the Territory or the Licensed Purpose for the use of the Trademarks or from using or amending the Trademarks in any manner whatsoever.

4.7 Save as set out in Clause 4.1, no representation or warranty is or has been made by Licensor in relation to the Trademarks, and Licensor hereby expressly excludes all other representations and warranties, express or implied, whether statutory or otherwise, of any nature whatsoever.

5 Registration and maintenance

5.1 Licensor undertakes to maintain the registrations, respectively to proceed with the respective applications, of the Trademarks in the Territory. Licensor shall be entitled (but not obliged) to apply to register the License with the relevant trademark registries in the Territory.

5.2 Licensee shall at the request of Licensor co-operate with and provide reasonable assistance to Licensor in making the applications described in Clause 5.1, including without limitation executing and delivering such documents as may be required.

5.3 Licensor will pay all expenses in connection with applications, registration and renewals of the Trademarks under this Agreement.

6 Consideration and royalty

6.1 Consideration for the License has been partially paid up front for the duration of the License Period as part of the purchase price related to the Acquisition. Licensor and Tulip International (UK) Limited will amongst themselves allocate a relevant part of the purchase price paid as license fee. This consideration has been established based on the assumption that the Licensee will use the Trademarks following the Effective Date to a similar extent as Licensee did prior to the Effective Date, which included sale of app. 1,500 tons of products within the Licensed Purpose per year.

6.2 The Licensor acknowledges that the Licensee may increase its sales of products within the Licensed Purpose compared to the Licensee's sales of such products prior to the Effective Date. In such event, the Licensee must compensate the Licensor for the extended use of the License by way of payment of running royalties as follows: For all products sold by the Licensee, which fall within Licensed Purpose, in excess of 2,250 tons per year a royalty of 3% of the Licensee's net sales price shall be paid to the Licensor.

6.3 No later than 10 days after the end of each quater, the Licensee must provide an overview to the Licensee specifying for the preceding month in respect of products falling within the Licensed Purpose (i) the aggregate net sales in GBP invoiced towards Licensee's customers and (ii) the total amount of tons of products. If the amount of products within the Licensed Purpose sold by the Licensee exceeds 2,250 tons per year, Licensor will issue an invoice of the royalty amount due on such sales. The royalty amount due shall be paid to Licensor by Licensee within 30 days from the invoice date.

PP

7 Protection of the Trademarks

7.1 The Licensee shall immediately notify Licensor in writing giving full particulars should any of the following matters come to its attention:

(a) any actual, suspected or threatened infringement of the Trademarks;

(b) any actual or threatened claim that the Trademarks are invalid;

(c) any actual or threatened opposition to the Trademarks;

(d) any claim made or threatened that use of the Trademarks infringes the rights of any third party;

(e) any person applies for, or is granted, a registered trademark by reason of which that person may be, or has been, granted rights which conflict with any of the rights granted to the Licensee under this Agreement; or

(f) any other form of attack, charge or claim to which the Trademarks may be subject.

7.2 In respect of any of the matters listed in Clause 7.1:

(a) Licensor may, in its absolute discretion, decide what action to take, if any;

(b) Licensor shall have exclusive control over and conduct all claims and proceedings, and the Licensee has no right to enforce or defend the Trademarks;

(c) the Licensee shall not make any admissions other than to Licensor and shall provide Licensor with all assistance that Licensor may reasonably require in the conduct of any claims or proceedings; and

(d) Licensor shall bear the costs of any proceedings and shall be entitled to retain all sums recovered in any action for its own account.

8 Indemnification

8.1 The Licensee shall indemnify Licensor against all liabilities, costs, expenses, damages and losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable professional costs and expenses) suffered or incurred by Licensor arising out of or in connection with:

(a) Licensee's use of the Trademarks; and

(b) Licensee's breach of or negligent performance or non-performance of this Agreement.

8.2 The indemnity of this Clause 8 shall not apply to the extent that a claim results from Licensor gross negligence or wilful misconduct.

/PP

9 Additional obligations

9.1 The Licensee shall perform its obligations under the Agreement with all due skill, care and diligence including good industry practice.

9.2 The Licensee shall neither directly nor indirectly assist any other person to:

(a) use the Trademarks except as permitted under this Agreement;

(b) do or omit to do anything to diminish the rights of Licensor in the Trademarks or impair any registration of the Trademarks.

9.3 In relation to the Licensee's and any sub-licensee's use of the Trademarks, the Licensee undertakes to take necessary steps to avoid risk of confusion with Licensor and its business, and not indicate connections to Licensor and its business.

10 Sub-licensing

10.1 Sub-license may only be granted with the prior written approval of Licensor.

10.2 All sub-licenses lawfully granted under the Agreement are granted on the following conditions:

(a) the sub-license is granted in relation to the Licensed Purpose only;

(b) the Licensee shall procure that the sub-licensees comply with all duties and obligations of the Licensee hereunder; and

(c) all sub-licenses granted shall terminate automatically on termination or expiry for whatever reason of this Agreement.

10.3 Licensor shall in no event assume or be deemed to assume any obligations or undertakings under agreements with any of sub-licensee nor be considered a party to such agreements.

10.4 The Licensee shall be liable for all acts and omissions of any sub-licensee and shall indemnify Licensor against all costs, expenses, claims, loss or damage incurred or suffered by Licensor, or for which Licensor may become liable (whether direct, indirect or consequential and including any economic loss or other loss of profits, business or goodwill) arising out of any act or omission of any sub-licensee.

11 Term and termination

11.1 This Agreement shall commence on the Effective Date and shall continue for the duration of 3 years with the possibility of renewal subject to Licensor's approval ("**License Period**"), unless terminated in accordance with this Clause 11.

11.2 Without affecting any other right or remedy available to it, Licensor may terminate this Agreement with immediate effect by giving written notice to the Licensee if:

PP

(a) the Licensee or a sub-licensee commits a material breach of any term of this Agreement which is irremediable or (if such breach is remediable) fails to remedy that breach within a period of 30 calendar days after being notified in writing to do so;

(b) the Licensee or a sub-licensee repeatedly breaches any of the terms of this Agreement including without limitation any persistent failure to comply with Licensor's instructions hereunder in regard to application of the Trademarks;

(c) any acts or omissions of the Licensee or a sub-licensee result in (or is likely to result in) damage to the Trademarks or to Licensor's reputation;

(d) an application is made to a court, or an order is made, for the appointment of an administrator, or if a notice of intention to appoint an administrator is given, or if an administrator is appointed over the Licensee;

(e) any event occurs, or proceeding is taken, with respect to the Licensee in any jurisdiction to which it is subject that has an effect equivalent or similar to any of the events mentioned in Clause 11.2(d);

(f) the Licensee suspends or ceases, or threatens to suspend or cease, to carry on all or a substantial part of its business; or

(g) Licensor is prevented or prohibited from using the Trademarks in the Territory.

(h) there is a change of control of the Licensee or a sub-licensee, which in the sole opinion of Licensor, materially affects the ability of the Licensee to carry out its obligations under this Agreement in a manner satisfactory to Licensor.

12 Effect of termination

12.1 On expiry or termination of this Agreement for whatever reason:

(a) all rights and licenses granted pursuant to this Agreement shall cease with immediate effect, save as specifically set forth in Clause 12.2;

(b) the Licensee and the sub-licensees shall cease all use of the Trademarks with immediate effect, and Licensor may inform the sub-licensees to this Agreement hereof;

(c) the Licensee shall co-operate and procure that the sub-licensees shall cooperate with Licensor in the cancellation of any licenses registered pursuant to this Agreement and shall execute such documents and do all acts and things as may be necessary to effect such cancellation; and

(d) the Licensee shall and shall procure that the sub-licensees, shall promptly destroy at the Licensee's expense all records and copies of Marketing Material (or other materials bearing the Trademarks) in its possession, and of any information of a confidential nature communicated to it by Licensor, either preparatory to, or as a result of, this Agreement to the extent such material remains confidential.

12.2 The Licensee shall and shall procure that the sub-licensees shall immediately upon expiry or termination of this Agreement cease to use the Trademarks by either removing it, covering it, obliterating it or by any similar method which results in the Trademarks not being visible.

12.3 The Licensee shall and shall procure that the sub-licensees upon expiry or termination of this Agreement, refrain from any registration, use or exploitation of the Trademarks, or any trademarks, trade names logos, or marks that are confusingly similar to the Trademarks.

12.4 Any provision of this Agreement that expressly or by implication is intended to come into or continue in force on or after termination or expiry of this Agreement shall remain in full force and effect.

12.5 Termination or expiry of this Agreement shall not affect any rights, remedies, obligations or liabilities of the Parties that have accrued up to the date of termination or expiry, including without limitation the right to claim damages in respect of any breach of the Agreement which existed at or before the date of termination or expiry.

13 Further assurance

13.1 At its own expense each Party shall, and shall use all reasonable endeavours to procure that any third party shall, promptly execute such documents and perform such acts as may reasonably be required for the purpose of giving full effect to this Agreement.

14 Waiver

14.1 No failure or delay by a Party to exercise any right or remedy provided under this Agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall preclude or restrict the further exercise of that or any other right or remedy.

15 Confidentiality, etc.

15.1 Subject to Clause 15.2 below, the Parties shall treat as strictly confidential all information received or obtained as a result of entering into or performing this Agreement relating to the existence and subject matter of this Agreement.

15.2 Exceptions to confidentiality obligation

Notwithstanding the provisions of Clause 15.1, each Party may disclose information which would otherwise be confidential in the event that

(a) it is required by law or by a court of competent jurisdiction;

(b) it is required by any securities exchange or regulatory or governmental body whether or not the requirement for the information has the force of law;

/PP

(c) it is required by an entity controlling the Party, provided always that a similar obligation to keep such information secret and confidential is imposed on such entity controlling the Party;

(d) it is deemed necessary or appropriate that the Party discloses such information to its advisors or banks, provided always that a similar obligation to keep such information secret and confidential is imposed on such advisors or banks;

(e) the information has come into the public domain through no fault of that Party or any authorised recipient under Clauses 15.2(c)-15.2(d);

(f) such information was already rightfully known to the relevant Party prior to the execution of this Agreement; or

(g) the other Party has given prior written approval to the disclosure, such approval not to be unreasonably withheld or delayed.

16 Miscellaneous

16.1 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof. None of the provisions of this Agreement shall be amended or modified except in writing signed by the Parties hereto. If the Parties enter into additional agreements regarding the general subject matter hereof, for reason of local practice or otherwise, the terms of this Agreement shall take precedence to the extent of inconsistency between the terms of this Agreement and such additional agreements, provided that the relevant terms of any such agreement do not specifically for any such term state the intention to deviate from a specific provision of this Agreement.

16.2 The waiver by either Party of any breach by the other of any of the provisions of this Agreement shall not be deemed to be a waiver of any subsequent or continuing breach of this Agreement.

17 Inadequacy of damages

17.1 Without prejudice to any other rights or remedies that the Parties may have, the Parties acknowledge and agree that damages alone would not be an adequate remedy for any breach of the terms of this Agreement by the party in breach. Accordingly, the Parties shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of this Agreement without providing security.

18 Governing law and arbitration

This Agreement and any dispute or claim arising out of or in connection with the Agreement, is governed by, shall be construed and handled in accordance with Clause 12.6 of the SPA.

[*Separate signature pages to follow*]

/HP

Date:	Date:
Place:	Place:

For and on behalf of Licensor:

Name: Title:	Name: Title:

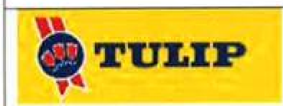
For and on behalf of the Licensee:

Name: Title:	Name: Title:

Schedule A

Trademarks

LPC

Trademark	Type	Covered territory	Registration number	Nice class(es)
	Figurative	EU	013717161	29
	Figurative	EU	013716899	29
	Figurative	EU	013716758	29
	Figurative	EU	012767208	29
TULIP	Word	EU	1070749	29

DocuSign Envelope ID: 71F350EA-267A-4972-B7CE-9702AA255AED

Final Version

Raw Material Supply Agreement

Gorrissen Federspiel

This Raw Material Supply Agreement, including appendices (the "Supply Agreement") is entered into on [DATE], 2019 (the "Effective Date") between

Danish Crown A/S
CVR-no : 26 12 12 64
Marsvej 43
8960 Randers SØ
Denmark
(hereinafter "DC")

and

Tulip Limited
00608077
Seton House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA
The United Kingdom
(hereinafter "Buyer")

(hereinafter collectively referred to as the "Parties" and individually as the "Party")

1 Scope of the Supply Agreement

1.1 With this Supply Agreement Buyer agrees to purchase (subject to specific purchase orders) and DC agrees to deliver the products (hereinafter referred to as the "Products") as specified in Appendix 1 – "Product Specifications" and pursuant to this Supply Agreement. Any changes or amendments to the Product Specifications must be agreed mutually by the Parties in writing.

1.2 This Supply Agreement applies to the supply of Products from DC or from any legal entity in which Danish Crown A/S has a beneficial ownership or power to vote of more than 50% of the outstanding share capital (the "DC Group") to the Buyer, except otherwise specifically agreed. In the event that a legal entity ceases to be part of the DC Group, such entity shall no longer be included under this Supply Agreement. At DC's option, any Order hereunder may be performed and invoiced by any company within the DC Group.

2 Documents

2.1 The basis of this Supply Agreement and the Parties' relationship shall be governed by the following documents, which are incorporated into this Supply Agreement by reference:

a) This main document.

b) Appendix 1 – Product Specifications

c) Appendix 2 – Group Terms of Sale and Delivery

d) Appendix 3 – Minimum applicable package sizes, lead times etc.

3 Preferred Supplier

3.1 The Parties agree that the Buyer shall be under no obligation to purchase and DC shall be under no obligation to supply any minimum quantity of the Products. Further, the Parties agree that nothing in this Supply Agreement shall be deemed to construe any exclusive purchase or supply obligations on either of the Parties.

3.2 DC shall, however, during the term of this Agreement be considered a preferred supplier to Buyer of the Products. This is based on the precondition that DC will be able to supply the Products at prevailing market standards, including market prices for comparable volumes and qualities.

4 Orders

4.1 Purchases made pursuant to this Supply Agreement shall be made through written Orders or changes thereto sent by Buyer and accepted by DC as set out in Appendix 2.

4.2 Orders shall contain a description of the Products, shipping destination, the time for delivery and quantity. The Order may contain additional terms relating to Products including, but not limited to, specifications of Products and multiple delivery dates.

4.3 Promptly upon receipt of an Order, which is consistent with this Supply Agreement and designated lead times listed in Appendix 3, DC shall notify Buyer of its receipt and acceptance or rejection of the Order. DC's acceptance of an Order is limited to the terms herein and in an Order, which Order is in compliance with the terms of this Supply Agreement and its appendices. Each of Buyer and DC hereby objects to and rejects any proposal by the Buyer for additional or different terms.

5 Forecasts

5.1 Along with the Buyer's signature on this Supply Agreement, the Buyer shall submit a schedule describing its anticipated required deliveries of the Products throughout the remainder of the then current calendar quarter.

5.2 During the first week of each month, the Buyer shall submit to DC an updated rolling forecast of the Buyer's anticipated required deliveries of the Products covering the next three (3) months' period (including the month in which such forecast is delivered) (the "Estimated Delivery Schedule").

5.3 The Estimated Delivery Schedule shall not impose any legal obligations on any Party but shall set forth the best estimates of the Parties in respect of the number of products required by the Parties to be delivered during the period covered.

5.4 Both Parties recognize that the forecasted volumes set out in the Estimated Delivery Schedule do not constitute a commitment or obligation on either of the Parties but are for planning purposes only. Commitment or obligation to buy or supply, respectively, can only be made in accordance with an Order and the ordering procedure agreed herein.

5.5 Further, the Parties agree that specific tenders or promotions may not be included in the Estimated Delivery Schedule and must be negotiated separately from time to time between the Parties.

6 Purchase Prices

6.1 The applicable prices for any Order hereunder shall be the current market prices for Products included in an Order (taking into account volumes and qualities) as specified by DC from time to time and as accepted by the Buyer.

7 Delivery

7.1 DC shall deliver the Products in accordance with the terms set out in Appendix 2, at the time and place of delivery specified in Buyer's Order, subject always to applicable lead times as set out in Appendix 3.

7.2 Buyer's exclusive remedy for delayed delivery of some or all of the Products included in an Order shall be cancellation of such part of the Order, which has been delayed. Notwithstanding the foregoing, such remedy shall only be available in the event of a material delay, which will in no event be considered to be less than ten (10) days.

7.3 DC shall be obliged to ensure that the delivered Products are properly wrapped and packed in accordance with the level of packaging agreed between the Parties.

7.4 Import licenses or authorizations necessary for the import of Products by DC into the United Kingdom are the sole responsibility of the Buyer.

8 Warranty and Defects

8.1 DC warrants to the Buyer that at the time of delivery the Products:

(a) Comply with the Product Specifications and

(b) Have the minimum shelf life specified in the Specifications

In the event of breach of Clause 8.1, DC shall comply with the obligations set forth in Clause 8.2 of Appendix 1, except, however that if DC chooses to make subsequent or replacement delivery such delivery shall take place without undue delay.

9 Term and Termination

9.1 This Supply Agreement shall commence on the date of the last signature of a Party hereto (the "Effective Date") and shall be mutually non-terminable, except as otherwise set out in the provisions herein, for three (3) years after the Effective Date.

9.2 Hereafter, either Party shall be entitled to terminate the Supply Agreement without cause by giving 12 months' written notice to the other Party, to the end of a month.

9.3 Early Termination

9.3.1 Either Party may terminate this Supply Agreement with immediate effect by giving written notice to the other Party if:

(a) the other Party is in material breach of the provisions of this Supply Agreement and, where the breach is capable of cure, fails to cure the breach within thirty (30) days after receipt of a written notice giving particulars of the breach and requiring it to be remedied within the said time limit; or

(b) the other Party, does or fails to do anything which would entitle any person to appoint a receiver of the whole or any part of such Party's assets or which would entitle any person to present a petition for an administration order or the winding up of such Party.

9.3.2 If this Supply Agreement is terminated pursuant to Clause 9.3, any outstanding and accepted Orders whose performance has not begun, shall also be terminated at the discretion of the non-terminating Party.

10 Contact Information

10.1 Buyer:

Tulip Limited
00608077
Seton House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA
The United Kingdom

10.2 DC:

Danish Crown A/S
CVR-no : 26 12 12 64
Marsvej 43
8960 Randers SØ
Denmark
(hereinafter "DC")

11 Assignment

11.1 The Buyer shall not assign this Supply Agreement or any right or obligation hereunder or delegate its duties hereunder without the prior written consent of DC.

12 Change of Control

12.1 The Buyer shall promptly report to the DC any Change of Control in writing. "Change of Control" shall mean the acquisition by any person or group with a beneficial ownership or power to vote of more than 50 % of the outstanding capital of the Buyer or the acquisition by any person or group of substantially all the assets of the Buyer.

13 Confidentiality

13.1 Each Party shall keep strictly confidential the terms and conditions of this Supply Agreement and any confidential information received from the other Party or its Affiliates and shall grant access to the confidential information only to those employees who have a reasonable need to know and use such confidential information for the performance of this Supply Agreement and shall inform each of said employees of the confidential nature of the confidential information and of its obligations in respect thereof.

13.2 The provisions of this Clause 13 shall not apply to the use or disclosure of confidential information that either (i) is required to be disclosed by law or mandatory demand of a competent regulatory or law enforcement agency or (i) has entered into the public domain other than by a breach of this Clause 13.

13.3 All of the provisions of this Clause 13 shall survive termination of this Supply Agreement and remain in full force and effect for five (5) years thereafter.

ooOOoo

(signatures on next page)

lPP

Place: Date:	Place: Date:
For and on behalf of Danish Crown A/S	For and on behalf of Tulip Limited
________________ Name: Title:	________________ Name: Title:

GROUP TERMS OF SALE AND DELIVERY

1. DEFINITIONS AND APPLICABILITY

1.1 In these Group Terms of Sale and Delivery the following terms shall mean:

Seller: the Danish Crown Group legal entity referring to these Group Terms of Sale and Delivery as basis for any Order.

Buyer: the party to which the Seller supplies or accepts orders for supplies of Goods.

Order: means any agreement or order between the Seller and Buyer concerning the purchase of Goods.

Goods: means the goods and services (or any part of them) set out in an Order.

1.2 These Group Terms of Sale and Delivery shall apply to Seller's delivery of Goods to Buyer and shall be deemed to be incorporated in and to be a condition of any agreement between the Seller and the Buyer and the Buyer may only place an order and the Seller may only accept an order for Goods which are subject to these Group Terms of Sale and Delivery.

1.3 Any deviation from and/or addition to these Group Terms of Sale and Delivery must be agreed in writing by authorized representatives of the Seller.

1.4 Buyer's standard terms, by any name whatsoever, shall explicitly not apply to Seller's delivery of Goods to Buyer.

1.5 The Buyer entering into a transaction with the Seller expressly warrants that it is authorized to accept and accepts these Group Terms of Sale and Delivery.

1.6 The Buyer acknowledges that it has not relied on any statement promise or representation made or given by or on behalf of the Seller which is not set out in these Group Terms of Sale and Delivery.

1.7 No order placed by the Buyer shall be deemed to be accepted by the Seller until a written acknowledgement of the order is issued by the Seller or (if earlier) the Seller delivers the Goods to the Buyer, unless otherwise agreed.

1.8 If any provision contained in these Group Terms of Sale and Delivery conflicts or is inconsistent with any provisions in the Order, the provision in the Order shall take precedence.

1.9 Any samples, drawings, descriptive matter, or advertising produced by the Seller and any descriptions or illustrations contained in the Seller's catalogues or brochures or other sales or marketing information are produced for the sole purpose of giving an approximate idea of the Goods described in them. They shall not form part of the contract between the Seller and the Buyer or have any contractual force.

1.10 The Seller reserves the right to amend the specification of the Goods if required by any applicable statutory, regulatory or other industry requirements.

1.11 The Seller may carry out a search through a credit reference agency or make enquiries about the directors or owners of the Buyer. A record of the Seller's search will be kept for as long as reasonably necessary. Information on the credit performance of the Buyer will be maintained and may be made available to other organisations to assess the Buyer's credit worthiness.

2. DELIVERY, PASSING OF RISK AND COSTS

2.1 The Seller and the Buyer have agreed upon time of delivery in the Order. Time of delivery shall not be of the essence.

2.2 Incoterms 2010 Ex Works clause shall govern delivery, passing of risk and costs.

2.3 Unless otherwise agreed in the Order or in accordance with the applicable Incoterms, transportation of the Goods shall be at the Buyer's risk and all delivery charges and carriage expenses shall be charged to the Buyer.

2.4 Unless otherwise agreed in the Order, any dates quoted for delivery are approximate only and the Seller shall incur no liability as a result of transportation time of the Goods.

2.5 Unless otherwise agreed in the Order, the Seller shall be permitted to perform partial deliveries of any Goods and no failure of or delay in delivery of any partial delivery or any defect in the contents shall entitle the Buyer to treat the contract as repudiated with regard to any remaining partial delivery.

2.6 The Buyer shall provide the Seller with adequate delivery instructions, and the Seller is not liable for any delay or damages due to the Buyer's failure to provide such instructions.

2.7 In the event that the Buyer requests postponement of delivery or refuses to accept delivery, the Seller reserves the right to cancel the Order or to make a storage charge of not more than 5% of the invoice value of the Goods and, if the Buyer refuses to accept delivery within a reasonable period of the Seller's original attempt to complete the delivery, the Buyer shall be entitled to dispose of the Goods and to charge the Seller all fees, costs and expenses incurred by the Seller in

GPP

respect of such disposal.

2.8 The Seller reserves the right on accepting Orders to deliver (whether in any particular weight range of the Goods ordered or in the total numbers of Goods ordered) such numbers of the Goods as shall not vary by more than five (5) % (either more or less) from the number ordered and the Buyer shall pay to the Seller for the number so delivered on a pro rata basis.

2.9 Where Goods are not available at the requested time of delivery then the Seller reserves the right to substitute an equivalent product in its place and this product will be invoiced in accordance with these Group Terms of Sale and Delivery.

3. RETENTION OF TITLE

3.1 Transfer of ownership (whether separate and identifiable or incorporated in or mixed with other goods) shall not take place until the Seller has received in full all sums due from Buyer.

3.2 Subject to clause 3.6, until ownership in the Goods passes to the Buyer, the Buyer shall be the bailee of the Goods for the Seller and shall:

(i) store the Goods securely, safely, separately from the Buyer's own Goods and in a manner which makes them readily identifiable as the Goods of the Seller;

(ii) maintain the goods in satisfactory condition;

(iii) notify the Seller immediately if it becomes subject to any of the events in Clause 3.3(ii) or 3.3(iii); and

(iv) give the Seller such information relating to the Goods as the Seller may require from time to time.

3.3 Subject to clause 3.6, until ownership in the Goods passes to the Buyer, the Seller's consent to the Buyer's possession of the Goods and any right the Buyer may have to possession of the Goods shall cease on the earliest of the following events:

(i) if any sum (whether in respect of the Goods or otherwise) is not paid to the Seller on or before the date when it is due;

(ii) if the Buyer, not being a company, applies for an interim order or proposes a voluntary arrangement with the Buyer's creditors or does or fails to do anything which would entitle a petition for a bankruptcy order to be presented; or

(iii) if the Buyer, being a company, does or fails to do anything which would entitle any person to appoint a receiver of the whole or any part of the Buyer's assets or which would entitle any person to present a petition for an administration order or the winding up of the Buyer.

3.4 The Seller, its officers, employees and agents may, for the purpose of inspecting or recovering its Goods, enter upon any premises where they are stored or where the Seller reasonably believes them to be stored.

3.5 Where the applicable governing law relating to the supply of any Goods is German law, Clauses 3.1, 3.2(iii) and 3.3 shall not apply. Instead the provisions set forth in the document "Regelungen zum Eigentumsvorbehalt für Lieferung von Waren nach deutschem Recht" available under www.danish crown.com/[INSERT], which shall form an integral part of these Group Terms of Sale and Delivery, shall apply.

3.6 The Buyer may sell or use the Goods, before title in the Goods has passed to the Buyer, provided that any such sale or use is effected in the ordinary course of the Buyer's business. Where any such sale takes place, title in the Goods shall pass from the Seller to the Buyer immediately prior to the completion of the sale to the third party buyer of the Goods by the Buyer for the purpose of giving the third party buyer of the Goods good title to the Goods.

4. PRICES

4.1 All prices stated are exclusive of VAT and any existing or future public duties and other costs beyond the Seller's control. The Buyer shall on receipt of a valid VAT invoice from the Seller, pay to the Seller such additional amounts in respect of VAT as are chargeable.

4.2 The Buyer should check the invoice and inform the Seller within seven (7) days of receipt of any disputed prices. In the event that the Buyer fails to do so, such invoice shall be deemed to be accepted and these terms of payment shall continue to apply.

4.3 The Seller reserves the right to adjust the price of the Goods in the event of documented changes in taxes, tariff rates, import/export duties, currency exchange rates, freight charges etc. provided that the increased prices are reasonably consistent with market prices for similar products at the time of the increase.

5. TERMS OF PAYMENT

5.1 Unless otherwise agreed the Seller's invoices shall be paid by the Buyer seven (7) days after the invoice date, without any set-off or discount.

5.2 For delays in payment, save for any provisions in mandatory applicable law, Seller may charge interest at the rate of one (1) % per month from the date the payment became due until payment is made.

5.3 Where payment in full in respect of any consignment is not made on or before the due date, the Seller shall have the right to retain any further Goods which may be due for delivery until such time as all outstanding amounts are paid in full.

5.4 Payment shall become due immediately if any event occurs or proceedings are taken with respect to the Buyer in any jurisdiction to which it is subject that has an effect equivalent to any of the events

RP

mentioned in Clause 3.3 (i)-(iii) above.

6. BUYER'S OBLIGATION TO INSPECT THE GOODS AND TO NOTIFY SELLER ABOUT NON-CONFORMITY

6.1 The Buyer must inspect the Goods immediately upon receipt.
6.2 Notifications of defects concerning visible damage incurred in transit shall immediately be registered by the Buyer on the CMR bill of carriage or other consignment note and presented in writing to the carrier and the Seller. The Seller's acknowledgement of any notification of defect as described above is subject to the certification of such defect by the carrier or the carrier's insurance company.
6.3 In the event of hidden defects (including tinned meat products) any notification on non-conformity must be submitted in writing to the Seller at the latest on the day following the day on which the defect has been discovered or could have been discovered by reasonable measures, but at the latest on the expiration date of the Goods, failing which any claim for defects shall be considered forfeited.
6.4 Any other complaints in respect of an Order or Goods must be made against the Seller in writing within two (2) weeks following receipt of the Goods to the Buyer, failing which any claim from the Buyer shall be considered forfeited.

7. FORCE MAJEURE

In the event that Seller's obligation to perform delivery of Goods becomes unreasonably onerous due to a force majeure event (such as, but not limited to, strikes, fires, explosions, earthquakes, drought, tidal waves and floods) such obligation(s) shall be suspended for as long as the force majeure event persists, and Seller shall have the right to cancel any affected Order if the force majeure event persists for more than thirty (30) days.

8. LIABILITY

8.1 To the fullest extent legally permissible, all conditions and warranties whether express or implied by statute, common law, trade usage or otherwise are excluded, save as set out expressly in these Group Terms of Sale and Delivery.
8.2 In the event of defects, including the absence of warranted properties, the Seller undertakes at its own choice to make subsequent or replacement delivery within a reasonable time or to allow a proportional reduction of the purchase price. No other remedies are available to the Buyer.
8.3 Nothing in these Group Terms of Sale and Delivery shall limit the Seller's liability to the extent that it cannot be limited or excluded at law.
8.4 Subject to Clause 8.4, the Seller shall not be responsible for or held liable for any indirect, consequential, special or incidental losses or damages or for any loss of profits, loss of contracts or loss of goodwill in each case whether arising through negligence, misrepresentation, breach of any statutory duty, or breach of contract or otherwise in relation to the supply of Goods under these Group Terms and Conditions of Sale and Delivery.
8.5 Subject to Clauses 8.3 and 8.4, the Seller's obligation to pay damages to the Buyer in the event of a non-conformity and/or delay in delivery cannot exceed fifteen (15) % of the purchase price of the non-conforming/delayed part of the delivery or, if lower, £50,000.
8.6 Where the applicable governing law relating to the supply of any Goods is German law, clauses 8.1 through 8.5 shall not apply. Instead the following shall apply:
(i) Unless otherwise provided in these Group Terms of Sale and Delivery, including the following provisions, the Seller shall be liable for any breach of contractual or non-contractual obligations as provided by applicable law.
(ii) The Seller shall be liable for damages if such damages are caused by wilfulness or gross negligence. In the event of ordinary negligence, the Seller shall be liable only if
a) damages involve harm to life, limb or health, or
b) damages result from a breach of a material contractual obligation (an obligation the performance of which is a prerequisite for due performance of the Agreement and on the performance of which the other party may reasonably rely and generally does rely); in such case the Seller's liability shall however be limited to reasonably foreseeable damages.
(iii) The limitations of liabilities set forth in this Clause 8.6 shall not apply if a defect is fraudulently concealed or if the Seller has warranted certain qualities of the Goods. The same shall apply to any claims Buyer may have under strict liability law.

9. INDEMNITY

Where the Goods are produced by the Seller in accordance with the Buyer's specifications, the Buyer shall indemnify the Seller against all costs, claims, damages and/or expenses to which the Seller may become liable as a result of the infringement or the alleged infringement of any patent, registered design or any other intellectual property right.

10. ASSIGNMENT

Rights and obligations under these Group Terms of Sale and

APP

Delivery shall not be assigned, charged or transferred by the Buyer without the prior written consent of the Seller.

11. LAW AND VENUE

11.1 The Seller's supply of Goods to the Buyer shall be governed by the substantial laws in the country where the Seller has its registered office without regard to its conflict of law rules.

11.2 All disputes arising out of or in connection with any Order, any Goods shall be finally settled by the courts in the country where the Seller has its registered office. The Seller is however entitled, at its sole discretion, to bring any dispute with the Buyer before the competent court of the Buyer's registered office.

11.3 Where the applicable governing law relating to the supply of any Goods is English law:

11.3.1 Without limiting Clause 8.5, nothing in these Group Terms of Sale and Delivery shall limit the Seller's liability arising from Section 12 of the Sale of Goods Act 1979 or Section 2 of the Supply of Goods and Services Act 1982, in respect of any claim for death or personal injury caused by the negligence of the Seller or under Part 1 of the Consumer Protection Act 1987; and

11.3.2 The Buyer and the Seller do not intend that any of these Group Terms of Sale and Delivery shall be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person that is not a party to it.

August 23, 2018

/PP

Exhibit 4.[•]

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a description of the common stock, par value $0.01 per share, of Pilgrim's Pride Corporation (the "Company," "we" or "us") registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description set forth below is a summary and is not complete and is qualified in its entirety by reference to the amended and restated certificate of incorporation, amended and restated bylaws and stockholders agreement, dated December 28, 2009 (the "JBS Stockholders Agreement"), between the Company and JBS USA Holding Lux S.à.r.l. ("JBS USA"), copies of which are filed as Exhibit 3.1, 3.2 and 4.3, respectively, to the Annual Report on Form 10-K of the Company.

General

Our certificate of incorporation, as amended, authorizes 800,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share. As of December 29, 2019, 249,572,119 shares of common stock and no shares of preferred stock were outstanding. Shares of our common stock are traded on The Nasdaq Stock Market LLC under the symbol "PPC." In general, any series of preferred stock will be afforded preferences regarding dividends and liquidation rights over the common stock. The certificate of incorporation, as amended, empowers our board of directors, without approval of the stockholders, to cause preferred stock to be issued in one or more series, and to fix the number of shares, designation, voting rights, powers, preferences and rights and any qualifications, limitations or restrictions of the shares of each series.

Common Stock

Dividends

Subject to the limitations under the Delaware General Corporation Law (the "DGCL"), preferences that may apply to any outstanding shares of preferred stock and contractual restrictions, the holders of shares of common stock will be entitled to receive such dividends (payable in cash, stock, or otherwise) as may be declared by our board of directors at any time and from time to time out of any funds legally available for that purpose. Dividends will be paid to the holders of record of the outstanding shares of common stock as their names appear on the stock register on the record date fixed by our board of directors in advance of declaration and payment of each dividend. Any shares of common stock issued as a dividend will, when so issued, be duly authorized, validly issued, fully paid and non-assessable, and free of all liens and charges.

Notwithstanding anything contained herein to the contrary, no dividends on shares of common stock will be declared by the board of directors or paid or set apart for payment at any time that such declaration, payment or setting apart is prohibited by applicable law.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Company, the holders of shares of common stock will be entitled to receive ratably all of our remaining assets available for distribution after payment in full of all amounts owed to our creditors and distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of the preferred stock. A liquidation, dissolution, or winding-up of the Company, as such terms are used herein, will not be deemed to be occasioned by or to include any consolidation or merger of the Company with or into any other corporation or corporations or other entity or a sale, lease, exchange, or conveyance of all or a part of the assets of the Company.

Voting Rights

All shares of common stock have identical rights and privileges. The holders of our common stock are entitled to one vote for each share of common stock held of record on all matters to be voted on by stockholders. The holders of our common stock have no cumulative voting rights. The holders of common stock are entitled to vote on each matter properly submitted to the stockholders of the Company for their vote, including the election of directors; provided, however, that, except as otherwise required by law, holders of common stock will not be entitled to vote on any amendment to our certificate of incorporation, as amended, that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to our certificate of incorporation, as amended. Directors shall be elected by a plurality of the shares entitled to vote on the election of directors and present in person or represented by proxy at the meeting of stockholders at which a quorum is present. All other matters, unless otherwise provided by applicable law, the rules or regulations of any stock exchange applicable to the Company, the certificate of incorporation, as amended, or the amended and restated bylaws (as disclosed herein), shall be decided by the affirmative vote of the holders of a majority of the total outstanding voting power of the shares of stock, present in person or represented by proxy, assuming a quorum is present.

Preemptive Rights; Subscription Rights; Cumulative Voting

Stockholders will not be entitled to preemptive or subscription rights or to cumulative voting.

Other Rights and Preferences

The rights and privileges of holders of our common stock are subject to any series of preferred stock that we may issue, as described below. Additionally, the rights and privileges of shareholders are subject to the provisions of the Stockholders Agreement between us and JBS USA (the "JBS Stockholders Agreement").

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is Computershare Trust Company, N.A.

JBS Stockholders Agreement

The JBS Stockholders Agreement sets forth certain rights with respect to our common stock, corporate governance and other related corporate matters, some of which are memorialized in our certificate of incorporation, as amended, and/or our amended and restated bylaws. Generally, the terms of the JBS Stockholders Agreement are as follows:

- Our board of directors currently consists of nine directors: (i) six directors designated by JBS USA (the "JBS Directors"), and (ii) three directors (the "Equity Directors") elected by the stockholders other than the JBS USA and its affiliates (the "Minority Investors"). The JBS Stockholders Agreement contains terms regarding the appointment and removal of directors, the requirement for certain directors to be "independent" for purposes of applicable SEC rules and exchange listing requirements and the change in the size of the board of directors or relative numbers of JBS Directors and Equity Directors in the event that the respective parties' ownership percentages change or in the event of changes in applicable law or exchange listing requirements. For example, if the percentage of our outstanding common stock beneficially owned by JBS USA exceeds 80%, then JBS USA will have the right to elect one additional member of our board of directors while the Minority Investors would have the right to elect one less member of our board of directors. Following the date JBS USA obtains beneficial ownership at 90% or more of our common stock, then JBS will have the right to elect all members of our board of directors.

- If a greater number or proportion of independent directors on the board is required by applicable law or the rules of The Nasdaq Stock Market LLC, then (i) if JBS USA beneficially owns at least 50% of the issued and outstanding common stock, then, at the option of the JBS Nominating Committee (as defined in our certificate of incorporation, as amended), either (A) one or more of the then-existing JBS Directors who are not independent directors will be replaced with one or more JBS Directors who are independent directors or (B) the number of directors on the board will be increased by two, and the vacancies created by such increase shall be filled with persons designated by the JBS Nominating Committee who are independent directors; or (ii) if JBS USA beneficially owns less than 50% of the issued and outstanding common stock, then one or more of the then-existing JBS Directors who are not independent directors will be replaced with one or more JBS Directors who are independent directors.

- The approval of at least a majority of the Equity Directors is required for certain actions, including, among other things, a change in the size of the board of directors and amendments of certain provisions of our certificate of incorporation, as amended, or our amended and restated bylaws that would or could reasonably be expected to adversely affect, in any material respect, the rights of the stockholders other than the Minority Investors.

- JBS USA is required to cause all shares of our common stock beneficially owned by it or its affiliates to be voted for or against, to be not voted, or to abstain from voting, in the same proportion as the shares of our common stock held by the Minority Investors are voted for or against, or abstained from voting, with respect to (A) the election or removal of Equity Directors and (B) proposals to adopt, amend or repeal our amended and restated bylaws that would adversely affect, or could reasonably be expected to adversely affect, in any material respect, the rights of the Minority Investors, as a class. With respect to all other matters submitted to a vote of holders of our common stock, JBS USA may vote, or abstain from voting, shares of our common stock held by it in its sole and absolute discretion.

- We are permitted to make repurchases of our common stock from Minority Investors in the ordinary course if the following conditions are met:

  - none of JBS USA and its affiliates (other than the Company) provides the cash or property used to effectuate the redemption or repurchase directly or indirectly;

  - the cash or property used to effectuate the redemption or repurchase is derived solely from the Company's operating cash flows, and not borrowings, equity issuances or sale or exchange transactions occurring outside of the ordinary course of business;

  - the redemption or repurchase qualifies for the safe harbor from liability available under Rule 10b-18 of the Securities Exchange Act of 1934 (or any successor rule); and

  - the redemption or repurchase does not, and is not reasonably likely to, cause the Company to cease to comply with the applicable continued listing standards of the national securities exchange on which our common stock is listed.

The JBS Stockholders Agreement may be terminated (i) by written agreement of the parties, (ii) on the consummation of the Mandatory Exchange Transaction or (iii) in the event that JBS USA owns 100% of our common stock, subject to the survival of certain covenants. The Equity Nominating Committee (as defined in our certificate of incorporation, as amended), acting by majority vote, will have the right to control the Company's exercise of its rights and remedies under the stockholders agreement.

Preferred Stock

The certificate of incorporation, as amended, empowers our board of directors, without approval of the stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the number of shares of any class or series of preferred stock and determine its designation, voting rights, powers, preferences and rights and any qualifications, limitations or restrictions on the shares of each series. In general, any series of preferred stock will be afforded preferences regarding dividends and liquidation rights over the common stock. The rights, preferences and privileges of holders of shares of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future without stockholder approval.

Change of Control Related Provisions of Our Certificate of Incorporation and Bylaws and Delaware Law

A number of provisions in our certificate of incorporation, as amended, and amended and restated bylaws and under the Delaware General Corporation Law (the "DGCL") may have the effect of delaying, deferring or preventing another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

No Written Consent of Stockholders

Our certificate of incorporation, as amended, provides that, subject to the rights of holders of preferred stock, all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting. This limit may lengthen the amount of time required to take stockholder actions and would prevent the amendment of our bylaws or removal of directors by our stockholders without holding a meeting of stockholders.

Special Meetings of Stockholders

Our certificate of incorporation, as amended, and amended and restated bylaws provide that special meetings of stockholders may be called only by the chairman of our board of directors, the chief executive officer, the president, the affirmative vote of a majority of the whole board of directors or, as provided by the certificate of incorporation, as amended, by the Equity Nominating Committee. In addition, the certificate of incorporation, as amended, provides that only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our amended and restated bylaws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before such annual meeting.

Advance Notice Requirements

Our amended and restated bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 120 days nor more than 270 days prior to the scheduled annual meeting date. Our amended and restated bylaws specify the requirements as to form and content of all stockholders' notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting.

Amendment to Certificate of Incorporation and Bylaws

Any amendment of the provisions of our certificate of incorporation, as amended, relating to board composition (including size, vacancies and term), special meeting committees, meetings of stockholders (including special meetings) and requirements for the amendment of our bylaws or any amendment that, individually or taken as a whole with any other amendments, would adversely affect, or could reasonably be expected to adversely affect, in any material respect the rights of the stockholders, as a class, must be approved by the affirmative vote of a majority of our board of directors and the affirmative vote of at least a majority of the Equity Directors.

Our amended and restated bylaws may be amended by the board of directors. Any amendment that would adversely affect or could reasonably be expected to adversely affect the rights of the Minority Investors requires the consent of at least a majority of the whole board, including the approval of at least a majority of the Equity Directors, subject to any limitations set forth in the amended and restated bylaws. Our amended and restated bylaws may also be amended by the affirmative vote of a majority of the then-outstanding shares entitled to vote in the election of directors (other than shares of capital stock of the Corporation beneficially owned by the JBS Stockholder), present in person or represented by proxy at a meeting at which a quorum is present, voting together as a single class.

Undesignated Preferred Stock

Our certificate of incorporation, as amended, provides for 50,000,000 authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation, as amended, grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

Section 203 of the DGCL

We are subject to the provisions of Section 203 of the DGCL. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- before such date the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in that person becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, shares owned by certain directors or certain employee stock plans; or
- on or after the date the stockholder became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock, excluding the stock owned by the interested stockholder.

A "business combination" includes mergers, stock or asset sales and other transactions resulting in a financial benefit to the "interested stockholders." An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of the corporation's voting stock. Although Section 203 of the DGCL permits us to elect not to be governed by its provisions, to date we have not made this election. As a result of the application of that statute, our potential acquirers may be discouraged from attempting to effect an acquisition transaction with us, which could possibly deprive holders of our securities of certain opportunities to sell or otherwise dispose of such securities at above-market prices in such transactions.

EXHIBIT 21
PILGRIM'S PRIDE CORPORATION
SUBSIDIARIES OF REGISTRANT

	Jurisdiction of Incorporation or Organization
U.S. Subsidiaries	
PFS Distribution Company	Delaware
Pilgrim's Pride, LLC	Delaware
POPPSA 3, LLC	Delaware
POPPSA 4, LLC	Delaware
PPC Transportation Company	Delaware
Merit Provisions, LLC	Delaware
40 North Foods, Inc.	Delaware
GC Properties	Georgia
PPC of Alabama, Inc.	Georgia
Gold'n Plump Farms, LLC	Minnesota
Gold'n Plump Poultry, LLC	Minnesota
JFC LLC	Minnesota
Pilgrim's Pride Affordable Housing Corporation	Nevada
Pilgrim's Pride of Nevada, Inc.	Nevada
PPC Marketing, Ltd.	Texas
Pilgrim's Pride Corporation of West Virginia, Inc.	West Virginia
Foreign Subsidiaries	
To-Ricos Distribution, Ltd.	Bermuda
To-Ricos, Ltd.	Bermuda
Moy Park Beef Orléans Sàrl	France
Moy Park France Holdco Sàrl	France
Moy Park France Holdings SAS	France
Moy Park France SAS	France
Arkose Investments ULC	Ireland
Moy Park Food Service Dublin ULC	Ireland
Granite Holdings Sàrl	Luxembourg
Ivory Investments Luxembourg Sàrl	Luxembourg
Sandstone Holdings Sàrl	Luxembourg
Avícola Pilgrim's Pride de Mexico, S. A. de C.V.	Mexico
Comercializadora de Carnes de Mexico S. de R.L. de C.V.	Mexico
Gallina Pesada S.A.P.I. de C.V.	Mexico
Inmobiliaria Avicola Pilgrim's Pride, S. de R.L.	Mexico
Pilgrim's Operaciones Laguna, S. de R.L. de C.V.	Mexico
Pilgrim's Pride S. de R.L. de C.V.	Mexico
Servicios Administrativos Pilgrim's Pride S. de R.L. de C.V.	Mexico
Albert van Zoonen B.V.	Netherlands

EXHIBIT 21
PILGRIM'S PRIDE CORPORATION
SUBSIDIARIES OF REGISTRANT

	Jurisdiction of Incorporation or Organization
Foreign Subsidiaries (Continued)	
Bakewell Foods Ltd.	United Kingdom
Dungannon Proteins Ltd.	United Kingdom
Kitchen Range Foods Ltd.	United Kingdom
Moy Park (Bondco) Plc	United Kingdom
Moy Park Holdings (Europe) Ltd.	United Kingdom
Moy Park Ltd.	United Kingdom
Moy Park Newco Ltd.	United Kingdom
O'Kane Blue Rose (Newco 1) Ltd.	United Kingdom
O'Kane Poultry Ltd.	United Kingdom
Onix Investments UK Ltd.	United Kingdom
Rose Energy Ltd.	United Kingdom
Tulip Limited	United Kingdom

EXHIBIT 23.1
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Pilgrim's Pride Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 333-179563 and 333-182586) on Form S-8 of Pilgrim's Pride Corporation of our reports dated February 20, 2020, with respect to the consolidated balance sheets of Pilgrim's Pride Corporation as of December 29, 2019 and December 30, 2018, and the related consolidated and combined statements of income, comprehensive income, stockholders' equity, and cash flows for the fifty-two weeks ended December 29, 2019, the fifty-two weeks ended December 30, 2018, and the fifty-three weeks ended December 31, 2017, and the related notes and financial statement schedule II, and the effectiveness of internal control over financial reporting as of December 29, 2019, which reports appear in the December 29, 2019 annual report on Form 10-K of Pilgrim's Pride Corporation.

Our report refers to a change referring to a change to the method of accounting for revenue and leases.

Our report dated February 20, 2020, on the effectiveness of internal control over financial reporting as of December 29, 2019, contains an explanatory paragraph that states the Company acquired Tulip Limited during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 29, 2019. Our audit of internal control over financial reporting of Pilgrim's Pride Corporation also excluded an evaluation of the internal control over financial reporting of Tulip Limited.

/s/ KPMG LLP

Denver, Colorado
February 20, 2020

EXHIBIT 31.1

**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jayson J. Penn, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 29, 2019, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2020

/s/ Jayson J. Penn

Jayson J. Penn

Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Fabio Sandri, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 29, 2019, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2020	/s/ Fabio Sandri
	Fabio Sandri
	Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the “Company”), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 29, 2019 (the “Form 10-K”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2020	/s/ Jayson J. Penn
	Jayson J. Penn
	Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 29, 2019 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2020	/s/ Fabio Sandri
	Fabio Sandri
	Chief Financial Officer