

JBS S.A

ITR - Six month period

As of June 30, 2007

Report of Independent Auditors

To the shareholders and management of JBS S.A.

1.

We have performed a special (limited) review of balance sheet and the related statements of income of JBS S.A. (Company) and JBS S.A. and its subsidiaries (Consolidated) and the performance report for the three-month period and six-month period ended June 30, 2007 and 2006, prepared under the responsibility of the Companies's management. Our responsibility is to issue our special report, without expressing an opinion on these individual and consolidated financial statements. The interim financial information of Swift-Armour Sociedad Anónima Argentina, a wholly-owned subsidiary of the Company, for the three-month period and six-month period ended June 30, 2007 and 2006 were subjected to a special review by other independent auditors and our special review was also based on its review.

2. We conducted our special 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 JBS S.A. (Company) and JBS S.A. and its subsidiaries relating the criteria adopted in preparing the interim individual and 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 JBS S.A. (Company) and JBS S.A. and its subsidiaries.

3. Based on our special review and on the special review report of the 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 JBS S.A. (Company) and JBS S.A. and its subsidiaries individual and consolidated financial information referred to in paragraph 1 for them to be in accordance with generally accepted accounting principles in Brazil, specially applicable to the preparation of the individual and consolidated interim financial information of JBS S.A. (Company) and JBS S.A. and its subsidiaries.

4. As described in note 4, the JBS S.A. (Company) has closed its primary and secondary public offering of sales of shares as of March 28, 2007 and started its negotiation on Brazilian Stock Exchange (New Market) as of March 29, 2007. This primary public offering has generated a capitalization of R\$ 1,200,000 thousand in the Cash and Cash Equivalents and the counterpart was the Capital Stock and Premium on Shares Issued and the receipt of this amount occurred as of April 2, 2007.

São Paulo, August 9, 2007

Terco Grant Thornton 

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JBS S.A. and its Subsidiaries
BALANCE SHEETS
(In thousands of Reais)

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	60,732	1,187,581	97,351	1,221,931
Short-term investments (Note 5)	676,492	206,113	719,032	246,941
Trade accounts receivable, net (Note 6)	568,655	708,215	636,757	747,879
Inventories (Note 7)	576,338	631,764	750,077	785,016
Recoverable taxes (Note 8)	423,690	437,405	522,245	546,361
Prepaid expenses	2,575	7,639	6,549	10,336
Other current assets	64,881	46,063	102,525	68,184
TOTAL CURRENT ASSETS	2,373,363	3,224,780	2,834,536	3,626,648
NON-CURRENT ASSETS				
Long-term assets				
Credits with related parties (Note 9)	48,227	34,067	-	-
Judicial deposits and others	6,608	5,665	9,173	8,915
Deferred income taxes (Note 16)	16,722	16,853	23,933	25,572
Recoverable taxes (Note 8)	27,256	24,129	38,066	33,670
Total long-term assets	98,813	80,714	71,172	68,157
Permanent assets				
Advances for investments in subsidiaries (Note 9)	44,114	-	-	-
Investments in subsidiaries (Note 10)	490,931	516,460	20,050	20,988
Other investments	10	10	10	10
Property, plant and equipment, net (Note 11)	1,096,718	1,034,002	1,401,504	1,311,542
Intangible assets, net	9,615	9,615	22,870	23,806
Total Permanent assets	1,641,388	1,560,087	1,444,434	1,356,346
TOTAL NON-CURRENT ASSETS	1,740,201	1,640,801	1,515,606	1,424,503
TOTAL ASSETS	4,113,564	4,865,581	4,350,142	5,051,151

LIABILITIES AND SHAREHOLDERS' EQUITY
CURRENT LIABILITIES

Trade accounts payable (Note 12)	248,152	279,981	343,481	340,806
Loans and financings (Note 13)	449,175	981,276	543,970	1,073,432
Payroll and social charges (Note 14)	103,485	90,466	121,564	114,045
Other current liabilities	69,394	114,385	80,242	117,405
TOTAL CURRENT LIABILITIES	870,206	1,466,108	1,089,257	1,645,688

NON-CURRENT LIABILITIES

Loans and financings (Note 13)	1,676,778	1,868,978	1,685,013	1,868,978
Deferred income taxes (Note 16)	61,312	61,984	61,312	61,984
Provision for contingencies (Note 15)	49,182	49,568	55,194	55,467
Other non-current liabilities	23,670	25,255	29,069	26,626
TOTAL NON-CURRENT LIABILITIES	1,810,942	2,005,785	1,830,588	2,013,055

MINORITY INTEREST

	-	-	(2,119)	(1,280)
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SHAREHOLDERS' EQUITY (Note 17)

Capital stock	91,748	91,748	91,748	91,748
Capital reserve	1,160,776	1,160,776	1,160,776	1,160,776
Revaluation reserve	127,475	129,199	127,475	129,199
Retained earnings	52,417	11,965	52,417	11,965
TOTAL SHAREHOLDERS' EQUITY	1,432,416	1,393,688	1,432,416	1,393,688

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,113,564	4,865,581	4,350,142	5,051,151
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The accompanying notes are an integral part of the financial statements

STATEMENTS OF INCOME FOR THE PERIOD OF SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In thousands of Reais)

	Company		Consolidated	
	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
GROSS OPERATING REVENUE				
Sales of products:				
Domestic Sales	1,011,343	781,800	1,127,400	877,502
Foreign Sales	1,083,661	978,956	1,367,799	1,087,701
	<u>2,095,004</u>	<u>1,760,756</u>	<u>2,495,199</u>	<u>1,965,203</u>
SALES DEDUCTIONS				
Returns and discounts	(72,152)	(34,480)	(87,572)	(57,509)
Sales taxes	(126,824)	(85,745)	(150,273)	(85,745)
	<u>(198,976)</u>	<u>(120,225)</u>	<u>(237,845)</u>	<u>(143,254)</u>
NET SALE REVENUE	<u>1,896,028</u>	<u>1,640,531</u>	<u>2,257,354</u>	<u>1,821,949</u>
Cost of goods sold	(1,391,653)	(1,216,050)	(1,718,832)	(1,375,581)
GROSS INCOME	<u>504,375</u>	<u>424,481</u>	<u>538,522</u>	<u>446,368</u>
OPERATING INCOME (EXPENSE)				
General and administrative expenses	(30,984)	(26,084)	(48,471)	(36,357)
Selling expenses	(183,649)	(168,201)	(206,524)	(182,513)
Financial income (expense), net (Note 18)	(93,477)	(89,073)	(129,640)	(113,549)
Equity in subsidiaries	(41,400)	(24,667)	-	-
Initial Public Offering expenses	(50,591)	-	(50,591)	-
Goodwill amortization	(867)	-	(867)	-
	<u>(400,968)</u>	<u>(308,025)</u>	<u>(436,093)</u>	<u>(332,419)</u>
OPERATING INCOME	<u>103,407</u>	<u>116,456</u>	<u>102,429</u>	<u>113,949</u>
NON-OPERATING INCOME (EXPENSE), NET	(10)	(6,301)	832	(5,700)
INCOME BEFORE TAXES	<u>103,397</u>	<u>110,155</u>	<u>103,261</u>	<u>108,249</u>
Current income taxes	(54,698)	(45,839)	(56,574)	(43,907)
Deferred income taxes	672	-	1,257	-
	<u>(54,026)</u>	<u>(45,839)</u>	<u>(55,317)</u>	<u>(43,907)</u>
INCOME BEFORE MINORITY INTEREST	<u>49,371</u>	<u>64,316</u>	<u>47,944</u>	<u>64,342</u>
Minority interest (expense) income	-	-	1,427	(26)
NET INCOME	<u>49,371</u>	<u>64,316</u>	<u>49,371</u>	<u>64,316</u>
NET INCOME PER SHARE	<u>58,08</u>			
Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization and non-operating income (expense), net				
Income before taxes	103,397	110,155	103,261	108,249
Financial income (expense), net (Note 18)	93,477	89,073	129,640	113,549
Depreciation and amortization	27,819	20,194	37,899	32,694
Non-operating income (expense), net	10	6,301	(832)	5,700
Equity in subsidiaries	41,400	24,667	-	-
Initial Public Offering expenses	50,591	-	50,591	-
Goodwill Amortization	867	-	867	-
AMOUNT OF EBITDA	<u>317,561</u>	<u>250,390</u>	<u>321,426</u>	<u>260,192</u>

The accompanying notes are an integral part of the financial statements

STATEMENTS OF INCOME FOR THE PERIOD OF THREE MONTHS ENDED JUNE 30, 2007 AND 2006

(In thousands of Reais)

	Company		Consolidated	
	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
GROSS OPERATING REVENUE				
Sales of products:				
Domestic Sales	516,363	374,718	576,634	427,711
Foreign Sales	560,782	565,549	716,192	578,142
	<u>1,077,145</u>	<u>940,267</u>	<u>1,292,826</u>	<u>1,005,853</u>
SALES DEDUCTIONS				
Returns and discounts	(34,179)	(18,291)	(41,305)	(30,914)
Sales taxes	(64,628)	(39,101)	(80,305)	(39,101)
	<u>(98,807)</u>	<u>(57,392)</u>	<u>(121,610)</u>	<u>(70,015)</u>
NET SALE REVENUE	<u>978,338</u>	<u>882,875</u>	<u>1,171,216</u>	<u>935,838</u>
Cost of goods sold	(721,607)	(653,809)	(890,337)	(693,914)
GROSS INCOME	<u>256,731</u>	<u>229,066</u>	<u>280,879</u>	<u>241,924</u>
OPERATING INCOME (EXPENSE)				
General and administrative expenses	(16,131)	(10,022)	(27,904)	(13,200)
Selling expenses	(94,576)	(98,437)	(106,630)	(104,927)
Financial income (expense), net (Note 18)	(53,620)	(68,617)	(72,657)	(71,359)
Equity in subsidiaries	(19,689)	1,781	-	-
Initial Public Offering expenses	(27)	-	(27)	-
Goodwill amortization	(867)	-	(867)	-
	<u>(184,910)</u>	<u>(175,295)</u>	<u>(208,085)</u>	<u>(189,486)</u>
OPERATING INCOME	<u>71,821</u>	<u>53,771</u>	<u>72,794</u>	<u>52,438</u>
NON-OPERATING INCOME (EXPENSE), NET	(78)	(6,120)	772	(5,829)
INCOME BEFORE TAXES	<u>71,743</u>	<u>47,651</u>	<u>73,566</u>	<u>46,609</u>
Current income taxes	(32,884)	(15,596)	(34,500)	(14,512)
Deferred income taxes	(131)	-	(1,232)	-
	<u>(33,015)</u>	<u>(15,596)</u>	<u>(35,732)</u>	<u>(14,512)</u>
INCOME BEFORE MINORITY INTEREST	<u>38,728</u>	<u>32,055</u>	<u>37,834</u>	<u>32,097</u>
Minority interest (expense) income	-	-	894	(42)
NET INCOME	<u>38,728</u>	<u>32,055</u>	<u>38,728</u>	<u>32,055</u>
NET INCOME PER SHARE	<u>45,56</u>			
Statement of EBITDA (Earnings before income taxes, interest, depreciation and amortization and non-operating income (expense), net				
Income before taxes	71,743	47,651	73,566	46,609
Financial income (expense), net (Note 18)	53,620	68,617	72,657	71,359
Depreciation and amortization	13,946	11,887	18,852	15,796
Non-operating income (expense), net	78	6,120	(772)	5,829
Equity in subsidiaries	19,689	(1,781)	-	-
Initial Public Offering expenses	27	-	27	-
Goodwill Amortization	867	-	867	-
AMOUNT OF EBITDA	<u>159,970</u>	<u>132,494</u>	<u>165,197</u>	<u>139,593</u>

The accompanying notes are an integral part of the financial statements

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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 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.

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.

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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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 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	
Long-term assets		Loans and financings	11,669
Credits with related parties	265,882	Other Long-term liabilities	364
Judicial deposits	461		12,033
Other investments	6,516	Total current and Long-term Liabilities	72,376
Property, plant and equipment, net	278,600	Net assets transferred	1,024,980
Intangible assets, net	5,694		
	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 June 30, 2006, is summarized as follows:

Net operating sales	85,694
Cost of goods sold	(57,561)
Gross income	28,133
Operational expenses:	
General and administrative expenses	(41,747)
Selling expenses	(10,397)
Operating Loss	(24,011)

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 and six-month period ended in June 30, 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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) Property, plant and equipment

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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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 Short-term investments

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Certificates of bank deposits - CDB-DI	461,485	142,389	462,063	142,390
Investment funds	215,007	63,724	241,720	94,679
Certificates of deposits - CD	-	-	15,249	9,872
	676,492	206,113	719,032	246,941

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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

6 Trade accounts receivable, net

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Receivables not yet due	552,184	689,806	586,237	694,286
Overdue receivables:				
From 1 to 30 days	12,605	6,670	36,134	30,377
From 31 to 60 days	2,706	7,501	8,905	17,253
From 61 to 90 days	624	6,025	2,138	8,545
Above 90 days	3,914	2,032	8,989	3,751
Allowance for doubtful accounts	(3,378)	(3,819)	(5,646)	(6,333)
	16,471	18,409	50,520	53,593
	568,655	708,215	636,757	747,879

7 Inventories

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Finished products	523,711	587,816	647,565	698,661
Work-in-progress	-	-	10,687	7,859
Raw-materials	19,976	12,333	46,796	44,596
Warehouse spare parts	32,651	31,615	45,029	33,900
	576,338	631,764	750,077	785,016

8 Recoverable taxes

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
ICMS (value added tax)	255,835	240,680	278,676	263,081
IPI (excise tax)	112,364	118,648	161,326	181,507
PIS and COFINS (social contribution on net income)	76,616	80,717	88,162	90,562
IRRF (withholding income tax)	1,333	21,468	3,967	24,103
IVA (Argentinian value added tax)	-	-	11,961	11,033
Others	4,798	21	16,219	9,745
	450,946	461,534	560,311	580,031
Current and Long-term:				
Current	423,690	437,405	522,245	546,361
Non-current	27,256	24,129	38,066	33,670
	450,946	461,534	560,311	580,031

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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)

IRRF 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\$122,466 on June 30, 2007.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007

(Expressed in thousands of reais, except when indicated)

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:

June, 2007	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Mutual contrats
Mouran Alimentos Ltda.	1,805	172	296	5,587	-
JBS Embalagens Metálicas Ltda.	31,293	2,878	14,318	1,629	80,253
JBS Global Beef Company SU Ltda.	-	-	-	-	(45,266)
Friboi Egypt	49,539	-	-	29,355	-
Friboi UK	10,546	-	-	12,792	-
Swift Armour Sociedad Anónima Argentina	-	867	1,490	-	-
The Tupman Thurlow Co.	26,884	394	-	24,889	-
Transmundo Company Inc	81	-	-	-	-
Beef Snacks Brasil Ind.Com.Alimento Ltda	-	-	-	-	13,240
	120,148	4,311	16,104	74,252	48,227

March, 2007	Trade accounts receivable	Trade accounts payable	Purchases	Sales of products	Mutual contrats
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 Company SU Ltda.	-	-	-	-	(48,184)
Friboi Egypt	49,219	-	-	27,106	-
Friboi UK	12,144	-	-	9,080	-
Swift Armour Sociedad Anónima Argentina	-	180	1,078	-	-
The Tupman Thurlow Co.	22,960	-	-	13,344	-
	90,726	2,822	15,187	63,548	34,067

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

10 Investments in subsidiaries

a) Relevant information about subsidiaries

June, 2007	Company's share quantity	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens Metálicas Ltda.	9,902	99,00%	2	33,855	(7,397)
Friboi Investments S. A.	19,000	100,00%	34,672	53,170	7,205
JBS Holding Internacional. S. A.	391,459	100,00%	391,459	292,279	(21,143)
JBS Global A/S (Dinamarca)	200	100,00%	29,460	72,688	2,480
Mouran Alimentos Ltda.	84	70,00%	120	8,399	(2,755)
Beef Snacks do Brasil Ltda.	22,735	100,00%	22,737	22,737	-
SB Holding, Inc	20	100,00%	19	2,372	(224)

March, 2007	Company's share quantity	Participation	Capital stock	Shareholders' equity	Net income (loss)
JBS Embalagens 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 Internacional. 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

b) Investments movement

	Balance as of March 31, 2007	Addition (realization)	Exchange rate variation	Equity	Balance as of June 30, 2007
JBS Embalagens Metálicas Ltda.	40,839	-	-	(7,323)	33,516
Friboi Investments S. A.	48,689	-	(2,723)	7,205	53,171
JBS Holding Internacional. S. A.	313,422	-	-	(21,143)	292,279
JBS Global A/S (Dinamarca)	71,140	-	(2,175)	3,723	72,688
Mouran Alimentos Ltda.	(3,952)	-	-	(1,927)	(5,879)
Beef Snacks do Brasil Ltda.	22,597	138	-	-	22,735
SB Holding, Inc	23,725	(1,825)	745	(224)	22,421
Total	516,460	(1,687)	(4,153)	(19,689)	490,931

c) Goodwill

In January, 2007 the Company acquired 100% of the capital stock of SB Holdings, Inc., and paid a goodwill of R\$ 20,917 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 first six month period of 2007, an amount of R\$ 867 of the goodwill was amortized.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

11 Property, plant and equipment, net

Company

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount	
					June, 2007	March, 2007
Buildings	3,92%	291,937	116,746	(17,388)	391,295	390,751
Land	0,00%	76,732	9,352	-	86,084	86,084
Machinery & equipment	10,37%	214,097	44,597	(33,963)	224,731	212,195
Installations	7,88%	71,787	21,823	(11,365)	82,245	83,375
Computer equipment	18,45%	11,737	849	(4,548)	8,038	7,847
Vehicle and airplanes	19,54%	74,512	400	(33,559)	41,353	45,038
Construction in progress	0,00%	250,936	-	-	250,936	196,490
Others	10,00%	13,177	4,302	(5,443)	12,036	12,222
		1,004,915	198,069	(106,266)	1,096,718	1,034,002

Consolidated

	Annual Depreciation Rates	Cost	Revaluation	Accumulated Depreciation	Net amount	
					June, 2007	March, 2007
Buildings	3,92%	494,645	116,746	(75,436)	535,955	494,652
Land	0,00%	89,796	9,352	-	99,148	89,069
Machinery & equipment	10,37%	562,551	44,597	(284,714)	322,434	295,897
Installations	7,88%	71,800	21,823	(11,366)	82,257	83,387
Computer equipment	18,45%	12,400	849	(4,648)	8,601	8,160
Vehicle and airplanes	19,54%	76,070	400	(34,675)	41,795	45,428
Construction in progress	0,00%	296,652	-	-	296,652	281,161
Others	10,00%	20,001	4,302	(9,641)	14,662	13,788
		1,623,915	198,069	(420,480)	1,401,504	1,311,542

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 June 30 2007, the balance of the Company's revaluation of fixed assets account was R\$198,069, the balance of the Company revaluation reserve account was R\$127,475, and the balance of the Company income tax and social contribution account was R\$61,312. The Company recorded accrued depreciation of R\$9,282 with respect to the Company's revaluation of fixed assets as of June 30, 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

12 Trade accounts payable

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Commodities	160,885	187,085	184,622	206,020
Materials and services	84,133	89,091	110,175	106,534
Finished products	3,134	3,805	48,684	28,252
	248,152	279,981	343,481	340,806

13 Loans and financings

a) Company

Modality	Annual average rate of interest and commissions	June, 2007	March, 2007
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDDES index rate and interest rate of 3,0%	249,950	256,960
		249,950	256,960
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 0,20%	64,777	99,020
EXIM - BNDES export credit facility	TJLP and interest rate of 3,0%	483,172	514,520
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9,375%	537,568	571,349
Export prepayment	Exchange rate variation and interest rate of Libor + 1,0%	187,682	250,581
Fixed Rate Notes with final maturity in February 2016 (144-A)	Exchange rate variation and Interest rate of 10,5%	602,804	625,341
NCE / COMPROR	CDI and interest rate of 2,0%	-	532,483
		1,876,003	2,593,294
Total Loans and Financings		2,125,953	2,850,254
Current and Long-term			
Current		449,175	981,276
Non-current		1,676,778	1,868,978
		2,125,953	2,850,254
Long-term installments have the following maturities:			
2008		267,428	386,117
2009		175,196	178,079
2010		102,876	105,202
2011		553,003	584,355
2012		415	105
2016		577,860	615,120
		1,676,778	1,868,978

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

b) Consolidated

Modality	Annual average rate of interest and commissions	June, 2007	March, 2007
Financing for purchase of fixed assets			
FINAME / FINEM - Enterprise financing	TJLP-UMBNDDES index rate and interest rate of 3,0%	249,950	256,960
		249,950	256,960
Loans for working capital purposes			
ACC - Exchange advance contracts	Exchange rate variation and interest rate LIBOR + 0,20%	93,471	99,020
EXIM - BNDES export credit facility	TJLP and interest rate of 3,0%	483,172	514,520
Fixed Rate Notes with final maturity in February 2011 (Eurobonds)	Exchange rate variation and interest rate of 9,375%	537,568	571,349
Working Capital	Interest rate Libor + 2,0%	37,867	76,264
Export prepayment	Exchange rate variation and interest rate of Libor + 1,0%	187,682	250,581
Fixed Rate Notes with final maturity February 2016 (144-A)	Exchange rate variation and Interest rate of 10,5%	602,804	625,341
NCE / COMPROR	CDI and interest rate of 2,0%	36,469	548,375
		1,979,033	2,685,450
Total		2,228,983	2,942,410
Current and Long-term			
Current		543,970	1,073,432
Non-current		1,685,013	1,868,978
		2,228,983	2,942,410
Long-term installments have the following maturities:			
2008		270,999	386,117
2009		177,833	178,079
2010		104,903	105,202
2011		553,003	584,355
2012		415	105
2016		577,860	615,120
		1,685,013	1,868,978

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007

(Expressed in thousands of reais, except when indicated)

Exchange Contract Advances (ACCs) are credits funded by financial institutions to JBS S.A., amounting to US\$ 48.526 on June 30, 2007 (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\$ 97.436 on June 30, 2007 (US\$ 117,203 on March 31, 2007). 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.

14 Payroll and social charges

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Payroll and related social charges	37,037	37,573	44,058	48,849
Accrual for labor liabilities	36,666	27,379	41,879	27,721
Income tax	8,638	6,839	8,638	6,839
Social contribution	3,110	2,463	3,110	2,463
ICMS taxes payable	16,387	14,626	21,372	14,629
Others	1,647	1,586	2,507	13,544
	103,485	90,466	121,564	114,045

15 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 June 30, 2007:

Company		Consolidated	
Type of Proceedings	Number of lawsuits/administrative proceedings	Provision	Provision
Labor	816	4,546	7,160
Civil	806	13,566	13,566
Tax	198	31,070	34,468
Total	1,820	49,182	55,194

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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\$ 22,547 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\$ 1,354 as of June 30, 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\$2,065 as of June 30, 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 June 30, 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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 June 30, 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 June 30, 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. 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\$5,166 in the aggregate.

Labor Proceedings

As of June 30, 2007, the Company was party to (i) 734 labor lawsuits and 80 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\$4,546 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 8,0% 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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 Caceres, 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.

This proceeding is in accounting experts confirmation about the amount of the payments made in connection with the proceeding. The appeal proceeding 2006.01.00.024584-7, was not yet judged. 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\$26,938 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 as of June 30, 2007. Following a determination of the judge of the trial court, the lawsuit was submitted to the review of the Federal Court of Caceres on January 17, 2007. The judge of the Federal Court of Caceres 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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

The Company is party in 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\$12,966 as of June 30, 2007.

16 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	
	Six month period ended on June 30.		Six month period ended on June 30.	
	"Pro Forma"		"Pro Forma"	
	2007	2006	2007	2006
Income before income tax and social contribution	103,397	110,155	103,261	108,249
Plus:				
Permanent differences	55,540	27,728	55,540	27,728
Temporary differences	1,975	-	3,645	-
	<u>57,515</u>	<u>27,728</u>	<u>59,185</u>	<u>27,728</u>
Calculation basis for income tax and social contribution	160,912	137,883	162,446	135,977
Income tax and CSLL - 34%	<u>(54,698)</u>	<u>(45,839)</u>	<u>(56,574)</u>	<u>(43,907)</u>
Temporary differences	1,975	-	3,645	-
Deferred income tax and social contribution	<u>672</u>	<u>-</u>	<u>1,257</u>	<u>-</u>

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

b) Deferred income tax and social contribution

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Assets:				
Over provision for contingencies				
. Current year	672	803	1,257	2,489
. Prior years	16,050	16,050	22,676	23,083
	<u>16,722</u>	<u>16,853</u>	<u>23,933</u>	<u>25,572</u>
Liabilities:				
Over revaluation reserve	61,312	61,984	31,312	61,984
	<u>61,312</u>	<u>61,984</u>	<u>31,312</u>	<u>61,984</u>

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	
	June, 2007	March, 2007	June, 2007	March, 2007
2008	409	413	2,268	2,424
2209	409	413	2,268	2,424
2010	409	413	2,268	2,424
2011	409	413	2,268	2,424
2012 to 2014	15,086	15,201	14,861	15,876
	<u>16,722</u>	<u>16,853</u>	<u>23,933</u>	<u>25,572</u>

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 June 30, 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

18 Financial income (Expense), net

	Company		Consolidated	
	Six month period ended on June 30, "Pro Forma"		Six month period ended on June 30, "Pro Forma"	
	2007	2006	2007	2006
Financial expenses:				
Monetary variations	(73,510)	(74,704)	(117,815)	(109,388)
Interest	(120,660)	(88,641)	(127,178)	(88,759)
Discounts	(5,787)	(13,375)	(5,787)	(13,375)
Taxes on financial transactions-CPMF	(18,061)	(8,309)	(19,017)	(8,312)
Interest on derivatives	(195,234)	(163,199)	(175,601)	(187,188)
Income tax on interest - fixed rates notes with final maturity in February 2011	(1,665)	(2,916)	(1,665)	(4,998)
Income tax on interest - fixed rates notes with final maturity in February 2016	(2,390)	-	(2,390)	-
Bank service charges and other expenses	(1,540)	(2,082)	(4,817)	-
Loss in investment funds	(40,756)	-	(40,756)	-
	(459,603)	(353,226)	(495,026)	(412,020)
Financial Income:				
Exchange and monetary variation	184,388	48,185	203,998	55,800
Interest	32,226	21,375	32,239	21,375
Interest on derivatives	113,150	190,844	92,780	217,547
Discounts	3,021	3,749	3,028	3,749
Earnings in investment funds	33,341	-	33,341	-
	366,126	264,153	365,386	298,471
Net	(93,477)	(89,073)	(129,640)	(113,549)

19 Management's compensation

For the period of six months ended June 30, 2007 and 2006, the aggregate compensation paid by the Company to the Company's management was R\$ 1,500 and R\$ 2,590, 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 June 30, 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 June 30, 2007 and 2006 was US\$ 65,000 (equivalent to R\$ 125.203 as of June 30, 2007).

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

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 June 30, 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 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.

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007

(Expressed in thousands of reais, except when indicated)

22 Supplementary information - Cash flows statements for the period of three months ended June 30, 2007 and March 31, 2007

	Company		Consolidated	
	June, 2007	March, 2007	June, 2007	March, 2007
Cash from operating activities				
. Net income of the period	38,728	10,643	38,728	10,643
Adjustments to reconcile net income (loss) to cash provided				
. Depreciation and amortization	13,946	13,873	18,852	19,047
. Allowance for doubtful accounts	(441)	1,804	(761)	1,804
. Goodwill amortization	867	-	867	-
. Variation on non-current assets and liabilities	(65,222)	6,313	(65,365)	6,832
. Minority interest	-	-	-	1,689
. Equity	19,689	21,711	-	-
. Write-off of fixed assets	4,799	6,371	4,799	8,474
. Deferred income taxes	131	(803)	1,639	(2,489)
. Financial charges of current and non-current assets	47,884	4,246	49,659	8,848
. Provision for contingencies	(386)	2,361	(273)	2,462
	59,995	66,519	48,145	57,310
Variation in operating assets and liabilities				
. Decrease (increase) in trade accounts receivable	89,417	(56,383)	17,159	(68,888)
. Decrease (increase) in inventories	55,426	(67,829)	34,939	(127,512)
. Decrease (increase) in recoverable taxes	10,588	(12,464)	19,720	21,985
. Decrease (increase) in other current and non-current assets	(14,697)	(9,998)	13,329	(11,148)
. Decrease (increase) in credits with related parties	(7,345)	37,672	-	-
. Increase (decrease) in trade accounts payable	(12,590)	8,521	21,914	31,512
. Increase (decrease) in other current and non-current liabilities	(52,759)	99,608	(47,242)	98,955
. Increase (decrease) in income taxes	(672)	(681)	(672)	(681)
Total cash provided by operating activities	127,363	64,965	107,292	1,533
Cash used in investing activities				
. Additions to property, plant and equipment and intangible assets	(81,461)	(155,070)	(112,677)	(213,311)
. Increase in investments	(43,293)	(140,758)	958	(21,875)
Total cash used in investing activities	(124,754)	(295,828)	(111,719)	(235,186)
Cash from financing activities				
. Loans and financings	16,246	452,285	24,489	506,857
. Payments of loans and financings	(675,325)	(227,449)	(672,551)	(265,403)
. Increase in capital stock	-	1,200,000	-	1,200,000
Total cash provided by (used in) financing activities	(659,079)	1,424,836	(648,062)	1,441,454
Net increase (decrease) in cash	(656,470)	1,193,973	(652,489)	1,207,801
Cash, cash equivalents and short-term investments at the beginning of the period	1,393,694	199,721	1,468,872	261,071
Cash, cash equivalents and short-term investments at the end of the period	737,224	1,393,694	816,383	1,468,872

JBS S.A. and its Subsidiaries

Notes to the financial statements for the period of three and six months ended on June 30, 2007
(Expressed in thousands of reais, except when indicated)

22 Subsequent events

On July 11, 2007 the Company, through its full 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\$1,458,872,836.55, being US\$225,000,000.00 paid to HM Capital Partners LLC, former controlling shareholder of Swift, and US\$1,233,872,836.55 used for the liquidation of financial debt at Swift. The Company estimates that Swift may also pay amounts related to expenses in connection to the acquisition process, such as service fees and commissions, employee retention expenses and other transaction costs, which as soon as identified, will be informed to the market.

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 two 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. The issue price of each of the new common shares was R\$ 8.1523 per share, which was determined based on the average closing stock quotes for the Company's common shares at the Bolsa de Valores de São Paulo during the period from April 20, 2007 until June 1, 2007, added of a goodwill of R\$ 0,50 per share.

The Company's current shareholders were given preemptive rights in the subscription of new shares, under the terms of article 171 of Law # 6.404/76. Additionally, the Extraordinary Shareholders Meeting approved the dismissal of the obligation to execute a public offering for the acquisition of the totality of shares issued by the Company, in the possibility that a shareholder may hold, after the homologation of the approved capital increase, shares representing more than 10% (ten percent) of the Company's capital, since it was in the Company's best interest, as stated under article 52, § 8º of its by-laws (Estatuto Social).

As published in the Relevant Fact of June 27, 2007, BNDES Participações S.A. – BNDESPAR ("BNDESPAR") will subscribe a relevant portion of the new common shares representing the Company's capital, allowing for a relevant participation by BNDESPAR in the proceeds that will be raised by the Company for the acquisition of the Swift. The investment commitment of BNDESPAR is of up to R\$1,463,552 and the investment commitment of J&F Participações S.A. (J&F) and/or ZMF Fundo de Investimento em Participações (ZMF), both shareholders of the Company, is of up to R\$390,281, totaling R\$1,853,833, or the total proposed for the capital increase, through the issuance of 227,400,000 new shares. The subscription of the shares by BNDESPAR will occur through an assignment of a portion of the preemptive rights of J&F and/or ZMF in the subscription of new shares. The remaining proceeds were obtained through new debt at Swift at the moment of the acquisition.

The conclusion of the Swift acquisition results 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 will be 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.



JBS S.A. reports net revenue growth of 25.2% and EBITDA margin of 14.1% in 2Q07

São Paulo, August 14, 2007 – JBS S.A. ("JBS") (Bovespa: JBSS3), the world's largest beef producer and exporter, announces today its results for the second quarter of 2007 (2Q07). The financial and operating information herein is presented on a consolidated basis in BR GAAP and in Brazilian real (R\$). The accounting statements for the quarter ended June 30, 2006, presented for comparison purposes, were prepared excluding the asset and financial situations and the result of the operations from the Hygiene and Cleaning division due to the partial spin-off carried out on December 31, 2006, as described in the explanatory notes to the financial statements. Accordingly, the accounting statements are referred to as "pro-forma" and should not be used as a base for dividend calculations or for any corporate purpose other than providing comparative information on the Company's operating performance. The presented information and statements do not include the results from Swift Foods Company, whose acquisition was concluded on July 11, 2007. The results from Swift Foods Company will be presented to the market on a consolidated basis starting in the third quarter of 2007.

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Conference Call 2007

Date: Thursday, August 16, 2007

> Portuguese

10h00 (Brasília time)

09h00 (NY time)

Phone: (11) 4688-6301

Code: JBS

> English

12h00 (Brasília time)

11h00 (NY time)

Phone: +1 (973) 935-8893

Code: 9096199

PERIOD HIGHLIGHTS

- (JBS)** Growth in consolidated net revenue of 25.2%, compared to the 2Q06 and of 7.8% in comparison to 1Q07;
- (JBS)** Growth in net export revenues of 20.5% compared to the 2Q06 and 9.2% in comparison to the 1Q07. In the domestic market, net revenues grew by 32.3% compared to the 2Q06 and by 6.0% in comparison to the 1Q07;
- (JBS)** EBITDA growth of 18.3% in comparison to the 2Q06, amounting R\$165.2 million. For the quarter, the Company posted an EBITDA margin of 14.1%, compared to 14.9% in the same period of last year and 14.4% in the 1Q07;
- (JBS)** Growth in the amount of cattle slaughtered of 14.1% compared to the 2Q06 and 6.8% in comparison to the 1Q07;
- (JBS)** Net income growth of 20.8%, totaling R\$38.7 million in the 2Q07, compared to R\$32.1 million in the 2Q06;
- (JBS)** Start-up of the industrial unit for the production of *beef jerky* in the city of Santo Antonio da Posse, state of São Paulo;
- (JBS)** Beginning of operations in the units of Teófilo Otoni, state of Minas Gerais, Brazil, Pontevedra and Berazategui, Argentina;
- (JBS)** Acquisition of a cattle confinement unit in the state of São Paulo with an annual capacity for 150,000 animals.



FINANCIAL HIGHLIGHTS – 2Q07

Consolidated Financial Indicators

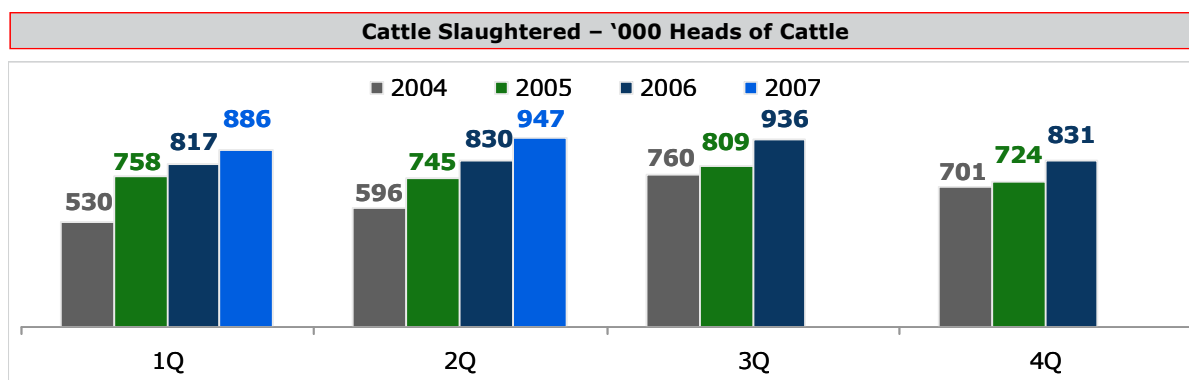
R\$ million	2Q07	2Q06	Var.% 2Q07/2Q06	1Q07	Var.% 2Q07/1Q07	1H07	1H06	Var.% 1H07/1H06
Net Sales Revenue	1,171.2	935.8	25.2%	1,086.1	7.8%	2,257.4	1,821.9	23.9%
Domestic Market	487.9	368.8	32.3%	460.2	6.0%	948.1	753.4	25.8%
Exports	683.3	567.0	20.5%	626.0	9.2%	1,309.2	1,068.5	22.5%
Gross Profit	280.9	241.9	16.1%	257.6	9.0%	538.5	446.4	20.6%
Gross Margin	24.0%	25.8%		23.7%		23.9%	24.5%	
Net Income	38.7	32.1	20.8%	10.6	263.9%	49.4	64.3	-23.2%
Net Margin	3.3%	3.4%		1.0%		2.2%	3.5%	
EBITDA	165.2	139.6	18.3%	156.2	5.8%	321.4	260.2	23.5%
EBITDA Margin	14.1%	14.9%		14.4%		14.2%	14.3%	
Slaughtered Cattle ¹	947.0	829.9	14.1%	886.4	6.8%	1,833.4	1,647.4	11.3%
Sales Volumes ²								
Domestic Market	210.0	161.9	29.7%	189.2	11.0%	399.2	329.8	21.0%
Exports	112.2	90.5	23.9%	103.6	8.3%	215.7	166.7	29.4%
Total Volume	322.2	252.4	27.6%	292.7	10.1%	614.9	496.5	23.8%

¹In thousands of heads

²In thousands of tons

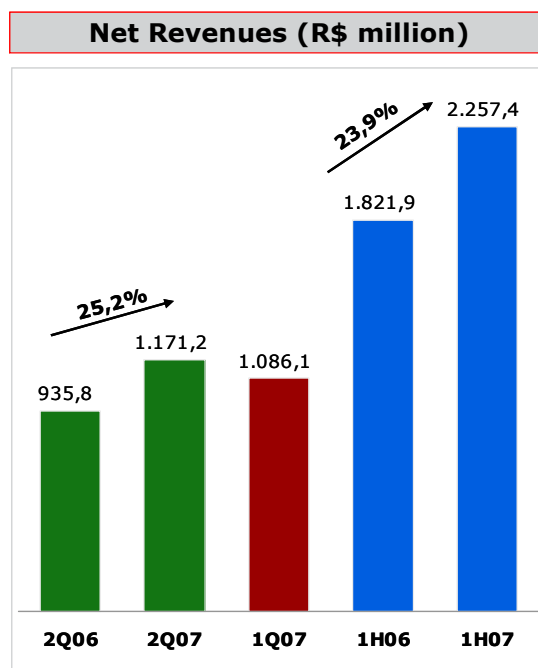
Volume of Cattle Slaughtered

In 2Q07, the amount of cattle slaughtered grew by 14.1% to 947 thousand heads, compared to 830 thousand heads of cattle slaughtered in the same period of last year. Compared to the 1Q07, the amount of cattle slaughtered grew by 6.8%, while on an year-to-date basis the Company posted an increase of 11.3% in comparison to the 1H06. Highlights for the period include the growth in the amount of cattle slaughtered in Argentina, which was positively impacted by the beginning of operations of the Pontevedra, Venado Tuerto and Berazategui plants, which were not owned by the Company in 2Q06. The graph below shows the Company's historical slaughter volumes in each quarter for the past three years (in thousands of heads):





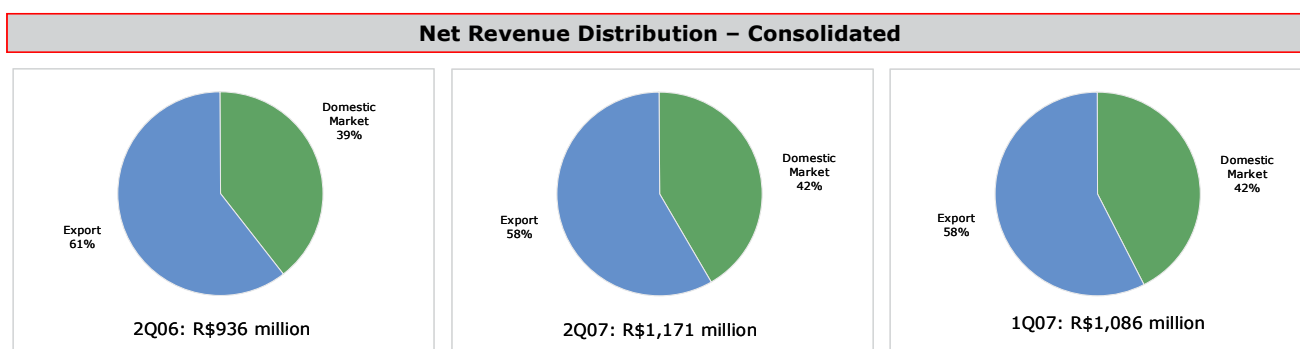
Net Revenues (R\$ million)



Net operating revenue increased by 25.2% to R\$1,171.2 million in the 2Q07, from R\$ 935.8 million in the 2Q06, mainly due to the volume growth of 27.6% posted for the period. The increase in volume is mainly a result of higher exports, which grew by 23.9%, and to higher volumes in the domestic market, which increased by 29.7% in comparison to the 2Q06.

Compared to the 1Q07, net operating revenue grew by 7.8% in the 2Q07, while total sales volume climbed by 10.0%. In the first half of 2007, net revenue increased by 23.9% in comparison to the 1H06, while volumes rose by 23.8%.

Export revenues as a percentage of the Company's total net revenue varied from 61% in the 2Q06 to 58% in the 2Q07, while the domestic market accounted for 39% of net revenue in the 2Q06, compared to 42% in the 2Q07, as shown in the chart below. The result reflects the Company's strategy of optimizing the sales mix between markets, commercializing its products in the market that offers the highest profitability. The percentage contributions of the domestic and export markets to net operating revenue remained stable when compared to the 1Q07.



Source: JBS



Domestic Market

Domestic Market	2Q07	2Q06	Var.% 2Q07/2Q06	1Q07	Var.% 2Q07/1Q07	1H07	1H06	Var.% 1H07/1H06
Net Sales Revenue¹								
Fresh and Chilled Beef	330.6	240.7	37.4%	312.4	5.8%	643.0	508.1	26.6%
Processed Beef	68.7	63.0	9.0%	67.3	2.0%	136.0	116.7	16.5%
Others	88.6	65.2	36.0%	80.5	10.1%	169.1	128.6	31.5%
TOTAL	487.9	368.8	32.3%	460.2	6.0%	948.1	753.4	25.8%
Volume²								
Fresh and Chilled Beef	157.7	116.8	35.1%	138.5	13.9%	296.2	239.4	23.7%
Processed Beef	11.2	8.7	28.8%	12.6	-11.0%	23.8	18.6	28.5%
Others	41.0	36.4	12.7%	38.1	7.7%	79.1	71.9	10.1%
TOTAL	210.0	161.9	29.7%	189.2	11.0%	399.2	329.8	21.0%
Average Sales Price³								
Fresh and Chilled Beef	2.10	2.06	1.7%	2.26	-7.1%	2.17	2.12	2.3%
Processed Beef	6.12	7.22	-15.3%	5.34	14.6%	5.70	6.29	-9.4%
Others	2.16	1.79	20.7%	2.11	2.3%	2.14	1.79	19.5%
TOTAL	2.32	2.28	2.0%	2.43	-4.5%	2.38	2.28	4.0%

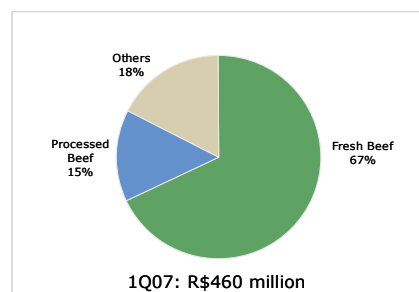
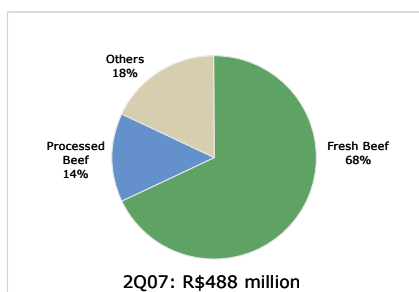
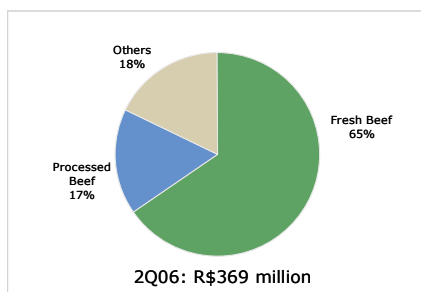
¹In millions

²In thousands of tons

³In R\$/Kg

In the 2Q07, JBS' net revenue in the domestic market totaled R\$487.9 million, a 32.3% increase in comparison to the 2Q06. This result was mainly due to the growth of 29.7% in total sales volume to 210.0 thousand tons, up from 161.9 thousand tons in the 2Q06, and to a lesser degree, to an average sales price increase of 2.0% in comparison to the 2Q06. Revenues in the domestic market rose by 6.0% when compared to the 1Q07 and by 25.8% in the first half of 2007 versus the 1H06.

Net Revenue Distribution – Domestic Market



Source: JBS



Fresh and chilled beef volumes climbed 35.1% to 157.7 thousand tons, from 116.8 thousand tons in the 2Q06. As it also occurred in the 1Q07, the increase in volumes was mainly due to higher slaughter volumes and the recovery in the average sales price of fresh beef in Brazil during the period, which had been negatively impacted by the outbreak of the avian flu in several countries in 2006. In comparison to the 1Q07, fresh and chilled beef volumes sold in the domestic market grew by 13.9%, while the average sales price declined by 7.1%, mainly due to a change in product mix, which in the first quarter tends to include higher value added cuts. On an year-to-date basis, net revenue grew by 26.6% and volumes increased by 23.7% in comparison to the 1H06.

In the processed beef segment, the Company posted a volume growth of 28.8% for the quarter to 11.2 thousand tons, from 8.7 thousand tons in the 2Q06. The average sales price declined by 15.3% against the 2Q06, mainly due to the product mix sold during the period, with no reductions in product prices when analyzed on an individual basis. As a result, the share of processed products as a percentage of domestic revenues declined from 17.1% in the 2Q06 to 14.1% in the 2Q07.

When compared to the 1Q07, processed beef volumes declined by 11.0%, while average sales price increased by 14.6%, reflecting a revision of the strategy to better positioning higher value-added brands. It is worth highlighting that JBS has been making important investments in marketing and point-of-sale campaigns with the objective of incrementing sales of the new Swift product line, as well as further consolidating the brand in the processed foods industry. Therefore, in spite of the decrease in volume, net revenue from domestic sales of processed beef grew in the domestic market by 2.0% in comparison to the 1Q07.

In the first half of 2007, processed beef volumes increased by 28.5% when compared to the same period of last year. In general, the increases in revenue and volume posted for the quarter were primarily due to the growth in the amount of cattle slaughtered and to the sales evolution of the new line of ready-to-eat meals launched in Brazil at the end of 2006 and of products for the foodservice sector.

In the 2Q07, with regards to the line for "others", which is mainly comprised of leather sales, the volume grew by 12.7% in comparison to the 2Q06 mainly as a result of the increase in the amount of cattle slaughtered during the period. The average sales price increased by 20.7% when compared to the same period of last year, representing a growth of leather market prices.



Exports

Exports	2Q07	2Q06	Var.% 2Q07/2Q06	1Q07	Var.% 2Q07/1Q07	1H07	1H06	Var.% 1H07/1H06
Net Sales Revenue¹								
Fresh and Chilled Beef	486.1	431.5	12.6%	436.3	11.4%	922.3	754.2	22.3%
Processed Beef	197.2	135.5	45.6%	189.7	4.0%	386.9	314.3	23.1%
TOTAL	683.3	567.0	20.5%	626.0	9.2%	1,309.2	1,068.5	22.5%
Volume²								
Fresh and Chilled Beef	75.8	66.4	14.2%	73.0	3.8%	148.8	115.2	29.2%
Processed Beef	36.4	24.2	50.6%	30.5	19.2%	66.9	51.5	29.9%
TOTAL	112.2	90.5	23.9%	103.6	8.3%	215.7	166.7	29.4%
Average Sales Price³								
Fresh and Chilled Beef	6.41	6.50	-1.4%	5.97	7.3%	6.20	6.55	-5.3%
Processed Beef	5.42	5.61	-3.4%	6.21	-12.8%	5.78	6.10	-5.2%
TOTAL	6.09	6.26	-2.7%	6.04	0.8%	6.07	6.41	-5.3%
Average Sales Price⁴								
Fresh and Chilled Beef	3.24	2.97	8.9%	2.83	14.2%	3.03	2.99	1.5%
Processed Beef	2.73	2.56	6.7%	2.95	-7.2%	2.83	2.78	1.6%
TOTAL	3.07	2.86	7.3%	2.87	7.2%	2.97	2.92	1.5%

¹In millions

²In thousands of tons

³In R\$/Kg

⁴In US\$/Kg

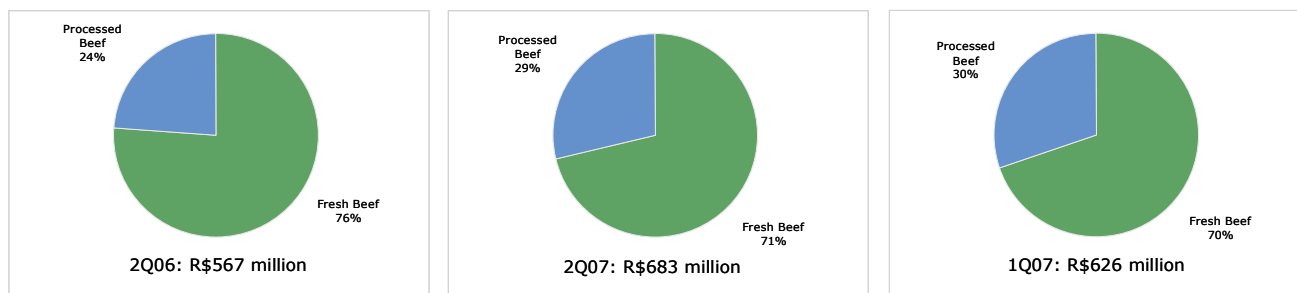
In the export market, JBS posted net revenues of R\$683.3 million for the quarter, 20.5% higher than the R\$567.0 million registered in the 2Q06. This growth reflects an increase in export volumes of 23.9%, combined with an increase of 7.3% in average sales price in U.S. dollar terms, which was partially offset by the appreciation in the average exchange rate of the Brazilian real against the U.S. dollar of 9.4% in comparison to the 2Q06.

When compared to the 1Q07, net export revenues grew by 9.2%, reflecting an 8.3% increase in sales volumes and the recovery in the average sales price in U.S. dollars of 7.2%, partially offset by the appreciation in the average exchange rate of the Brazilian real against the U.S. dollar of 6.0%. This recovery was marked by strong growth in the average sales price of fresh and chilled beef in U.S. dollar terms of 14.2%. Average sales price of processed beef declined by 7.2%, mainly due to the product mix sold during the period, with no significant changes in product prices when analyzed on an individual basis.

On an year-to-date basis, net revenues from exports increased by 22.5% in comparison to the same period of last year.



Net Revenue Distribution – Exports



Source: JBS

Total export volumes grew by 23.9%, from 90.5 thousand tons in the 2Q06 to 112.2 thousand tons in the 2Q07. In comparison to the 1Q07, export volumes rose by 8.3% and by 29.4% when comparing the 1H07 with the 1H06. The following factors can be highlighted as the main drivers for the presented results:

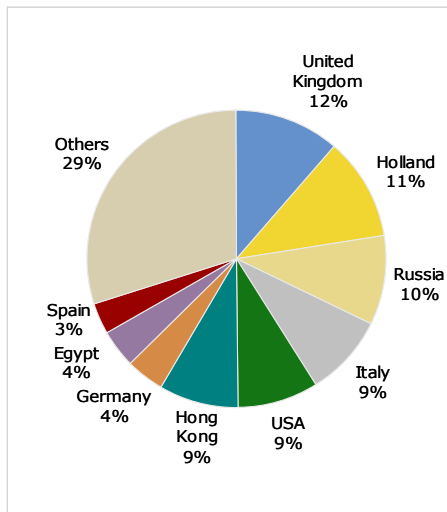
- (JBS) Growth in exports to the European Union, markedly to the United Kingdom, Holland and Italy;
- (JBS) Increased exports to Russia in comparison to the 2Q06, due to a gradual reduction of its cattle herd and the consequent decrease in its production capacity, as commented during the 1Q07;
- (JBS) Higher export volumes to Africa, especially to Algeria;
- (JBS) Growth in markets which are being developed by the Company, such as the Philippines, Venezuela and other countries in Latin America;
- (JBS) Increased exports of higher value added products, representing a growth of 50.6% in export volumes of processed beef in comparison to the 2Q06;

In addition, it is important to highlight the strong growth of exports to Hong Kong, which now represents 9% of total export revenues from 5% in the 2Q06. In the 2Q07, Europe remained as JBS' main export destination.

The average sales price in U.S. dollar increased by 7.3% in the 2Q07 comparison to the 2Q06, reflecting higher prices in the international market for both fresh/chilled and processed beef, which minimized the impact generated by the appreciation in the average exchange rate of the Brazilian real against the U.S. dollar of 9.4% during the period, when compared to the 2Q06.

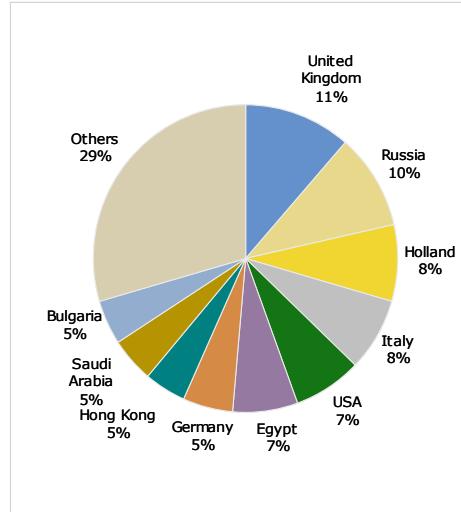


Exports Destinations – 2Q07



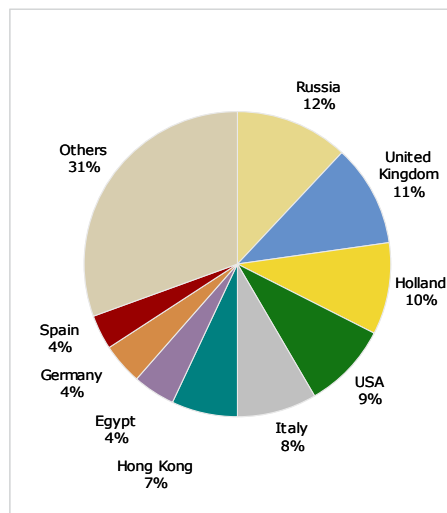
Source : JBS

Exports Destinations – 2Q06



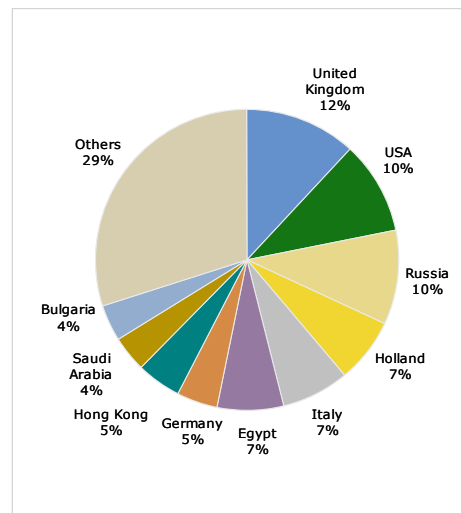
Source: JBS

Exports Destinations – 1H07



Source: JBS

Exports Destinations – 1H06



Source: JBS



Income Statement Analysis

R\$ million	2Q07	%	2Q06	%	1Q07	%	1H07	1H06
Net Sales Revenue	1,171.2	100.0%	935.8	100.0%	1,086.1	100.0%	2,257.4	1,821.9
Cost of Goods Sold	-890.3	-76.0%	-693.9	-74.1%	-828.5	-76.3%	-1,718.8	-1,375.6
Gross Margin	280.9	24.0%	241.9	25.9%	257.6	23.7%	538.5	446.4
Selling Expenses	-106.6	-9.1%	-104.9	-11.2%	-99.9	-9.2%	-206.5	-182.5
General and Adm. Expenses	-27.9	-2.4%	-13.2	-1.4%	-20.6	-1.9%	-48.5	-36.4
Net Financial Income (Expenses)	-72.7	-6.2%	-71.4	-7.6%	-57.0	-5.2%	-129.6	-113.5
Initial Public Offering Expenses	0.0	0.0%	0.0	0.0%	-50.6	-4.7%	-50.6	0.0
Amortization of Goodwill	-0.9	-0.1%	0.0	0.0%	0.0	0.0%	-0.9	0.0
Operating Income	72.8	6.2%	52.4	5.6%	29.6	2.7%	102.4	113.9
Non-Operating Income	0.8	0.1%	-5.8	-0.6%	0.1	0.0%	0.8	-5.7
Taxes and Social Contribution	-35.7	-3.1%	-14.5	-1.6%	-19.6	-1.8%	-55.3	-43.9
Minority Interest	0.9	0.1%	0.0	0.0%	0.5	0.0%	1.4	0.0
Net Income	38.7	3.3%	32.1	3.4%	10.6	1.0%	49.4	64.3

For the quarter, net operating revenue increased by 25.2% to R\$1,171.2 million, from R\$935.8 million in the 2Q06, mainly due to a volume growth of 27.6% posted for the period. The increase in volume is mainly a result of higher exports, which grew by 23.9%, and to higher volumes in the domestic market, which increased by 29.7% in comparison to the 2Q06.

Compared to the 1Q07, net operating revenue grew by 7.8%, while in the first half of 2007, net revenue increased by 23.9% in comparison to the same period of last year.

Cost of goods sold increased by 28.3% to R\$890.3 million, from R\$693.9 million in the 2Q06, mainly due to an increase in the amount of cattle slaughtered during the period and to the higher sales volumes posted for the quarter. As a percentage of net revenue, the cost of goods sold increased from 74.1% in the 2Q06 to 76.0% in the 2Q07, mainly as a result of an increase in the average cattle acquisition cost in Brazil. Nevertheless, it is important to highlight that through the presented volume growth and the optimization of its sales mix between the domestic and international markets, the Company was able to realign its businesses in spite of the increase in costs and maintain the profitability level close to the ones posted during previous periods.

As a result of the higher net operating revenue, gross profit grew by 16.1% to R\$280.9 million in the 2Q07, from R\$241.9 million in the 2Q06. Gross margin declined from 25.9% in the 2Q06 to 24.0% in the 2Q07, as a consequence of the factors described above. In the 1Q07, the company posted a gross margin of 23.7%.

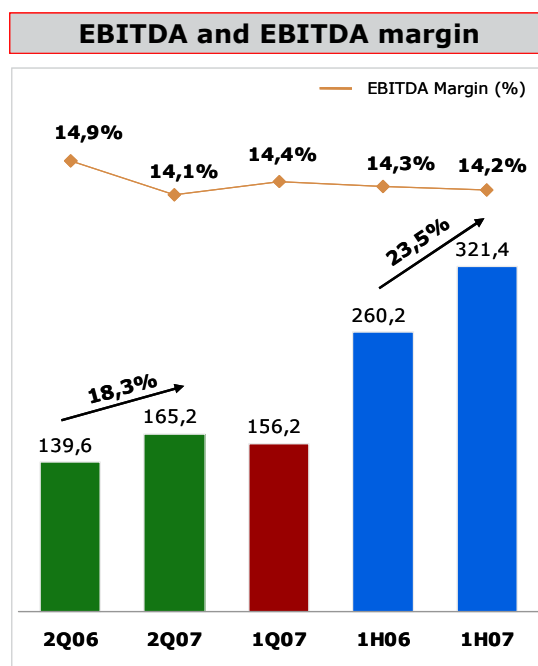
Selling expenses increased from R\$104.9 million in the 2Q06 to R\$106.6 million in the 2Q07 as a result of the growth in sales volumes in the period. As a percentage of net revenue, selling expenses declined to 9.1% in the 2Q07, from 11.2% in the 2Q06. This decrease was mainly due to efficiencies obtained during the period.



Administrative expenses increased as a percentage of net revenue to 2.4% in the 2Q07, from 1.4% in the 2Q06, mainly as a result of (i) non-recurring expenses related to services, such as advisory and legal services, related to the acquisition of Swift Foods Company; and (ii) administrative expenses related to the units not owned by the Company in the same period of last year, such as SB Holdings in the United States and the Pontevedra, Venado Tuerto and Berazategui plants in Argentina. In the 1Q07, administrative expenses represented 1.9% of net revenue.

As a result of the factors described above, the Company's net income posted an increase of 20.8% to R\$38.7 million in the 2Q07, from R\$32.1 million in the 2Q06.

For the quarter, EBITDA increased by 18.3% to R\$165.2 million, compared to R\$139.6 million in the 2Q06, while EBITDA margin declined to 14.1% compared to 14.9% in the same quarter of last year.



CAPITAL EXPENDITURES

The Company's aggregate capital expenditures in property, plant and equipment, including acquisitions, were R\$112.7 million and R\$77.2 million for the 2Q07 and 2Q06, respectively. On an year-to-date basis, these expenditures amount to R\$326.0 million.

During the quarter, JBS invested primarily in the sequence of the following projects, which began in 2006 and continued in the 1Q07:



- (JBS) Increase of the production capacity of its processed beef plant located in Andradina, São Paulo from 30 tons to 100 tons per day;
- (JBS) Increase of the production capacity of its plant located in Barra do Garças, Mato Grosso from 1,300 head of cattle slaughtered and deboned per day to 2,500 head of cattle slaughtered and deboned per day;
- (JBS) Increase of the production capacity of its plant located in Campo Grande, Mato Grosso do Sul from 1,300 head of cattle slaughtered and deboned per day to 3,000 head of cattle slaughtered and deboned per day;
- (JBS) Increase of the production capacity of its plant located in Vilhena, Rondônia, from 900 head of cattle slaughtered and deboned per day to 2,200 head of cattle slaughtered and deboned per day;
- (JBS) Conclusion of a beef jerky production plant in Santo Antônio da Posse, São Paulo, which started its operations in June with a production capacity of 250 tons per month;
- (JBS) Increase of the production capacity of its plant located in Barretos, São Paulo from 1,600 head of cattle slaughtered and deboned per day to 2,500 head of cattle slaughtered and deboned per day;
- (JBS) Other investments such as acquisition of new equipment and maintenance of the Company's facilities;

DEBT LEVEL

R\$ million	2Q07	1Q07	Var.% 2Q07/1Q07
Short-term Loans	544.0	1,073.4	-49.3%
Long-term Loans	1,685.0	1,869.0	-9.8%
Total Debt	2,229.0	2,942.4	-24.2%
Cash and Marketable Securities	816.4	1,468.9	-44.4%
Net Debt	1,412.6	1,473.5	-4.1%
Net Debt/EBITDA	2,3X	2,5x	

The Company's total indebtedness is primarily comprised of credit lines with BNDES (Brazilian National Development Bank), export financing transactions and Notes (Reg. S and 144A) with a face value of US\$575 million, with maturity in 2011 and 2016, of which US\$275 million were issued at an interest rate of 9.375% per annum, payable on a quarterly basis, and US\$300 million at an interest rate of 10.50% per annum, payable on a semiannual basis. In the 2Q07, the Company's total debt declined mainly due to the payment of some short-term obligations, as described in the explanatory notes to the financial statements.



RECENT EVENTS

In line with its expansion strategy and taking advantage of opportunities to consolidate the industry, on April 30, 2007, JBS acquired a plant located in Maringá, state of Paraná, Brazil, with a slaughtering capacity of approximately 1,000 heads of cattle per day. The total value of the acquisition was R\$80 million. The Maringá plant is receiving investments of approximately R\$10 million to expand its slaughtering capacity to 1,500 heads of cattle per day.

Additionally, during the quarter, the Company inaugurated an industrial plant for the production of beef jerky in Santo Antonio da Posse, state of São Paulo, with production capacity for 250 tons of finished goods per month. Operations also began in the units of Teófilo Otoni, state of Minas Gerais, with a slaughtering capacity of 700 heads of cattle per day, Pontevedra and Berazategui, Argentina, both with a slaughtering capacity of 1,000 heads of cattle per day.

On June 5, 2007, JBS entered into the activity of cattle confinement, through the acquisition of a confinement unit located in the city of Castilho, state of São Paulo, with an annual capacity to fatten up to 150 thousand animals. The transaction amounted to R\$30 million reais.

With the objective of strengthening its relationship with shareholders, investors and the market in general and facilitating the flow of information, at the end of June, 2007, JBS decided to make the Investor Relations Department independent. Investor Relations was previously a part of the Financial Department, which will remain under the management of Mr. Sérgio Longo. The new department, which will report directly to the CEO of JBS, will be led, upon the approval of the split of the departments to be discussed on the next Extraordinary Shareholders Meeting, by Mr. José Paulo Macedo, who holds a bachelor's degree in business administration from the Economics and Business Administration School (FEA) of the University of São Paulo (USP), with more than 20 years of experience at large financial institutions. JBS takes this opportunity to reiterate its long-term commitment to the capital markets with the transparency and equality that have always guided its relationship with investors.

SUBSEQUENT EVENT

As published on the relevant fact dated May 29, 2007, J&F Participações S.A. ("J&F"), the controlling shareholder of JBS, entered into the Agreement and Plan of Merger ("Contract") with the objective of acquiring the controlling interest of the Swift Foods Company ("Swift"), a company headquartered in Delaware, United States. The acquisition of Swift was initially made by J&F so that JBS could adequate its capital structure to the obligations and restrictions of the financial contracts in force, given that it was never the intention of J&F, nor of its controlling shareholders, to maintain a beef business in parallel to that of JBS.

On June 1, 2007, after examining the justifications and reasons for the acquisition of the controlling interest of Swift by JBS, the Company's Board of Directors approved the investment recommendation through the assignment by J&F to JBS of all rights and obligations assumed by J&F in the Contract signed on May 25, 2007.



On July 11, 2007, JBS concluded the acquisition of the controlling interest of Swift for US\$1,458,872,836.55, of which US\$225,000,000.00 was paid to HM Capital Partners LLC, the former controlling shareholder of Swift, and US\$1,233,872,836.55 was used to retire the old debt of Swift existing prior to the acquisition, in addition to fees, commission and expenses associated with the acquisition process.

A substantial part of the funds used in the acquisition of Swift by JBS originates from the capital increase of JBS approved at the Extraordinary Shareholders Meeting held on June 29, 2007, while the remaining funds were obtained through new debt assumed by Swift upon the acquisition.

The conclusion of the Swift acquisition creates the world's largest company in the beef sector and the largest Brazilian food company, consolidating JBS in the domestic and international beef markets and making it an important player in the world pork industry. As a result, JBS will have production and distribution capacity in Brazil, Argentina, United States and Australia, the four main beef producing countries in the world. This position will enable the Company to (i) access the two blocks of trade barriers: Atlantic and Pacific; (ii) diversify its risk regarding sanitary barriers; (iii) unify and strengthen the Swift brand globally; (iv) capture value through the turnaround of Swift's operating performance and take advantage of existing synergies within the businesses.

CAPITAL INCREASE

Given the importance of the investment by JBS in Swift, on June 8, 2007, after an examination by JBS' administration of the alternatives for financing the investment in Swift, the Company's Board of Directors understood that the best alternative was to finance the investment through a capital increase at JBS.

On the Extraordinary Shareholders Meeting held on June 29, 2007, with a favorable vote from all present shareholders, the Company's capital increase was approved for the amount of R\$1,853,833,020.00 (one billion, eight hundred fifty-three million, eight hundred thirty-three thousand and twenty reais), through the issuance, for private subscription, of 227,400,000 (two hundred twenty-seven million, four hundred thousand) new common shares with no par value, identical to the existing shares, with the same rights conferred to the other common shares issued by the Company, pursuant to the Company's bylaws and applicable legislation. The sole issue price of each of the new common shares was R\$8.1523 per share. Shareholders of JBS up until the date of the Extraordinary Shareholders Meeting were given preemptive rights to the subscription of the new shares, pursuant to Article 171 of Law 6,404/76. Furthermore, approval was obtained for the waiving of the obligation to hold a public tender offer for the acquisition of the totality of shares issued by the Company in the event that a shareholder may reach a position, after the formalization of the approved capital increase, of shares representing more than 10% (ten percent) of the Company's capital stock, given that the transaction is in the Company's best interest, as provided by Article 52, Paragraph 8, of the bylaws of JBS.



As published in the relevant fact dated June 27, 2007, BNDES Participações S.A. – BNDESPAR ("BNDESPAR", the private equity arm of BNDES) committed to subscribe to a significant portion of the new common shares representative of the capital stock of JBS, providing for a significant interest by BNDESPAR in the funds raised by JBS for the acquisition of Swift through the capital increase of JBS. The investment commitment of BNDESPAR in JBS was of up to R\$1,463,552,345.17 and the commitment of J&F Participações S.A. ("J&F") and/or ZMF Fundo de Investimento em Participações ("ZMF"), both shareholders in JBS, was of up to R\$ 390,280,674.83, or the total value of the proposed capital increase. The subscription of shares of JBS by BNDESPAR was effected through the assignment of a portion of the preemptive rights of J&F and/or ZMF in the subscription of new shares of JBS.

The period for the exercise of the preemptive rights by minority shareholders ended on July 31, 2007, while the period for the subscription of remaining shares by interested shareholders is currently in course and will end on August 21, 2007. The table below shows the subscription results of the capital increase of JBS until July 31, 2007, as published on the notice to the market released on August 6, 2007.

After the conclusion of the period for the subscription of the remaining shares, JBS will communicate its shareholders and the market in general of the Company's new capital structure.

Shareholders	Amount of Shares	% of Capital Increase
J&F Participações S.A.	36,491,360	16.05%
BNDES Participações S.A. - BNDESPAR	136,842,600	60.18%
Other Shareholders	49,783,821	21.89%
Remaning Unsubscribed shares	4,282,219	1.88%
Total	227,400,000	100.00%



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FINANCIAL STATEMENTS

JBS S.A. and its Subsidiaries

Balance Sheet - Assets

in thousands of Reais	Company		Consolidated	
	30.06.07	31.03.07	30.06.07	31.03.07
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	60.732	1.187.581	97.351	1.221.931
Short-term investments	676.492	206.113	719.032	246.941
Trade accounts receivable, net	568.655	708.215	636.757	747.879
Inventories	576.338	631.764	750.077	785.016
Recoverable taxes	423.690	437.405	522.245	546.361
Prepaid expenses	2.575	7.639	6.549	10.336
Other current assets	64.881	46.063	102.525	68.184
TOTAL CURRENT ASSETS	2.373.363	3.224.780	2.834.536	3.626.648
NON-CURRENT ASSETS				
Long-term assets				
Credit with related parties	48.227	34.067	0	0
Judicial deposits and others	6.608	5.665	9.173	8.915
Deferred income taxes	16.722	16.853	23.933	25.572
Recoverable taxes	27.256	24.129	38.066	33.670
Total Long-term assets	98.813	80.714	71.172	68.157
Permanent assets				
Advances for investments in subsidiaries	44.114	0	0	0
Investments in subsidiaries	490.931	516.460	20.050	20.988
Other investments	10	10	10	10
Property, plant and equipment, net	1.096.718	1.034.002	1.401.504	1.311.542
Intangible assets, net	9.615	9.615	22.870	23.806
Total Permanent assets	1.641.388	1.560.087	1.444.434	1.356.346
TOTAL NON-CURRENT ASSETS	1.740.201	1.640.801	1.515.606	1.424.503
TOTAL ASSETS	4.113.564	4.865.581	4.350.142	5.051.151

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



JBS S.A. and its Subsidiaries

Balance Sheet - Liabilities and shareholders' equity

in thousands of Reais	Company		Consolidated	
	30.06.07	31.03.07	30.06.07	31.03.07
LIABILITIES AND SHAREHOLDER'S EQUITY				
CURRENT LIABILITIES				
Trade accounts payable	248.152	279.981	343.481	340.806
Loans and financings	449.175	981.276	543.970	1.073.432
Payroll and social charges	103.485	90.466	121.564	114.045
Other current liabilities	69.394	114.385	80.242	117.405
TOTAL CURRENT LIABILITIES	870.206	1.466.108	1.089.257	1.645.688
NON-CURRENT LIABILITIES				
Loans and financings	1.676.778	1.868.978	1.685.013	1.868.978
Deferred income taxes	61.312	61.984	61.312	61.984
Provision for contingencies	49.182	49.568	55.194	55.467
Other non-current liabilities	23.670	25.255	29.069	26.626
TOTAL NON-CURRENT LIABILITIES	1.810.942	2.005.785	1.830.588	2.013.055
MINORITY INTEREST	0	0	(2.119)	(1.280)
SHAREHOLDERS' EQUITY				
Capital stock	91.748	91.748	91.748	91.748
Capital reserve	1.160.776	1.160.776	1.160.776	1.160.776
Revaluation reserve	127.475	129.199	127.475	129.199
Retained earnings	52.417	11.965	52.417	11.965
TOTAL SHAREHOLDERS' EQUITY	1.432.416	1.393.688	1.432.416	1.393.688
TT LIABILITIES AND SHAREHOLDERS' EQUITY	4.113.564	4.865.581	4.350.142	5.051.151

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
JUNE 30, 2007 AND 2006**

in thousand of Reais	Company		Consolidated	
	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
GROSS SALES REVENUE				
Sales of products:				
Domestic sales	516.363	374.718	576.634	427.711
Foreign sales	560.782	565.549	716.192	578.142
	<u>1.077.145</u>	<u>940.267</u>	<u>1.292.826</u>	<u>1.005.853</u>
SALES DEDUCTIONS				
Returns and discounts	(34.179)	(18.291)	(41.305)	(30.914)
Sales taxes	(64.628)	(39.101)	(80.305)	(39.101)
	<u>(98.807)</u>	<u>(57.392)</u>	<u>(121.610)</u>	<u>(70.015)</u>
NET SALE REVENUE	<u>978.338</u>	<u>882.875</u>	<u>1.171.216</u>	<u>935.838</u>
Cost of goods sold	<u>(721.607)</u>	<u>(653.809)</u>	<u>(890.337)</u>	<u>(693.914)</u>
GROSS INCOME	<u>256.731</u>	<u>229.066</u>	<u>280.879</u>	<u>241.924</u>
OPERATING INCOME (EXPENSE)				
General and administrative expenses	(16.131)	(10.022)	(27.904)	(13.200)
Selling expenses	(94.576)	(98.437)	(106.630)	(104.927)
Financial income (expense), net	(53.620)	(68.617)	(72.657)	(71.359)
Equity	(19.689)	1.781	-	-
Initial Public Offering expenses	(27)	-	(27)	-
Goodwill amortization	(867)	-	(867)	-
	<u>(184.910)</u>	<u>(175.295)</u>	<u>(208.085)</u>	<u>(189.486)</u>
OPERATING INCOME	<u>71.821</u>	<u>53.771</u>	<u>72.794</u>	<u>52.438</u>
NON-OPERATING INCOME (EXPENSE), NET	<u>(78)</u>	<u>(6.120)</u>	<u>772</u>	<u>(5.829)</u>
INCOME (LOSS) BEFORE TAXES	<u>71.743</u>	<u>47.651</u>	<u>73.566</u>	<u>46.609</u>
Current income taxes	(32.884)	(15.596)	(34.500)	(14.512)
Deferred income taxes	(131)	-	(1.232)	-
	<u>(33.015)</u>	<u>(15.596)</u>	<u>(35.732)</u>	<u>(14.512)</u>
INCOME (LOSS) BEFORE MINORITY INTEREST	<u>38.728</u>	<u>32.055</u>	<u>37.834</u>	<u>32.097</u>
Minority interest (expense) income	-	-	894	(42)
NET INCOME (LOSS)	<u>38.728</u>	<u>32.055</u>	<u>38.728</u>	<u>32.055</u>
NET INCOME (LOST) PER SHARE	<u>45,56</u>			

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

	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
Income (loss) before income taxes	71.743	47.651	73.566	46.609
Financial income (expense), net	53.620	68.617	72.657	71.359
Depreciation and amortization	13.946	11.887	18.852	15.796
Non-operating income (expense), net	78	6.120	(772)	5.829
Equity	19.689	(1.781)	-	-
Initial Public Offering expenses	27	-	27	-
Goodwill Amortization	867	-	867	-
AMOUNT OF EBITDA	<u>159.970</u>	<u>132.494</u>	<u>165.197</u>	<u>139.593</u>

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 SIX MONTHS ENDED
JUNE 30, 2007 AND 2006**

in thousand of Reais	Company		Consolidated	
	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
GROSS SALES REVENUE				
Sales of products:				
Domestic sales	1.011.343	781.800	1.127.400	877.502
Foreign sales	1.083.661	978.956	1.367.799	1.087.701
	2.095.004	1.760.756	2.495.199	1.965.203
SALES DEDUCTIONS				
Returns and discounts	(72.152)	(34.480)	(87.572)	(57.509)
Sales taxes	(126.824)	(85.745)	(150.273)	(85.745)
	(198.976)	(120.225)	(237.845)	(143.254)
NET SALE REVENUE	1.896.028	1.640.531	2.257.354	1.821.949
Cost of goods sold	(1.391.653)	(1.216.050)	(1.718.832)	(1.375.581)
GROSS INCOME	504.375	424.481	538.522	446.368
OPERATING INCOME (EXPENSE)				
General and administrative expenses	(30.984)	(26.084)	(48.471)	(36.357)
Selling expenses	(183.649)	(168.201)	(206.524)	(182.513)
Financial income (expense), net	(93.477)	(89.073)	(129.640)	(113.549)
Equity	(41.400)	(24.667)	-	-
Initial Public Offering expenses	(50.591)	-	(50.591)	-
Goodwill amortization	(867)	-	(867)	-
	(400.968)	(308.025)	(436.093)	(332.419)
OPERATING INCOME	103.407	116.456	102.429	113.949
NON-OPERATING INCOME (EXPENSE), NET	(10)	(6.301)	832	(5.700)
INCOME (LOSS) BEFORE TAXES	103.397	110.155	103.261	108.249
Current income taxes	(54.698)	(45.839)	(56.574)	(43.907)
Deferred income taxes	672	-	1.257	-
	(54.026)	(45.839)	(55.317)	(43.907)
INCOME (LOSS) BEFORE MINORITY INTEREST	49.371	64.316	47.944	64.342
Minority interest (expense) income	-	-	1.427	(26)
NET INCOME (LOSS)	49.371	64.316	49.371	64.316
NET INCOME (LOSS) PER SHARE	58,08			

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

	2007	"Pro Forma" 2006	2007	"Pro Forma" 2006
Income (loss) before taxes	103.397	110.155	103.261	108.249
Financial income (expense), net	93.477	89.073	129.640	113.549
Depreciation and amortization	27.819	20.194	37.899	32.694
Non-operating income (expense), net	10	6.301	(832)	5.700
Equity	41.400	24.667	-	-
Initial Public Offering expenses	50.591	-	50.591	-
Goodwill Amortization	867	-	867	-
AMOUNT OF EBITDA	317.561	250.390	321.426	260.192



This release contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of JBS. These are merely projections and, as such, are based exclusively on the expectations of JBS' management concerning the future of the business and its continued access to capital to fund the Company's business plan. Such forward-looking statements depend, substantially, on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in JBS' filed disclosure documents and are, therefore, subject to change without prior notice.