



## Strategic alliance between JBS S.A. and Cremonini S.p.A.

**JBS S.A.**  
**CNPJ nº 02.916.265/0001-60**  
**NIRE 35.300.330.587**  
**Authorized Capital Publicly Held Company**

### RELEVANT FACT

JBS S.A. ("JBS"), in accordance to CVM Instruction 358/02, informs its shareholders and the market in general that it has reached an agreement with Cremonini S.p.A., Italy ("Cremonini"), whereby JBS will enter with a 50% stake in the share capital of Inalca S.p.A. ("Inalca"), one of the main European beef players, for a total consideration of 225 million Euros based upon an Enterprise Value of Inalca of 600 million Euros.

The transaction will take place primarily through a capital increase of Inalca (100% owned by Cremonini S.p.A. – CRM.MI) and is aimed at the international development of its production sector.

JBS, the world's largest beef producer, and Cremonini, one of the main European players in the production of beef and beef by-products, have entered into a binding preliminary contract for the formation of a strategic alliance between JBS and Cremonini ("Alliance"). The Alliance will encompass the whole beef production and beef by-products division of Cremonini (Inalca S.p.A. and Montana Alimentari S.p.A., 100% controlled) in which JBS will own a 50% stake.

The transaction will be structured as follows:

Cremonini will transfer 100% of Montana Alimentari S.p.A ("Montana") to Inalca, for a consideration of 70 million Euros.

JBS will acquire 50% of Inalca for a total consideration of 225 million Euros, of which 46.4% through a capital increase of 210 million Euros and 3.6% through the direct purchase of shares held by Cremonini, for an amount of 15 million Euros.

Cremonini will subscribe the residual amount of the capital increase of Inalca, in the total amount of 10 million Euros.

The total capital increase of Inalca will be 220 million Euros.

After the conclusion of the corporate reorganization described above, JBS and Cremonini will each own 50% of Inalca.

The consideration for the Inalca shares transferred will be subject to an adjustment based on the final Net Debt of the production sector of Cremonini as of 12/31/2007 compared to a forecast of 300 million Euros.

The transaction is based upon the attribution of an Enterprise Value of 600 million Euros to Cremonini's production sector. The agreement also provides for an Earn Out adjustment price premium of an additional 65 million Euros in favour of Cremonini upon the achievement of an average annual EBITDA of 75 million Euros, over the three year period 2008-2010.

The signing of the definitive agreements is scheduled for December 21, 2007, while the transfer of the shares, the capital increase and the finalising of the agreements will occur in January 2008, subject to final contract and to the obtainment of the authorisations from the relevant antitrust authorities.

The capital increase is aimed at providing the company with financial resources necessary to accelerate the growth of the production sector, in the domestic and international markets, also through a focused policy of acquisitions.

In terms of corporate governance, the agreement provides for the appointment of an equal number of directors by each party to the Board of Directors of Inalca. Cremonini will appoint the Chief Executive Officer, and will maintain the operational management of the company. JBS will appoint the Chairman and the CFO. The current management will be confirmed.

Cremonini will have a put option according to which it will be able to sell its 50% stake in Inalca to JBS at any time during the fourth and tenth year from the closing of the transaction. The Put Option may be exercised provided that Inalca's consolidated EBITDA is at least equal to 60 million Euros. The price will be a multiple (between 5 and 10 times) of the consolidated EBITDA of Inalca.

Reciprocal call provisions are also provided for, in the event of change in control of the respective majority shareholders.

The Alliance will create significant product and sales channels synergies between JBS and Cremonini, leaders in their respective markets: JBS is present with production plants and distribution channels in South American, United States and Australian markets, while Cremonini, through

Inalca S.p.A., is present in Europe, Russia and Africa.

For JBS, the transaction represents the opportunity to access, through Inalca, new markets and clients, among which large multinationals in the fast food sector, processed food producers, large retail chains and foodservice companies. It will also provide JBS access to Inalca's widely recognised state-of-the-art production technologies and to higher added value products sold under the Montana brand.

For Cremonini, the transaction guarantees the privileged access to the main world beef supply sources in addition to strengthening the global control of the entire supply chain.

**São Paulo, December 6, 2007**

**José Paulo Macedo**

**Investor Relations Director**