Report of Independent auditors of JBS S.A
Financial Statements

As of December 31, 2007

Report of Independent Auditors

To the shareholders and management of JBS S.A.

1. We have audited the accompanying non-consolidated (parent company or individual financial statements) and consolidated balance sheet of JBS S.A. and its subsidiaries (collectively, the "Company") as of December 31, 2007 and 2006 and the correspondent statements of income (operations), changes in shareholders' equity, and changes in financial position for the years then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's Financial Statements. The individual financial statements of Swift-Armour Sociedad Anónima Argentina ("Swift-Armour") as of and for the year ended December 31, 2007 and 2006 have been audited by other independent auditors, who have expressed an unqualified opinion thereon on January 25, 2008 and January 19, 2007. We emphasize that the financial statements of JBS USA (previously named Swift Foods Company) includes its operating activities since July 11, 2007, the date when the Company acquired its shareholder's control.

2. We have conducted our audits in accordance with the Brazilian auditing standards , which consisted primarily of: a) planning the work and evaluating the materiality of accounts, volume of transactions and the Company's accounting and internal control systems; b) the examining, on a test basis, evidence and record supporting the amounts and disclosures, and c) assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the Company's Financial Statements.

3. In our opinion and based on the opinion of other independent auditor with respect to the individual financial statements of Swift-Armour, the Financial Statements of JBS S.A. and its subsidiaries present fairly, in all material respects, the non-consolidated and the consolidated financial position of the Company and its subsidiaries as of December 31, 2007 and 2006, the results of the Company's operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with the accounting principles generally accepted in Brazil.

4. Our audits have been conducted for the purpose of issuing an opinion on the Company's Financial Statements. Therefore, the consolidated and non-consolidated statements of cash flows for the years ended December 31, 2007 and 2006 are presented to provide supplemental financial information and are not required as the integrant part of the Company's Financial Statements in accordance with the generally accepted accounting principles in Brazil. We applied the same audit procedures described in the second paragraph of this letter to these statements for the years ended December 31, 2007 and 2006 and, in our opinion, they are fairly stated in all material respects in relation to the Company's Financial Statements taken as a whole.

5. As described in note nº. 25 to these financial statements, the early application in the year ended December 31, 2007 by the Company of accounting pronouncements for the recognition of foreign exchange variations related to the Company's investments abroad denominated in foreign currency as set forth in Technical Pronouncement no. 2 of the CPC (Brazilian Accounting Standards Board), which are required to be applied by the Company for the year ended since December, 2008 as determined by Determination no. 534 of the CVM (Brazilian Securities Exchange Commission) would have had a material effect on the Company's statements of operations for the year ended December 31, 2007.

6.

The Company's Financial Statements have been translated into English for the convenience of readers outside of Brazil.

São Paulo, March 10, 2008

Terco Grant Thornton

Auditores Independentes - S/S
CRC 2 SP 018.196/O-8

Luiz Cláudio Fontes
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JBS S.A.

Balance sheets as of December 31, 2007 and 2006
(In thousands of Reais)

	Company		Consolidated	
	2007	2006	2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**109.221**	54.375	**323.709**	68.629
Short-term investments (Note 5)	**760.563**	145.346	**1.057.994**	192.442
Trade accounts receivable, net (Note 6)	**444.218**	665.782	**1.236.148**	692.819
Inventories (Note 7)	**604.225**	563.935	**1.511.595**	657.504
Recoverable taxes (Note 8)	**351.677**	424.941	**482.918**	567.264
Prepaid expenses	**4.388**	1.936	**44.468**	2.956
Other current assets	**30.612**	43.494	**102.910**	68.938
TOTAL CURRENT ASSETS	**2.304.904**	**1.899.809**	**4.759.742**	**2.250.552**
NON-CURRENT ASSETS				
Long-term assets				
Credits with related parties (Note 9)	**60.306**	67.523	**17.461**	-
Judicial deposits and others	**8.249**	4.742	**41.443**	5.626
Deferred income taxes (Note 17)	**16.251**	16.050	**23.758**	23.492
Recoverable taxes (Note 8)	**31.442**	24.129	**44.205**	34.752
Total long-term assets	**116.248**	**112.444**	**126.867**	**63.870**
Permanent assets				
Advances for investments in subsidiaries (Note 9)	**-**	35.051	**-**	-
Investments in subsidiaries (Note 10)	**2.149.919**	367.822	**829.975**	-
Other investments	**10**	10	**10**	10
Property, plant and equipment, net (Note 11)	**1.328.015**	899.176	**2.536.098**	1.125.218
Intangible assets, net	**9.615**	9.615	**195.513**	25.187
Total Permanent assets	**3.487.559**	**1.311.674**	**3.561.596**	**1.150.415**
TOTAL NON-CURRENT ASSETS	**3.603.807**	**1.424.118**	**3.688.463**	**1.214.285**
TOTAL ASSETS	**5.908.711**	**3.323.927**	**8.448.205**	**3.464.837**

	Company		Consolidated	
	2007	2006	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable (Note 12)	**355.510**	271.460	**1.099.385**	309.294
Loans and financings (Note 13)	**858.975**	579.128	**2.384.836**	653.638
Payroll and social charges (Note 14)	**93.158**	73.142	**203.613**	84.447
Declared dividends (Note 15)	**17.465**	-	**17.465**	-
Other current liabilities	**50.294**	41.545	**70.536**	51.886
TOTAL CURRENT LIABILITIES	**1.375.402**	**965.275**	**3.775.835**	**1.099.265**
NON-CURRENT LIABILITIES				
Loans and financings (Note 13)	**1.341.313**	2.039.977	**1.364.800**	2.039.977
Deferred income taxes (Note 17)	**59.642**	62.665	**99.755**	62.665
Provision for contingencies (Note 16)	**45.979**	47.207	**55.681**	53.005
Other non-current liabilities	**31.787**	25.758	**101.702**	26.471
TOTAL NON-CURRENT LIABILITIES	**1.478.721**	**2.175.607**	**1.621.938**	**2.182.118**
MINORITY INTEREST	**-**	**-**	**(4.156)**	**409**
SHAREHOLDERS' EQUITY (Note 18)				
Capital stock	**1.945.581**	52.524	**1.945.581**	52.524
Capital reserve	**985.664**	-	**985.664**	-
Revaluation reserve	**123.343**	130.521	**123.343**	130.521
TOTAL SHAREHOLDERS' EQUITY	**3.054.588**	**183.045**	**3.054.588**	**183.045**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5.908.711**	**3.323.927**	**8.448.205**	**3.464.837**
		-		-

The accompanying notes are an integral part of the financial statements

Statements of income for the years ended December 31, 2007 and 2006
(In thousands of Reais)

	Company		Consolidated	
	2007	2006	2007	2006
GROSS OPERATING REVENUE				
Sales of products:				
Domestic Sales	**2.118.600**	2.069.887	**8.974.879**	2.244.856
Foreign Sales	**2.321.456**	2.264.048	**5.752.224**	2.504.195
	4.440.056	**4.333.935**	**14.727.103**	**4.749.051**
SALES DEDUCTIONS				
Returns and discounts	**(191.932)**	(105.629)	**(273.556)**	(139.799)
Sales taxes	**(252.282)**	(272.097)	**(311.976)**	(307.570)
	(444.214)	**(377.726)**	**(585.532)**	**(447.369)**
NET SALE REVENUE	**3.995.842**	**3.956.209**	**14.141.571**	**4.301.682**
Cost of goods sold	**(2.915.674)**	(3.028.650)	**(12.609.093)**	(3.248.543)
GROSS INCOME	**1.080.168**	**927.559**	**1.532.478**	**1.053.139**
OPERATING INCOME (EXPENSE)				
General and administrative expenses	**(74.188)**	(107.792)	**(275.594)**	(154.387)
Selling expenses	**(374.469)**	(404.271)	**(786.630)**	(437.857)
Financial income (expense), net (Note 19)	**(276.283)**	(279.297)	**(403.113)**	(247.145)
Equity in subsidiaries (Note 10)	**(276.591)**	69.804	**-**	-
Goodwill amortization	**(74.824)**	-	**(74.853)**	-
Non-recurring expenses (Note 20)	**(67.082)**	-	**(67.082)**	-
	(1.143.437)	**(721.556)**	**(1.607.272)**	**(839.389)**
OPERATING INCOME (LOSS)	**(63.269)**	**206.003**	**(74.794)**	**213.750**
NON-OPERATING INCOME (EXPENSE), NET	**(171)**	(791)	**11.206**	(2.569)
INCOME (LOSS) BEFORE TAXES	**(63.440)**	**205.212**	**(63.588)**	**211.181**
Current income taxes	**(101.793)**	(62.384)	**(107.104)**	(72.997)
Deferred income taxes	**201**	16.050	**2.201**	19.482
	(101.592)	**(46.334)**	**(104.903)**	**(53.515)**
INCOME (LOSS) BEFORE MINORITY INTEREST	**(165.032)**	**158.878**	**(168.491)**	**157.666**
Minority interest (expense) income	**-**	-	**3.459**	1.212
NET INCOME (LOSS)	**(165.032)**	**158.878**	**(165.032)**	**158.878**
NET INCOME (LOSS) PER SHARE	**(153,18)**	**3,02**		

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

	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
Income (loss) before taxes	**(63.440)**	205.212	**(63.588)**	211.181
Financial income (expense), net (Note 19)	**276.283**	279.297	**403.113**	247.145
Depreciation and amortization	**56.626**	66.775	**120.807**	86.916
Non-operating income (expense), net	**171**	791	**(11.206)**	2.569
Equity in subsidiaries (Note 10)	**276.591**	(69.804)	**-**	-
Non recurring expenses (Note 20)	**67.082**	-	**67.082**	-
Goodwill Amortization	**74.824**	-	**74.853**	-
AMOUNT OF EBITDA	**688.137**	**482.271**	**591.061**	**547.811**

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, 2007 and 2006
(In thousands of Reais)

	Capital stock	Capital reserve Goodwill	Revaluation reserve	Retained earnings	Total
BALANCE AS OF DECEMBER 31, 2005	**7.500**	**-**	**16.627**	**370.925**	**395.052**
Distribution of retained earnings	-	-	-	(11.182)	(11.182)
Capital Increase	40.977	-	-	-	40.977
Capital Increase by incorporation	508.135	-	-	-	508.135
Constitution of revaluation reserve	-	-	116.165	-	116.165
Realization of revaluation reserve	-	-	(2.271)	2.271	-
Net income for the year	-	-	-	158.878	158.878
Retained earnings destination					
. Retained earnings capitalization	520.892	-	-	(520.892)	-
Partial spin-off	(1.024.980)	-	-	-	(1.024.980)
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)	-	(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**

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of financial position for the years ended December 31, 2007 and 2006
(In thousands of Reais)

	Parent Company		Consolidated	
	2007	2006	2007	2006
SOURCE OF FUNDS				
From operations				
. Net income (loss) for the year	**(165.032)**	158.878	**(165.032)**	158.878
Items that do not affect working capital:				
. Equity in subsidiaries	**276.591**	(69.804)	**-**	-
. Depreciation and amortization	**56.626**	66.775	**120.807**	86.916
. Goodwill amortization	**74.824**	-	**74.853**	-
. Write-off of fixed assets	**2.412**	3.957	**3.310**	7.349
. Deferred income taxes	**(201)**	(16.050)	**(2.201)**	(19.482)
. Provision for contingencies	**(1.228)**	47.207	**2.676**	53.005
. Minority interest	**-**	-	**(3.459)**	(1.212)
. Current and non-current financial charges	**59.331**	(12.459)	**46.465**	(14.211)
Total provided from operations	**303.323**	**178.504**	**77.419**	**271.243**
From shareholders				
. Increase in capital stock and goodwill in subscription	**3.054.040**	40.977	**3.054.040**	40.977
. Increase in cash flow received due to incorporation	**-**	493.478	**-**	493.478
	3.054.040	**534.455**	**3.054.040**	**534.455**
From third parties				
. Loans and financings	**47.174**	1.039.179	**2.149.492**	1.039.179
. Decrease in non-current assets	**54.918**	-	**-**	-
. Increase in other non-current liabilities	**2.195**	32.110	**111.920**	45.887
	104.287	**1.071.289**	**2.261.412**	**1.085.066**
TOTAL SOURCE OF FUNDS	**3.461.650**	**1.784.248**	**5.392.871**	**1.890.764**
APPLICATION OF FUNDS				
. Decrease in cash flow transferred by spin-off	**-**	479.860	**-**	479.860
. Increase in non current assets	**-**	-	**64.574**	-
. Increase in investments	**2.216.321**	18.185	**904.828**	-
. Additions to property, plant and equipment and intangible assets	**487.877**	332.527	**1.748.088**	389.025
. Transfer from non-current to current liabilities	**745.019**	231.344	**2.825.296**	231.344
. Declared dividends / distribution of retained earnings	**17.465**	11.182	**17.465**	11.182
TOTAL APPLICATION OF FUNDS	**3.466.682**	**1.073.098**	**5.560.251**	**1.111.411**
INCREASE IN WORKING CAPITAL (DECREASE)	**(5.032)**	**711.150**	**(167.380)**	**779.353**
VARIATION OF WORKING CAPITAL				
	2007	2006	2007	2006
CURRENT ASSETS				
At the beginning of the year	**1.899.809**	1.469.156	**2.250.552**	1.632.899
At the end of the year	**2.304.904**	1.899.809	**4.759.742**	2.250.552
	405.095	**430.653**	**2.509.190**	**617.653**
CURRENT LIABILITIES				
At the beginning of the year	**965.275**	1.245.772	**1.099.265**	1.260.965
At the end of the year	**1.375.402**	965.275	**3.775.835**	1.099.265
	410.127	**(280.497)**	**2.676.570**	**(161.700)**
INCREASE IN WORKING CAPITAL (DECREASE)	**(5.032)**	**711.150**	**(167.380)**	**779.353**
	-	-	-	-

The accompanying notes are an integral part of the financial statements

JBS S.A.

Statements of cash flows for the years ended December 31, 2007 and 2006
(In thousands of Reais)

	Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Cash from operating activities				
. Net income (loss) of the year	**(165.032)**	158.878	**(165.032)**	158.878
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	**56.626**	66.775	**120.807**	86.916
. Allowance for doubtful accounts	**1.819**	881	**1.589**	1.029
. Goodwill amortization	**74.824**	-	**74.853**	-
. Minority interest	**-**	-	**(3.459)**	(1.212)
. Equity in subsidiaries	**276.591**	(69.804)	**-**	-
. Write-off of fixed assets	**2.412**	3.957	**3.310**	7.349
. Deferred income taxes	**(201)**	38.049	**(2.201)**	34.617
. Current and non-current financial charges	**107.134**	170.000	**100.689**	168.248
. Provision for contingencies	**(1.228)**	47.207	**2.676**	53.005
	352.945	**415.943**	**133.232**	**508.830**
Variation in operating assets and liabilities				
. Decrease (increase) in trade accounts receivable	**49.304**	(292.341)	**(726.332)**	(333.328)
. Decrease (increase) in inventories	**(40.290)**	(87.272)	**(863.281)**	(166.964)
. Decrease (increase) in recoverable taxes	**65.951**	(232.169)	**71.167**	(300.211)
. Decrease (increase) in other current and non-current assets	**41.975**	21.189	**(111.738)**	32.879
. Decrease (increase) in credits with related parties	**30.686**	245.633	**(17.460)**	219.326
. Increase (decrease) in trade accounts payable	**95.617**	94.583	**807.020**	132.410
. Increase (decrease) in other current and non-current liabilities	**49.236**	21.376	**269.925**	(6.133)
. Decrease in cash flow transferred by spin-off	**-**	(479.869)	**-**	(479.869)
. Increase in cash flow received due to incorporation	**-**	493.478	**-**	493.478
Total cash provided by (used in) operating activities	**645.424**	**200.551**	**(437.467)**	**100.418**
Cash used in investing activities				
. Additions to property, plant and equipment and intangible assets	**(487.877)**	(332.527)	**(1.748.088)**	(389.025)
. Increase in investments	**(2.216.321)**	(18.185)	**(904.828)**	-
Total cash used in investing activities	**(2.704.198)**	**(350.712)**	**(2.652.916)**	**(389.025)**
Cash from financing activities				
. Loans and financings	**1.325.046**	1.781.839	**4.987.313**	1.945.683
. Payments of loans and financings	**(1.632.784)**	(1.793.496)	**(3.812.873)**	(1.793.496)
. Increase in capital stock and goodwill in subscription	**3.054.040**	40.977	**3.054.040**	40.977
. Declared dividends / distribution of retained earnings	**(17.465)**	(11.182)	**(17.465)**	(11.182)
Total cash provided by financing activities	**2.728.837**	**18.138**	**4.211.015**	**181.982**
Net increase (decrease) in cash	**670.063**	(132.023)	**1.120.632**	**(106.625)**
Cash, cash equivalents and short-term investments at the beginning of the year	**199.721**	331.744	**261.071**	367.696
Cash, cash equivalents and short-term investments at the end of the year	**869.784**	**199.721**	**1.381.703**	**261.071**
	-	**-**	**-**	**-**

The accompanying notes are an integral part of the financial statements

1 Operating activities

JBS S.A (Company) is a listed company in the level " New Market " of corporate governance and its shares are negotiated in BOVESPA - Stock Exchange of São Paulo.

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 centers of distribution located in the States of São Paulo, Minas Gerais, Acre and Paraná.

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, organized in July 2006, and 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 primarily purchased by the Company.

The Company, until December 31, 2006, operated also in the hygiene and cleaning products segment, manufacturing and selling bars of soap, toilet cleaners, detergents, disinfectants, softeners, pharmaceutical glycerin, coconut soap, multi-functional degreaser and stain remover, shampoos, conditions, deodorant and liquid soap.

As described in letter c) the hygiene and cleaning products segment were assigned to Flora Produtos de Higiene e Limpeza S.A. as a result of a partial spin-off.

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.

Swift-Armour Sociedad Anónima Argentina (Swift Armour), 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 and Santa Fé.

Swift Armour have two subsidiaries acquired in 2007 being a meat-packing slaughterhouse in Berezategui (Consignaciones Rurales) and a can factory located in Zavate, both in the province of Buenos Aires.

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 in January 2007, sale processed beef products in the North-American market.

Beef Snacks do Brasil Indústria e Comércio de Alimentos Ltda (Beef Snacks), an indirect wholly-owned 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 the Beef Jerky to the United States of America.

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 it 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 products of bovine meat, birds and porks. Global Beef Trading imports the products from Latin America and exports to several countries, in Europe, Africa, Asia and Middle East.

(Expressed in thousand of reais)

On July, 2007, the Company acquired Swift Foods Company, formerly known JBS USA 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 four beef processing facilities, three pork processing facilities, one lamb slaughter facility and one value-added facility for pork. In Australia, JBS USA operates four beef processing facilities.

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 business.

JBS USA in Australia operates four feedlots that provide grain-fed cattle for its processing operations.

c) Corporate reorganization

Merger

As of March 1, 2006, Friboi Ltda. merged with JBS S.A., assuming all of the assets and liabilities of JBS S.A., which prior to this merger was a holding company with an indirect 100% interest in the total capital stock of Swift-Armour. After giving effect to the merger, Friboi Ltda.'s capital stock increased from R$7,500 to R$508,135 totaling R$515,635 represented by 515,635,240 quotas.

The following table shows the increase (decrease) in Friboi Ltda.'s assets and liabilities resulting from the merger, based on an appraisal report prepared by specialized accountants:

	R$
Current assets	557.997
Current Liabilities	(64.519)
Working Capital	493.478
Permanent assets	775.040
Long-Term Liabilities	(760.383)
	14.657
Shareholders' equity	**508.135**

On March 2, 2006, the quotaholders of Friboi Ltda. approved a proposal to (1) transform Friboi Ltda. into a corporation (*Sociedade Anônima*), (2) exchange their quotas for 515,635,240 common shares, without par value and (3) change Friboi Ltda.'s name to JBS S.A.

Partial spin-off

According to article 229 of Law no. 6404/76 (the "Brazilian Corporation Law"), the Company conducted a partial spin-off on December 31, 2006, under which the Company's assets relating to its hygiene and cleaning products division were assigned to Flora Produtos de Higiene e Limpeza Ltda. The following chart describes the items of the Company's balance sheet that were assigned to Flora Produtos de Higiene e Limpeza S.A. as a result of the partial spin-off:

Current assets		**Current liabilities**	
Cash and cash equivalents	43	Trade accounts payable	16.589
Short-term investments	439.631	Loans and financings	7.522
Trade accounts receivable, net	53.348	Payroll and social charges	8.187
Inventories	33.842	Other current liabilities	28.045
Recoverable taxes	4.323		**60.343**
Other current assets	9.016		
	540.203	**Long-term liabilities**	
		Loans and financings	11.669
Long-term assets		Other Long-term liabilities	364
Credits with related parties	265.882		**12.033**
Judicial deposits	461		
Other investments	6.516	**Total current and Long-term Liabilities**	**72.376**
Property, plant and equipment, net	278.600		
Intangible assets, net	5.694	**Net assets transferred**	**1.024.980**
	557.153		
Total assets	**1.097.356**	**Total liabilities and transferred net assets**	**1.097.356**

(Expressed in thousand of reais)

The operating loss recorded by the hygiene and cleaning products division for the year ended on December 31, 2006, is summarized as follows:

Net operating sales	334.130
Cost of goods sold	(211.363)
Gross income	122.767
Operational expenses:	
General and administrative expenses	(48.872)
Selling expenses	(90.523)
Operating Loss	**(16.628)**

2 Presentation of financial information

The individual and consolidated financial statements, were prepared in accordance with the generally accepted accounting principles in Brazil, and they are presented in accordance with NPC rule No. 27 issued by the Brazilian Institute of Independent Auditors (*Instituto dos Auditores Independentes do Brasil* - IBRACON) and rule No. 488 issued by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários* – CVM) , both dated October 3, 2005.

With respect to the Company's investment in Swift Armour and its subsidiaries, we have compared the generally accepted accounting principles in Argentina 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 the Companies 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$ 664.368, related to intangible assets and fixed assets goodwill, calculated according to applicable purchasing accounting, and it was adjusted reducing the shareholder´s equity;
- Derivatives designated as a hedge and used to hedge an anticipated transaction, changes in fair value of the derivatives are deferred in the balance sheet within accumulated other comprehensive income and were recognized in the statement of earnings for Brazilian GAAP purposes.

3 Significant accounting policies

a) 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.

b) Swap Receivables or Payables

The market value of derivative instruments is computed daily, and the resulting receivables or payables are recorded based on their fair market value.

c) 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.

d) Inventories

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

e) Investments

The Company's investments in subsidiaries are accounted according to the equity method. Other investments of the Company are valued at their acquisition cost.

f) Property, plant and equipment

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. 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.

g) 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.

h) 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.

i) Contingent assets and liabilities and legal obligations

Contingent assets are recognized only when there are real warranties or favorable judicial decisions, having judged. Contingent assets with probable gain are just published in accompanying notes.

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

Legal obligations are registered as liabilities/payable, independently of the evaluation about the probabilities of success/gain, in claims that the Company inquired the unconstitutionality of taxes.

j) 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.

k) Supplemental information

In order to provide a better understanding of its financial statements the Company has presented, as supplementary information, its consolidated statements of cash flows.

(Expressed in thousand of reais)

m) 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 financial income (loss).

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

4 Aquisition os Swift Foods Company (Actual JBS USA)

On July 11, 2007 the Company, through its wholly-owned subsidiary J&F Acquisition Co., created specifically for this purpose, concluded the acquisition of the controlling interest of Swift Foods Company ("Swift"), company headquartered in Delaware, United States of America, for the total amount US$1,459 million, including US$225 million paid to HM Capital Partners LLC, the former controlling shareholder of Swift, and US$1,234 million used for the liquidation of financial debt of Swift.

A substantial portion of the financing proceeds for the acquisition of Swift by JBS is related to the capital increase, as approved in the Extraordinary Shareholders Meeting held on June 29, 2007, in the total amount of R$ 1,853,833 through the issuance, for private subscription of 227,400,000 (two hundred and twenty seven million and four hundred thousand) new common shares, nominative, without nominal value, in all identical to the existing shares, having the same rights given upon the remaining common shares issued by the Company, under the terms outlined in its by-laws (Estatuto Social) and according to applicable legislation. BNDES Participações S.A. – BNDESPAR ("BNDESPAR") subscribed a relevant portion of the new common shares representing the Company's capital, in the amount of R$ 1.160.776, allowing for a relevant participation by BNDESPAR in the proceeds that were raised by the Company for the acquisition of the Swift Foods.

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. The remaining proceeds were obtained through new debt at Swift Foods at the date of the acquisition.

The conclusion of the Swift acquisition resulted in the creation of the world's largest company in the beef protein sector and the largest Brazilian company in the food sector, consolidating the Company in the national and global beef markets and making it an important competitor in the global market for pork meat. With this, the Company is able to produce and distribute in Brazil, Argentina, the United States of America and Australia, the four main beef consuming countries in the world. This position will enable the Company to (i) have access to the two blocks of commercial barriers: Atlantic and Pacific; (ii) diversify its risk with regards to sanitary barriers; and (iii) unify and strengthen the Swift brand globally.

Due the significance of this investment in the consolidation in the financial statements of the Company for year ended December 31, 2007, and the comparability loss with previous periods, we are presenting below the combined balance sheet and income statements to allow a comparison of the consolidated financial statements before the investment in Swift Foods, and we are presenting the JBS USA financial statements. JBS USA income statements reflect the income statements since July 11, 2007, which represents the period after the acquisition by the Company.

BALANCE SHEET	**2007**			**2006**
ASSETS	**Consolidated**	**JBS USA**	**JBS and other subsidiaries**	**Consolidated**
Cash, cash equivalents and short-term investments	1.381.703	405.451	976.252	261.071
Trade accounts receivable, net	1.236.148	710.793	525.355	692.819
Inventories	1.511.595	732.992	778.603	657.504
Other current and non current assets	757.163	114.920	642.243	703.028
Investments in subsidiaries	829.975	-	1.715.332	-
Property, plant and equipment, net	2.536.098	905.125	1.630.973	1.125.218
Other permanent assets	195.523	170.656	24.867	25.197
TOTAL ASSETS	**8.448.205**	**3.039.937**	**6.293.625**	**3.464.837**

(Expressed in thousand of reais)

LIABILITIES AND SHAREHOLDERS' EQUITY				
Trade accounts payable	1.099.385	683.600	415.785	309.294
Loans and financings	3.749.636	1.426.524	2.323.112	2.693.615
Other current and non current liabilities	548.752	210.604	338.148	278.474
Minority interest	(4.156)	-	(4.156)	409
Shareholders' equity	3.054.588	719.210	3.220.735	183.045
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8.448.205**	**3.039.937**	**6.293.625**	**3.464.837**

INCOME STATEMENTS	2007			2006
	Consolidated	JBS USA	JBS and other subsidiaries	"Pro forma" Consolidated
Net sales revenue	14.141.571	9.249.627	4.891.944	3.967.552
Cost of goods sold	(12.609.093)	(8.899.896)	(3.709.197)	(3.036.673)
GROSS INCOME	**1.532.478**	**349.731**	**1.182.747**	**930.879**
General, administrative and selling expenses	(1.062.224)	(492.518)	(569.706)	(452.849)
Financial income (expense), net	(403.113)	(33.151)	(369.962)	(204.149)
Equity in subsidiaries	-	-	(160.976)	-
Other operating expenses	(141.935)	-	(141.935)	-
Non-operating income (expense), net	11.206	16.423	(5.217)	(2.462)
Income taxes	(104.903)	(1.460)	(103.443)	(92.282)
Minority interest (expense) income	3.459	-	3.459	1.212
NET INCOME (LOSS)	**(165.032)**	**(160.976)**	**(165.032)**	**180.349**
AMOUNT OF EBITDA	**591.061**	**(101.392)**	**692.453**	**564.946**

The individual and consolidated income statement for the year ended in December 30, 2006, presented for comparability purposes, was prepared excluding the net income of the hygiene and cleaning products division, which was separated from the Company through a partial spin-off that occurred in December 31, 2006, as explained in Note 1. Accordingly, such income statement is denominated as "Pro Forma".

The "Pro Forma" income statement is not intended to be used as a basis for the calculation of dividends, nor for any other purpose rather than to provide comparable information about the financial performance of the Company.

5 Short-term investments

	Company		Consolidated	
	2007	2006	2007	2006
Certificates of bank deposits - CDB-DI	**339.029**	135.865	**348.472**	135.906
Investment funds	**421.534**	9.481	**446.923**	9.481
Certificates of deposits - CD	**-**	-	**-**	47.055
Auction-rate securities	**-**	-	**262.599**	-
	760.563	**145.346**	**1.057.994**	**192.442**

Certificates of bank deposits-CDB-DI 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.

Auction-rate securities are securities from JBS USA that participate in an auction process run by an agent where the interest rate earned on the bonds is reset every 7 - 28 days.

(Expressed in thousand of reais)

6 Trade accounts receivable, net

	Company		Consolidated	
	2007	2006	2007	2006
Receivables not yet due	**427.746**	**649.222**	**990.611**	**676.406**
Overdue receivables:				
From 1 to 30 days	**7.904**	4.524	**154.709**	4.525
From 31 to 60 days	**4.941**	862	**71.993**	862
From 61 to 90 days	**4.978**	8.083	**10.513**	8.083
Above 90 days	**2.497**	5.106	**17.516**	5.106
Allowance for doubtful accounts	**(3.848)**	(2.015)	**(9.194)**	(2.163)
	16.472	**16.560**	**245.537**	**16.413**
	444.218	**665.782**	**1.236.148**	**692.819**

7 Inventories

	Company		Consolidated	
	2007	2006	2007	2006
Finished products	**513.492**	513.607	**1.072.732**	578.508
Work-in-progress	**745**	-	**71.514**	3.739
Raw-materials	**55.242**	18.286	**68.688**	40.884
Livestock	**-**	-	**171.552**	-
Warehouse spare parts	**34.746**	32.042	**127.109**	34.373
	604.225	**563.935**	**1.511.595**	**657.504**

8 Recoverable taxes

	Company		Consolidated	
	2007	2006	2007	2006
ICMS (value added tax)	**295.362**	220.731	**314.924**	240.688
IPI (excise tax)	**39.920**	117.737	**97.805**	232.056
PIS and COFINS (social contribution on net income)	**42.427**	55.618	**55.623**	62.478
IRRF (withholding income tax)	**4.072**	54.981	**7.485**	57.541
IVA (Argentinian value added tax)	**-**	-	**38.176**	9.066
Others	**1.338**	3	**13.110**	187
	383.119	**449.070**	**527.123**	**602.016**
Current and Long-term:				
Current	**351.677**	424.941	**482.918**	567.264
Non-current	**31.442**	24.129	**44.205**	34.752
	383.119	**449.070**	**527.123**	**602.016**

ICMS (value added tax)

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.

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 for a significant part of such credits during the next months.

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$126,181.

(Expressed in thousand of reais)

9 Related parties transactions

Transactions with related parties are mainly represented by sales operations from the parent company to its subsidiaries abroad, under normal market prices and terms, and by inter-company loans with controlled and related subsidiaries with an interest rate of 1% per month. Balances between related parties in the balance sheet and income statement are the following:

December 31, 2007	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Credits
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	-
Friboi (UK) Limited	11.554	-	-	44.784	-
Swift Armour Socidad Anónima Argentina	-	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**

December 31, 2006	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Credits
Mouran Alimentos Ltda.	451	68	-	-	3.249
JBS Embalagens Metálicas Ltda.	7.822	2.770	25.161	-	103.944
JBS Global Beef Ltd.	-	-	-	-	(50.360)
Friboi Egypt	41.675	-	-	123.310	-
Friboi Investiments Ltd.	-	-	-	-	10.690
Friboi UK	13.728	-	-	34.433	-
Swift Armour Socidad Anónima Argentina	-	411	-	-	-
The Tupman Thurlow Co.	-	-	-	45.401	-
	63.676	**3.249**	**25.161**	**203.144**	**67.523**

(Expressed in thousand of reais)

10 Investments in subsidiaries

a) Relevant information about subsidiaries

December 31, 2007	Company's share quantity	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 (Denmark))	212	100,00%	71.648	108.106	(5.362)
Mouran Alimentos Ltda.	84	70,00%	120	(15.452)	(11.595)
JBS USA, Inc.	100	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	-

December 31, 2006	Company's share quantity	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	10.000	99,00%	2	40.798	34.213
JBS Global Investments S.A.	19.000	100,00%	40.622	49.038	11.915
JBS Holding Internacional. S. A.	282.010	100,00%	282.010	227.728	(34.012)
JBS Global A/S (Denmark))	180	100,00%	9.279	53.355	44.080
Mouran Alimentos Ltda.	84	70,00%	120	(3.857)	(3.977)
Beef Snacks do Brasil Ltda.	9.900	99,00%	10	-	-

b) Investments movement

	Balance as of Dec 31, 2006	Addition (realization)	Exchange rate variation	Equity	Balance as of Dec 31, 2007
JBS Embalagens Metálicas Ltda.	**40.390**	58	-	(1.002)	**39.446**
JBS Global Investments S.A.	**49.039**	7.972	(9.298)	(6.804)	**40.909**
JBS Holding Internacional. S. A.	**227.728**	253.118	-	(95.015)	**385.831**
JBS Global A/S (Denmark))	**53.355**	64.405	(4.292)	(5.362)	**108.106**
Mouran Alimentos Ltda.	**(2.700)**	-	-	(8.116)	**(10.816)**
Beef Snacks do Brasil Ltda.	**10**	(10)	-	-	**-**
JBS USA, Inc.	**-**	1.753.453	(68.792)	(160.976)	**1.523.685**
SB Holdings, Inc	**-**	21.684	(427)	684	**21.941**
JBS Confinamento Ltda.	**-**	30.001	-	-	**30.001**
Transfer to Other current liabilities (Negative equity Mouran)	**-**	-	-	-	**10.816**
Total	**367.822**	**2.130.681**	**(82.809)**	**(276.591)**	**2.149.919**

In the third quarter of 2007, was finalized the Joint Venture operation between JBS S.A (through the subsidiary JBS Global A/S) and Jay Earl Link (through the company Link International Meat Products LTD) was finalized to operate the company Beef Snacks International BV, which became the holding of Beef Snacks and Jerky Snacks, both integrally. As of December 31, 2007, the capital of Beef Snacks International BV is R$ 36.439 thousand, and Global JBS A/S is the owner of 50% of the capital (R$ 18.219 thousand).

(Expressed in thousand of reais)

c) Goodwill

In the Company

In July, 2007 the Company acquired 100% of the capital stock of Swift Foods Company, actual JBS USA, Inc., and paid a goodwill of R$ 877.609, based on the expectation of future profits. The goodwill will be amortized as long as such profits are earned, in a period of 5 years. During the year of 2007 was amortized godwill in the amount of R$ 73.134.

In January, 2007 the Company acquired 100% of the capital stock of SB Holdings, Inc., and paid a goodwill of R$ 20.881 based on the expectation of future profits of the subsidiary. The goodwill will be amortized as long as such profits are earned, in a period not exceeding 10 years. During the year of 2007, an amount of R$ 1.690 of the goodwill was amortized.

As described in note 15, the Company intends to exclude permanently the goodwill from the dividends calculation base.

In Subsidiary

In May, 2007 Swift Armour acquired 100% of the capital stock of Consignaciones Rurales S.A and Argenvases S.A.I.C, and paid a goodwill of R$ 6.338, based on the market value of the assets. The goodwill will be amortized as long as the depreciation of such assets are incurred, or write-off of the assets. During the year of 2007 was amortized godwill in the amount of R$ 29.

11 Property, plant and equipment, net

Company

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount 2007	Net amount 2006
Buildings	4%	285.927	116.742	(14.802)	**387.867**	382.523
Land	-	104.652	9.352	-	**114.004**	79.835
Machinery & equipment	10%	223.208	45.032	(38.621)	**229.619**	211.720
Installations	10%	70.686	21.815	(12.887)	**79.614**	84.804
Computer equipment	20%	12.917	757	(5.512)	**8.162**	7.899
Vehicle and airplanes	20%	75.457	460	(40.140)	**35.777**	34.618
Construction in progress	-	459.809	-	-	**459.809**	85.659
Others	10 a 20%	18.046	1.541	(6.424)	**13.163**	12.118
		1.250.702	**195.699**	**(118.386)**	**1.328.015**	**899.176**

Consolidated

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount 2007	Net amount 2006
Buildings	3 to 20%	819.653	116.742	(73.442)	**862.953**	493.743
Land	-	226.793	9.352	(2.919)	**233.226**	83.060
Machinery & equipment	8 to 10%	940.101	45.032	(293.598)	**691.535**	306.255
Installations	10%	75.512	21.815	(12.934)	**84.393**	84.816
Computer equipment	20 to 100%	54.417	757	(14.779)	**40.395**	8.041
Vehicle and airplanes	14 to 50%	94.860	460	(41.277)	**54.043**	34.972
Construction in progress	-	526.422	-	-	**526.422**	96.052
Others	10 to 100%	54.335	1.541	(12.745)	**43.131**	18.279
		2.792.093	**195.699**	**(451.694)**	**2.536.098**	**1.125.218**

During the last three years, 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 2007, the balance of the Company's revaluation of fixed assets account was R$195,699, the balance of the Company revaluation reserve account was R$ 123,343, and the balance of the Company income tax and social contribution account was R$ 59,642. The Company recorded accrued depreciation of R$ 12,714 with respect to the Company's revaluation of fixed assets as of December 31, 2007.

12 Trade accounts payable

	Company		Consolidated	
	2007	2006	2007	2006
Commodities	**242.688**	188.963	**588.230**	214.248
Materials and services	**109.078**	77.736	**470.830**	84.618
Finished products	**3.744**	4.761	**40.325**	10.428
	355.510	**271.460**	**1.099.385**	**309.294**

13 Loans and financings

a) Company

Modality	Annual average rate of interest and commissions	2007	2006
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDES index rate and interest rate of 3,0%	**227.561**	250.785
FINIMP - Import financing	Exchange rate variation and interest rate of 5,0%	**-**	12.492
		227.561	**263.277**
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 0,20%	**288.761**	-
EXIM - BNDES export credit facility	TJLP and interest rate of 3,0%	**426.891**	550.452
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9,375%	**494.338**	597.224
Export prepayment	Exchange rate variation and interest rate of Libor + 1,0%	**167.810**	275.046
Fixed Rate Notes with final maturity in February 2016 (144-A)	Exchange rate variation and Interest rate of 10,5%	**554.638**	673.256
NCE / COMPROR	CDI and interest rate of 2,0%	**40.289**	229.198
Others		**-**	30.652
		1.972.727	**2.355.828**
Total Loans and Financings		**2.200.288**	**2.619.105**
Current and Long-term			
Current		**858.975**	579.128
Non-current		**1.341.313**	2.039.977
		2.200.288	**2.619.105**

(Expressed in thousand of reais)

Long-term installments have the following maturities:

	2007	2006
2008	**-**	507.165
2009	**180.121**	179.535
2010	**105.744**	105.747
2011	**519.210**	606.130
2012	**4.848**	-
2016	**531.390**	641.400
	1.341.313	**2.039.977**

b) Consolidated

Modality	**Annual average rate of interest and commissions**	**2007**	**2006**
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDES index rate and interest rate of 3,0%	**227.561**	250.785
FINIMP - Import financing	Exchange rate variation and interest rate of 5,0%	**-**	12.492
Notes Payable	Interest rate Libor + 1,75%	**19.325**	-
		246.886	**263.277**
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 0,20%	**340.879**	-
EXIM - BNDES export credit facility	TJLP and interest rate of 3,0%	**426.891**	550.452
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9,375%	**494.338**	597.224
Working Capital	Interest rate Libor + 1,1%	**1.402.371**	74.510
Export prepayment	Exchange rate variation and interest rate of Libor + 1,0%	**167.810**	275.046
Fixed Rate Notes with final maturity February 2016 (144-A)	Exchange rate variation and Interest rate of 10,5%	**554.638**	673.256
NCE / COMPROR	CDI and interest rate of 2,0%	**68.793**	229.198
Swift Australia cash advance facility	BBSY + 0.35%	**47.030**	-
Others		**-**	30.652
		3.502.750	**2.430.338**
Total		**3.749.636**	**2.693.615**

Current and Long-term

	2007	2006
Current	**2.384.836**	653.638
Non-current	**1.364.800**	2.039.977
	3.749.636	**2.693.615**

Long-term installments have the following maturities:

	2007	2006
2008	**-**	507.165
2009	**184.379**	179.535
2010	**110.004**	105.747
2011	**520.840**	606.130
2012	**6.477**	-
2016	**543.100**	641.400
	1.364.800	**2.039.977**

(Expressed in thousand of reais)

Exchange Contract Advances (ACCs) are credits funded by financial institutions to JBS S.A., amounting to US$ 192.446 on December 31, 2007 and are used to finance Company's export sales.

Outstanding amounts of export pre-payment loans were US$ 94.738 on December 31, 2007 (US$ US$ 128.646 on December 31, 2006). 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 on 2011 in total aggregate amounts of US$200 million on February 6, 2006 and US$75 million on February 14, 2006. These notes are secured by JBS S.A. and J&F Participações S.A.

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 secured by the Company.

Working capital - Represented, mainly, by loans of US$ 750 million of JBS USA captured in the acquisition by the Company, with an average interest of Libor + 1,1% at year. These loans that would due in July, 2008 were renegociated to periods from 3 to 5 years.

14 Payroll and social charges

	Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Payroll and related social charges	**35.638**	40.333	**55.577**	49.799
Accrual for labor liabilities	**27.125**	21.835	**94.502**	21.943
Income tax	**8.727**	-	**8.727**	-
Social contribution	**2.298**	-	**2.298**	-
ICMS taxes payable	**17.689**	9.786	**17.697**	9.939
Others	**1.681**	1.188	**24.812**	2.766
	93.158	**73.142**	**203.613**	**84.447**

15 Declared dividends

	Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Declared dividends	**17.465**	-	**17.465**	-
	17.465	**-**	**17.465**	**-**

The Company, considering that it has been generating positive EBITDA, deliberated in the board of directors meeting of November 1, 2007 that for the dividends calculation base, the foreign investments exchange loss and the amortization of the goodwill in investments acquisition of JBS USA and SB Holdings will be permanently excluded. The decision of the board of directors will be opportunely appreciated and voted in the Extraordinary General Assembly.

Based on the decision, in spite of presenting loss in the year of 2007, the Company declared dividends of R$ 17,465, that will be submitted to the General Assembly of the Shareholders for approval, as calculation demonstrated below:

Loss of the year	**(165.032)**
Negative exchange rate variation in investments (Direct)	82.809
Negative exchange rate variation in investments (Indirect)	77.221
Investments amortization - JBS USA	73.134
Investments amortization - SB Holdings	1.690
Adjusted base for dividens calculation:	69.822
Declared dividends (25%)	**17.465**

(Expressed in thousand of reais)

16 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, 2007:

	Company		Consolidated
Type of Proceedings	Number of lawsuits/administrative proceedings	Provision	Provision
Labor	1.023	4.563	6.886
Civil	702	11.702	15.765
Tax	186	29.714	33.030
Total	**1.911**	**45.979**	**55.681**

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 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 interstate agreements, 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 estimates that the claims under these administrative proceedings amount to R$ 23,000 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.
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 as of December 31, 2007.

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 as of December 31, 2007.

c) CSLL - Social contribution on net profit (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 Profit (Contribuição Social Sobre o Lucro Líquido – CSLL) payable by the Company. The Administration believes, based in its legal conselours opinion, that will obtain success in the claim. However, since 2006, using the conservatism, is adopting the procedure of including the profit in export sales in the base of calculation of CSLL and maintains provision in the amount of R$ 15.807 due to different procedure used in previous years.

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 Company's legal counsel opinion 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 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 as of December 31, 2007. Currently, the Company does not pay or deposit with any court any amounts in connection with contributions to the Rural Workers' Assistance Fund.

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 as of December 31, 2007.

e) Other Tax Proceedings

The Company is also party of other 100 tax lawsuits and administrative proceedings. Contingencies arising from these proceedings are not material to the Company if considered on an individual basis. We highlight that the proceeding with probable risk of loss, which have provision, summarize an amount of R$ 9,288.

Labor Proceedings

As of December 31, 2007, the Company was party to (i) 887 labor lawsuits and 136 administrative proceedings (*autos de infração*) filed by the Regional Labor Offices (*Delegacias Regionais do Trabalho*) involving claims in the total aggregate amount of R$21,726 and (ii) 2 administrative proceedings filed by the Labor Department of Justice (*Ministério Público do Trabalho*) involving claims in the total aggregate amount of R$258. Based on the opinion of the Company's external legal counsel, the Company's management recorded a provision in the amount of R$4,562 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. Approximately 8% of these lawsuits were filed by employees of third-party companies that provide outsourced services to the Company. Pursuant to Brazilian labor laws, the Company is jointly liable for failure of these third-party companies to comply with applicable labor laws.

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.

Actually, the parts are waiting the judicial expert manifestation regarding the accounting appraisal presented by the judicial expert that is favorable to the company, that after evaluating the payments made by Agropecuária Friboi, was concluded that 98,5% of 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 your legal advisers' opinion and based in the brazilian jurisprudence the Administration believes that their arguments will prevail and no provision was registered.

b) Trademark Infringement

In July 2005, Frigorífico Araputanga also 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 December 31, 2007. 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.

(Expressed in thousand of reais)

c) Administrative Council of Economic Defense (Conselho Administrativo de Defesa Econômica), or CADE

In 2005, the Economic Law Secretariat (*Secretaria de Direito Econômico*) initiated administrative proceedings against 11 Brazilian beef processing companies, including the Company (formerly Friboi Ltda.) and other large beef producers. The proceedings relate to allegations made by the Brazilian Confederation of Agriculture and Cattle Raising (*Confederação da Agricultura e Pecuária do Brasil*) that these beef companies may have breached Brazilian antitrust regulations by entering into agreements to establish the price of cattle purchased by them for slaughter.

In November 28, 2007, CADE finalized the Term of Commitment of Ceasing of Conducts - TCC with the company JBS S.A, suspending the administrative proceeding in process. The TCC formalized by the Company says about an accomplishment of a "program of prevention of conducts with competitors" and the payment of a contribution of R$ 13,769 to the Fund of Defense of the Diffuse Rights - FDD.

d) Others

The Company is party in several civil lawsuits, mainly, under 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$11,101 as of December 31, 2007.

17 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

	Company		Consolidated	
	2007	2006	2007	2006
Income before income tax and social contribution	**(63.440)**	205.212	**(63.588)**	211.181
Addition (Exclusion), NET:				
Permanent differences (Mainly: Equity in subsidiaries and exchange variation of investments)	**362.311**	(68.865)	**373.945**	(53.717)
Temporary differences	**590**	47.207	**6.307**	57.301
Calculation basis for income tax and social contribution	**299.461**	**183.554**	**316.664**	**214.765**
Income tax and CSLL - 34%	**(101.793)**	**(62.384)**	**(107.104)**	**(72.997)**
Temporary differences	**(590)**	(47.207)	**(6.307)**	(57.301)
Deferred income tax and social contribution	**201**	**16.050**	**2.201**	**19.482**

b) Deferred income tax and social contribution

	Company		Consolidated	
	2007	2006	2007	2006
Assets:				
Over provision for contingencies				
. Current year	**201**	16.050	**2.201**	19.482
. Prior years	**16.050**	-	**21.557**	4.010
	16.251	**16.050**	**23.758**	**23.492**
Liabilities:				
Over revaluation reserve	**59.642**	62.665	**99.755**	62.665
	59.642	**62.665**	**99.755**	**62.665**

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, as follows:

(Expressed in thousand of reais)

	Company		Consolidated	
	2007	2006	2007	2006
2008	**398**	394	**2.278**	2.254
2209	**398**	394	**2.278**	2.254
2010	**398**	394	**2.278**	2.255
2011	**398**	394	**2.278**	2.255
2012 to 2014	**14.659**	14.474	**14.646**	14.474
	16.251	**16.050**	**23.758**	**23.492**

18 Shareholders' equity

a) Capital Stock

Through the Extraordinary Shareholders Meeting held on January 2, 2007, was approved the by-laws reform 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, was approved a new reform 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 nominative 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 was approved the subscription of 227,400,000 new common shares, nominative, without nominal value by unit share price of R$ 8,1523, corresponding to R$ 1,853,833 generating a capital reserve of R$ 207. BNDES Participações S.A. – BNDESPAR ("BNDESPAR") subscribed a relevant 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.

The capital stock as of December 31, 2007 is composed by 1.077.400.000 of ordinary shares, without nominal value.

The Company is authorized to increase its capital in more 50.000.000 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.

(Expressed in thousand of reais)

19 Financial income (Expense), net

	Company		Consolidated	
	2007	2006	2007	2006
Exchange variation	**87.544**	(71.699)	**14.506**	(72.645)
Results on derivatives	**(180.877)**	141.331	**(180.678)**	139.432
Interest - Loss	**(220.422)**	(253.257)	**(283.681)**	(261.652)
Interest - Gain	**68.041**	53.130	**85.102**	53.211
Taxes, contribution, tariff and others	**(30.569)**	(148.802)	**(38.362)**	(105.491)
	(276.283)	**(279.297)**	**(403.113)**	**(247.145)**

The financial income in the year ended on December 31, 2007 is substantially affected by the exchange variation and its relation to permanent foreign investments, mainly due to the high devaluation in the American dollar and Argentine peso to the Brazilian reais exchange rates. is R$ 82.809 (R$ 160.030 in the consolidated), and did not affected the EBITDA.

20 Non-recurring expenses

	Company		Consolidated	
	2007	2006	2007	2006
Initial public offering	**53.313**	-	**53.313**	-
CADE agreement	**13.769**	-	**13.769**	-
	67.082	**-**	**67.082**	**-**

Refers to non-recurring expenses incurred during the exercise of 2007, with initial public offering in New Market expenses and payment with CADE, as detailed in explanatory note 16.

21 Management's compensation

For the years ended December 31, 2007 and 2006, the aggregate compensation paid by the Company to the Company's management was R$ 3,000 and R$ 5,180, respectively.

22 Insurance coverage (unaudited)

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, 2007 the maximum individual coverage was R$ 99,000, considering all types of risks.

The insurance coverage related to the controlled Company Swift Armour has the same characteristics as explained above, and the maximum coverage as of December 31, 2007 and 2006 was US$ 65 million (equivalent to R$ 115 million as of December 31, 2007).

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, 2007 was US$295 million (equivalent to R$ 523 million as of December 31, 2007).

23 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. These types of risks are monitored by its treasury area, which manages these risks through a system of statistical computation of the Value at Risk (VAR) and its technical committee. This committee is composed of board members and by the Company's financial executives, who monitor the risks, limits on financial positions and overall level of risk exposure.

a) Exchange Rate and Interest Rate Risk

The exchange rate and interest rate risks related to financings and loans, marketable securities and accounts receivable from clients denominated in foreign currencies 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, as of December 31, 2007, are accounted for as "Amounts receivable from or payable to future contracts".

The results of over-the-counter trades contracted with a future maturity date are recorded on the balance sheet.

b) Credit risks

The Company is exposed to credit risks in respect of accounts receivable from customers, which are partially mitigated through the diversification of the credit profile of the Company's customer 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 and derivatives contracts as of December 31, 2007 were estimate based on the quotation market price.

24 Changes in Brazilian corporate legislation

On December 28, 2007, was promulgated the Law 11.638/07, which modifies some devices of the Law no. 6404/76 (the "Brazilian Corporation Law"). In general terms, the new law requests the harmonization of the accounting practices adopted in Brazil with some international accounting pratices derived from IASB - International Accounting Standard Board, with application starting from January 1, 2008.

Some of the alterations requested in the accounting practices adopted in Brazil are: the substitution of the Statements of financial position for the Statements of cash flow; the inclusion of the Demonstration of the Added Value; the creation of new accounts subgroups; and the introduction of new criteria for classification and evaluation of financial instruments, valorization of certain assets to market value and the concept of adjust to the present value for the operations (assets and liabilities) of long term, and for the current period if relevant. The Company already adopts the practice of publishing the Statements of the cash flow.

The main impact of the alterations introduced by the Law 11.638/07 in the individual and consolidated financial statements for the year ended on December 31, 2007 is due to the conversion adjustments due to the investments exchange variation to the Company and subsidiary, in foreign countries, that if were calculated based on the Technical Pronouncement CPC 02 of the Committee of Accounting Pronouncements, of November 9, 2007, approved by the Deliberation CVM n° 534, of January 29, 2008 would produce a reduction in the loss of the year of R$ (165.032) to R$ (5.002), because would be recognized directly in the shareholders´s equity, in the subgroup of Adjustments of Evaluation in the Shareholders´ Group. The reduction of the loss would be reflected in a reduction of equity in subsidiaries from R$ (276.591) to R$ (199.370) in the company and in the financial income from R$ (276.283) to R$ (193.474) in the Company and R$ (403.113) to R$ (243.083) in the consolidated. The accompanying note 25 presents a summarized Statement of income of the year, contemplating these effects.

25 Effects of exchange rate variation from corporate foreign investments during the year of 2007

JBS S.A is a listed company in the level " New Market " of corporate governance since March 28, 2007 and have relevant investments, direct and indirect, in several countries, mainly United States of America and Argentina.

The investment in United States of America was done in July, 2007, through the acquisition of JBS USA, an operation in the amount of US$ 950 Million.

The investment in Argentina refers to the indirect control of Swift Armour, involving an amount of 716 Million of Argentine pesos. The amount of 356 million of the total amount was spent during the year of 2007.

The American dollar and the Argentine peso were affected by the high devaluation in relation Brazilian real in the period between the date of the investment and the end of the year of 2007. The devaluation in the American dollar to the Brazilian ral exchange rate was 7,9% and the devaluation of the Argentine peso to the Brazilian real exchange rate was 19,6%.

As a result, a high exchange rate variation in the investments valuation mentioned above was brought about.

The Technical Pronouncement CPC 02 of the Committee of Accounting Pronouncements, of November 9, 2007, which deliberate about the effects of the exchange variation and the conversion of the financial statements, considered the importance and needs of the harmonization of the accounting practices adopted in Brazil with the international accounting pratices derived from IASB - International Accounting Standard Board.

Considering that JBS S.A became a listed company in the exercise of 2007, and that, during the year of 2007 were made relevant investments which generated high exchange rate variation, the Administration understant that the international accounting pratices, introduced in Brazil through the Technical Pronouncement above, that should be obligatorily applicable only after December, 2008, could be applicable in 2007, to better disclosure of the operating income.

The Company formulated a consult to the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM) to obtain authorization to apply, in advance, the procedures of the Technical Pronouncement CPC 02, however, face to the legal dead lines for publishing the financial statements and realization of the Ordinary Shareholders' General Meeting - AGO, the Company decided not to proceed with the anticipation, officially. However, judging important, and to assist to what was recommended by CVM in its “Official report to the Market” emitted on January 14, 2008, the Company publishes below how would presents the Statement of Income for the year ended on December 31, 2007, adopting the procedure of recognizing the exchange variation of those important foreign investments directly in the shareholders´ equity, reflecting the better Company´s operational performance.

	Company	Consolidated
	"Pro forma"	
Net sales revenue	3.995.842	14.141.571
Cost of goods sold	(2.915.674)	(12.609.093)
GROSS INCOME	**1.080.168**	**1.532.478**
General, administrative and selling expenses	(448.657)	(1.062.224)
Financial income (expense), net	(193.474)	(243.083)
Equity in subsidiaries	(199.370)	-
Other operating expenses	(141.906)	(141.935)
Non-operating income (expense), net	(171)	11.206
Income taxes	(101.592)	(104.903)
Minority interest (expense) income	-	3.459
LOSS	**(5.002)**	**(5.002)**
AMOUNT OF EBITDA	**688.137**	**591.061**

26 Subsequent events

a) Acquisition of Inalca

In March 3, 2008, the Company concluded the acquisition of 50% of the capital stock of Inalca S.p.A. (Inalca), controlled by Cremonini - CRM.MI (Cremonini) by an amount of 225 Millions of Euros, based on the Inalca´s "enterprise value" of 600 Million Euros.

Inalca S.p.A. is the absolute leader in Italy and one of the main European operators in the 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. With a slaughtering capacity of 3,500 head of cattle/day and processing 260,000 tons of meat/year (of which 50,000 tons of hamburger) the company operates through a production structure made of 6 plants in Italy, specialized by production line, and through 9 foreign facilities in Europe, Russia and Africa.

The integral subsidiary Montana Alimentari S.p.A. (Montana) is one of the main Italian operators on the production, marketing and distribution of cured meats, snack and ready-toeat products with over 230 products. Owner of the historical brands “Montana” and “IBIS” , the company features an industrial structure of 4 plants, 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. The company is also one of the main operators in the Italian canned meat market, with a market share of 22%, and in pre-sliced products.

The Company and Cremonini 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. 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.

a) Acquisition contracts

Smithfield Beef

In March 4, 2008 the company executed a Stock Purchase Agreement (“Smithfield Beef Agreement”), confirming the acquisition of the totality of the shares representing the capital stock of Smithfield Beef Processing, including full ownership of its subsidiary Five Rivers Ranch Cattle Feeding (“Five Rivers” and, together with Smithfield Beef Processing, “Smithfield Beef”). Smithfield Beef Processing is a company incorporated in Delaware, United States of America, which includes the entirety of the beef producing unit of Smithfield Foods, Inc. The live cattle inventory is excluded from the Smithfield Beef acquisition, however JBS will render the service of fattening the cattle. Closing of the transaction contemplated in the Smithfield Beef Agreement is subject to customary regulatory approvals and other customary closing conditions.

Smithfield Beef Processing holds (i) four beef slaughter plants, located in Green Bay, Wisconsin, Plainwell, Michigan, Souderton, Pennsylvania and Tolleson, Arizona; (ii) one grease producing plant located in Elroy, Pennsylvania; (iii) one cattle feedlot unit in South Charleston, Ohio; and (iv) one transportation division, with approximately 120 refrigerated transportation vehicles. Smithfield Beef Processing processes approximately 680 thousand tons of fresh beef annually. Five Rivers owns ten cattle feedlot units with a one time feeding capacity of 811,000 cattle units, located in the States of Colorado, Idaho, Kansas, Oklahoma and Texas.

Pursuant to the Smithfield Beef Agreement, the purchase price of Smithfield Beef is US$ 565 million which will be fully paid in cash. The purchase price is subject to adjustments, pursuant to the fluctuation in the Smithfield Beef’s working capital value. Additionally, the Company intends to capitalize Five Rivers with an additional US$ 200 million after the closing of the transaction.

National Beef

In March 4, 2008 the Company executed the Membership Interest Purchase Agreement ("National Beef Agreement"), confirming the acquisition of the totality 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.

National Beef holds (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 f US$ 560 million to the members of National Beef, approximately US$ 465 million of which shall be paid in cash and approximately US$ 95 million of which shall be paid 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, JBS will seek the due authorization of the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários), pursuant to the terms of the CVM Ruling No. 10, of February 14, 1980.

Tasman

In March 4, 2008 the Company executed a Share Sale Agreement ("Tasman Agreement"), confirming the acquisition, direct or indirectly, of the Tasman operations, in Australia, with operations that slaughter, process and trade of both beef and "smalls" (sheep, hogs and calves). Closing of the transaction contemplated in the Tasman Agreement is subject to customary regulatory approvals, and other customary closing conditions.

Tasman owns (i) six slaughter plants, located in Brooklyn, Victoria (cattle and smalls), Cobram, Victoria (smalls), Devonport, Tasmania (cattle and smalls), Longford, Tasmania (cattle and smalls), Yarrawonga, Victoria (cattle) and King Island, Tasmania (cattle); and (ii) one cattle feedlot unit with a one time feeding capacity of 25,000 head of cattle and 45,000 head of sheep, located in Yambinya, New South Wales.

The acquisition price of Tasman is AUS$ 160 million (approximately US$ 150 million) and shall be fully paid in cash, considering an enterprise value, consisting of an equity value of AUS$ 110 million and a Tasman debt of AUS$ 50 million.

In order to fulfill all the obligations established in the agreements of the acquisitions of Smithfield, National Beef and Tasman, as well as to the expenses incurred by the Company in those operations, a subscription of new shares of the Company will be realized in the approximate amount of R$ 2.550.000, at the emission price of R$ 7,07 per share, according to the terms of the article 170, paragraph §1st, interruption III, of the Law no. 6.404/76 (the "Brazilian Corporation Law"). In an Extraordinary General Assembly of the Company to deliberate about the capital increase, as well as about the ratification of the celebrated contracts related to the referred acquisitions and of the respective evaluation appraisal, in the terms of the article 256, §1st, of the Law no. 6.404/76 (the "Brazilian Corporation Law").

EXECUTIVE MANAGEMENT

Joesley Mendonça Batista
Chief Executive Officer

Wesley Mendonça Batista
Chief Operation Officer

Sérgio Longo
Finance and 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

Marcos Vinicius Pratini de Moraes

Affonso Celso Pastore

José Cláudio Rêgo Aranha

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, 2007, 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, March 28, 2008.

Divino Aparecido dos Santos

Florisvaldo Caetano dos Santos

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