JBS S.A

Financial statements and Report of Independe auditors

As of December 31, 2008 and 2007

Report of Independent Auditors

To the Board of Directors and Shareholders of JBS S.A.:

1. We have audited the individual (Company) and consolidated balance sheets of JBS S.A and controlled companies (Companies) as of December 31, 2008 and the respective individual (Company) and consolidated statements of income, changes in shareholders' equity, cash flows and value added for the year then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of JBS Argentina S.A., an indirectly-controlled company, and of JBS USA Inc., a directly-controlled company, were reviewed by other independent auditors, member firms of BDO network. The financial statements of Inalca JBS S.p.A , JBS Global A/S (Denmark) and SB Holdings, Inc,. directly-controlled companies, were audited by other independent auditors.

Our opinion, insofar as it relates to the carrying value of the investments in these companies and the equity in their earnings, is based on the report of those other auditors. As from October 23, 2008, the financial statements of JBS USA include the accounts of JBS Parkland (formerly Smithfield) and JBS Five Rivers (formerly Five Rivers).

2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Companies, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our audits and on the opinion of other independent auditors, as mentioned in paragraph 1, the financial statements referred to in that paragraph present fairly, in all material respects, the individual and consolidated financial position of JBS S.A. and controlled companies as of December 31, 2008, and the results of its operations, the changes in shareholders' equity, the cash flows and value added to its operations for the year then ended, in conformity with Brazilian accounting practices.

4. The audit of the financial statements for the year ended December 31, 2007, originally prepared before the adjustments resulting from the changes in accounting practices described in note 2, was conducted under the responsibility of other independent auditors, who issued an unqualified report on March 10, 2008 emphasizing the presentation of the statement of cash flows as supplementary information and the early application of procedures to recognize exchange variations of foreign investments, pursuant to Technical Pronouncement No. 2 issued by the Committee of Technical Pronouncements , whose application is expected for the fiscal years ending as from December 2008, in accordance with Brazilian Securities and Exchange Commission (CVM) Resolution No. 534. In connection with our audit of the financial statements for the year ended December 31, 2008, we also analyzed the adjustments resulting from the changes in accounting practices described in note 2. In our opinion, these adjustments were adequate and properly made, considering all significant aspects.

We were engaged only to analyze the adjustments described in note 2 and not to evaluate, review or apply any other procedures to the financial statements for the year ended December 31, 2007, and therefore we do not issue an opinion on these financial statements. As mentioned in note 2, the Brazilian accounting practices have been changed as from January 1, 2008, The financial statements for the year ended December 31, 2007, presented together with the 2008 financial statements, were prepared in accordance with Brazilian accounting practices in effect until December 31, 2007 and, as allowed by CPC Technical Pronouncement No. 13 – Initial Adoption of Law No. 11,638/07 and Executive Act No. 449/08, are not being republished with the adjustments for purposes of comparison between the years.

Ribeirão Preto, February 16th, 2009.

BDO Trevisan

BDO Trevisan Auditores Independentes
CRC 2SP013439/O-5

Estefan George Haddad
Sócio-contador
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JBS S.A.

Balance sheets as of December 31, 2008 and 2007
(In thousands of Reais)

	Company		Consolidated	
	2008	2007	2008	2007
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 5)	**1.522.973**	869.784	**2.291.617**	1.381.703
Trade accounts receivable, net (Note 6)	**552.991**	444.218	**2.232.300**	1.236.148
Inventories (Note 7)	**539.510**	604.225	**2.549.674**	1.511.595
Recoverable taxes (Note 8)	**447.343**	351.677	**623.022**	482.918
Prepaid expenses	**1.754**	4.388	**70.881**	44.468
Other current assets	**166.275**	30.612	**493.372**	102.910
TOTAL CURRENT ASSETS	**3.230.846**	**2.304.904**	**8.260.866**	**4.759.742**
NON-CURRENT ASSETS				
Long-term assets				
Credits with related parties (Note 9)	**1.700.868**	60.306	**54.569**	17.461
Judicial deposits and others	**16.378**	8.249	**102.779**	41.443
Deferred income taxes (Note 19)	**22.626**	16.251	**481.485**	23.758
Recoverable taxes (Note 8)	**37.632**	31.442	**65.307**	44.205
Total long-term assets	**1.777.504**	**116.248**	**704.140**	**126.867**
Permanent assets				
Investments in subsidiaries (Note 10)	**3.803.669**	2.149.919	**-**	829.975
Other investments	**10**	10	**5.722**	10
Property, plant and equipment, net (Note 11)	**1.804.833**	1.328.015	**4.918.671**	2.536.098
Intangible assets, net (Note 12)	**959.230**	9.615	**2.205.347**	193.917
Deferred charges	**-**	-	**1.603**	1.596
Total Permanent assets	**6.567.742**	**3.487.559**	**7.131.343**	**3.561.596**
TOTAL NON-CURRENT ASSETS	**8.345.246**	**3.603.807**	**7.835.483**	**3.688.463**
TOTAL ASSETS	**11.576.092**	**5.908.711**	**16.096.349**	**8.448.205**

	Company		Consolidated	
	2008	2007	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable (Note 13)	**383.979**	355.510	**2.077.844**	1.099.385
Loans and financings (Note 14)	**1.494.690**	858.975	**2.214.788**	2.384.836
Payroll, social charges and tax obligation (Note 15)	**62.722**	93.158	**337.238**	203.613
Declared dividends (Note 16)	**51.127**	17.465	**51.127**	17.465
Other current liabilities	**76.772**	50.294	**248.344**	70.536
TOTAL CURRENT LIABILITIES	**2.069.290**	**1.375.402**	**4.929.341**	**3.775.835**
NON-CURRENT LIABILITIES				
Loans and financings (Note 14)	**2.991.344**	1.341.313	**3.401.709**	1.364.800
Deferred income taxes (Note 19)	**83.453**	59.642	**884.927**	99.755
Provision for contingencies (Note 17)	**48.244**	45.979	**57.637**	55.681
Debit with third parties for investment (Note 18)	**210.480**	-	**210.480**	-
Other non-current liabilities	**38.870**	31.787	**480.302**	101.702
TOTAL NON-CURRENT LIABILITIES	**3.372.391**	**1.478.721**	**5.035.055**	**1.621.938**
MINORITY INTEREST	**-**	**-**	**(2.458)**	**(4.156)**
SHAREHOLDERS' EQUITY (Note 20)				
Capital stock	**4.495.581**	1.945.581	**4.495.581**	1.945.581
Capital reserve	**769.463**	985.664	**769.463**	985.664
Revaluation reserve	**118.178**	123.343	**118.178**	123.343
Profit reseve	**1.297**	-	**1.297**	-
Valuation adjustments of shareholders´ equity	**(2.920)**	-	**(2.920)**	-
Accumulated exchange conversion adjustments	**752.812**	-	**752.812**	-
	6.134.411	**3.054.588**	**6.134.411**	**3.054.588**
TOTAL SHAREHOLDERS' EQUITY				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11.576.092**	**5.908.711**	**16.096.349**	**8.448.205**

The accompanying notes are an integral part of the financial statements

Statements of income for the years ended December 31, 2008 and 2007
(In thousands of Reais)

	Company		Consolidated	
	2008	2007	2008	2007
GROSS OPERATING REVENUE				
Sales of products:				
Domestic Sales	**2.971.842**	2.118.600	**20.787.532**	8.974.879
Foreign Sales	**2.424.375**	2.321.456	**10.318.077**	5.752.224
	5.396.217	**4.440.056**	**31.105.609**	**14.727.103**
SALES DEDUCTIONS				
Returns and discounts	**(206.162)**	(191.932)	**(369.178)**	(273.556)
Sales taxes	**(323.649)**	(252.282)	**(396.176)**	(311.976)
	(529.811)	**(444.214)**	**(765.354)**	**(585.532)**
NET SALE REVENUE	**4.866.406**	**3.995.842**	**30.340.255**	**14.141.571**
Cost of goods sold	**(3.957.624)**	(2.915.674)	**(27.347.753)**	(12.609.093)
GROSS INCOME	**908.782**	**1.080.168**	**2.992.502**	**1.532.478**
OPERATING INCOME (EXPENSE)				
General and administrative expenses	**(137.568)**	(74.188)	**(570.147)**	(275.594)
Selling expenses	**(470.620)**	(374.469)	**(1.517.591)**	(786.630)
Financial income (expense), net (Note 21)	**(263.633)**	(276.283)	**(612.176)**	(403.113)
Equity in subsidiaries (Note 10)	**211.876**	(276.591)	**-**	-
Goodwill amortization (Note 12)	**(179.867)**	(74.824)	**(179.867)**	(74.853)
Non-recurring expenses (Note 22)	**(35.693)**	(67.082)	**(35.693)**	(67.082)
Other (expense) income, net	**10.098**	(171)	**7.731**	11.206
	(865.407)	**(1.143.608)**	**(2.907.743)**	**(1.596.066)**
INCOME (LOSS) BEFORE TAXES	**43.375**	**(63.440)**	**84.759**	**(63.588)**
Current income taxes	**3.336**	(101.793)	**(52.246)**	(107.104)
Deferred income taxes	**(20.772)**	201	**(9.975)**	2.201
	(17.436)	**(101.592)**	**(62.221)**	**(104.903)**
INCOME (LOSS) BEFORE MINORITY INTEREST	**25.939**	**(165.032)**	**22.538**	**(168.491)**
Minority interest (expense) income	**-**	-	**3.401**	3.459
NET INCOME (LOSS)	**25.939**	**(165.032)**	**25.939**	**(165.032)**
NET INCOME (LOSS) PER THOUSAND SHARES	**18,48**	**(153,18)**		

Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization and non-operating income (expense), net

	Company 2008	Company 2007	Consolidated 2008	Consolidated 2007
Income (loss) before taxes	**43.375**	(63.440)	**84.759**	(63.588)
Financial income (expense), net (Note 21)	**263.633**	276.283	**612.176**	403.113
Depreciation and amortization	**71.157**	56.626	**243.591**	120.807
Equity in subsidiaries (Note 10)	**(211.876)**	276.591	**-**	-
Non-recurring expenses (Note 22)	**35.693**	67.082	**35.693**	67.082
Goodwill Amortization (Note 12)	**179.867**	74.824	**179.867**	74.853
AMOUNT OF EBITDA	**381.849**	**687.966**	**1.156.086**	**602.267**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of changes in shareholders´ equity for the years ended December 31, 2008 and 2007
(In thousands of Reais)

	Capital stock	Capital reserve goodwill	Revaluation reserve	Profit Reserve Mandatory	Valuation adjustments of shareholders´ equity	Accumulated exchange conversion adjustments	Retained earnings	Total
BALANCE AS OF DECEMBER 31, 2006	**52.524**	**-**	**130.521**	**-**	**-**	**-**	**-**	**183.045**
Capital Increase	1.893.057	-	-	-	-	-	-	1.893.057
Goodwill in shares issue	-	1.160.983	-	-	-	-	-	1.160.983
Realization of revaluation reserve	-	-	(7.178)	-	-	-	7.178	-
Loss for the year	-	-	-	-	-	-	(165.032)	(165.032)
Declared dividends (R$ 16,21 to one thousand of shares) (note16)	-	(17.465)	-	-	-	-	-	(17.465)
Loss absorption	-	(157.854)	-	-	-	-	157.854	-
BALANCE AS OF DECEMBER 31, 2007	**1.945.581**	**985.664**	**123.343**	**-**	**-**	**-**	**-**	**3.054.588**
Adjustments to initial adoption of Law 11.628/2007 and Executive Act 449/08 (note 2)	-	-	-	-	-	-	(87)	**(87)**
BALANCE ADJUSTED AS OF JANUARY 1, 2008	**1.945.581**	**985.664**	**123.343**	**-**	**-**	**-**	**(87)**	**3.054.501**
Capital Increase	2.550.000	-	-	-	-	-	-	2.550.000
Goodwill in shares issue	-	279	-	-	-	-	-	279
Realization of revaluation reserve	-	-	(5.165)	-	-	-	5.165	-
Treasury Shares	-	(195.073)	-	-	-	-	-	(195.073)
Valuation adjustments in subsidiaries shareholders´ equity	-	-	-	-	(2.920)	-	-	(2.920)
Accumulated exchange conversion adjustments in subsidiaries shareholders´ equity	-	-	-	-	-	4.794	-	4.794
Investiments exchange rate variations, net	-	-	-	-	-	748.018	-	748.018
Net income	-	-	-	-	-	-	25.939	25.939
Proposal for destination of the net income								
Mandatory	-	-	-	1.297	-	-	(1.297)	-
Declared dividends (R$ 36,42 to one thousand of shares) (note 16)	-	(21.407)	-	-	-	-	(29.720)	(51.127)
BALANCE AS OF DECEMBER 31, 2008	**4.495.581**	**769.463**	**118.178**	**1.297**	**(2.920)**	**752.812**	**-**	**6.134.411**

JBS S.A.

Statements of cash flows for the years ended December 31, 2008 and 2007
(In thousands of Reais)

	Company		Consolidated	
	2008	2007	2008	2007
Cash flow from operating activities				
. Net income (loss) of the year	**25.939**	(165.032)	**25.939**	(165.032)
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	**71.157**	56.626	**243.591**	120.807
. Allowance for doubtful accounts	4.423	1.819	**10.393**	1.589
. Goodwill amortization	**179.867**	74.824	**179.867**	74.853
. Minority interest	**-**	-	**(3.401)**	(3.459)
. Equity in subsidiaries	**(211.876)**	276.591	**-**	-
. Write-off of fixed assets	**2.949**	2.412	**9.964**	3.310
. Deferred income taxes	**20.771**	(201)	**9.975**	(2.201)
. Current and non-current financial charges	**487.668**	107.134	**758.914**	100.689
. Provision for contingencies	**2.265**	(1.228)	**(1.074)**	2.676
. Adjustment to present value of assets and liabilities	**339**	-	**339**	-
	583.502	**352.945**	**1.234.507**	**133.232**
Variation in operating assets and liabilities				
. Decrease (increase) in trade accounts receivable	**(1.512)**	49.304	**(169.660)**	(726.332)
. Decrease (increase) in inventories	**64.715**	(40.290)	**(294.794)**	(863.281)
. Decrease (increase) in recoverable taxes	**(103.038)**	65.951	**(135.969)**	71.167
. Decrease (increase) in other current and non-current assets	**(141.158)**	41.975	**(329.459)**	(111.738)
. Decrease (increase) in credits with related parties	**(1.178.154)**	30.686	**(22.395)**	(17.460)
. Increase (decrease) in trade accounts payable	**18.521**	95.617	**(170.440)**	807.020
. Increase (decrease) in other current and non-current liabilities	**194.960**	49.236	**849.785**	269.925
Net cash provided by (used in) operating activities	**(562.164)**	**645.424**	**961.575**	**(437.467)**
Cash flow used in investing activities				
. Additions to property, plant and equipment and intangible assets	**(806.687)**	(487.877)	**(1.237.702)**	(1.748.088)
. Increase in investments	**(1.511.441)**	(2.216.321)	**(3.645)**	(904.828)
. Net effect of the working capital of acquired company	**-**	**-**	**(1.721.877)**	**-**
Net cash used in investing activities	**(2.318.128)**	**(2.704.198)**	**(2.963.224)**	**(2.652.916)**
Cash flow from financing activities				
. Loans and financings	**3.147.323**	1.325.046	**3.614.242**	4.987.313
. Payments of loans and financings	**(1.917.921)**	(1.632.784)	**(3.926.026)**	(3.812.873)
. Increase in capital stock and goodwill in subscription	**2.550.279**	3.054.040	**2.550.279**	3.054.040
. Declared dividends / distribution of retained earnings	**(51.127)**	(17.465)	**(51.127)**	(17.465)
. Shares acquisition of own emission	**(195.073)**	**-**	**(195.073)**	**-**
. Valuation adjustments of shareholders´ equity	**-**	**-**	**749.725**	**-**
Net cash provided by financing activities	**3.533.481**	**2.728.837**	**2.742.020**	**4.211.015**
Effect of exchange rates on Cash and cash equivalents	**-**	**-**	**169.543**	**-**
Net increase (decrease) in cash	**653.189**	670.063	**909.914**	1.120.632
Cash and cash equivalents at the beginning of the year	**869.784**	199.721	**1.381.703**	261.071
Cash and cash equivalents at the end of the year	**1.522.973**	**869.784**	**2.291.617**	**1.381.703**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Economic value added for the year ended December 31, 2008
(In thousands of Reais)

	Company	Consolidated
Revenue		
Sales of goods and services	5.190.054	30.736.430
Other income	10.098	7.611
Own assets building income	(4.423)	(9.364)
	5.195.729	**30.734.677**
Goods		
Cost of services and goods sold	(3.236.824)	(22.458.475)
Materials, energy, services from third parties and others	(1.049.273)	(4.341.198)
Losses/Recovery of amounts	-	50.443
Other costs	852	852
	(4.285.245)	**(26.748.378)**
Gross added value	**910.484**	**3.986.299**
Depreciation and Amortization	(71.157)	(243.591)
Valor adicionado líquido produzido pela entidade	**839.327**	**3.742.708**
Net added value by the Company		
Equity in subsidiaries	211.876	-
Financial income	1.546.876	1.700.735
Others	(176.689)	(174.743)
Net added value to distribution	**2.421.390**	**5.268.700**
Distribution of added value		
Labor		
Salaries	378.937	2.173.072
Benefits	33.449	464.479
F.G.T.S. (Brazilian Social Charge)	21.711	21.847
	434.097	**2.659.398**
Taxes and contribution		
Federal	108.265	190.526
State	45.540	74.480
Municipal	1.966	3.162
	155.771	**268.168**
Capital Remuneration from third parties		
Interests	1.573.678	2.061.032
Rents	14.666	32.346
Others	217.239	225.218
	1.805.583	**2.318.596**
Owned capital remuneration		
Dividends	25.939	25.939
Minorit interests participation on retained income	-	(3.401)
	25.939	**22.538**
Added value distributed	**2.421.390**	**5.268.700**

The accompanying notes are an integral part of the financial statements.

1 Operating activities

JBS S.A (Company) is a listed company in the Novo Mercado segment, which requires the highest level of corporate governance in the Brazilian market and its shares are traded on the BM&F Bovespa S.A - Stock Exchange, Commodity and Forward.

The operations of the Company and its subsidiaries consists of:

a) Activities in Brazil

The Company operates slaughterhouses, cold storage and food processing operations for the production of beef, canned goods, fat, animal rations and beef by-products, which are produced in the manufacturing units located in the States of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia, Minas Gerais, Acre and Rio de Janeiro. The Company distributes its products through distribution centers located in the State of São Paulo, and a container terminal for export in the city of Santos.

In order to minimize transportation costs, the Company is responsible for the transportation of cattle to its slaughterhouses and the transportation of its export products.

Mouran Alimentos Ltda.. (Mouran) is a subsidiary wich conducts slaughterhouse and cold storage business operations for the production of beef, canned goods, fat, animal rations and beef by-products in its facilities located in the State of São Paulo.

JBS Embalagens Metálicas Ltda. (JBS Embalagens) produces metallic cans in its plant located in the State of São Paulo, which are purchased by the Company.

The subsidiary JBS Confinamento Ltda. (JBS Confinamento), located in Castilho, State of São Paulo, renders fattening service of bovine for slaughter.

Beef Snacks do Brasil Indústria e Comércio de Alimentos Ltda (Beef Snacks), an indirect subsidiary of the Company, located in Santo Antônio da Posse, State of São Paulo, in operation since August 2007 produces Beef Jerky. Beef Snacks purchases meat in the local market and exports to the United States of America.

b) Foreign activities

The Company has indirect subsidiaries located in England and Egypt, which are responsible for the sales and distribution of the Company’s products in Europe, Asia, and Africa.

JBS Argentina S.A. (JBS Argentina), an indirect wholly-owned subsidiary of the Company, operates slaughterhouses and cold storage facilities for the production of beef, canned goods, fat, animal food and by-products, with industrial units located in the province of Buenos Aires, Entre Rios, Santa Fé and Córdoba.

JBS Argentina has three subsidiaries, beeing two acquired in 2007, one meat-packing slaughterhouse in Berezategui (Consignaciones Rurales) and other can factory located in Zavate (Argenvases), both located in the province of Buenos Aires, and one acquired in 2008, one meat-packing slaughterhouse in Cordoba (Col-car).

SB Holdings, Inc. (SB Holdings) and its subsidiaries, Tupman Thurlow Co., Inc. (Tupman) and Astro Sales International, Inc. (Astro) located in the United States and acquired by the Company in January 2007, sale processed beef products in the North-American market.

Jerky Snacks Brands, Inc (Jerky Snacks), an indirect wholly-owned subsidiary of the Company, located in the United States of America, produces and sells meat snacks (Beef Jerky, Smoked Meat Sticks, Kippered Beef Steak, Meat&Cheese, Turkey Jerky and Hunter Sausage). Jerky Snacks purchases meat from Brazil and in the local market and its sales are mainly in the United States of America.

Global Beef Trading Sociedade Unipessoal Lda (Global Beef Trading), an indirect wholly-owned subsidiary of the Company, located in Ilha da Madeira, Portugal, sells bovine meat, birds and porks products. Global Beef Trading imports the products from Latin America and exports to several countries, in Europe, Africa and Asia.

In July 2007, the Company acquired Swift Foods Company, presently known as JBS USA Holdings Inc. (JBS USA). JBS USA has feedlots and processes, packages and delivers fresh, further processed and value-added beef and pork “in natura” products for sale to customers in the United States and international markets. The fresh meat products prepared by JBS USA include refrigerated beef and pork processed to standard industry specifications.

In the United States, JBS USA operates eight beef processing facilities, three pork processing facilities, one lamb slaughter facility, one value-added facility for pork and eleven confinement. In Australia, JBS USA operates ten beef and small animals processing facilities and JBS USA in Australia operates five feedlots that provide grain-fed cattle for its processing operations.

JBS USA completed in October of 2008 the acquisition of the cattle meat unit of Smithfield group and also the fattening confinement operations known as Five Rivers.

Smithfield, actually JBS Packerland, own four cattle units and one confinement cattle unit, and Five Rivers, known as JBS Five Rivers, own ten cattle confinement units.

JBS USA divides its business into three segments: Swift Beef, through which it conducts its U.S. domestic beef processing business; Swift Pork, through which it conducts its U.S. domestic pork processing business; and JBS Australia, through which it conducts its Australian beef and smalls animals, the last business in Australia since May 2008, with the acquisition of Tasman, which operates six beef and small animals slaughterhouses and one cattle feedlot unit.

Since January 2008, the Company owns 50% of Inalca S.p.A. social capital, presently known as Inalca JBS S.p.A, (Inalca JBS). Inalca S.p.A. is Italy´s leading beef company and one of the main operators in the European processing beef sector. It produces and markets a complete range of fresh and frozen meat, packed under vacuum or portioned in a protective atmosphere, canned meat, ready-to-serve products, fresh and frozen hamburger, minced meats and, pre-cooked products. Inalca JBS owns six facilities in Italy, specialized by production line, and nine foreign facilities in Europe and Africa.

The integral subsidiary Montana Alimentari S.p.A. (Montana) is one of the leading Italian companies in the production, marketing and distribution of cured meats, snack and ready-to eat products with over 230 products. Montana owns the well-known brands “Montana” and “IBIS”, and Montana owns four facilities, specialized by type of production and located in the area distinguished by the Protected Denomination of Origin (P.D.O.) and Protected Geographic Indication (P.G.I.) brands. Montana is also one of the main operators in the Italian canned meat market and pre-sliced products.

2 Elaboration and Presentation of financial information and initial adoption to Law n° 11.638/07 and Executive Act n° 449/08

The individual and consolidated financial statements, were prepared in accordance with the generally accepted accounting principles in Brazil, that embraces the corporate Brazilian legislation, the Pronouncements, Orientations and Interpretations emitted by the Brazilian Accounting Pronouncements Committee - CPC and approved by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM).

In the elaboration of the individual and consolidated financial statements of 2008 the Company adopted, by the first time, the alterations in the corporate legislation introduced by the Law n° 11.638 approved on December 28, 2007, with the respective modifications introduced by the Executive Act n° 449, of December 3, 2008.

The conclusion authorization for these financial statements was given by the Board of Directors on February 18, 2009.

The Company included in the financial statements the Economic Added Value (EVA) report. The objective of this report is to demonstrate the wealth generated by the Company, and the distribution of this wealth among the elements that contributed to its generation, such as employees, lenders, shareholders, government and others, as well as the wealth portion not distributed.

According to the choose option foreseen in the pronouncement CPC 13 the Company is presenting the Economic Value Added exclusively for the year ended on December 31, 2008.

Initial adoption of the Law n° 11.638/07 and Executive Act n° 449/08

According to the Deliberation CVM no. 565, of December 17, 2008, that approved the accounting pronouncement CPC 13 – Initial Adoption of the Law no. 11.638/07 and of the Executive Act no. 449/08, the Company established the transition date for the adoption of the new accounting practices on January 1, 2008, being the transition date the starting for the adoption of the changes in the accounting practices adopted in Brazil, representing the preparation date-base of the initial financial statements adjusted by the referred changes.

The Company chose the option foreseen in pronouncement CPC 13 and reflected the adjustments related to the changes of accounting practice directly in the retained earnings on January 1, 2008. The financial statements referring the year ended on December 31, 2007, presented with the financial statements of 2008, were prepared according to the effective accounting practices adopted in Brazil until December 31, 2007, and, as allowed by the pronouncement CPC 13–Initial Adoption of the Law no. 11.638/07 and of the Executive Act no. 449/08, are not being restated with the adjustments for comparison purposes between the years.

The balance sheet adjustments in the transition date due to the initial adoption of the Law no. 11.638/07 and Executive Act no. 449/08, the summary of profit & loss effects in 2008, and the effects in the shareholders´ equity as of December 31, 2008 due to the adoption of the referred legislation are presented below:

(Expressed in thousand of reais)

Balance sheet adjustments in the transition date

	Company			Consolidated		
	Dec 31, 2007	*Adjustments*	Jan 1, 2008	Dec 31, 2007	*Adjustments*	Jan 1, 2008
Trade accounts receivable **(a)**	444.218	(738)	443.480	1.236.148	(738)	1.235.410
Recoverable taxes - Current **(a)**	351.677	(196)	351.481	482.918	(196)	482.722
Recoverable taxes - Long Term **(a)**	31.442	(1.056)	30.386	44.205	(1.056)	43.149
Investiments in subsidiaries **(b)**	2.149.919	(823.666)	1.326.253	829.975	(829.975)	-
Intangível **(b)**	9.615	823.666	833.281	193.917	829.975	1.023.892
Trade accounts payable **(a)**	355.510	1.903	357.413	1.099.385	1.903	1.101.288
Retained earnings	-	(87)	(87)	-	(87)	(87)

(a) - Adjustment to present value
(b) - Goodwill in investments acquisition

Effects in the profit & loss of 2008 and in the shareholders´ equity as of December 31, 2008

	Net income of the year		Shareholders´ equity	
	Company	Consolidated	Company	Consolidated
Through Law 11.638/07 and Executive Act 449/07	**25.939**	**25.939**	**6.134.411**	**6.134.411**
Exchange variation in foreign investments, net	748.018	845.519	-	-
Equity in subsidiaries	97.501	-	-	-
Adjustment to present value of assets and liabilities	339	339	(339)	(339)
Valuation adjustments in subsidiaries shareholders´ equity	2.920	2.920	-	-
Orders os sales exchange variation	(78)	(78)	78	78
Income taxes due to the adjustments above	89	89	-	-
Through effective accounting principles in 2007	**874.728**	**874.728**	**6.134.150**	**6.134.150**

There was no tax effect due to the adjustments of the adoption of the Law n° 11.638/07 and Executive Act n° 449/08

3 Significant accounting policies

a) Apuração do resultado

The operations results is in conformity with the accounting regime of competence.

b) Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in Brazil requires the Company's management to (i) make estimates and assumptions that affect the reported amounts of assets and liabilities and (ii) disclose (a) contingent assets and liabilities as of the date of the financial statements and (b) the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c) Financial instruments

The financial instruments are recognized in the moment that the Company becomes part of the contractual dispositions of the instrument. When a financial asset or liability is initially recognized, it is registered by the fair value, added by the transaction costs that are directly attributable to the acquisition or emission of the financial asset or liability.

In case of financial assets and liabilities classified in the category of fair value through the result, the transaction costs are directly accounted in the profit and loss of the exercise.

The subsequent measurement of the financial instruments happens in each date of the financial statements according to the rules established for each classification of financial assets and liabilities in: (i) assets and liabilities measured to the fair value through the result, (ii) maintained until the expiration date, (iii) loans and receivables (iv) available for sale.

d) Allowance for Doubtful Accounts

Allowance for doubtful accounts is computed based on the probable loss, the profile of the customers, overall economic and financial condition and specific risks relating to the relevant customers. The Company's management believes that the allowance for doubtful accounts is sufficient to cover the exposure to possible losses.

e) Inventories

The Company's inventories are valued based on their cost of acquisition, creation or production, which cost is lower than the market or net realizable value.

f) Investiments

The Company's investments in subsidiaries are accounted according to the equity method.

g) Property, plant and equipment, net

Property, plant and equipment are stated at an amount equivalent to the sum of their historical acquisition cost and the amount resulting from the increase in the value of these assets as determined by revaluations performed by independent appraisal firms until December 31, 2007.

Depreciation is computed pursuant to the straight-line method, using rates described in Note 11, which take into account the useful and economic lives of the assets.

h) Intangible assets

The intangible assets are demostrated by the acquisition or formation cost, deducted by the amortization. The intangible assets with indefinite usefull life are not amortized.

i) Reduction to recovery amount (Impairment)

The items of property, plant and equipment, intangible assets and deferred charges are tested by its recoverability amounts, at least, annually, in case there are indications of loss of value. The goodwill and the intangible assets with indefinite useful life are tested annually independently of there is (or not) indication of loss of value.

j) Other Current and Long-term Assets

Current and long-term assets are accounted for at their realization value, including, if applicable, the related income, charges and monetary variations.

k) Current Liabilities and Long-term Liabilities

Current and long-term liabilities are accounted for at their known or computed amounts, including, if applicable, the related income, charges and monetary variations.

l) Contingent assets and liabilities

Contingent assets are recognized only when there are final judments or favorable judicial decisions rendered. Contingent assets with probable gain are only published in accompanying notes.

Contingent liabilities are provisioned when the losses are appraised as probable and the involved amounts are measurable with enough certainty. The contingent liabilities appraised as possible losses are only published in accompanying notes and the contingent liabilities appraised as remote losses are not provisioned and not published.

m) Income Tax and Social Contribution

Current taxes

Provisions for income tax and social contribution are based on rates and laws and regulations in force.

Deferred taxes

The Company records deferred income tax assets and liabilities based on temporary differences between the carrying amounts on the Company's financial statements and the tax basis of assets and liabilities.

n) Profit by share

The profit by share is calculated based on the shares in circulation on the date of the financial statements.

o) Consolidation

All assets and liabilities of JBS S.A. and its subsidiaries and revenues and expenses from transactions between JBS S.A. and its subsidiaries were eliminated. No inter-company profits were recorded on the consolidated balance sheet of the Company. Accordingly, the shareholders' equity of JBS S.A. individually is equal to its consolidated shareholders' equity.

The financial statements of the subsidiaries of JBS S.A. located outside of Brazil were originally prepared using the local currency of the country in which they are located. Subsequently, these amounts were converted into Reais using the applicable commercial exchange rates reported by the Central Bank of Brazil on the date of the consolidated balance sheet for assets and liabilities, and the average exchange rate of the period to revenues and expenses. The gains and losses due to the conversion are recognized in the shareholders´ equity in 2008 and in the financial income (loss) in 2007.

With respect to the Company's investment in JBS Argentina and its subsidiaries and Inalca JBS and its subsidiaries, we have compared the generally accepted accounting principles in Argentina and Italy with the corresponding principles in Brazil applied by the Company, and we have noted that there were no material differences.

The accounting principles adopted by Tupman and Astro, both subsidiaries of SB Holdings, located in the United States of America, do not differ significantly from those adopted in Brazil.

The accounting practices adopted in the United States of America by JBS USA (US GAAP) are adjusted to Brazilian GAAP, according to the following differences:

- Finished goods inventories: valued using market price, and are adjusted to production average cost method;
- Permanent assets: includes R$ 794.059 related to intangible assets and fixed assets goodwill, calculated according to applicable purchasing accounting, and it was adjusted reducing the shareholder´s equity.

The subsidiaries companies included in the consolidation are mentioned in the Note 10.

p) Adjustments to present value of assets and liabilities

The financial long term assets and liabilities are adjusted by its present value, and the short term, when the effect is considered relevant in the financial statements. The adjustment to present value is calculated considerating the contractual cash flows and the market interest rate.

4 Acquisitions of Swift Foods Company (Presently JBS USA) and Inalca S.p.A (Presently Inalca JBS)

In July of 2007, the Company acquired 100% of Swift Foods Company (presently JBS USA Holdings, Inc.) and since January 2008 the Company owns 50% of Inalca S.p.A. social capital, presently Inalca JBS S.p.A, (Inalca JBS).

Due the significance of these investments in the consolidation in the financial statements of the Company for years ended as of December 31, 2008, and the comparability loss with previous periods, we are presenting below the combined income statements to allow a comparison of the consolidated financial statements before the investment in JBS USA and Inalca JBS, and we are presenting these referred financial statements.

(Expressed in thousand of reais)

BALANCE SHEET	2008			2007
ASSETS	Consolidated	INALCA JBS	JBS and other subsidiaries	JBS and other subsidiaries
Cash, cash equivalents and short-term investments	2.291.617	83.539	2.208.078	1.381.703
Trade accounts receivable, net	2.232.300	229.530	2.002.770	1.236.148
Inventories	2.549.674	274.053	2.275.621	1.511.595
Other current and non current assets	1.891.415	60.733	1.830.682	757.163
Investments in subsidiaries	-	-	600.167	829.975
Property, plant and equipment, net	4.918.671	732.839	4.185.832	2.536.098
Other permanent assets	2.212.672	46.450	2.166.222	195.523
TOTAL ASSETS	**16.096.349**	**1.427.143**	**15.269.372**	**8.448.205**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Trade accounts payable	2.077.844	277.994	1.799.850	1.099.385
Loans and financings	5.616.497	418.241	5.198.256	3.749.636
Other current and non current liabilities	2.270.055	127.173	2.142.882	548.752
Minority interest	(2.458)	3.568	(6.026)	(4.156)
Shareholders' equity	6.134.411	600.167	6.134.411	3.054.588
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**16.096.349**	**1.427.143**	**15.269.372**	**8.448.205**

INCOME STATEMENTS	2008				2007
	Consolidated	JBS USA	INALCA JBS	JBS and other subsidiaries	JBS and other subsidiaries
Net sales revenue	30.340.255	22.680.498	1.544.249	6.115.508	4.891.944
Cost of goods sold	(27.347.753)	(20.877.360)	(1.384.410)	(5.085.983)	(3.709.197)
GROSS INCOME	**2.992.502**	**1.803.139**	**159.839**	**1.029.525**	**1.182.747**
General, administrative and selling expenses	(2.087.738)	(1.190.824)	(124.224)	(772.690)	(569.706)
Financial income (expense), net	(612.176)	(206.119)	(32.080)	(373.977)	(369.962)
Equity in subsidiaries	-	-	-	349.116	(160.976)
Goodwill amortization	(179.867)	-	-	(179.867)	(141.935)
Other (expenses) income	(27.962)	(1.985)	(1.112)	(24.865)	(5.217)
Income taxes	(62.221)	(54.982)	(4.043)	(3.196)	3.459
Minority interest (expense) income	3.401	-	1.508	1.893	-
NET INCOME (LOSS)	**25.939**	**349.229**	**(114)**	**25.939**	**(61.589)**
AMOUNT OF EBITDA	**1.156.086**	**715.041**	**78.558**	**362.487**	**692.453**

5 Cash and cash equivalents and Short-term investments

	Company		Consolidated	
	2008	2007	2008	2007
Cash and cash equivalents	**236.432**	109.221	**975.194**	323.709
Certificates of bank deposits - CDB-DI	**1.147.326**	339.029	**1.150.604**	348.472
Investment funds	**139.215**	421.534	**165.819**	709.522
	1.522.973	**869.784**	**2.291.617**	**1.381.703**

Certificates of bank deposits-CDB-DI, with first-line banks, are fixed income securities that provide yields of approximately 100% of the Brazilian interbank rate. The Investment Funds are supported by investments in Multi-Market funds, to the qualified public.

(Expressed in thousand of reais)

6 Trade accounts receivable, net

	Company		Consolidated	
	2008	2007	2008	2007
Receivables not yet due	**505.910**	427.746	**1.654.871**	990.611
Overdue receivables:				
From 1 to 30 days	**35.802**	7.904	**449.001**	154.709
From 31 to 60 days	**6.277**	4.941	**71.726**	71.993
From 61 to 90 days	**6.589**	4.978	**24.236**	10.513
Above 90 days	**7.875**	2.497	**63.050**	17.516
Adjustment to present value	**(1.191)**	-	**(1.191)**	-
Allowance for doubtful accounts	**(8.271)**	(3.848)	**(29.393)**	(9.194)
	47.081	**16.472**	**577.429**	**245.537**
	552.991	**444.218**	**2.232.300**	**1.236.148**

7 Inventories

	Company		Consolidated	
	2008	2007	2008	2007
Finished products	**489.953**	513.492	**1.770.199**	1.072.732
Work-in-progress	**674**	745	**157.745**	71.514
Raw-materials	**1.978**	55.242	**70.213**	68.688
Livestock	**-**	-	**282.591**	171.552
Warehouse spare parts	**46.905**	34.746	**268.926**	127.109
	539.510	**604.225**	**2.549.674**	**1.511.595**

8 Recoverable taxes

	Company		Consolidated	
	2008	2007	2008	2007
Value-added tax on sales and services (ICMS / IVA / VAT)	**379.678**	295.362	**476.761**	353.100
Excise tax - IPI	**51.657**	39.920	**111.447**	97.805
Social contribution and taxation on billings - PIS and Cofins	**19.330**	42.427	**32.957**	55.623
Income tax withheld at source - IRRF	**25.556**	4.072	**29.612**	7.485
Others	**9.936**	1.338	**38.734**	13.110
Adjustment to present value	**(1.182)**	-	**(1.182)**	-
	484.975	**383.119**	**688.329**	**527.123**
Current and Long-term:				
Current	**447.343**	351.677	**623.022**	482.918
Non-current	**37.632**	31.442	**65.307**	44.205
	484.975	**383.119**	**688.329**	**527.123**

Value-added tax on sales and services (ICMS / IVA / VAT)

Brazilian law authorizes manufacturers of goods to set off the ICMS tax paid upon the purchase of raw materials against the taxes charged upon the sale of the finished goods manufactured with such raw materials. Recoverable ICMS derives from tax credits received by the Company in connection with ICMS taxes paid upon its purchase of raw-materials, packaging materials and other goods, which are offset against ICMS taxes resulting from the sale of the Company's products. As export sales are exempt from ICMS and a relevant portion of the Company's sales are export sales, a tax credit is generated.

(Expressed in thousand of reais)

The Tax Authority of the State of São Paulo (*Secretaria da Fazenda do Estado de São Paulo*) filed administrative proceedings against the Company challenging the amount of the Company's ICMS tax credits arising from the purchase of cattle by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives granted by such other states were not based upon an agreement with the State of São Paulo, and accordingly, the Tax Authority of the State of São Paulo only recognizes the Company's ICMS tax credits up to the amount of the ICMS tax paid in such other states.The Company's management believes that its accounting of the ICMS tax credit is in accordance with Brazilian law, and expects to be reimbursed of such credits.

PIS and COFINS (social contribution on net income)

PIS and COFINS tax credits are generated as a result of PIS/COFINS taxes paid by the Company upon its purchase of raw-materials, packaging and other materials used in the manufacturing of its products against the PIS/COFINS taxes paid by Company upon the sale of its finished products. Similarly to ICMS and IPI, as exports of the Company's products are exempt from such taxes, a tax credit is created.

IRRF (withholding income tax)

IRFF corresponds to withholding income tax levied upon the redemption of marketable securities by the Company. The Company expects to set off such withholding income taxes against income taxes on net income paid for the applicable period.

General comments

Based upon final administrative decisions by the *Câmara Superior do Conselho de Contribuintes* and on the opinion of its legal counsels, the Company and JBS Embalagens has performed a monetary adjustment of its tax credits of PIS, COFINS and IPI based on the SELIC rate (which is the reference rate published by the Central Bank of Brazil). After such monetary adjustments, the total PIS, COFINS and IPI tax credits totaled R$ 134.073. During the exercise of 2008 was received an amount of R$ 17.045, remaining receivable an amount of R$ 117.028.

9 Related parties transactions

Balances between related parties in the balance sheet and income statement are the following:

December 31, 2008	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Credits (Debits)
Mouran Alimentos Ltda.	-	-	-	-	5.719
JBS Confinamento Ltda.	215	8	17.537	408	14.959
JBS Embalagens Metálicas Ltda.	-	2.735	49.734	-	57.282
JBS Global Beef Company SU Lda.	-	-	-	-	(54.920)
JBS Global (UK) Limited	24.625	-	-	165.589	-
JBS Argentina S.A	-	677	13.165	-	-
The Tupman Thurlow Co.	34.258	715	-	69.322	18.488
JBS Global A/S (Dinamarca)	-	-	-	-	(531)
Global Beef Trading SU Lda.	-	-	-	20.943	-
Beef Snacks Brasil Ind.Com.Alimento Ltda	5	-	24	14.941	72.135
Beef Snacks International BV	-	-	-	-	4.463
Inalca JBS S.p.A	6.798	-	-	24.568	-
JBS USA, Inc	-	-	-	-	1.580.340
JBS Agropecuária Ltda.	143	7.540	52.704	3.072	-
Flora Produtos de Higiene e Limpeza S.A.	1.813	83	855	93.620	-
Marr Russia L.L.C	-	-	-	21.049	2.933
JBS Banco S.A	61	-	-	5	-
SARL Inalca Algerie	129	-	-	2.027	-
J&F Participações S.A	1	1	-	6	-
Frimo S.A.M	-	4	-	2.370	-
Swift & Company Trade Group	-	-	-	893	-
	68.048	**11.763**	**134.019**	**418.813**	**1.700.868**

December 31, 2007	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Credits (Debits)
Mouran Alimentos Ltda.	-	-	2.292	10.164	-
JBS Embalagens Metálicas Ltda.	401	2.346	63.559	11.418	69.695
JBS Global Beef Company SU Lda.	-	-	-	-	(41.626)
Friboi Egypt Company L.L.C	8.667	-	-	72.382	-
JBS Global (UK) Limited	11.554	-	-	44.784	-
JBS Argentina S.A	-	595	6.569	-	-
The Tupman Thurlow Co.	25.900	609	-	70.770	-
Global Beef Trading SU Lda.	587	-	-	2.527	-
Beef Snacks Brasil Ind.Com.Alimento Ltda	805	84	9	4.890	22.095
Beef Snacks International BV	-	-	-	-	10.142
	47.914	**3.634**	**72.429**	**216.935**	**60.306**

The Company and its subsidiaries mantain comecial transaction between then, mainly sales operations, realized wtith normal price and market condictions, when existing.

The credits and debits are presented, mainly, by mutual contracts which are calculated interests and exchange rate variation.

The parent company J&F participações S.A warranty Eurobonds loans caption operation of the Company in the amount of US$ 200 million which the longest due is in 2011.

10 Investments in subsidiaries

a) Relevant information about subsidiaries

December 31, 2008	Company's share quantity (Thousand)	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	10.002	99,00%	2	38.949	(896)
JBS Global Investments S.A.	93.000	100,00%	217.341	109.421	(84.893)
JBS Holding Internacional. S. A.	679.153	100,00%	679.153	582.180	(38.725)
JBS Global A/S (Dinamarca)	1.232	100,00%	103.370	137.865	(8.205)
Mouran Alimentos Ltda.	120	70,00%	120	(21.699)	(6.247)
JBS USA, Inc.	0,1	100,00%	2.212.940	2.301.887	349.229
SB Holdings, Inc	20	100,00%	23	4.170	425
JBS Confinamento Ltda.	30.001	100,00%	30.001	29.420	(581)
Inalca JBS S.p.A	280.000	50,00%	1.132.326	1.200.334	(227)

December 31, 2007	Company's share quantity (Thousand)	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	10.000	99,00%	2	39.844	(1.011)
JBS Global Investments S.A.	23.000	100,00%	40.740	40.908	(6.804)
JBS Holding Internacional. S. A.	535.128	100,00%	535.128	385.831	(95.015)
JBS Global A/S (Dinamarca)	212	100,00%	71.648	108.106	(5.362)
Mouran Alimentos Ltda.	84	70,00%	120	(15.452)	(11.595)
JBS USA, Inc.	100,0	100,00%	880.186	719.210	(160.976)
SB Holdings, Inc	20	100,00%	18	2.751	684
JBS Confinamento Ltda.	30.001	100,00%	30.001	30.001	-

(Expressed in thousand of reais)

b) Investments movement

	December 31, 2007	Addition (disposal)	Exchange rate variation	Equity in subsidiaries: Shareholders´ Equity	Equity in subsidiaries: Income Statements	December 31, 2008
JBS Embalagens Metálicas Ltda.	**39.446**	-	-	-	(887)	**38.559**
JBS Global Investments S.A.	**40.909**	118.599	58.056	(23.250)	(84.893)	**109.421**
JBS Holding Internacional. S. A.	**385.831**	144.025	-	91.049	(38.725)	**582.180**
JBS Global A/S (Denmark))	**108.106**	11.052	29.469	(2.557)	(8.205)	**137.865**
Mouran Alimentos Ltda.	**(10.816)**	-	-	-	(4.373)	**(15.189)**
JBS USA, Inc.	**719.210**	772.223	509.121	(47.896)	349.229	**2.301.887**
SB Holdings, Inc	**2.750**	-	879	116	425	**4.170**
JBS Confinamento Ltda.	**30.001**	-	-	-	(581)	**29.420**
Inalca JBS S.p.A	**-**	465.542	150.327	(15.588)	(114)	**600.167**
Transfer to Other current liabilities (Negative equity Mouran)	**10.816**					**15.189**
Goodwill transfered to Intangible	**823.666**					**-**
Total	**2.149.919**	**1.511.441**	**747.852**	**1.874**	**211.876**	**3.803.669**

11 Property, plant and equipment, net

Company

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount 2008	Net amount 2007
Buildings	4%	407.162	116.742	(37.235)	**486.669**	387.867
Land	-	107.469	9.352	-	**116.821**	114.004
Machinery & equipment	10%	307.603	45.846	(68.135)	**285.314**	229.619
Installations	10%	93.523	21.815	(22.318)	**93.020**	79.614
Computer equipment	20%	14.856	736	(7.629)	**7.963**	8.162
Vehicle and airplanes	20%	84.817	215	(43.658)	**41.374**	35.777
Construction in progress	-	759.028	-	-	**759.028**	459.809
Others	10 to 20%	20.071	3.883	(9.310)	**14.644**	13.163
		1.794.529	**198.589**	**(188.285)**	**1.804.833**	**1.328.015**

Consolidated

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount 2008	Net amount 2007
Buildings	3 to 20%	1.643.770	116.742	(187.648)	**1.572.864**	862.953
Land	-	637.186	9.352	(14.408)	**632.130**	233.226
Machinery & equipment	8 to 10%	1.963.331	45.846	(674.611)	**1.334.566**	691.535
Installations	10%	98.625	21.815	(23.151)	**97.289**	84.393
Computer equipment	20 to 100%	71.715	736	(35.405)	**37.046**	40.395
Vehicle and airplanes	14 to 50%	136.356	215	(56.470)	**80.101**	54.043
Construction in progress	-	1.090.190	-	-	**1.090.190**	526.422
Others	10 to 100%	117.618	3.883	(47.016)	**74.485**	43.131
		5.758.791	**198.589**	**(1.038.709)**	**4.918.671**	**2.536.098**

Until December 2007, supported by appraisal reports from SETAPE- Serviços Técnicos de Avaliações do Patrimônio e Engenharia S/C Ltda., the Company made an appraisal of its facilities, resulting in an increase in the value of these assets, and the creation of the revaluation reserve and the related deferred income tax and social contribution provisions.

(Expressed in thousand of reais)

As of December 31 2008, the balance of the Company's revaluation of fixed assets account was R$ 198,589, the balance of the Company revaluation reserve account was R$ 118,178, and the balance of the Company income tax and social contribution account was R$ 56,306. The Company recorded accrued depreciation of R$ 24,105 with respect to the Company's revaluation of fixed assets as of December 31, 2008.

12 Intangible assets, net

	Company		Consolidated	
	2008	2007	2008	2007
Goodwill	**949.615**	-	**1.331.283**	170.656
Other intangible assets	**9.615**	9.615	**874.064**	23.261
	959.230	**9.615**	**2.205.347**	**193.917**

a) Goodwill

In the Company

In July 2007 the Company acquired 100% of the capital stock of Swift Foods Company, actual JBS USA Holdings, Inc., and paid a goodwill of R$ 877.609, based on the expectation of future profitability. The goodwill will be amortized as long as such profits are earned, during a period of five years. During the year ended December 31, 2008 the goodwill was amortized in the amount of R$ 175,522, and the actual accumulated goodwill amortization is R$ 248,656.

In January 2007 the Company acquired 100% of the capital stock of SB Holdings, Inc., and paid a goodwill of R$ 21.725 based on the expectation of future profitability of the subsidiary. The goodwill will be amortized as long as such profits are earned, during a period not exceeding ten years. During the year ended December 31, 2008 the goodwill was amortized in the amount of R$ 4,345 and the actual accumulated goodwill amortization is R$ 6,035.

In March of 2008 the Company acquired 50% of the capital stock of Inalca S.p.A., presently known as Inalca JBS, and paid a goodwill of EUR 94.181, which correspond as of December 31, 2008 to R$ 304.972, based on the expectation of future profitability. The goodwill will be amortized as long as such profits are earned, during a period not exceeding ten years.

As described in note 20 d), the Company intends to exclude permanently the goodwill amortization from the dividends calculation base.

In subsidiary

In 2007, JBS Holding International S.A., through its subsidiaries JBS Argentina S.A. and JBS Mendoza S.A., acquired 100% of the capital stock of Consignaciones Rurales S.A. and Argenvases S.A.I.C. and in 2008, through the same subsidiaries, acquired 100% of the capital stock of Colcar S.A., with a total goodwill in these acquisition of $53.341 thousand argentinean pesos, that corresponds as of December 31, 2008 to R$ 36.133. These goodwill are based on the expectation of future profitability and it will be amortized during the period and extension of the projections that determined it, not to exceed 10 years.

JBS USA has a goodwill in the amount of US$ 147.855 thousand, corresponding as of December 31, 2008 to R$ 345.537 represented, mainly, by the acquisition in 2008 of Smithfield, Tasman and Five Rivers, preliminary calculated and subject to adjustments. The goodwill is represented by the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in the purchase business combination.

b) Other intangible assets

Represented, mainly, by customers' list, trademarks and patents, commercialization rights, and others, of the subsidiary JBS USA.

(Expressed in thousand of reais)

13 Trade accounts payable

	Company		Consolidated	
	2008	2007	2008	2007
Commodities	**313.316**	242.688	**1.044.142**	588.230
Materials and services	**70.586**	109.078	**916.293**	470.830
Finished products	**2.024**	3.744	**119.356**	40.325
Adjustment to present value	**(1.947)**	-	**(1.947)**	-
	383.979	**355.510**	**2.077.844**	**1.099.385**

14 Loans and financings

a) Company

Modality	Annual average rate of interest and commissions	2008	2007
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDES index rate and interest rate of 3.0%	**231.700**	227.561
		231.700	**227.561**
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 1.00%	**591.990**	288.761
EXIM - BNDES export credit facility	TJLP and interest rate of 3.0%	**177.407**	426.891
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9.375%	**651.713**	494.338
Working Capital	CDI and interest rate of 6.0%	**51.113**	-
Export prepayment	Exchange rate variation and interest rate of Libor + 1.0%	**516.838**	167.810
Fixed Rate Notes with final maturity in February 2016 (144-A)	Exchange rate variation and Interest rate of 10.5%	**731.569**	554.638
NCE / COMPROR	CDI and interest rate of 2.0%	**1.533.704**	40.289
		4.254.334	**1.972.727**
Total Loans and Financings		**4.486.034**	**2.200.288**
Current and Long-term			
Current		**1.494.690**	858.975
Non-current		**2.991.344**	1.341.313
		4.486.034	**2.200.288**
Long-term installments have the following maturities:			
2009		**-**	180.121
2010		**636.327**	105.744
2011		**1.122.953**	519.210
2012		**298.308**	4.848
2013		**232.656**	-
2016		**701.100**	531.390
		2.991.344	**1.341.313**

(Expressed in thousand of reais)

b) Consolidated

Modality	Annual average rate of interest and commissions	2008	2007
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDES index rate and interest rate of 3.0%	**231.700**	227.561
Notes Payable	Interest rate Libor + 1.75% and interests of 3.0% to 7.25%	**26.380**	19.325
		258.080	**246.886**
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 1.00%	**714.885**	340.879
EXIM - BNDES export credit facility	TJLP and interest rate of 3.0%	**177.407**	426.891
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9.375%	**651.713**	494.338
Working Capital - American Dollars	Libor + Interest rate of 1.1% to 3.2%	**377.253**	1.402.371
Working Capital - Australian Dollars	BBSY + 0,975% to 1,60%	**160.166**	47.030
Working Capital - Euros	Euribor + Interests 0.15% - 1.75%	**418.241**	-
Working Capital - Reais	CDI and interest rate of 6.0%	**51.113**	-
Export prepayment	Exchange rate variation and interest rate of Libor + 1.0%	**516.838**	167.810
Fixed Rate Notes with final maturity February 2016 (144-A)	Exchange rate variation and Interest rate of 10.5%	**731.569**	554.638
NCE / COMPROR	CDI and interest rate of 2.0%	**1.559.232**	68.793
		5.358.417	**3.502.750**
Total		**5.616.497**	**3.749.636**
Current and Long-term			
Current		**2.214.788**	2.384.836
Non-current		**3.401.709**	1.364.800
		5.616.497	**3.749.636**
Long-term installments have the following maturities:			
2009		**797**	184.379
2010		**666.020**	110.004
2011		**1.416.958**	520.840
2012		**322.770**	6.477
2013		**248.111**	-
2016		**747.053**	543.100
		3.401.709	**1.364.800**

Exchange Contract Advances (ACCs) are credits funded by financial institutions to JBS S.A. and subsidiary, amounting to US$ 302,844 thousands on December 31, 2008 (US$ 192,446 thousands as of December 31, 2007) and are used to finance the Company´s export sales.

Outstanding amounts of export pre-payment loans were US$ 221,155 thousands on December 31, 2008 (US$ 94.738 thousands on December 31, 2007). Such loans were funded by financial institutions.

NCE (*Notas de Crédito à Exportação)* /COMPROR are an export finance credit facility linked to COMPROR used to finance the purchase of raw materials used in the Company's export products.

EUROBONDS - JBS S.A. issued 9.375% fixed rate notes due in 2011 in total aggregate amounts of US$200 million on February 6, 2006 and US$75 million on February 14, 2006. These notes are guaranteed by JBS S.A. and J&F Participações S.A.

(Expressed in thousand of reais)

144-A - JBS S.A. also issued the 10.5% fixed rate notes due on 2016 in the total aggregate amount of US$300 million on July 28, 2006. These notes are also guaranteed by the Company.

15 Payroll, social charges and tax obligation

	Company		Consolidated	
	2008	2007	2008	2007
Payroll and related social charges	**23.240**	35.638	**86.157**	55.577
Accrual for labor liabilities	**28.590**	27.125	**182.521**	94.502
Income tax	**-**	8.727	**15.960**	8.727
Social contribution	**-**	2.298	**119**	2.298
ICMS / VAT taxes payable	**3.088**	15.504	**3.095**	15.513
Others	**7.804**	3.866	**49.386**	26.996
	62.722	**93.158**	**337.238**	**203.613**

16 Declared dividends

	Company		Consolidated	
	2008	2007	2008	2007
Declared dividends	**51.127**	17.465	**51.127**	17.465
	51.127	**17.465**	**51.127**	**17.465**

The Company, considering that it has generate positive EBITDA, deliberated that for the dividends calculation base the goodwill in investments acquisition of JBS USA and SB Holdings will be permanently excluded.

Based on the above, the Company declared dividends of R$ 51,127 (R$ 17,465 in 2007), that will be submitted to the General Assembly of the Shareholders for approval, as calculation demonstrated below:

	2008	2007
Net income (Loss) of the year	**25.939**	**(165.032)**
Mandatory reserve (5%)	(1.297)	-
Investments exchange rate variations	-	160.030
Investments amortization - JBS USA	175.522	73.134
Investments amortization - SB Holdings	4.345	1.690
Adjusted base for dividens calculation:	204.509	69.822
Declared dividends (25%)	**51.127**	**17.465**

17 Provision for contingencies

The Company and its subsidiaries are parties in several legal and administrative proceedings arising from the ordinary course of their respective businesses, including labor proceedings, civil proceedings and tax proceedings based on the estimative of its legal advisors. The Company has established provisions in its financial statements for the contingencies arising from these proceedings based on the estimates provided by its legal advisors. The table below sets forth the main information about the legal and administrative proceedings as of December 31, 2008:

Company			**Consolidated**
Type of Proceedings	Number of lawsuits/administrative proceedings	Provision	Provision
Labor	1.268	5.799	9.208
Civil	503	15.663	21.216
Tax	191	26.782	27.213
Total	**1.962**	**48.244**	**57.637**

Tax Proceedings

a) ICMS - Value Added Tax (Imposto sobre Operações Relativas à Circulação de Mercadorias e sobre a Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação)

The Tax Authority of the State of São Paulo (*Secretaria da Fazenda do Estado de São Paulo*) filed several administrative proceedings against the Company, under which the Tax Authority challenges the amount of the Company's ICMS tax credits arising from the purchase of cattle and meat transfer by the Company in other Brazilian states. The Tax Authority of the State of São Paulo claims that the tax incentives should be approved by Confaz , and are known as a "Tax War". The Tax Authority of the State of São Paulo do not recognizes the Company's ICMS tax credits up to the amount of the ICMS tax paid in such other states. The Company estimates that the claims under these administrative proceedings amount to R$ 118,000 in the aggregate. In addition to presenting its defense in such administrative proceedings, the Company has filed legal proceedings seeking the payment of damages from such other states if the Tax Authority of the State of São Paulo prevails in these administrative proceedings. The legal proceedings filed by the Company suspended the requirements of the State of São Paulo.

Based on the opinion of the Company's legal counsels, the Company's management established a provision for losses arising from such administrative and legal proceedings in the amount of R$ 826.

The Tax Authority of the State of Goiás filed other administrative proceedings against the Company, due to interpretation divergences of the Law concerning the export VAT credits. Based on the opinion of the Company's external legal counsel, the management of the Company believes the Company will prevail in most of these proceedings. The Company's management has recorded a provision for losses arising from such administrative proceedings in the amount of R$ 4,185.

b) PIS (Programa de Integração Social) and COFINS (Contribuição para Financiamento da Seguridade Social)

The Company has filed administrative proceedings challenging the calculation method used in the assessment of PIS and COFINS by the Federal Tax Authority (Secretaria da Receita Federal). The Company's management estimates that the contingencies arising from these legal proceedings amount to R$6,969 in the aggregate. Based on the opinion of the Company's legal counsels and recent decisions granted by the Brazilian Federal Supreme Court (Supremo Tribunal Federal), the Company's management has recorded a provision for losses arising from such legal proceedings in the amount of R$3,793.

c) CSLL - Social contribution on net income (Contribuição Social sobre o Lucro Líquido)

Based on an amendment to the Brazilian Federal Constitution that exempted profits from exports from federal contributions, the Company has filed a lawsuit against the Federal Tax Authority (Secretaria da Receita Federal) seeking to exclude its profits from exports from the calculation of the Social Contribution on Net Income (Contribuição Social Sobre o Lucro Líquido – CSLL) payable by the Company. The management believes, based on the opinion of the Company´s legal counsels, that it will obtain success in the claim. Accordingly, the management of the Company has not established any provision for contingencies arising from these proceedings.

d) INSS - National Social Security Institute (Instituto Social de Seguridade Social)

In September 2002, the INSS filed two administrative proceedings (autos de infração) against the Company, seeking to collect certain social security contributions (which are referred to as contributions to the Rural Workers' Assistance Fund (NOVO FUNRURAL) in the aggregate amount of R$69,194, that the Company should have allegedly withheld in connection with purchases of cattle from individual ranchers. As a result of a decision by a lower court in a proceeding to adjudicate a writ of mandamus action filed by the Company in order to challenge the constitutionality of such social security contributions, the administrative proceedings have been stayed and the INSS has been enjoined from collecting these social security contributions from the Company.

The INSS has not timely appealed from this decision and, accordingly, the proceeding has been submitted to the review of the Regional Federal Court of the 3rd Region as a matter of law. Currently, the proceedings await a ruling by such appellate court. Based on the opinion of the Company´s legal counsel supported by precedents of the Federal Supreme Court in a similar case, the Company's management believes that the Company will prevail in these proceedings. Accordingly, the Company has not established any provision for contingencies arising from these proceedings.

In order to preserve its claims under the administrative proceeding and to avoid the lapse of the applicable statute of limitations period relating to these claims, the INSS sent the Company tax default notices (*notificações fiscais de lançamento de débito*) with respect to the contributions allegedly owed by the Company for the period from January 1999 to December 2003 in the aggregate amount of R$69,194. In its defense to these default notices, the Company argued that it did not pay the contributions with respect to the period described in such notices in light of the favorable decision issued by the trial court reviewing the writ of mandamus action, which ordered the stay of the administrative proceedings and enjoined the INSS from collecting the contributions from the Company until a final decision is reached under such action.

An ongoing legal proceeding arguing as to the unconstitutionality of the contribution to the Rural Workers' Assistance Fund, with issues and factual circumstances similar to the writ of mandamus action is currently under review by the Brazilian Federal Supreme Court (*Supremo Tribunal Federal*). Up to the present moment, five of the ten judges opining on this proceeding have voted to declare this contribution unconstitutional and no judge has issued a dissenting opinion on this matter.

Based on this and other precedents and on the opinions of its external legal counsel, the Company's management believes the Company will prevail in these proceedings. Accordingly, the Company's management has not established any provision for contingencies arising from these proceedings. Currently, the Company is not forced to proceed any discount, or pay the amount. In case any discount is made, due to commercial negociation, the Company proceeds the discount and deposits it in Judgement, accomplishing the judicial decision.

Social Security Contributions – Third-party Entities. The INSS filed several administrative proceedings against the Company with claims totaling approximately R$11,000, seeking to collect certain social security contributions with respect to third-party entities (contribuições previdenciárias – terceiras entidades) allegedly owed by the Company. These proceedings are based on a wrongful interpretation by the INSS of the Social Security Fund Code (Código do Fundo de Previdência e Assistência Social). Based on the opinion of the Company's external legal counsel, the management of the Company believes the Company will prevail in these proceedings. Accordingly, the management of the Company has not established any provision for contingencies arising from these proceedings.

e) Other Tax Proceedings

The Company is also party to 100 other tax lawsuits and administrative proceedings. Contingencies arising from these proceedings are not material to the Company if considered on an individual basis. We highlight the proceedings with probable risk of loss, which have been provisioned for in the aggregate amount of R$ 17,978.

Labor Proceedings

As of December 31, 2008 the Company was part in 1.050 labor proceedings, 218 tax proceedings filed by the work regional police stations and 2 proceedings established by the work public prosecution service, involving the total value in discussion of R$ 34,020. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$5,606 for losses arising from such proceedings.

Most of these lawsuits were filed by former employees of the Company seeking overtime payments and payments relating to their exposure to health hazards.

Civil Proceedings

a) Slaughterhouse at Araputanga

In 2001, the Company (formerly known as Friboi Ltda.), entered into a purchase agreement for the acquisition of one slaughterhouse located in the City of Araputanga, State of Mato Grosso, from Frigorífico Araputanga S.A. ("Frigorífico Araputanga"). As a result of the payment of the purchase price by the Company and the acknowledgement by Frigorífico Araputanga of compliance by the Company with its obligations under the purchase agreement, a public deed reflecting the transfer of title of the slaughterhouse from Frigorífico Araputanga to the Company was registered with the applicable real estate notary.

As (i) Frigorífico Araputanga was a beneficiary of certain tax benefits granted by the Federal Government through an agency responsible for fostering the development of the northern region of Brazil (*Superintendência de Desenvolvimento da Amazônia* – SUDAM) and (ii) the slaughterhouse sold to the Company was granted by Frigorífico Araputanga to SUDAM as collateral for these tax benefits the consent of SUDAM was required for the registration of the public deed with the applicable real estate notary. In June 2004, Frigorífico Araputanga S.A. filed a lawsuit against the Company in a state court located in the City of Araputanga, State of Mato Grosso, alleging that the Company breached the purchase agreement and seeking an injunction to prevent the Company from finalizing the transfer of the slaughterhouse and a declaratory judgment that the purchase agreement and the public deed registered with the real estate notary were null and void.

In the lawsuit, Frigorífico Araputanga claimed that the sale of the slaughterhouse should be nullified as the Company did not obtain the consent of SUDAM in order to register the public deed with the applicable real estate notary. In January 2005, the court of appeals (*Tribunal de Justiça do Mato Grosso*) held that the Company had complied with all material terms of the purchase agreement. The lawsuit was subsequently submitted to the review of the Federal Court of Cáceres, under No. 2005.36.01.001618-8, in light of the inclusion of the Federal Government as a party to the lawsuit. The Company obtained the consent of *Unidade de Gerenciamento dos Fundos de Investimento* - UGFIN, the successor of SUDAM, according to the Federal Regional Court of the 1st Region (*Tribunal Federal da 1ª Região*) decision, under Proceedings No. 2006.01.00.024584-7.

The parties are waiting for ruling following a judicial expert appraisal favorable to the company, that after evaluating the payments made by Agropecuária Friboi, the appraisal concluded that the debit was already paid. The judicial appeal number 2006.01.00.024584-7 was judged favorably to the Company, when the "TRF" Regional Federal Court declared valid the purchase tittle deeds of the property, object of discussion. Based on the Company´s legal advisers' opinion and based on brazilian jurisprudence management of the Company believes that their arguments will prevail and no provision was registered.

b) Trademark Infringement

In July 2005, Frigorífico Araputanga filed a lawsuit against the Company seeking damages in the amount of R$26,938 and punitive damages in the amount of R$100,000 for the use by the Company of the trademark “Frigoara” without Frigorífico Araputanga’s consent. The amounts of the claim were based upon a report presented by Frigorífico Araputanga to the trial court, which appraised the value of the trademark “Frigoara” at R$315,000.

The Company presented its defense against this lawsuit alleging that (i) the lawsuit should be analyzed and reviewed together with the lawsuit relating to the purchase of the slaughterhouse from Frigorífico Araputanga by the Company, (ii) the trademark “Frigoara” was used by the Company for a limited period of time, with the written consent and upon the request of Frigorífico Araputanga (the use of the trademark by the Company was a requirement of SUDAM to consent to the registration of the public deed contemplating the transfer of the slaughterhouse from Frigorífico Araputanga to the Company) and (iii) the amount of any damages under the lawsuit should be limited to a percentage of products sold by the Company under the trademark “Frigoara,” pursuant to article 208 of the Intellectual Property Law. Almost all of the products manufactured by the Company were marketed under the trademark “Friboi.” The only product marketed by the Company under the trademark “Frigoara” was minced meat, in limited amounts.

In light of the foregoing, the Company’s management established a provision for losses arising from this lawsuit in the amount of R$600. Following a determination of the judge of the trial court, the lawsuit was submitted to the review of the Federal Court of Cáceres on January 17, 2007. The judge of the Federal Court of Cárceres determined that this lawsuit be joined with the lawsuit relating to the purchase of the slaughterhouse by the Company from Frigorífico Araputanga. The Federal Government will be notified to issue an opinion on the matter under discussion in this lawsuit.

Based on the Company’s legal counsel opinion supported by precedents of the Federal Brazilian Supreme Court (*Supremo Tribunal Federal*) and the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), the Company’s management believes that the Company will prevail in these proceedings.

c) Others

The Company is party in several civil lawsuits, mainly, pursuant to which certain of the Company’s former and current employees are seeking damages from accidents that occurred in the workplace, in amounts varying based on their salaries. Based on the opinion of the Company’s legal counsel, the Company’s management recorded a provision for losses arising from these lawsuits in the amount of R$15,063 as of December 31, 2008.

18 Debit with third parties for investment

Refers to the amount of 65 million Euros that will be increased in Inalca´s purchase price in case the Company achieves at least one of the following economic targets: EBITDA average over business year 2008, 2009 and 2010 equal or greater than Euro 75 million, or alternatively, EBITDA over business year 2010 equal or greater than Euro 90 million. In case none of these economical objectives is reached, the debit will be reverted against the goodwill of the acquisition.

(Expressed in thousand of reais)

19 Income taxes

Income tax and social contribution are recorded based on taxable net income pursuant to the rates set forth in the applicable laws. Deferred income tax and social contribution are recorded based on the temporary differences between the carrying amounts on the Company's financial statements and the tax basis of assets and liabilities, as well as on the tax loss carry forward credits.

a) Reconciliation of income tax and social contribution of the Company

	2008	2007
Income before income tax and social contribution	**43.375**	(63.440)
Addition (Exclusion), NET:		
Permanent differences (Mainly equity in subsidiaries)	**(9.671)**	362.311
Temporary differences	**(61.092)**	590
Calculation basis for income tax and social contribution	**(27.388)**	**299.461**
Income tax and CSLL	**-**	**(101.793)**
	-	**(101.793)**
Temporary differences	**61.092**	(590)
Deferred income tax and social contribution	**(20.772)**	**201**

b) Deferred income tax and social contribution

	Company		Consolidated	
	2008	2007	2008	2007
Assets:				
. Over tax losses and temporary differences	**22.626**	16.251	**481.485**	23.758
	22.626	**16.251**	**481.485**	**23.758**
Liabilities:				
. Over revaluation reserve	**83.453**	59.642	**884.927**	99.755
	83.453	**59.642**	**884.927**	**99.755**

The Company and its subsidiaries have a track record of future taxable net income. The Company expects to recover the tax credits arising there from within eight years due to the termination of the causes of their contingencies.

20 Shareholders' equity

a) Capital Stock

Through the Extraordinary Shareholders Meeting held on January 2, 2007, shareholders approved amendments of the by-laws and the deployment of the 52,523,990 existing shares into 350,000,000 common shares and without nominal value. Through the Extraordinary Shareholders Meeting held on March 7, 2007, the shareholders approved a new amendment of the by-laws and the deployment of these 350.000.000 shares into 700,000,000.

On March 28, 2007, the Company increased its Capital Stock through an initial public offering of 150,000,000 of ordinary common shares at the share price of R$ 8.00 per share, being the amount of R$ 39,224 considered as capital increase and R$ 1,160,776 considered as capital reserve (premium on shares issued).

Through the Extraordinary Shareholders Meeting held on June 29, 2007 shareholders approved the subscription of 227,400,000 new common shares, nominative, without nominal value by at the share price of R$ 8.1523 per share, corresponding to R$ 1,853,833 generating a capital reserve of R$ 207. BNDES Participações S.A. – BNDESPAR ("BNDESPAR") subscribed to a significant portion of the new common shares representing the Company's capital. The subscription of the shares by BNDESPAR occurred through an assignment of a portion of the preemptive rights of the shareholders of J&F and/or ZMF in the subscription of new shares.

(Expressed in thousand of reais)

Through the Extraordinary General Meeting of April 11, 2008 shareholders approved the private issue of 360,678,926 new common, registered shares, without par value, at the price of R$ 7,07 per share, corresponding to R$ 2,550,000, generating a capital reserve of R$ 279. BNDES Participações S.A. - BNDESPAR (BNDESPAR) and PROT - Fundo de investimentos em Participações (PROT) issued a significant portion of these new common shares. The subscription of shares by BNDESPAR and PROT occured through the cession of part of the preference right of the shareholders J&F and ZMF in the subscription of those new shares, pursuant to an investment agreement executed on March 18, 2008.

The Social Capital, subscribed and integralized on December 31, 2008 is represented by 1.438.078.926 ordinary shares, without nominal value. From the total shares, as described in letter e) below, 34.226.200 shares are maintained in treasury.

The Company is authorized to increase its capital by more 22.600.000 ordinary nominative shares.

b) Retained earnings reserves

Mandatory

Computed based on 5% of the net income of the year.

Reserve for expansion

It refers to the remaining balance of the net income after the computation of mandatory reserve and dividend distribution. The purpose of this reserve is to provide funds to investment in assets.

c) Revaluation reserve

Revaluation reserve reflects the appraisal effected by the Company, net of tax effects that are progressively offset against retained earnings to the same extent that the increase in value of the revalued property is realized through depreciation, disposal or retirement.

d) Dividends

Mandatory dividends correspond to 25% of the adjusted net income of the year, according to article 202 of Law 6.404/76.

The Company, considering that it has generate positive EBITDA, deliberated that for the dividends calculation base the goodwill in investments acquisition of JBS USA and SB Holdings will be permanently excluded.

e) Treasury Shares

The Board of Directors of the Company, based on the amendment of it by-laws and according to the normative instructions of CVM numbers 10/80, 268/97 and 390/03, authorized the acquisition of, not more, 41.113.898 shares of own emission for maintenance in treasury and subsequent cancel or alienation without reduction of the social capital.

On December 31, 2008, the Company maintained 34.226.200 treasury shares, with an average unit cost of R$ 5.70, and the minimum and maximum acquisition prices were R$ 2.68 and R$ 8.54, respectively, not having happened alienation of the acquired shares.

The market value of the shares according to the negotiation as of December 31, 2008 was R$ 4.93.

21 Financial income (expense), net

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Exchange variation	**(86.013)**	87.544	**(223.595)**	14.506
Results on derivatives	**56.401**	(180.877)	**(30.383)**	(180.678)
Interest - Loss	**(435.481)**	(220.422)	**(553.370)**	(283.681)
Interest - Gain	**228.605**	68.041	**236.757**	85.102
Taxes, contribution, tariff and others	**(27.145)**	(30.569)	**(41.585)**	(38.362)
	(263.633)	**(276.283)**	**(612.176)**	**(403.113)**

The financial income for year ended ended December 31, 2007 is negatively affected, by a significant amount, by exchange variation rate of the permanent investments in foreign currency. The impact of the referred exchange variation rate in the compay financial income is R$ 82.809 (R$ 160.030 in the consolidated) and did not affected the EBITDA. In 2008 the exchange variation rate of the permanent investments in foreign currency is beeing registered em specific account in the shareholder´s equity.

(Expressed in thousand of reais)

22 Non-recurring expenses

	Company		Consolidated	
	2008	2007	2008	2007
BONDS Expenses	**(35.693)**	-	**(35.693)**	-
CADE Agreement	**-**	(13.769)	**-**	(13.769)
Initial public offering	**-**	(53.313)	**-**	(53.313)
	(35.693)	**(67.082)**	**(35.693)**	**(67.082)**

In 2008 refers to non-recurring expenses referring to the "consent solicitation" process of the EURO BONDS and notes of the 144-A rule, as described in note 14. In 2007 refers to non-recurring expenses with the initial public offering in Mew Market and payment to CADE.

23 Management's compensation

For the years ended December 31, 2008 and 2007, the aggregate compensation paid by the Company to the Company's management was R$ 3,000.

24 Insurance coverage

The Company adopts the policy of maintaining insurance coverage for property, plant and equipment and inventories that are subject to risks, in the amounts considered sufficient to cover any loss arising from such risks. Due to the multi-location aspect of its business, the Company contracts insurance covering the maximum possible loss per operational unit. The insurance covers the following events: fire, flooding and landslide.

As of December 31, 2008 the maximum individual coverage was R$ 99,000, considering all types of risks.

The insurance coverage related to the controlled company JBS Argentina has the same characteristics as explained above, and the maximum coverage as of December 31, 2008 was US$ 32 million (equivalent to R$ 74,784).

The insurance coverage related to the controlled Company JBS USA, Inc. has the same characteristics as explained above, and the maximum coverage as of December 31, 2008 was US$200 million (equivalent to R$ 467,400).

The insurance coverage related to the controlled Company Inalca JBS has the same characteristics as explained above, and the maximum coverage as of December 31, 2008 was Euros 141 million (equivalent to R$ 456,579).

25 Risk management and derivative instruments

The Company's operations are exposed to market risks primarily related to exchange rates, the credit worthiness of its customers, interest rates and cattle prices and uses derivatives financial instruments to reduce the expositure to those risks.The Company has a formal risk administration politics, controled by the administration treasury department, that uses control instruments through appropriate systems and qualified professionals in the risk measurement, analysis and administration, that make possible the reduction of the daily risk exhibition. Additionally, operations with speculative financial instruments character are not allowed. This politics is permanently monitored by the financial committee and for Directors of the Company, that have the responsibility of the strategy definition to the risk administration, determining the position limits and exhibition.

a) Exchange Rate and Interest Rate Risk

The exchange rate and interest rate risks related to financings and loans, and accounts receivable from clients denominated in foreign currencies, inventories, are hedged on a transaction by transaction basis, through derivative instruments, such as swap contracts (dollar to CDI or LIBOR to fixed interest rates or vice-versa), futures contracts traded on the *Bolsa de Mercadorias e Futuros* - BM&F and forward contracts.

The notional value of the contracts is only accounted for in memorandum accounts.

The results of over-the-counter trades in the futures market and daily adjustments of currency future contracts are made realized and liquidated; on the BM&F, and are recognized as financial income or expense, in the profit and loss accounts.

(Expressed in thousand of reais)

b) Credit risks

The Company is exposed to credit risks in respect of accounts receivable, which are partially mitigated through the diversification of the credit profile of the Company's portfolio. The Company does not have a client that represents more than 10% of its combined net sales revenue, and its clients have good financial and operating indicators.

c) Purchase Price of Cattle

The Company is exposed to volatility with respect to the price of cattle, caused by climate factors, supply, transportation cost and agricultural policies. According to its inventory policy, the Company maintains individual physical control of its livestock, which includes anticipated purchases combined with operations on the future markets.

d) Estimated Market Value

The financial assets and liabilities of the Company are accounted in the balance sheet based on their respective acquisition cost, and the related classification of revenue and expenses in the income statement is accounted for based on its expected realization or liquidation value.

The market amount of the financial instruments not derivatives and derivatives contracts were estimate based on the available market information.

e) Financial instriments information

Below are presented the assets and liabilities exposed to risks, which are subject to derivative instruments, as well as, the effects of those accounts in the income statements of the year ended on December 31, 2008:

			Income Statements effects	
EXPOSURE	**2008**	**2007**	**Exchange variation**	**Derivatives**
OPERATING				
Accounts receivable - US$ / € / £	321.068	263.700	112.875	(108.462)
Investments - US$ / €	3.892.644	1.694.641	-	-
Inventories destined to export - @ cattle	53.960	71.903	-	5.464
Order of sales - US$ / € / £	442.583	405.917	77.895	(164.832)
Subtotal	**4.710.255**	**2.436.161**	**190.770**	**(267.830)**
FINANCIAL				
Credits with subsidiaries - US$ / €	1.550.774	(9.389)	392.153	
Loans and financings - US$	(2.740.319)	(2.040.064)	(666.975)	
Imports payable - US$	(4.816)	(3.537)	(1.961)	
Amounts receivable (payable) of forward contracts, NET	60.205	538	-	324.231
Subtotal	**(1.134.156)**	**(2.052.452)**	**(276.783)**	**324.231**
TOTAL	**3.576.099**	**383.709**	**(86.013)**	**56.401**

Investments - Was deliberated, in the Council of Administration meeting, that the Hedge of the investments in overseas companies should not be done.

Order of sales - The notional is not registered in the balance sheet. Starting from the year of 2008, according to the methodology denominated hedge accounting, introduced by the pronouncement CPC 14, the Company started to account the sales orders exchange variation to oppose the effects of the hedge of these same orders.

f) Sensibility analysis

Considering that the Company is subject, mainly, to the exchange rates and interests risks on your assets and liabilities in foreign currency, and uses derivative instruments for protection of these referred assets and liabilities, the variations of sceneries are followed by the respective protection objects, generating almost null effects.

26 Acquisition contract in process

National Beef

In March 4, 2008, the Company executed the Membership Interest Purchase Agreement (“National Beef Agreement”), to acquire all of the membership interests representing the entire ownership of National Beef, a limited liability company organized under the laws of the state of Delaware, United States of America, which slaughters and trades boxed beef, case-ready beef and beef byproducts. Closing of the transaction contemplated in the National Beef Agreement is subject to customary regulatory approvals and other customary closing conditions. The Department of Justice of the United States filed a complaint in the Federal District Court challenging the acquisition. The Company look forward to defending this matter in court.

National Beef owns (i) three beef slaughter plants, one located in Dodge City, Kansas, one in Liberal, Kansas and the other in Brawley, California; (ii) two case-ready beef processing plants, specializing in products for sale to retailers destined to the end consumer, located in Hummels Wharf, Pennsylvania, and Moultrie, Georgia; (iii) one plant located in Kansas City, Kansas specializing in portioned products for commercial establishments and end consumers; and (iv) one transportation company, with approximately 1,200 vehicles including refrigerated transportation and transportation of live stock, headquartered in Liberal, Kansas.

Pursuant to the agreement, the Company shall pay US$ 560 million to the members of National Beef, approximately US$ 465 million of which shall be paid in cash and US$ 95 million with JBS existing shares. At closing, the Company shall assume the debt and other liabilities of National Beef, resulting in an enterprise value of approximately US$ 970 million. JBS intends to use shares held in treasury to effect the payment of the portion of the acquisition price to be paid with shares, and, for this reason.

EXECUTIVE MANAGEMENT

Joesley Mendonça Batista
Chief Executive Officer

Wesley Mendonça Batista
Chief Operation Officer

Jeremiah Alphonsus O'Callaghan
Investor Relations Director

Francisco de Assis e Silva
Legal Director

José Paulo da Silva Filho
Accountant CRC: 1PE011318/O-0 'T' SP

BOARD OF DIRECTORS

Joesley Mendonça Batista
Board President

Wesley Mendonça Batista
Vice-President

José Batista Sobrinho

José Batista Júnior

Marcus Vinicius Pratini de Moraes

Demósthenes Marques

REPORT OF FISCAL CONCIL

The Infra-signed members of JBS S.A.'S Fiscal Council, in the exercise of its legal and statutory attributions, having examined the Report of the Directors and the Financial Statements of the year ended on December 31, 2008, and based on the Audit Report of Terco Grant Thornton Independent Auditors, expressing an unqualified opinion, have an opinion that the mentioned financial statements, audited based on the Corporate legislation in place, presents fairly JBS S.A.'s financial position, approved by the Ordinary General Meeting.

São Paulo, February 19, 2009.

Divino Aparecido dos Santos

Florisvaldo Caetano de Oliveira

Ricardo Antunes Agostini