ITR – THREE MONTH PERIOD
AS OF MARCH 31, 2007

JBS S.A.

Report of Independent Auditors

To the shareholders and management of
JBS S.A.

1 We have performed a special review of balance sheet of JBS S.A. (Parent Company) and its subsidiaries as of March 31, 2007 and the related statement of income and the performance report for the quarter ended on that date prepared under the responsibility of management. Our responsibility is to issue our special report, without expressing an opinion on these financial statements. The interim financial information of Swift-Armour Sociedad Anónima Argentina, a wholly-owned subsidiary of the Company, for the three months ended March 31, 2007 were subjected to a special review by other independent auditors and our special review was also based on its review.

2 We conducted our limited review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiring of and discussing with executive officers responsible for the accounting, financial and operating areas of the Company relating the criteria adopted in preparing the interim consolidated financial information, and (b) reviewing the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.

3 Based on our limited review and the report on limited review of other independent auditors of Swift-Armour Sociedad Anónima Argentina as described in the first paragraph hereof, we are not aware of any material modifications that should be made to the interim consolidated financial information referred to in paragraph 1 for them to be in accordance with generally accepted accounting principles in Brazil, specifically applicable to the preparation of interim consolidated financial information.

4. As described in note 4, the Company has closed its primary and secondary public offering of sales of shares as of March 28, 2006 and started its negotiation on Brazilian Stock Exchange (New Market) as of March 29, 2006. This primary public offering has generated a capitalization of R$ 1.200.000 thousand in the Cash and Cash Equivalent and the counterpart was the Capital Stock and Premium on Shares Issued and the receipt of this amount ocurred on April 2, 2007.

São Paulo, April 24, 2007.

Terco Grant Thornton

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

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JBS S.A. and its Subsidiaries

BALANCE SHEETS
(In thousands of Reais)

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	1,187,581	54,375	1,221,931	68,629
Marketable securities (Note 5)	206,113	145,346	246,941	192,442
Trade accounts receivable from customers (Note 6)	708,215	665,782	747,879	692,819
Inventories (Note 7)	631,764	563,935	785,016	657,504
Taxes recoverable (Note 8)	437,405	424,941	546,361	567,264
Prepaid expenses	7,639	1,936	10,336	2,956
Other current assets	46,063	43,494	68,184	68,938
TOTAL CURRENT ASSETS	**3,224,780**	**1,899,809**	**3,626,648**	**2,250,552**
LONG-TERM ASSETS				
Long-term assets				
Account receivable from related parties (Note 9)	34,067	67,523	-	-
Judicial deposits and others	5,665	4,742	8,915	5,626
Deferred income tax and social contribution (Note 16)	16,853	16,050	25,572	23,492
Taxes recoverable (Note 8)	24,129	24,129	33,670	34,752
Total Long-term assets	**80,714**	**112,444**	**68,157**	**63,870**
Permanent assets				
Advances for investments in subsidiaries (Note 9)	-	35,051	-	-
Investments in subsidiaries (Note 10)	516,460	367,822	20,988	-
Other investments	10	10	10	10
Property, plant and equipment (Note 11)	1,034,002	899,176	1,311,542	1,125,218
Intangible assets	9,615	9,615	23,806	24,340
Deferred charges	-	-	-	847
Total Permanent assets	**1,560,087**	**1,311,674**	**1,356,346**	**1,150,415**
TOTAL LONG-TERM ASSETS	**1,640,801**	**1,424,118**	**1,424,503**	**1,214,285**
TOTAL ASSETS	**4,865,581**	**3,323,927**	**5,051,151**	**3,464,837**

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable to suppliers (Note 12)	279,981	271,460	340,806	309,294
Loans and financings (Note 13)	981,276	579,128	1,073,432	653,638
Payroll and taxes payable (Note 14)	90,466	73,142	114,045	84,447
Other current liabilities	114,385	41,545	117,405	51,886
TOTAL CURRENT LIABILITIES	**1,466,108**	**965,275**	**1,645,688**	**1,099,265**
LONG-TERM				
Loans and financings (Note 13)	1,868,978	2,039,977	1,868,978	2,039,977
Deferred income tax and social contribution (Note 16)	61,984	62,665	61,984	62,665
Accrual for contingencies (Note 15)	49,568	47,207	55,467	53,005
Other Long-term liabilities	25,255	25,758	26,626	26,471
TOTAL LONG-TERM LIABILITIES	**2,005,785**	**2,175,607**	**2,013,055**	**2,182,118**
Minority interest			**(1,280)**	**409**
SHAREHOLDERS' EQUITY (Note 17)				
Capital stock	91,748	52,524	91,748	52,524
Capital reserve	1,160,776	-	1,160,776	-
Revaluation reserve	129,199	130,521	129,199	130,521
Retained earnings	11,965	-	11,965	-
TOTAL SHAREHOLDERS' EQUITY	**1,393,688**	**183,045**	**1,393,688**	**183,045**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,865,581**	**3,323,927**	**5,051,151**	**3,464,837**

The accompanying explanatory notes are an integral part of the financial information

JBS S.A. and its Subsidiaries

STATEMENTS OF INCOME FOR THE PERIOD OF THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In thousands of Reais)

	Company		Consolidated	
	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
GROSS SALES REVENUE				
Sales of products:				
Income from sales of products - domestic market	494,980	407,082	550,766	449,791
Income from sales of products - exports	522,879	413,407	651,607	509,559
	1,017,859	**820,489**	**1,202,373**	**959,350**
SALES DEDUCTIONS				
Returns and discounts	(37,973)	(16,189)	(46,267)	(26,595)
Sales taxes	(62,196)	(46,644)	(69,968)	(46,644)
	(100,169)	**(62,833)**	**(116,235)**	**(73,239)**
NET SALE REVENUE	**917,690**	**757,656**	**1,086,138**	**886,111**
Cost of goods sold	(670,046)	(562,241)	(828,495)	(681,667)
GROSS INCOME	**247,644**	**195,415**	**257,643**	**204,444**
OPERATING INCOME (EXPENSE), NET				
General and administrative expenses	(14,853)	(16,062)	(20,567)	(23,157)
Selling expenses	(89,073)	(69,764)	(99,894)	(77,586)
Financial income (expense), net (Note 18)	(39,857)	(20,456)	(56,983)	(42,190)
Equity	(21,711)	(26,448)	-	-
Initial Public Offering expenses	(50,564)	-	(50,564)	-
	(216,058)	**(132,730)**	**(228,008)**	**(142,933)**
OPERATING INCOME	**31,586**	**62,685**	**29,635**	**61,511**
NON-OPERATING INCOME (EXPENSE), NET	68	(181)	60	129
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	**31,654**	**62,504**	**29,695**	**61,640**
Income tax and social contribution	(21,814)	(30,243)	(22,074)	(29,395)
Deferred income tax and social contribution	803	-	2,489	-
	(21,011)	**(30,243)**	**(19,585)**	**(29,395)**
INCOME BEFORE MINORITY INTEREST	**10,643**	**32,261**	**10,110**	**32,245**
Minority interest			533	16
NET INCOME	**10,643**	**32,261**	**10,643**	**32,261**
Net income per thousands of Group share	**12.52**	**62.57**		

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

	Company 2007	Company "Pro Forma" 2006	Consolidated 2007	Consolidated "Pro Forma" 2006
Income before income tax and social contribution	31,654	62,504	29,695	61,640
Financial income (expense), net (Note 18)	39,857	20,456	56,983	42,190
Depreciation and amortization	13,873	12,813	19,047	17,987
Non-operating income (expense), net	(68)	181	(60)	(129)
Equity	21,711	26,448	-	-
Initial Public Offering expenses	50,564	-	50,564	-
AMOUNT OF EBITDA	**157,591**	**122,402**	**156,229**	**121,688**

The accompanying explanatory notes are an integral part of the financial information

JBS S.A.
Notes to the financial statements for the period of three months ended on March 31, 2007 and 2006
(Expressed in thousands of Reais)

1 Operating Activities

The operations of JBS S.A. and its subsidiaries (the "Company") consists of:

a) Activities

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 and Minas Gerais.

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.

The Company has 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.

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 JBS S.A.

SB Holdings, Inc. and its subsidiaries, Tupman Thurlow Co., Inc. (Tupman) and Astro Sales International, Inc. (Astro) located in The United States acquired in January 2007, distributes processed beef products in the north-american market.

The Company, until December 31, 2006, operated also in the hygiene and cleaning products segment, manufacturing and selling bar 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 b) the hygiene and cleaning products segment were assigned to Flora Produtos de Higiene e Limpeza Ltda.. as a result of a partial spin-off.

b) Corporate reorganization

Merger

As of March 1, 2006, Friboi Ltda. merged 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 thousand 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 has 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 Ltda. as a result of the partial spin-off:

Current assets		**Current liabilities**	
Cash	43	Loans and financings	7,522
Marketable securities	439,631	Trade accounts payable to suppliers	16,589
Trade accounts receivable from customers	53,348	Taxes payable other than income taxes	8,187
Inventories	33,842	Other current liabilities	28,045
Taxes recoverable	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
Accounts receivable from related parties	265,882		**12,033**
Judicial deposits	461		
Other investments	6,516	**Total current and Long-term Liabilities**	**72,376**
Fixed assets, net	278,600		
Deferred charges	5,694	**Net assets transferred**	**1,024,980**
	557,153		
Total assets	**1,097,356**	**Total liabilities and transferred net assets**	**1,097,356**

The operating loss recorded by the hygiene and cleaning products division for the period of three months ended on March 31, 2006, is summarized as follows:

Net operating sales	77,955
Cost of goods sold	(52,292)
Gross income	25,663
Operational expenses:	
General and administrative expenses	(15,871)
Selling expenses	(21,429)
Operating Loss	**(11,637)**

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, 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, Inc., do not differ significantly from those adopted in Brazil.

The individual and consolidated statements of income for the three-month period ended in March 31, 2006, presented for comparability purposes, were prepared excluding the net income of the hygiene and cleaning products division, which was separated from the Company through a partial spin-off occurred in December 31, 2006, as explained in Note 1. Accordingly, such statements of income are denominated as "Pro Forma".

The "Pro Forma" statements of income are not entitled 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.

3 Significant Accounting Policies

The significant accounting policies adopted by the Company in preparing its financial statements are described below:

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 clients, overall economic and financial condition and specific risks relating to the relevant client. The Company's management believes that the allowance for doubtful accounts is sufficient to cover the losses if such allowances materialize.

d) Inventories

The Company's inventories are valued based on their cost of acquisition or production, which is lower than their 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) Fixed Assets

Fixed assets are stated at an amount equivalent to the sum of their historical acquisition cost and to 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 the straight-line method, at the 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) Statements of Income

The income statement transactions are reported in accordance with the accrual method of accounting.

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.

l) Consolidation

All balances of assets and liabilities accounts 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 currency of the country in which they are located. Subsequently, these amounts were converted into Reais using the applicable commercial selling exchange rates reported by the Central Bank of Brazil on the date of the consolidated balance sheet.

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

4 Cash and cash equivalents

The balance of cash and cash equivalents as of March 31, 2007 includes R$ 1,151,457 relating to the initial public offering of 150,000,000 of ordinary nominative shares at the share price of R$ 8.00 per share, occurred in March 28, 2007, and whose financial settlement was in April 2, 2007.

5 Marketable Securities

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
Certificates of bank deposits - CDB-DI	142,389	135,865	142,390	135,906
Investment funds	63,724	9,481	94,679	9,481
Certificates of deposits - CD	-	-	9,872	47,055
	206,113	**145,346**	**246,941**	**192,442**

Certificates of bank deposits-CDB-DI are fixed income securities that provides yield of approximately 100% of the Brazilian interbank rate, and certificates of deposit-CD provide a yield equal to exchange rate variation plus a spread of 3.5% per year. The Investment Funds are supported by applications in Multi-Market funds.

6 Trade Accounts Receivable from Customers

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
Receivable not yet due	**689,806**	**649,222**	**694,286**	**676,406**
Overdue receivables:				
From 1 to 30 days	6,670	4,524	30,377	4,525
From 31 to 60 days	7,501	862	17,253	862
From 61 to 90 days	6,025	8,083	8,545	8,083
Above 90 days	2,032	5,106	3,751	5,106
Allowance for doubtful accounts	(3,819)	(2,015)	(6,333)	(2,163)
	18,409	**16,560**	**53,593**	**16,413**
	708,215	**665,782**	**747,879**	**692,819**

7 Inventories

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
Finished products	587,816	513,607	698,661	578,508
Work-in-progress	-	-	7,859	3,739
Raw-materials	12,333	18,286	44,596	40,884
Warehouse spare parts	31,615	32,042	33,900	34,373
	631,764	**563,935**	**785,016**	**657,504**

8 Recoverable Taxes

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
ICMS (value added tax)	240,680	220,732	263,081	240,688
IPI (excise tax)	118,648	117,737	181,507	221,357
PIS and COFINS (social contribution on net income)	80,718	89,836	90,562	96,698
IRRF (withholding income tax)	21,468	20,762	24,103	23,397
IVA (Argentinian value added tax)	-	-	11,033	9,066
Others	20	3	9,745	10,810
	461,534	**449,070**	**580,031**	**602,016**
Current and Long-term:				
Current	437,405	424,941	546,361	567,264
Long-term	24,129	24,129	33,670	34,752
	461,534	**449,070**	**580,031**	**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 credit during 2007.

IPI (excise tax)

IPI tax credits are generated as a result of social contributions (PIS and COFINS) included in the acquisition cost of raw-materials, packaging and other materials used in the manufacturing of the Company's products, which are offset against the IPI tax paid by the Company upon the sale of finished products. Due to the fact that the exports of the Company's products are exempt from IPI, a tax credit is generated. These tax credits were reviewed and approved by the Federal Tax Authority (*Secretaria da Receita Federal*). The Company expects to be reimbursed for these tax credits during 2007.

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. An amount of R$ 46,000 of these tax credits were reviewed and approved by the Federal Tax Authority. The Company expects to be reimbursed for these tax credits during 2007.

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$133,803 on March 31, 2007.

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:

2007	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Mutual contracts
Mouran Alimentos Ltda.	2,122	83	233	4,577	6,899
JBS Embalagens Metálicas Ltda.	4,281	2,559	13,876	9,441	75,352
JBS Global Beef Ltd.	-	-	-	-	(48,184)
Friboi Egypt	49,219	-	-	27,106	-
JBS Holding International S/A	-	-	-	-	-
Friboi Investments Ltd.	-	-	-	-	-
Friboi UK	12,144	-	-	9,080	-
Swift Armour Sociedad Anónima Argentina	-	180	1,078	-	-
East Forward Ltd.	13,949	-	-	-	-
The Tupman Thurlow Co.	22,960	-	-	13,344	-
	104,675	**2,822**	**15,187**	**63,548**	**34,067**

2006	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Mutual contracts
Mouran Alimentos Ltda.	451	68	-	-	3,249
JBS Embalagens Metálicas Ltda.	7,822	2,770	-	-	103,944
JBS Global Beef Ltd.	-	-	-	-	(50,360)
Friboi Egypt	41,675	-	-	26,102	-
JBS Holding International S/A	-	-	-	-	-
Friboi Investments Ltd.	-	-	-	-	10,690
Friboi UK	13,728	-	-	4,336	-
Swift Armour Sociedad Anónima Argentina	-	411	956	-	-
East Forward Ltd.	-	-	-	-	-
The Tupman Thurlow Co.	-	-	-	16,754	-
	63,676	**3,249**	**956**	**47,192**	**67,523**

10 Investments in subsidiaries

a) Relevant information about subsidiaries

2007	Company's share quantity	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Emb. Metálicas Ltda.	9,902	99.00%	2	41,252	454
Friboi Investments S. A.	19,000	100.00%	38,958	50,739	3,709
JBS Holding Int. S. A.	391,459	100.00%	391,459	313,422	(23,755)
JBS Global A/S (Dinamarca)	200	100.00%	29,578	71,140	(1,243)
Mouran Alimentos Ltda.	84	70.00%	120	(5,645)	(1,788)
Beef Snacks do Brasil Ltda.	22,735	100.00%	22,597	22,597	-
SB Holding, Inc	20	100.00%	10	2,738	380

2006	Company's share quantity	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	9,902	99.00%	2	40,798	34,213
Friboi Investments S. A.	19,000	100.00%	40,622	49,038	11,915
JBS Holding Int. S. A.	282,010	99.99%	282,010	227,728	(34,012)
JBS Global A/S (Dinamarca)	180,000	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	-	-
SB Holding, Inc	-	-	-	-	-

b) Investments movement

	Balance as of December 31, 2006	Addition (realization)	Exchange rate variation	Equity	**Balance as of March 31, 2007**
JBS Embalagens Metálicas Ltda.	**40,390**	-	-	449	**40,839**
Friboi Investments S. A.	**49,039**	(2,050)	(2,010)	3,710	**48,689**
JBS Holding Int. S. A.	**227,728**	109,449	-	(23,755)	**313,422**
JBS Global A/S (Dinamarca)	**53,355**	20,602	(1,574)	(1,243)	**71,140**
Mouran Alimentos Ltda.	**(2,700)**	-	-	(1,252)	**(3,952)**
Beef Snacks do Brasil Ltda.	**10**	22,587	-	-	**22,597**
SB Holding, Inc	**-**	24,333	(988)	380	**23,725**
Total	**367,822**	**174,921**	**(4,572)**	**(21,711)**	**516,460**

c) Goodwill

In January, 2007 the Company acquired 100% of the capital stock of SB Holdings, Inc., and paid a goodwill of R$ 20,987 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.

11 Property, plant and equipment

Company

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount 31.03.07	Net amount 31.12.06
Buildings	3.92%	288,400	116,746	(14,396)	390,751	382,523
Undeveloped land and lands	0.00%	76,732	9,352	-	86,084	79,835
Machinery & equipment	10.37%	196,944	44,640	(29,389)	212,195	211,720
Installations	7.88%	71,356	21,823	(9,804)	83,375	84,804
Computer equipment	18.45%	11,014	850	(4,017)	7,847	7,899
Vehicle and airplanes	19.54%	74,864	392	30,218	45,038	34,618
Construction in progress	0.00%	196,490	-	-	196,490	85,659
Others	10.00%	12,867	4,303	(4,948)	12,222	12,118
		928,667	**198,106**	**(32,336)**	**1,034,002**	**899,176**

Consolidated

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount 31.03.07	Net amount 31.12.06
Buildings	3.92%	434,434	116,746	(56,528)	494,652	493,743
Undeveloped land and lands	0.00%	79,717	9,352	-	89,069	83,060
Machinery & equipment	10.37%	524,683	44,640	(273,426)	295,897	306,255
Installations	7.88%	71,369	21,823	(9,805)	83,387	84,816
Computer equipment	18.45%	11,340	850	(4,030)	8,160	8,041
Vehicle and airplanes	19.54%	76,376	392	(31,340)	45,428	34,972
Construction in progress	0.00%	281,161	-	-	281,161	96,052
Others	10.00%	17,081	4,303	(7,596)	13,788	18,279
		1,496,161	**198,106**	**(382,725)**	**1,311,542**	**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.

As of March 31 2007, the balance of the Company's revaluation of fixed assets account was R$198,106, the balance of the Company revaluation reserve account was R$129,199, and the balance of the Company income tax and social contribution account was R$61,984. The Company recorded accrued depreciation of R$6,923 with respect to the Company's revaluation of fixed assets as of March 31, 2007.

Other revaluations of fixed assets are scheduled to occur between 2007 and 2010, in conformity with the rules issued by IBRACON and the Rule No. 183/95 issued by CVM.

12 Trade accounts payable to suppliers

	Company		Consolidated	
	31.03.07	31.12.06	31.03.07	31.12.06
Commodities	187,085	188,963	206,020	214,248
Materials and services	89,091	77,736	106,534	84,618
Finished products	3,805	4,761	28,252	10,428
	279,981	**271,460**	**340,806**	**309,294**

13 Loans and financings

Company

Modality	**Annual average rate of interest and commissions**	**31.03.07**	**31.12.06**
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDES index rate and interest rate of 5%	256,960	250,785
FINIMP - Import financing agency	Exchange rate variation and interest rate of 5%	-	12,492
		256,960	**263,277**
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate of 5%	99,020	-
EXIM - BNDES export credit facility	TJLP and interest rate of 6,13%	514,520	550,452
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and fixed interest rate of 9,375%	571,349	597,224
Working Capital	CDI and interest rate of 2%	-	1,052
Export prepayment	Exchange rate variation and interest rate of Libor + 2,1%	250,581	275,046
Fixed Rate Notes with final maturity in February 2016 (144-A)	Exchange rate variation and fixed interest rate of 10,5%	625,341	673,256
NCE / COMPROR	CDI and interest rate of 2%	532,483	229,198
PROGEREM	TJLP and interest rate of 5,5%	-	29,600
		2,593,294	**2,355,828**
Total Loans and Financings		**2,850,254**	**2,619,105**
Current and Long-term			
Current		981,276	579,128
Long-term		1,868,978	2,039,977
		2,850,254	**2,619,105**

Long-term installments have the following maturities:

2008	386,117	507,165
2009	178,079	179,535
2010	105,202	105,747
2011	584,355	606,130
2012	105	-
2016	615,120	641,400
	1,868,978	**2,039,977**

Consolidated

Modality	**Annual average rate of interest and commissions**	**31.03.07**	**31.12.06**
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDES index rate and interest rate of 5%	256,960	250,785
FINIMP - Import financing agency	Exchange rate variation and interest rate of 5%	-	12,492
		256,960	**263,277**
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate of 5%	99,020	-
EXIM - BNDES export credit facility	TJLP and interest rate of 6,13%	514,520	550,452
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and fixed interest rate of 9,375%	571,349	597,224
Working Capital	CDI and interest rate of 2%	76,264	75,562
Export prepayment	Exchange rate variation and interest rate of Libor + 2,1%	250,581	275,046
Fixed Rate Notes with final maturity in February 2016 (144-A)	Exchange rate variation and fixed interest rate of 10,5%	625,341	673,256
NCE / COMPROR	CDI and interest rate of 2%	548,375	229,198
PROGEREM	TJLP and interest rate of 5,5%	-	29,600
		2,685,450	**2,430,338**
Total		**2,942,410**	**2,693,615**
Current and Long-term			
Current		1,073,432	653,638
Long-term		1,868,978	2,039,977
		2,942,410	**2,693,615**

Long-term installments have the following maturities:

2008	386,117	507,165
2009	178,079	179,535
2010	105,202	105,747
2011	584,355	606,130
2012	105	-
2016	615,120	641,400
	1,868,978	**2,039,977**

Exchange Contract Advances (ACCs) are credits funded by financial institutions to JBS S.A., amounting to US$ 48,293 on March 31, 2007 and are used to finance Company's export sales.

Outstanding amounts of export pre-payment loans were US$ 117,203 as of March 31, 2007 and US$128,646 as of December 31, 2006. Such loans were funded by financial institutions.

PROGEREM is a financing program of the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social* – BNDES) established to fund the expansion of industrial capacity and to foster the social benefits arising from such expansion.

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.

The financings provided by BNDES are secured by fixed assets. The ACC's are secured by export contracts.

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 and by Flora Produtos de Higiene e Limpeza Ltda.

14 Payroll and Taxes Payable

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
Payroll and related social charges	37,573	40,333	48,849	49,799
Accrual for labor liabilities	27,379	21,835	27,721	21,943
IRRF (Withholding income tax)	6,839	-	6,839	-
Social contribution payable - CSLL	2,463	-	2,463	-
ICMS taxes payable	14,626	9,786	14,629	9,790
Others	1,586	1,188	13,544	2,915
	90,466	**73,142**	**114,045**	**84,447**

15 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 March 31, 2007:

Company			**Consolidated**
Type of Proceedings	Number of lawsuits/administrative proceedings	Provision	Provision
Labor	752	4,869	10,280
Civil	795	13,290	13,290
Tax	212	31,409	31,897
Total	**1,759**	**49,568**	**55,467**

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$ 22,276 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$ 1,338 as of Marc

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$2,065 as of March 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 revenues from exports from federal contributions, the Company has filed a lawsuit against the Federal Tax Authority (*Secretaria da Receita Federal*) seeking to exclude its revenues from exports from the calculation of the Social Contribution on Net Profit (*Contribuição Social Sobre o Lucro Líquido* – CSLL) payable by the Company. Although there are no judicial precedents supporting the exclusion of revenues from exports from the calculation of CSLL, the Company has historically excluded these amounts from the calculation of the CSLL payable by it. Despite the Company's management belief that the Company will prevail in these proceedings, the Company's management has established a provision for losses arising from these lawsuits in the amount of R$16,596 as of March 31, 2007.

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

In June 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, 2006. 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, 2006.

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. Set forth below are the details of these proceedings:

* proceeding filed against the Company with claims totaling R$1,071, seeking to collect certain taxes allegedly owed by the Company in connection with the irregular remittance of goods by the Company to the Manaus Free Trade Area (*Zona Franca de Manaus*);
* proceeding filed against the Company with claims totaling R$845, seeking to collect contributions to the National Service of Industrial Learning (*Serviço Nacional de Aprendizagem Industrial* - SENAI) allegedly owed by the Company;

* proceeding filed against the Company with claims totaling R$2,277, seeking to collect amounts allegedly owed by the Company in connection with tax credits for fuel used in the transportation of cattle to slaughterhouses;
* proceeding filed against the Company with claims totaling R$1,243, seeking to collect amounts allegedly owed by the Company with respect to an irregular invoice for the sale of certain products of the Company;
* proceeding filed against the Company with claims totaling R$453, seeking to collect amounts allegedly owed by the Company for not presenting evidence of the delivery of products sold by the Company to the applicable tax authority;
* other administrative tax proceedings with individual claims in amounts below R$200, which total R$5,521 in the aggregate.

Labor Proceedings

As of March 31, 2007, the Company was party to (i) 671 labor lawsuits and 79 administrative proceedings (*autos de infração*) filed by the Regional Labor Offices (*Delegacias Regionais do Trabalho*) involving claims in the total aggregate amount of R$16,561 and (ii) two 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$4,869 for losses arising from such proceedings as of March 31, 2007.

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 8,0% 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") for an aggregate purchase price of approximately R$36 million. 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, and this consent was declared valid by the Federal Regional Court of the 1st Region (*Tribunal Federal da 1ª Região*) under Proceedings No. 2006.01.00.024584-7 and 2006.01.00.019052-8.

As a result, the Company successfully registered the public deed transferring title of the slaughterhouse from Frigorífico Araputanga to the Company with the real estate registry. This proceeding remains pending until court-appointed accounting experts confirm the amount of the payments made in connection with the proceeding and certain appeals are reviewed by the applicable appellate courts. Based on the opinion of the Company's legal counsel, 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. Accordingly, the Company's management has not established any provision for contingencies arising from these proceedings.

b) Trademark Infringement

In July 2005, Frigorífico Araputanga also filed a lawsuit against the Company seeking damages in the amount of R$26,900 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 as of December 31, 2006. Following a determination of the judge of the trial court, the lawsuit was submitted to the review of the Federal Court of Cáceres on January 17, 2007. The judge of the Federal Court of Cárceres determined that this lawsuit be joined with the lawsuit relating to the purchase of the slaughterhouse by the Company from Frigorífico Araputanga. The Federal Government will be notified to issue an opinion on the matter under discussion in this lawsuit.

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

c) 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.

The SDE submitted these proceedings to the review of the Brazilian Antitrust Authority (*Conselho Administrativo da Defesa Econômica* – CADE) with a recommendation to impose fines on the beef producers which are party to the proceedings. If CADE ultimately confirms such recommendation, CADE may impose administrative penalties on the Company in accordance with articles 23 and 24 of Law No. 8,884/84, including an administrative fine that may range from 1.0% to 30.0% of the Company's annual gross revenues for the years prior to the proceeding.

Based on the evidence presented in connection with these proceedings and on the arguments of its defense (that will be presented together with the opinion of a renowned Economics professor), the Company's management believes that CADE will grant the Company a favorable decision under these proceedings. In particular, the Company believes that there can be no standard discount prices for cattle carcass. Based on the opinion of the Company's legal counsel supported by favorable domestic and international precedents, the Company's management believes that the Company will prevail in these proceedings. Accordingly, the Company's management has not established any provision for contingencies arising from these proceedings.

d) Accidents in the Workplace

At December 31, 2006, the Company was party to several civil lawsuits, 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$12,690 as of March 31, 2007.

16 Income tax and social contribution

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	31,654	62,504	29,695	61,640
Plus:				
Equity Accounting	21,711	26,448	21,711	26,448
Non-deductible expenses	8,452	-	8,452	-
Provision for contingencies	2,361	-	2,462	-
	32,524	26,448	32,625	26,448
Calculation basis for income tax and social contribution	64,178	88,952	62,320	88,088
Income tax and CSLL - 34%	**21,814**	**30,243**	**22,074**	**29,395**
Actual rate - %	68.9%	48.4%	74.3%	47.7%
Temporary additions:				
Provision for contingencies	2,361	-	2,462	-
Other	-	-	4,859	-
	2,361	-	7,321	-
Deferred income tax and social contribution	**803**		**2,489**	

b) Deferred income tax and social contribution

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
Assets:				
Over provision for contingencies				
. Current year	803	16,050	2,489	19,482
. Prior years	16,050	-	23,083	4,010
	16,853	**16,050**	**25,572**	**23,492**
Liabilities:				
Over revaluation reserve	61,984	62,665	61,984	62,665
	61,984	**62,665**	**61,984**	**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:

	Company		Consolidated	
	31.03.07	**31.12.06**	**31.03.07**	**31.12.06**
2008	413	394	2,424	2,254
2209	413	394	2,424	2,254
2010	413	394	2,424	2,255
2011	413	394	2,424	2,255
2012 to 2014	15,201	14,474	15,876	14,474
	16,853	**16,050**	**25,572**	**23,492**

17 Shareholders' Equity

a) Capital Stock

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). The capital stock as of March 31, 2007 is composed by 850.000.000 of ordinary shares, without nominal value (515.635.240 in 2006).

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.

18 Financial Income (Expense), Net

	Company		Consolidated	
	2007	**2006**	**2007**	**2006**
Financial expenses:				
Monetary variations	(17,418)	(42,637)	(37,686)	(68,104)
Interest	(76,175)	(39,171)	(78,725)	(40,843)
Discounts	(5,786)	(15,266)	(5,786)	(15,266)
Taxes on financial transactions-CPMF	(9,585)	(4,152)	(9,969)	(4,152)
Interest on derivatives	(52,083)	(63,127)	(68,236)	(74,085)
Income tax on interest - fixed rates notes with final maturity in February 2011	(1,665)	-	(1,665)	-
Income tax on interest - fixed rates notes with final maturity in February 2016	(2,390)	-	(2,390)	-
Bank service charges and other expenses	(777)	(965)	(2,619)	(1,088)
Loss in investment funds	(14,632)	-	(14,632)	-
	(180,511)	**(165,318)**	**(221,708)**	**(203,538)**
Financial Income:				
Exchange and monetary variation	75,702	50,364	85,553	53,473
Interest	16,784	18,948	16,948	19,039
Interest on derivatives	36,291	73,562	46,921	86,848
Discounts	1,823	1,988	1,824	1,988
Earnings in investment funds	10,054	-	13,479	-
	140,654	**144,862**	**164,725**	**161,348**
Net	**(39,857)**	**(20,456)**	**(56,983)**	**(42,190)**

19 Management's Compensation

For the period of three months ended March 31, 2007 and 2006, the aggregate compensation paid by the Company to the Company's management was R$ 990 and R$ 1,295, respectively.

20 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 March 31, 2007 and 2006 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 March 31, 2007 and 2006 was US$ 65,000 (equivalent to R$ 132,633 as of March 31, 2007).

21 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 March 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) Credits 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 assets and liabilities of the Company are accounted for in the consolidated balance sheet and in the "pro forma" balance sheets of JBS S.A. 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 fair market or liquidation value.

22 Supplementary information - Cash flows statements

	Company		Consolidated	
	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
Cash from operating activities				
Net income	10,643	32,261	10,643	32,261
Items that do not affect cash				
. Depreciation and amortization	13,873	12,813	19,047	17,987
. Variation on long-term assets and liabilities	6,313	11,932	6,832	11,932
. Minority interest	-	-	1,689	16
. Equity	21,711	26,448	-	-
. Write-off of fixed assets	6,371	614	8,474	614
. Deferred income tax and social contribution assets	(803)	-	(2,489)	-
. Financial charges of current and long-term assets	(4,572)	-	(4,572)	-
. Accrual for contingencies	2,361	-	2,462	-
	55,897	**84,068**	**42,086**	**62,810**
Variations in operating assets and liabilities				
. Decrease (increase) in trade accounts receivable from customers	(42,433)	(65,768)	(55,060)	(89,466)
. Decrease (increase) in inventories	(67,829)	(16,423)	(127,512)	(17,998)
. Decrease (increase) in taxes recoverable	(12,464)	(24,215)	21,985	(34,834)
. Decrease (increase) in other current and long-term assets	(9,998)	(12,469)	(11,148)	(18,150)
. Decrease (increase) in accounts receivable from related parties	33,456	(6,992)	-	-
. Increase (decrease) in trade accounts payable to suppliers	8,521	(36,889)	31,512	(32,918)
. Increase (decrease) in other current and long-term liabilities	99,608	(63,038)	98,955	(50,679)
. Increase (decrease) in income tax and social contribution	(681)	8,691	(681)	(158)
. Decrease in working capital as a result of partial spin-off	-	(383,975)	-	(383,975)
Total cash provided by (used in) operating activities	**64,077**	**(517,010)**	**137**	**(565,368)**
Cash used in investing activities				
. Increase in fixed assets and intangible assets	(155,070)	(797,138)	(213,311)	(797,138)
. Increase in investments	(139,870)	-	(20,988)	-
Total cash used in investing activities	**(294,940)**	**(797,138)**	**(234,299)**	**(797,138)**
Cash from financing activities				
. New loans and financings	452,285	1,131,204	478,473	1,131,204
. Payments of loans and financings	(227,449)	(631,018)	(236,510)	(631,018)
. Increase in capital stock	1,200,000	508,135	1,200,000	508,135
. Interest attributable to shareholders' equity	-	(8,182)	-	(8,182)
Total cash obtained from financing activities	**1,424,836**	**1,000,139**	**1,441,963**	**1,000,139**
Net increase (decrease) in cash	1,193,973	(314,009)	1,207,801	(362,367)
Cash, cash equivalents and marketable securities at the beginning of the period	199,721	451,054	261,071	549,869
Cash, cash equivalents and marketable securities at the end of the period	**1,393,694**	**137,045**	**1,468,872**	**187,502**