

*(Convenience Translation into English from  
the Original Previously Issued in Portuguese)*

***Fertilizantes Fosfatados S.A.  
Fosfertil and Subsidiaries***

*Consolidated Financial Statements  
for the Years Ended  
December 31, 2007 and 2006 and  
Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of  
Fertilizantes Fosfatados S.A. Fosfertil  
Uberaba - MG

1. We have audited the accompanying individual and consolidated balance sheets of Fertilizantes Fosfatados S.A. Fosfertil ("Fosfertil" or the "Company") and subsidiaries as of December 31, 2007, and the related statements of operations, changes in shareholders' equity (Company), and changes in financial position for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the accompanying financial statements referred in paragraph 1, present fairly, in all material respects, the financial position of Fertilizantes Fosfatados S.A. Fosfertil and subsidiaries, individual and consolidated, as of December 31, 2007, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the year then ended in conformity with Brazilian accounting practices.
4. Our audit was performed with the objective of expressing an opinion on the financial statements referred in paragraph 1, taken as a whole. The statements of added value and cash flows, for the year then ended December 31, 2007, are supplementary information to the aforementioned financial statements, which are not required by Brazilian accounting practices, and have been presented to facilitate additional analysis. This supplementary information was subject to the same audit procedures as applied to the aforementioned financial statements, mentioned in paragraph 2, and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as a whole.
5. The accompanying individual and consolidated balance sheets as of December 31, 2006, and the related statements of operations, changes in shareholders' equity (Company), and changes in financial position for the year then ended were audited by other auditors, which issued a unqualified report on January 19, 2007.

Deloitte Touche Tohmatsu

6. As discussed in Note 2 to the consolidated financial statements, in December 2006, the Company announced a proposed corporate reorganization that contemplates the merger of Bunge Fertilizantes S.A., an indirect shareholder of the Company. The proposed reorganization has been suspended, pending the outcome of legal proceedings.
7. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 7, 2008

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Nourival C. Pedroso Filho  
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

FERTILIZANTES FOSFATADOS S.A. FOSFERTIL AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(Expressed in thousands of Brazilian reais)

ASSETS	Note	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company		Consolidated	
		2007	2006	2007	2006			2007	2006	2007	2006
<b>CURRENT</b>						<b>CURRENT LIABILITIES</b>					
Cash		643	24,803	1,866	52,214	Financing	17	24,990	122,208	27,855	134,890
Short-term investments	6	464,547	42,254	792,094	52,452	Suppliers	18	120,369	76,628	298,060	147,844
Trade accounts receivable	7	10,827	10,025	54,463	56,692	Advances from customers		65,880	7,544	103,460	21,341
Inventories	8	149,968	128,124	291,655	228,417	Dividends	21	183,403	33	183,403	33
Recoverable taxes	9	13,224	46,902	20,584	57,522	Taxes payable		2,293	2,369	5,635	5,395
Dividends receivable	12	129,172	35,256	-	-	Vacation accrual and social securities tax		4,788	4,427	22,503	19,262
Deferred income and social contribution taxes	11	1,124	1,457	4,251	4,274	Employee profit sharing		8,287	5,768	32,290	18,641
Prepaid expenses		2,936	3,556	8,592	6,741	Income and social contribution taxes		62,522	-	116,876	22,534
Other credits		6,257	8,295	20,730	17,632	Deferred income and social contribution taxes	11	5,666	2,414	7,613	3,150
Total current assets		<u>778,698</u>	<u>300,672</u>	<u>1,194,235</u>	<u>475,944</u>	Other liabilities		15,509	6,766	29,742	28,341
<b>NONCURRENT</b>						<b>NONCURRENT LIABILITIES</b>					
Long-term assets:						Long-term liabilities:					
Trade accounts receivable	7	2,656	4,023	4,120	10,595	Financing	17	16,448	48,869	19,265	54,503
Inventories	8	31,001	59,108	97,814	156,330	Provision for contingencies	19	54,225	50,396	161,627	133,179
Judicial deposits	10	10,287	24,298	35,946	52,697	Provision for pension plans and post-retirement benefits to employees	20	7,785	5,282	31,074	20,084
Deferred income and social contribution taxes	11	62,019	31,029	113,418	55,554	Deferred income and social contribution taxes	11	-	-	1,065	-
Recoverable taxes	9	19,775	73,736	79,115	136,326	Net result of swap transactions	26	28,659	25,351	28,659	25,351
Advances to third parties		12,902	10,574	16,729	12,838	Other liabilities		281	51	3,225	933
Other credits		352	299	2,977	1,684	Total noncurrent liabilities		<u>107,398</u>	<u>129,949</u>	<u>244,915</u>	<u>234,050</u>
Permanent assets:		<u>138,992</u>	<u>203,067</u>	<u>350,119</u>	<u>426,024</u>	<b>DEFERRED INCOME</b>					
Investments:						Negative goodwill on investment in wholly-owned subsidiary		-	-	37,792	37,792
Wholly-owned subsidiary	12	639,679	579,356	-	-	<b>SHAREHOLDERS' EQUITY</b>					
Other investments		10	10	553	553	Paid-in capital	21	720,000	720,000	720,000	720,000
Property, plant and equipment	14	475,714	514,893	979,788	999,690	Capital reserve		49	49	49	49
Intangible	15	11,590	11,714	15,695	15,905	Revaluation reserve		50,846	54,163	50,846	54,163
Deferred charges	16	1,818	2,530	8,069	8,955	Profit reserves		674,501	479,924	667,420	479,586
Total noncurrent assets		<u>1,267,803</u>	<u>1,311,570</u>	<u>1,354,224</u>	<u>1,451,127</u>	Total shareholders' equity		<u>1,445,396</u>	<u>1,254,136</u>	<u>1,438,315</u>	<u>1,253,798</u>
<b>TOTAL ASSETS</b>		<u><u>2,046,501</u></u>	<u><u>1,612,242</u></u>	<u><u>2,548,459</u></u>	<u><u>1,927,071</u></u>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>2,046,501</u></u>	<u><u>1,612,242</u></u>	<u><u>2,548,459</u></u>	<u><u>1,927,071</u></u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

FERTILIZANTES FOSFATADOS S.A. FOSFERTIL AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Expressed in thousands of Brazilian reais, except income per share)

	Note	Company		Consolidated	
		2007	2006	2007	2006
GROSS SALES OF GOODS AND SERVICES RENDERED		1,156,935	882,427	2,686,888	2,274,606
Sales and services deductions		(61,384)	(51,351)	(265,321)	(213,808)
NET SALES AND SERVICES RENDERED		1,095,551	831,076	2,421,567	2,060,798
Cost of goods sold and services rendered		(694,879)	(693,107)	(1,654,224)	(1,605,599)
GROSS PROFIT		400,672	137,969	767,343	455,199
OPERATING (EXPENSES) INCOME					
Sales		(2,772)	(2,672)	(10,129)	(9,223)
General and administrative:					
Boards' and Directors' fees		(1,078)	(868)	(2,421)	(3,553)
Administrative		(21,639)	(22,271)	(54,143)	(54,935)
Financial result, net	23	36,447	(16,653)	64,537	(21,044)
Other operating expenses, net	24	(53,796)	(54,179)	(132,847)	(59,685)
Equity pick-up	12	189,495	172,227	-	-
		146,657	75,584	(135,003)	(148,440)
OPERATING PROFIT		547,329	213,553	632,340	306,759
Nonoperating result, net		352	3,474	1,875	2,543
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		547,681	217,027	634,215	309,302
INCOME AND SOCIAL CONTRIBUTION TAXES					
Current	25	(124,354)	(310)	(242,541)	(84,354)
Deferred	25	27,406	10,157	52,316	4,053
NET INCOME FOR THE YEAR		450,733	226,874	443,990	229,001
NET INCOME PER SHARE - R\$		4.23	2.13		

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

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FERTILIZANTES FOSFATADOS S.A. FOSFERTIL

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Expressed in thousands of Brazilian reais)

	Paid-in capital	Capital reserve	Revaluation reserve	Profit reserves			Retained earnings	Total
		Tax incentives		Legal	Treasury shares	Profit retention		
BALANCES AS OF DECEMBER 31, 2005	540,000	49	57,480	68,300	-	401,656	-	1,067,485
Prior-year adjustment (CVM Deliberation No. 489/05)	-	-	-	-	-	-	49,957	49,957
Capital increase from capitalization of reserves	180,000	-	-	-	-	(180,000)	-	-
Treasury shares	-	-	-	-	(7,699)	-	-	(7,699)
Realization of revaluation reserve	-	-	(3,317)	-	-	-	3,317	-
Net income for the year	-	-	-	-	-	-	226,874	226,874
Distributions:								
Legal reserve	-	-	-	11,344	-	-	(11,344)	-
Interest on shareholders' equity - Law No. 9,249/95 (to be considered as minimum obliged dividend of 2006 "ad referendum" of the Supervisory Board Meeting)	-	-	-	-	-	-	(82,481)	(82,481)
Profit retention reserves	-	-	-	-	-	186,323	(186,323)	-
BALANCES AS OF DECEMBER 31, 2006	720,000	49	54,163	79,644	(7,699)	407,979	-	1,254,136
Realization of revaluation reserve	-	-	(3,317)	-	-	-	3,317	-
Net income for the year	-	-	-	-	-	-	450,733	450,733
Distributions:								
Legal reserve	-	-	-	22,537	-	-	(22,537)	-
Interest on shareholders' equity - Law No. 9,249/95 (to be considered as minimum obliged dividend of 2006 "ad referendum" of the Supervisory Board Meeting)	-	-	-	-	-	-	(76,106)	(76,106)
Proposed dividends	-	-	-	-	-	(151,595)	(31,772)	(183,367)
Profit retention reserves	-	-	-	-	-	323,635	(323,635)	-
BALANCES AS OF DECEMBER 31, 2007	720,000	49	50,846	102,181	(7,699)	580,019	-	1,445,396

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

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FERTILIZANTES FOSFATADOS S.A. FOSFERTIL AND SUBSIDIARIES

STATEMENTS OF CHANGES IN THE FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(Expressed in thousands of Brazilian reais)

	Company		Consolidated	
	2007	2006	2007	2006
<b>SOURCES OF FUNDS</b>				
Operations:				
Net income for the year	450,733	226,874	443,990	229,001
Items not affecting working capital:				
Depreciation, amortization and depletion	77,698	64,259	162,046	122,825
Residual value of permanent asset disposals	121	483	277	865
Provision for adjustment of market value	61,847	(2,324)	112,947	(47)
Provision for contingencies	25,019	29,773	56,868	21,176
Provision for pension plans and post-retirement benefits to employees	2,503	1,393	10,990	(14,991)
Deferred income and social contribution taxes	(30,990)	(10,591)	(56,796)	(4,606)
Equity pick-up	(189,495)	(172,227)	-	-
Monetary variation of noncurrent liabilities	(4,624)	(5,677)	(4,624)	(941)
	<u>392,812</u>	<u>131,963</u>	<u>725,698</u>	<u>353,282</u>
From third parties and other:				
Prior-year adjustment (CVM Deliberation No. 489/05)	-	49,957	-	49,957
Dividends received from wholly-owned subsidiary	129,172	60,000	-	-
Decrease of noncurrent assets	33,218	-	20,819	-
	<u>162,390</u>	<u>109,957</u>	<u>20,819</u>	<u>49,957</u>
Total sources	<u>555,202</u>	<u>241,920</u>	<u>746,517</u>	<u>403,239</u>
<b>USES OF FUNDS</b>				
Permanent assets:				
Investments	-	39,063	-	-
Property, plant and equipment	37,774	32,000	138,878	94,619
Deferred charges	30	1,791	2,447	3,986
Acquisition of shares	-	7,699	-	7,699
Transfer from noncurrent to current liabilities	27,797	126,336	30,614	138,628
Dividends and interest on shareholders' equity	259,473	82,481	259,473	82,481
Decrease of noncurrent liabilities	17,652	7,868	22,820	17,948
Increase in noncurrent assets	-	82,328	-	218,996
Total uses	<u>342,726</u>	<u>379,566</u>	<u>454,232</u>	<u>564,357</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<u>212,476</u>	<u>(137,646)</u>	<u>292,285</u>	<u>(161,118)</u>
<b>CHANGES IN WORKING CAPITAL</b>				
Current assets:				
At the end of year	778,698	300,672	1,194,235	475,944
At the beginning of year	<u>300,672</u>	<u>592,563</u>	<u>475,944</u>	<u>925,738</u>
	<u>478,026</u>	<u>(291,891)</u>	<u>718,291</u>	<u>(449,794)</u>
Current liabilities:				
At the end of year	493,707	228,157	827,437	401,431
At the beginning of year	<u>228,157</u>	<u>382,402</u>	<u>401,431</u>	<u>690,107</u>
	<u>265,550</u>	<u>(154,245)</u>	<u>426,006</u>	<u>(288,676)</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL, NET</b>	<u>212,476</u>	<u>(137,646)</u>	<u>292,285</u>	<u>(161,118)</u>

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

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FERTILIZANTES FOSFATADOS S.A. FOSFERTIL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in thousands of Brazilian reais - R\$, unless otherwise indicated)

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1. DESCRIPTION OF OPERATIONS

Fertilizantes Fosfatados S.A. Fosfertil (“Fosfertil” or the “Company”) objective is the manufacture of fertilizers and other products for agriculture using minerals extracted from the Company’s own mines, as well as sale, transportation, import and export of these products, procurement and manufacturing on behalf of third parties and investment in other commercial or civil entities, domestically or abroad, as either partner, shareholder or quotaholder.

The main activities of its wholly-owned subsidiary Ultrafertil S.A. are the production and sale of fertilizers and chemical products, and operating its own harbor terminal for its own purposes and for third parties.

2. CORPORATE AND OPERATING REORGANIZATION

On December 21, 2006, the Company’s Administrative Council approved a reorganization proposal of downstream merger of Bunge Fertilizantes S.A. shares, as disclosed through Relevant Fact and information to the market.

On August 28, 2007, the Justice Court of State of São Paulo deduced to accept the argument presented by the shareholders, whose objective was to nullify the decisions taken in the Ordinary Shareholders’ General Meeting of Fosfertil shareholder, Fertifos Administração e Participação S.A., on April 27, 2006. As a consequence of such decision, the corporate and operating reorganization remains in discussion, involving Fosfertil and Bunge Fertilizantes S.A.

Fosfertil’s management will seek for legal actions to implement the proposed reorganization and will keep its shareholders and the market informed about the related developments.

3. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with Brazilian accounting practices and standards from the Brazilian Securities Commission (CVM), and are consistent with the financial statements audited on December 31, 2006.

With the objective of presenting information provided to the market better, the Company is presenting the following supplementary information with respect to the parent company and the consolidated financial statements:

a) Statements of cash flows

Prepared in accordance with NPC No. 20, "Statement of Cash Flows", issued by IBRACON (Brazilian Institute of Independent Auditors), considering the main operations that influenced its cash and cash equivalents - see Appendix I.

b) Statements of added value

Prepared in accordance with the Guidance Opinions No. 15/87 and No. 24/92 and Circular Notice No. 01/00 of CVM. The used template is proposed by NBCT No. 3.7 of Federal Accounting Council (CFC), which has the objective of demonstrating the value of the wealth generated by the Company and its distribution among its employees, government, external funds and shareholders - see Appendix II.

4. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

a) Income and expenses

Income and expenses are recognized on the accrual basis.

Revenue is recognized when risk and title to the product transfer to the customer, which generally occurs at the time the shipment is made. No revenue is recognized if there is a significant uncertainty as to its realization.

b) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are recorded based on exchange rates at the balance sheets dates. The differences due to currency conversion were recognized in the statement of operations.

c) Use of estimates

The accounting estimates were based on objective and subjective factors, based on management's judgment to determining the adequate value to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the residual value of property, plant and equipment, provision for doubtful accounts, inventories and deferred tax assets and liabilities, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions at least each quarter.

d) Current and noncurrent assets

Cash and cash equivalents

Temporary cash investments are stated at cost plus interest earned through the balance sheet dates.

Allowance for doubtful accounts

The allowance for doubtful accounts was calculated at an amount considered sufficient to cover any losses arising on collection of accounts receivable.

Inventories

Inventories are stated at the average acquisition and/or production cost, or market value, if lower. The imports in transit are stated at the incurred cost until the date of the financial statements. The provision for losses was calculated to obsolete inventory based on related analysis.

Other current and noncurrent assets

Stated at the net realization value.

e) Permanent assets

Investments

Investment in wholly-owned subsidiary Ultrafertil S.A. is valued using the equity method, less negative goodwill to be amortized. Other permanent investments were valued at acquisition cost, less a provision for devaluation, when deemed as necessary.

Fixed assets

Recorded at the cost of acquisition or construction increased by the revaluation performed in 1986. Depreciation is provided using the straight-line method at rates described in Note 14, and take into account the estimated useful lives of the corresponding assets.

Since March 2006, in compliance with Circular Notice CVM/SEP No. 2/06, CVM Deliberation No. 189/05 and item 13 of NPC No. 22 of IBRACON, the Company adopted as accounting practice to record the incurred costs of programmed stoppage for maintenance for the property, plant and equipment under the caption "Machinery, equipment and facilities". These stoppages occur on programmed periods from one to three years and the respective costs are depreciated until the beginning of the subsequently corresponding stoppage.

Intangible

Recorded at cost of acquisition. Depletion is calculated based on production compared to the mineral rights balance.

Deferred charges

Recorded at purchase and formation cost, less amortization, which is calculated by the straight-line method at rates that consider the useful life of the intangible assets.

f) Current and noncurrent liabilities

Stated at the known amounts or estimated, according to the exchange rates or index and interest rates specified in the agreements in force, to reflect amounts accrued up to the balance sheet dates.

g) Provisions

Provisions are recorded by management considering objective and subjective factors, representing the best estimates of the obligation recorded in the financial statements.

h) Income and social contribution taxes

The income and social contribution taxes, current and deferred, are calculated based on the effective taxable income rates on net income. The deferred tax assets related to temporary differences were recorded in accordance with CVM Instruction No. 371/02.

i) Pension plan and post-retirement benefits to employees

The sponsorship costs of the pension plan and post-retirement benefits and eventual deficits (surpluses) of the plan are recorded in compliance with CVM Deliberation No. 371/00 and NPC No. 26 of IBRACON.

j) Reclassifications

Certain no relevant balances of the prior year financial statements were reclassified to be presented consistent with the current year financial statements.

## 5. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with the technical criteria described in CVM Instruction No. 247/96 and include the accounts of the wholly-owned subsidiary Ultrafertil S.A. and its controlled UF Distribuidora de Combustíveis Ltda.

	Interest percentage - %	
	<u>2007</u>	<u>2006</u>
Ultrafertil S.A.	100.00	100.00
UF Distribuidora de Combustíveis Ltda.	99.00	99.00

Description of the main consolidation procedures:

- a) Elimination of intercompany assets and liabilities account balances.
- b) Elimination of investment in the wholly-owned subsidiary's capital, reserves and retained earnings.
- c) Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions.

Accounting policies were consistently adopted throughout the consolidated companies, and according to prior year presentation, as well.

The financial statements of the wholly-owned subsidiary Ultrafertil S.A. and its controlled UF Distribuidora de Combustíveis Ltda. are examined by the same independent auditors of the parent company.

Reconciliation of the net income for the year and shareholders' equity is shown as follows:

	Net income		Shareholders' equity	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Parent company	450,733	226,874	1,445,396	1,254,136
Elimination of income earned (to be earned) by the parent company in sales of inventory to wholly-owned subsidiary, net of taxes	<u>(6,743)</u>	<u>2,127</u>	<u>(7,081)</u>	<u>(338)</u>
Consolidated	<u>443,990</u>	<u>229,001</u>	<u>1,438,315</u>	<u>1,253,798</u>

## 6. SHORT-TERM INVESTMENTS

The short-term investments are represented by the following items, indexed by the interbank certified deposits (CDI):

	Interest rate	Company		Consolidated	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bank deposit certificates (CDB)	100% to 101.2% of CDI	139,460	19,710	204,314	25,872
Debentures - committed operation		<u>325,087</u>	<u>22,544</u>	<u>587,780</u>	<u>26,580</u>
		<u>464,547</u>	<u>42,254</u>	<u>792,094</u>	<u>52,452</u>

## 7. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current:				
Trade accounts receivable	11,061	10,025	58,716	56,692
Allowance for doubtful accounts	<u>(234)</u>	<u>-</u>	<u>(4,253)</u>	<u>-</u>
Total	<u>10,827</u>	<u>10,025</u>	<u>54,463</u>	<u>56,692</u>
Noncurrent:				
Trade accounts receivable	8,200	9,342	15,611	18,639
Allowance for doubtful accounts	<u>(5,544)</u>	<u>(5,319)</u>	<u>(11,491)</u>	<u>(8,044)</u>
Total	<u>2,656</u>	<u>4,023</u>	<u>4,120</u>	<u>10,595</u>

## 8. INVENTORIES

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current:				
Finished products	106,350	72,759	184,990	107,875
Raw materials	9,085	14,109	16,618	19,824
Auxiliary materials	5,478	6,280	35,366	36,850
Spare parts	14,000	18,048	27,961	36,386
Imports in transit	<u>15,055</u>	<u>16,928</u>	<u>26,720</u>	<u>27,482</u>
	<u>149,968</u>	<u>128,124</u>	<u>291,655</u>	<u>228,417</u>
Noncurrent-				
Spare parts	<u>31,001</u>	<u>59,108</u>	<u>97,814</u>	<u>156,330</u>

## 9. RECOVERABLE TAXES

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current:				
Recoverable taxes (PIS and COFINS) (a)	13,193	12,156	19,929	17,233
Income and social contribution taxes	-	33,525	-	33,557
Withholding tax on interest earned on short-term investments	-	1,192	-	1,192
Value-added taxes (ICMS) (b)	31	-	655	5,511
Other	-	<u>29</u>	-	<u>29</u>
	<u>13,224</u>	<u>46,902</u>	<u>20,584</u>	<u>57,522</u>
Noncurrent:				
Recoverable taxes (PIS and COFINS) (a)	2,152	5,748	5,370	8,536
Value-added taxes (ICMS) (b)	61,229	66,777	161,641	141,737
Valuation allowance	(43,606)	(13,436)	(87,896)	(28,594)
Tax credits - PIS (c)	-	<u>14,647</u>	-	<u>14,647</u>
	<u>19,775</u>	<u>73,736</u>	<u>79,115</u>	<u>136,326</u>

- (a) PIS and COFINS (taxes on revenues) credits noncumulative for compensation purposes.
- (b) Amount of ICMS credits originated from acquisition of materials that were incorporated into permanent assets and credits to compensate in subsequent periods.
- (c) PIS credits related to over payment of PIS with lawsuit for unconstitutionality of Laws No. 2,445/88 and No. 2,449/88 declared by Federal Supreme Court (STF), whose effects were discontinued by Federal Senate Resolution No. 49/95.

## 10. JUDICIAL DEPOSITS

The Company maintains amounts of judicial deposits, which are in several levels, expecting for definitive decision of the corresponding lawsuits. Some judicial deposits amounts, when intrinsically related to provision for contingencies, were reclassified and are presented by their net value, in compliance with CVM Deliberation No. 489/05. Judicial deposits with no relation to provision for contingencies are presented as follows:

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Civil	727	727	1,172	1,172
Tax:				
Federal:				
PIS and COFINS	3,168	17,179	20,444	34,455
SAT	611	449	2,085	1,610
Other	1,457	1,619	6,095	9,375
State	<u>4,324</u>	<u>4,324</u>	<u>6,150</u>	<u>6,085</u>
	<u>10,287</u>	<u>24,298</u>	<u>35,946</u>	<u>52,697</u>

## 11. DEFERRED INCOME TAXES

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values. Management considers realizable these values in the proportion of the resolution of the contingencies, settlement of the pension plan projected obligations, as well as other provisions.

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:				
Current:				
Allowance for doubtful accounts	79	-	1,446	-
Other	<u>1,045</u>	<u>1,457</u>	<u>2,805</u>	<u>4,274</u>
	<u>1,124</u>	<u>1,457</u>	<u>4,251</u>	<u>4,274</u>
Noncurrent:				
Provision for contingencies	25,848	7,222	46,162	19,906
Provision for pension plan - according to Deliberation CVM No. 371/00	2,647	1,796	10,565	6,829
Provision for realization of noncurrent assets	20,558	19,216	42,434	24,370
Exchange rate variation and hedge operations' losses, not realized	7,915	2,734	7,915	2,734
Other	<u>5,051</u>	<u>61</u>	<u>6,342</u>	<u>1,715</u>
	<u>62,019</u>	<u>31,029</u>	<u>113,418</u>	<u>55,554</u>
Liabilities:				
Current-				
Exchange rate variation and hedge operations' gains, not realized	<u>5,666</u>	<u>2,414</u>	<u>7,613</u>	<u>3,150</u>
Noncurrent-				
Incentive accelerated depreciation	<u>-</u>	<u>-</u>	<u>1,065</u>	<u>-</u>

## 12. INVESTMENT IN WHOLLY-OWNED SUBSIDIARY

	Company	
	<u>2007</u>	<u>2006</u>
Information of wholly-owned subsidiary - Ultrafertil S.A.		
Percentage holding	100%	100%
Paid-in capital	397,137	397,137
Shareholders' equity	679,436	621,456
Net income for the year	187,182	172,703
Unearned income on intercompany transactions	1,995	4,308
Rollforward of the investment account:		
At the beginning of year	617,148	465,858
Equity in earnings	189,495	172,227
Prior-year adjustment (CVM Deliberation No. 489/05)	-	39,063
Dividends	<u>(129,172)</u>	<u>(60,000)</u>
At the end of year	677,471	617,148
Negative goodwill to be amortized	<u>(37,792)</u>	<u>(37,792)</u>
	<u>639,679</u>	<u>579,356</u>

Negative goodwill is attributed to other economic reasons (according to article 21, line "c", of CVM Instruction No. 1/78), and, therefore, will be amortized upon sale or write-off of the investment, in compliance with article 14, paragraph 4, of CVM Instruction No. 247/96. In the consolidated financial statements, the negative goodwill was presented under the caption "Deferred income".

## 13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Company				Consolidated	
	<u>2007</u>		<u>2006</u>		<u>2007</u>	<u>2006</u>
	Wholly- -owned subsidiary	Indirect shareholders	Wholly- -owned Subsidiary	Indirect shareholders	Indirect shareholders	Indirect shareholders
Current assets:						
Trade accounts receivable	1,221	181	932	1,646	1,824	7,644
Inventories - loan of products	381	127	13,526	1,032	8,318	1,063
Other credits	<u>31</u>	<u>-</u>	<u>1,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,633</u>	<u>308</u>	<u>15,465</u>	<u>2,678</u>	<u>10,142</u>	<u>8,707</u>
Current liabilities:						
Domestic suppliers	2,215	347	2,400	507	389	695
Foreign suppliers	-	40,875	-	27,392	125,060	65,729
Advances from clients	-	53,133	-	3,559	74,159	11,932
Other liabilities	<u>630</u>	<u>6</u>	<u>3,974</u>	<u>2,378</u>	<u>641</u>	<u>5,560</u>
	<u>2,845</u>	<u>94,361</u>	<u>6,374</u>	<u>33,836</u>	<u>200,249</u>	<u>83,916</u>
Purchases	36,002	72,680	45,783	54,947	210,634	159,728
Sales	116,643	655,275	68,488	525,002	1,442,865	1,166,791
Interest income	9	-	344	-	-	-
Interest expenses	-	-	(147)	-	-	-
Financial expenses	-	(319)	-	(786)	(337)	(966)

The transactions with related parties are concentrated in sales of services and products of normal line of production to indirect shareholders. These operations are performed at same prices that are used with same purchase capacity customers.

The Company and its wholly-owned subsidiary entered into financing export operations in the equivalent amount of US\$23 millions, which are based in export receivables acquired in the market. Products from related parties were acquired to perform the export. The difference between the purchase and sale of these products are related to the performance of the financing, and it is classified as financial expenses.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rate - %	Company			
		2007		2006	
		Cost	Depreciation	Net	Net
Buildings and improvements	4	380,275	(249,876)	130,399	144,835
Equipments and facilities	10 to 20 (a)	593,956	(337,127)	256,829	287,006
Vehicles	20 and 25	38,634	(33,145)	5,489	9,442
Computer equipment	20	3,952	(2,503)	1,449	2,505
Other	10	<u>2,053</u>	<u>(1,284)</u>	<u>769</u>	<u>866</u>
		<u>1,018,870</u>	<u>(623,935)</u>	394,935	444,654
Cost of nondepreciated items:					
Land				57,769	56,402
Spare parts				259	239
Work in progress				22,729	13,581
Advances to suppliers				<u>22</u>	<u>17</u>
				<u>475,714</u>	<u>514,893</u>

  

	Annual depreciation rate - %	Consolidated			
		2007		2006	
		Cost	Depreciation	Net	Net
Buildings and improvements	4	658,169	(398,723)	259,446	278,065
Equipments and facilities	10 to 20 (b)	1,489,636	(999,977)	489,659	548,928
Vehicles	20 and 25	45,657	(39,528)	6,129	10,182
Computer equipment	20	20,831	(14,993)	5,838	8,323
Other	10	<u>4,993</u>	<u>(3,431)</u>	<u>1,562</u>	<u>1,757</u>
		<u>2,219,286</u>	<u>(1,456,652)</u>	762,634	847,255
Cost of nondepreciated items:					
Land				98,916	68,549
Spare parts				39,056	39,187
Work in progress				74,853	40,640
Advances to suppliers				<u>4,329</u>	<u>4,059</u>
				<u>979,788</u>	<u>999,690</u>

(a) The Company average rate of 11.30%.

(b) Consolidated average rate of 12.03%.

Fixed assets cost rollforward

	Company				
	2006	2007			
	<u>Cost</u>	<u>Additions</u>	<u>Write-off</u>	<u>Transfers</u>	<u>Cost</u>
Buildings and improvements	379,731	-	-	544	380,275
Equipments and facilities	568,271	4,174	(710)	22,221	593,956
Vehicles	37,967	-	(30)	697	38,634
Computer equipment	4,442	-	-	(490)	3,952
Other	<u>2,882</u>	<u>-</u>	<u>(916)</u>	<u>87</u>	<u>2,053</u>
	<u>993,293</u>	<u>4,174</u>	<u>(1,656)</u>	<u>23,059</u>	<u>1,018,870</u>
Cost of nondepreciated items:					
Land	56,402	-	-	1,367	57,769
Spare parts	238	45	-	(24)	259
Construction in progress	13,581	33,550	-	(24,402)	22,729
Advances to suppliers	<u>17</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>22</u>
	<u>70,238</u>	<u>33,600</u>	<u>-</u>	<u>(23,059)</u>	<u>80,779</u>
	<u>1,063,531</u>	<u>37,774</u>	<u>(1,656)</u>	<u>-</u>	<u>1,099,649</u>

	Consolidated				
	2006	2007			
	<u>Cost</u>	<u>Additions</u>	<u>Write-off</u>	<u>Transfers</u>	<u>Cost</u>
Buildings and improvements	651,739	-	(1)	6,431	658,169
Equipments and facilities	1,423,509	6,591	(853)	60,389	1,489,636
Vehicles	45,282	-	(630)	1,005	45,657
Computer equipment	21,200	-	(206)	(163)	20,831
Other	<u>6,969</u>	<u>-</u>	<u>(1,882)</u>	<u>(94)</u>	<u>4,993</u>
	<u>2,148,699</u>	<u>6,591</u>	<u>(3,572)</u>	<u>67,568</u>	<u>2,219,286</u>
Cost of nondepreciated items:					
Land	68,549	29,000	-	1,367	98,916
Spare parts	39,187	2,532	-	(2,663)	39,056
Construction in progress	40,640	100,485	-	(66,272)	74,853
Advances to suppliers	<u>4,059</u>	<u>270</u>	<u>-</u>	<u>-</u>	<u>4,329</u>
	<u>152,435</u>	<u>132,287</u>	<u>-</u>	<u>(67,568)</u>	<u>217,154</u>
	<u>2,301,134</u>	<u>138,878</u>	<u>(3,572)</u>	<u>-</u>	<u>2,436,440</u>

The Company, based on CVM Instruction No. 288/98 and CVM Deliberation No. 183/95, utilized the monetary corrected cost to value its fixed assets. However, it maintained a portion of its assets (land and buildings) at its revalued balance recorded in 1986, which will be realizable through its future operations.

15. INTANGIBLE ASSETS

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Mining rights	13,182	13,182	19,027	19,027
Depletion	<u>(2,095)</u>	<u>(1,971)</u>	<u>(3,853)</u>	<u>(3,643)</u>
	11,087	11,211	15,174	15,384
Rights and concessions	<u>503</u>	<u>503</u>	<u>521</u>	<u>521</u>
	<u>11,590</u>	<u>11,714</u>	<u>15,695</u>	<u>15,905</u>

Depletion is calculated based on production compared to the mineral rights balance.

16. DEFERRED CHARGES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Information technology implementation	452	687	3,606	9,116
Preoperating costs	1,097	1,287	2,202	2,392
Other deferred expenses	<u>1,949</u>	<u>1,927</u>	<u>9,973</u>	<u>8,502</u>
	3,498	3,901	15,781	20,010
Accumulated amortization	<u>(1,680)</u>	<u>(1,371)</u>	<u>(7,712)</u>	<u>(11,055)</u>
	<u>1,818</u>	<u>2,530</u>	<u>8,069</u>	<u>8,955</u>

The annual amortization rate is 20% in the Company and consolidated.

## 17. FINANCING

<u>Type/purpose</u>	<u>Annual financial charges</u>	<u>Company</u>				<u>Consolidated</u>			
		<u>Current</u>		<u>Noncurrent</u>		<u>Current</u>		<u>Noncurrent</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Working capital:									
Unibanco S.A. - compro	103% of CDI	20	-	-	-	22	-	-	-
Banco Itaú S.A. - pre-export finance	4.20% + LIBOR + exchange rate variation	-	-	-	-	-	8,786	-	-
Banco Santander S.A. - pre-export finance	5.65% + exchange rate variation	9,237	11,354	8,857	21,380	9,237	11,354	8,857	21,380
BankBoston S.A. - pre-export finance	5.65% + exchange rate variation	15,733	19,448	7,591	27,489	15,733	19,448	7,591	27,489
For acquisition of fixed assets and investments:									
BNDES (a) - purchase of Ultrafertil S.A.	6.50% + URIGP-M (b) PRO 484	-	91,406	-	-	-	91,406	-	-
Banco do Brasil S.A.	14.00%	-	-	-	-	2,863	2,896	2,817	5,634
Banco BBA	9.00% + URTJLP (c) 314	-	-	-	-	-	1,000	-	-
		<u>24,990</u>	<u>122,208</u>	<u>16,448</u>	<u>48,869</u>	<u>27,855</u>	<u>134,890</u>	<u>19,265</u>	<u>54,503</u>

(a) BNDES: National Bank for Economic and Social Development.

(b) URIGP-M: General Market Price Index Referential Unit.

(c) URTJLP: Long-term Interest Rate Referential Unit.

The portion of financing classified as noncurrent liabilities are due in 2009.

Loans are guaranteed by liens on bank securities, promissory notes and mortgage on own acquired assets.

The financial covenants of the agreements with the banks Santander and BankBoston are calculated based on the consolidated financial statements and are adequately in compliance with balance sheet dates.

## 18. SUPPLIERS

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Suppliers:				
Domestic suppliers	35,691	34,691	114,505	65,309
Foreign suppliers	<u>84,678</u>	<u>41,937</u>	<u>183,555</u>	<u>82,535</u>
	<u>120,369</u>	<u>76,628</u>	<u>298,060</u>	<u>147,844</u>

The Company and its wholly-owned subsidiary import raw materials and other inputs from determined suppliers, which perform “import draft” transactions. In these transactions the suppliers negotiate their receivables with financial institutions, in order to collect in advance their sales to the Company and its wholly-owned subsidiary, who ultimately turn out to be debtors to the financial institution. The average terms for these operations are 360 days (180 days in 2006).

## 19. PROVISION FOR CONTINGENCIES

The Company and its wholly-owned subsidiary are involved in lawsuits which are in several levels. Management established provisions in amounts considered sufficient to cover probable losses arising from these claims for the lawsuits with a low probability of a favorable outcome based on the legal counsel’ opinion.

	Company					
	2007			2006		
	<u>Escrow deposits</u>	<u>Contingencies Provision</u>	<u>Net</u>	<u>Escrow deposits</u>	<u>Contingencies Provision</u>	<u>Net</u>
Labor and civil	11,079	56,226	45,147	11,302	51,856	40,554
Tax claims:						
Federal:						
IR and CSLL (a)	-	225	225	-	-	-
COFINS (c)	7,822	8,028	206	-	7,838	7,838
INSS (d)	-	919	919	-	759	759
Other	2,899	4,048	1,149	2,625	3,485	860
State (e)	-	<u>6,579</u>	<u>6,579</u>	-	<u>385</u>	<u>385</u>
	<u>21,800</u>	<u>76,025</u>	<u>54,225</u>	<u>13,927</u>	<u>64,323</u>	<u>50,396</u>

	Consolidated					
	2007			2006		
	Escrow deposits	Contingencies		Escrow deposits	Contingencies	
	Provision	Net		Provision	Net	
Labor and civil	16,526	84,646	68,120	16,893	78,121	61,228
Tax claims:						
Federal:						
IR and CSLL (a)	3,127	72,674	69,547	3,127	64,365	61,238
SAT (b)	7,940	7,940	-	7,940	7,940	-
COFINS (c)	7,822	8,028	206	-	7,838	7,838
INSS (d)	3,773	18,932	15,159	486	1,245	759
Other	3,709	5,250	1,541	4,364	5,669	1,305
State (e)	-	7,054	7,054	-	811	811
	<u>42,897</u>	<u>204,524</u>	<u>161,627</u>	<u>32,810</u>	<u>165,989</u>	<u>133,179</u>

Lawsuits rollforward

	Company			
	2006	2007		Ending balance
	Beginning balance	Additions to the provision, net of reversion	Payment	
Labor and civil	51,856	17,687	(13,317)	56,226
Tax claims:				
Federal:				
IR and CSLL (a)	-	225	-	225
COFINS (c)	7,838	190	-	8,028
INSS (d)	759	160	-	919
Other	3,485	563	-	4,048
State (e)	385	6,194	-	6,579
	<u>64,323</u>	<u>25,019</u>	<u>(13,317)</u>	<u>76,025</u>

	Consolidated			
	2006	2007		Ending balance
	Beginning balance	Additions to the provision, net of reversion	Payment	
Labor and civil	78,121	21,674	(15,149)	84,646
Tax claims:				
Federal:				
IR and CSLL (a)	64,365	8,309	-	72,674
SAT (b)	7,940	-	-	7,940
COFINS (c)	7,838	190	-	8,028
INSS (d)	1,245	17,687	-	18,932
Other	5,669	2,765	(3,184)	5,250
State (e)	811	6,243	-	7,054
	<u>165,989</u>	<u>56,868</u>	<u>(18,333)</u>	<u>204,524</u>

- (a) Ordinary lawsuit with preliminary injunction related to the deductibility of social contribution (CSLL) in income tax (IR) calculation basis and at its own calculation basis (Law No. 9,316/96) and declaratory action related to the extinguishment of balance sheet monetary correction.

In 2007, the Company recorded a provision related to the charges of income tax, due to the compensation with net operating losses in the computation of taxable income of 1995 fiscal year, according to Law No. 8,981/95, article 42, and Law No. 9,065/95, article 12.

- (b) Injunction in opposition to the defined criteria of risk degree of labor accident insurance (SAT).
- (c) Divergence of monetary actualization index used to the FINSOCIAL credit balance which was compensated with COFINS. The over compensation difference is being discussed in a tax foreclosure lawsuit.
- (d) Tax notice issued by National Institute of Social Security (INSS) related to the social security legislation.
- (e) In the State level, these claims are related to the incidence of ICMS.

#### Other lawsuits

There are other proceedings assessed by the Company's legal counsel as being a possible risk, for which no provision was recorded considering that Brazilian accounting practices do not require it to be recorded in the accounting, as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Labor and civil	7,045	15,077	54,405	58,719
Tax	<u>14,718</u>	<u>2,806</u>	<u>54,705</u>	<u>57,314</u>
	<u>21,763</u>	<u>17,883</u>	<u>109,110</u>	<u>116,033</u>

## 20. PENSION PLANS AND POST-RETIREMENT BENEFITS TO EMPLOYEES

By intermediation of PETROBRAS Social Security Foundation - PETROS, the wholly-owned subsidiary Ultrafertil S.A. maintains a supplemental defined benefit plan for the benefits provided by the Government Social Security, for employees hired before September 1993. This plan has 1,720 members from the subsidiary, where 1,439 of them are currently receiving retirement or pension supplements. During the year, Ultrafertil S.A. contributed to PETROS in the amount of R\$2,572 (R\$2,761 in 2006).

Since October 2001, the Company and its wholly-owned subsidiary Ultrafertil S.A. implemented a supplemental defined contribution plan for the benefits provided by the official social security. This plan is managed by Bradesco Previdência e Seguros S.A. In 2007, the contributions to the Bradesco Previdência e Seguros S.A. amounted to R\$1,058 (R\$1,384 in 2006), where R\$270 (R\$356 in 2006) refers to the parent company and R\$788 (R\$1,028 in 2006) to the wholly-owned subsidiary. In the wholly-owned subsidiary, this plan just includes the nonattended employees by PETROS.

The payroll contribution rate for the Bradesco Previdência e Seguros S.A. plan is 0.94% and 1.75%, parent company and the wholly-owned subsidiary, respectively, over affiliated employees wages to this plan, and 12.93% over affiliated employees wages of the wholly-owned subsidiary to the PETROS plan.

The Company and its wholly-owned subsidiary pay to employees that are eligible a fine related to government severance indemnity fund for employees (FGTS), according to the agreement with labor union.

For part of the retired employees, who are eligible, the Company and its wholly-owned subsidiary offer benefits related to medical assistance.

The position of the actuarial liabilities as of December 31, 2006, calculated based on an independent actuarial report, is as follows:

<u>Actuarial liability</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Present value of actuarial obligations	(21,665)	(21,985)	(640,737)	(592,123)
Fair value of the plan's assets	<u>794</u>	<u>590</u>	<u>609,684</u>	<u>532,736</u>
	(20,871)	(21,395)	(31,053)	(59,387)
Unrecognized actuarial gains (losses)	2,076	5,660	(16,077)	2,691
Unrecognized past service cost	<u>11,751</u>	<u>12,448</u>	<u>37,500</u>	<u>39,923</u>
Net liabilities in the balance sheet	<u>(7,044)</u>	<u>(3,287)</u>	<u>(9,630)</u>	<u>(16,773)</u>
Amounts in the balance sheet-				
Liabilities	<u>(7,785)</u>	<u>(5,282)</u>	<u>(31,074)</u>	<u>(20,084)</u>

The Company and its wholly-owned subsidiary Ultrafertil S.A. do not recognize assets originated from part of its plans in amount of R\$741 related to the parent company and R\$20,705 related to the wholly-owned subsidiary. According to CVM Deliberation No. 371/00, when the result of the actuarial calculation is an asset, it will be only recognized when reduce the sponsor's contributions or it will be reimbursable in the future.

The actuarial report was prepared based on October 31, 2007 financial statements provided by PETROS.

The composition of the actuarial liability is as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Accumulated service cost-				
Actuarial liability:				
Interest on obligation	2,226	1,550	61,559	61,943
Expected return on the plan's assets	(88)	(73)	(72,081)	(75,555)
Loss amortization	243	190	669	678
Service cost amortization	697	256	2,423	706
Current service	1,434	1,022	7,254	6,042
Employees' contribution	<u>-</u>	<u>-</u>	<u>(1,560)</u>	<u>(1,716)</u>
	<u>4,512</u>	<u>2,945</u>	<u>(1,736)</u>	<u>(7,902)</u>
Actual return on the plan's assets	<u>81</u>	<u>25</u>	<u>106,774</u>	<u>61,973</u>

Changes in the net liability recognized in the balance sheet are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net liability at beginning of year	(5,282)	(3,889)	(20,084)	(35,075)
Net (expense) income recognized in the statement of income	(2,820)	(4,940)	(13,452)	4,591
Contributions paid	<u>317</u>	<u>3,547</u>	<u>2,462</u>	<u>10,400</u>
Net liability at end of year	<u>(7,785)</u>	<u>(5,282)</u>	<u>(31,074)</u>	<u>(20,084)</u>

The main actuarial assumptions used by actuary are presented below:

<u>Actuarial evaluation method</u>	<u>Nominal rates</u>
Discount rate	10.24% per year
Expected return on the plan's assets	10.72% per year
Future inflation rate	4.00% per year
Projected increase rate of employees' salary - until 47 years	6.08% per year
Projected increase rate of employees' salary - after 48 years	4.00% per year
Projected increase of medical costs	8.16% per year
Mortality ratio	AT-2000

The PETROS plan's assets are basically made of fixed rate investments (58.12%), variable rate investments (28.76%), real estate (5.95%) and loans to participant (7.17%).

The amounts recorded by the Company and its wholly-owned subsidiary were calculated by independent actuary, and its actuarial report is dated on January 11, 2008.

## 21. SHAREHOLDERS' EQUITY - PARENT COMPANY

### a) Capital

Subscribed and paid-in capital is represented by 106,606,367 shares, with no par value, of which 36,080,022 are common shares and 70,526,345 are preferred shares, where the preferred shares have no voting rights.

On April 28, 2006, the 83<sup>rd</sup> Ordinary and Extraordinary Shareholders General Meeting approved management proposals to perform the capital increase in amount of R\$180,000, from R\$540,000 to R\$720,000, through the transfer of profit retention reserves, without issuing new shares.

The preferred shares are entitled to a dividend per share, which is 10% higher than the dividend per common share, provided that the dividends are paid from earnings derived after the effective date of Law No. 9,457/97. Preferred shares have priority for the return of capital, without premium.

b) Revaluation reserve

A portion of the reserve, proportional to the depreciation of the revalued assets, was realized through the reversal of retained earnings. Out of the balance of this reserve, R\$24,913 corresponds to revaluation of land, which can only be reversed to retained earnings upon the eventual sale of the revalued land.

As described in CVM Instruction No. 197/93, tax charges on the revaluation reserve, which amount to R\$8,817 as of December 31, 2006 (2006 - R\$9,945), are recognized in the statements of income proportionally to the realization of the revaluation reserve.

c) Treasury shares

The Company's Administrative Council approved, in May 2006, the acquisition of until 2,300,000 preferred shares that it has issued, to maintain as treasury shares and for future sale or cancellation.

In July 2007, the program of acquisition of own shares was renewed until 1,900,000 preferred shares to maintain as treasury shares and for future sale or cancellation. The term expires on July 24, 2008.

December 31, 2007 position is presented below:

Class	Acquired quantity (unit)	Acquisition cost			Market value as of December 31, 2007		
		Minimum	Average	Maximum	Minimum	Average	Closing
PN	347,800	21.09	22.13	22.19	78.89	79.05	79.68

d) Dividends

To the shareholders are guaranteed a minimum obligatory dividend of 25% of the net income for the year, after constitution of the legal reserve.

Minimum obligatory dividend:

Net income for the year	450,733
Legal reserve constitution	(22,537)
Realization of revaluation reserve	<u>3,317</u>
Calculation basis	<u>431,513</u>
Minimum obligatory dividend - 25%	<u>107,878</u>

Dividends paid and proposed in 2007

	Per share		Total
	<u>Common shares</u>	<u>Preferred shares</u>	
Interest on shareholders' equity as part of the minimum obligatory dividend for 2007 (see Note 22)	0.67	0.74	<u>76,106</u>
Proposed dividends:			
Additional portion of minimum obligatory dividends	0.28	0.31	31,772
Distribution from the profit retention reserve	<u>1.34</u>	<u>1.47</u>	<u>151,595</u>
	<u>1.62</u>	<u>1.78</u>	<u>183,367</u>
			<u>259,473</u>

e) Profit retention reserve

In observance to article 196 of the Brazilian Corporation Law (Law No. 6,404/76), it will also be proposing the withholding of the remaining net income for the year, in the amount of R\$580,019, to attend the capital budget for 2008, as well as the Company's working capital, considering the seasonableness of the fertilizer market.

22. INTEREST ON SHAREHOLDERS' EQUITY

In accordance with the option provided in Law No. 9,249/95, the Company computed interest on shareholders' equity of R\$76,106 (R\$82,481 in 2006) by using the benchmark interest rate (TJLP) in effect for the year. This interest was recorded under financial expenses, as required by tax legislation. For the purposes of these financial statements, this interest was eliminated from the financial expenses for the year and was charged to retained earnings and credited to current liabilities.

Income and social contribution taxes for the year decreased by approximately R\$25,876 (R\$28,044 in 2006) as a result of the deduction of these taxes on interest on shareholders' equity.

## 23. FINANCIAL RESULT, NET

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Financial income:				
Interest earned on short term investments	27,313	4,266	47,412	9,289
Exchange rate variation	4,342	1,352	4,342	1,821
Interest	126	1,019	708	2,923
Other	<u>4,732</u>	<u>9,751</u>	<u>6,588</u>	<u>12,321</u>
	<u>36,513</u>	<u>16,388</u>	<u>59,050</u>	<u>26,354</u>
Financial expenses:				
Interest	(4,503)	(15,024)	(6,141)	(20,132)
Monetary variation	(1,356)	(5,358)	(1,358)	(5,357)
Exchange rate variation	11,523	(440)	30,468	3,959
Other	<u>(5,730)</u>	<u>(12,219)</u>	<u>(17,482)</u>	<u>(25,868)</u>
	<u>(66)</u>	<u>(33,041)</u>	<u>5,487</u>	<u>(47,398)</u>
Financial result, net	<u>36,447</u>	<u>(16,653)</u>	<u>64,537</u>	<u>(21,044)</u>

## 24. OTHER OPERATING EXPENSES, NET

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Expenses with contingencies	(25,776)	(33,576)	(53,231)	(26,175)
Provision for PIS credit	(14,648)	-	(14,648)	-
Programmed maintenance (a)	(4,526)	(2,603)	(10,240)	(8,514)
Cost of unscheduled stoppage	(5,990)	(9,820)	(22,797)	(22,088)
Pension plans and post-retirement benefits to employees	(2,503)	(1,393)	(10,990)	14,991
Restructuring expenses (b)	-	(4,949)	-	(12,675)
Result on scrap sales, net	(5,989)	1,007	(12,477)	2,422
Expenses with technology innovation (c)	(2,303)	-	(5,465)	-
Other	<u>7,939</u>	<u>(2,845)</u>	<u>(2,999)</u>	<u>(7,646)</u>
	<u>(53,796)</u>	<u>(54,179)</u>	<u>(132,847)</u>	<u>(59,685)</u>

- (a) Programmed maintenance costs, related to fixed structural costs and non permitted capitalized costs in accordance to Circular Notice CVM/SEP No. 2/06, CVM Deliberation No. 489/05 and item 13 of NPC No. 22 of IBRACON.
- (b) Expenses originated from performed alterations of the Company's management and financial reorganization plan to optimize its personnel.
- (c) Expenses with technology innovation, according to article 10 of Decree No. 5,798/06, which regularized articles 17 to 26 of Law No. 11,196/05.

## 25. INCOME AND SOCIAL CONTRIBUTION TAXES

The reconciliation between the nominal and effective income tax and social contribution can be shown as follows:

	Company		Consolidated	
	2007	2006	2007	2006
Income before income and social contribution taxes	547,681	217,027	634,215	309,302
Income and social contribution taxes at the rate of 34%	(186,212)	(73,789)	(215,633)	(105,163)
Reconciliation:				
Equity pick-up	64,428	58,557	-	-
Effect of the exclusion of interest on shareholders' equity	25,876	28,044	25,876	28,044
Effect of the exclusion of depreciation of revaluated assets	(1,128)	(1,128)	(1,128)	(1,128)
Permanent exclusions	(571)	(1,837)	(808)	(2,254)
Tax benefits:				
PAT	189	-	353	200
Technology innovation - Law No. 11,196/05	<u>470</u>	<u>-</u>	<u>1,115</u>	<u>-</u>
Income and social contribution taxes	<u>(96,948)</u>	<u>9,847</u>	<u>(190,225)</u>	<u>(80,301)</u>
Income and social contribution taxes:				
Current	(124,354)	(310)	(242,541)	(84,354)
Deferred	<u>27,406</u>	<u>10,157</u>	<u>52,316</u>	<u>4,053</u>
	<u>(96,948)</u>	<u>9,847</u>	<u>(190,225)</u>	<u>(80,301)</u>

## 26. FINANCIAL INSTRUMENTS

## a) General consideration

The Company and its wholly-owned subsidiary performed swap and forward operations with the objective of hedging itself against exposure in foreign currency. Additionally, temporary cash excesses are applied in line with treasury policies which were periodically revalued.

Management of these instruments is performed through operating strategies, aiming at marketability, profitability and security. The control policy consists of permanently accompanying the agreed rates versus those in force on the market. The Company and its wholly-owned subsidiary do not invest in derivatives or any other risk assets on a speculative basis.

## b) Market value

The book values of Company and its wholly-owned subsidiary's financial instruments reflect their market values. The market values of these financial instruments were obtained through calculating their present value, considering the interest rates practiced on the market for operations of similar terms and risks. In relation to the financing, the characteristics of which are disclosed in Note 16, the book value is equivalent to their market value.

## c) Foreign exchange exposure

The Company and its wholly-owned subsidiary have contracted financial operations with derivatives, aiming to protect its exposure to foreign currencies, arising from the acquisition of raw materials and financing contracts, for the purpose of expansion of its industrial activities.

The foreign exchange rate is mainly related to the U.S. dollar, as follows:

	Company		Consolidated	
	2007	2006	2007	2006
Assets:				
Inventory, net of sales commitments	116,532	114,485	241,378	222,004
Financial instruments for protection of exchange rate variation	35,469	38,519	35,469	47,801
Liabilities:				
Financing	41,418	79,671	41,418	88,457
Suppliers	84,678	41,937	183,555	82,536
Foreign exchange exposure	25,905	31,396	51,874	98,812

## d) Short-term investments

Performed in financial institutions indicated by specialized evaluation companies (see Note 6).

## e) Investments

The wholly-owned subsidiary Ultrafertil S.A. is a private-held company and, therefore, there is no available information on its market value.

## 27. INSURANCE COVERAGE

The Company and its wholly-owned subsidiary maintain standard programs of security, training, environment, and quality in all of its plants, which, among other benefit, aim the reduction of the risk of accidents. Besides of that, the Company hired insurance coverage under specialists orientation, taking into consideration the nature and the risk level of the Company's operations, which are considered sufficient to cover significant losses of its assets and responsibilities. The risk assumptions, due to its nature, are not part of the scope of the audit performed by the independent auditors, hence were not examined by them.

As of December 31, 2007, insurance coverage amounts are demonstrated as follows:

<u>Modality</u>	<u>Company</u>	<u>Consolidated</u>
Civil responsibilities	35,426	35,426
Operating risks/material damages	1,572,345	3,557,396
Break in future profits	<u>383,337</u>	<u>918,151</u>
	<u>1,991,108</u>	<u>4,510,973</u>

28. AMENDMENT TO BRAZILIAN CORPORATE LAW FROM JANUARY 1, 2008

On December 28, 2007, Law No. 11,638 was enacted that alters, revokes and adds new provisions to the Brazilian Corporate Law, especially with respect to chapter XV Fiscal Year and Financial Statements, such law will be applicable from January 1, 2008. Law No. 11,638/07 was designed primarily to update accounting practices as contemplated in Brazilian Corporate Law so as to enable the convergence of Brazilian accounting practices with accounting standards generally accepted in the international capital markets and contemplates broad changes to accounting practices generally accepted in Brazil as they relate to statutory accounting practices and procedures. The Law also allows the CVM to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards. The changes and requirements introduced by the Law are effective for fiscal years beginning on or after January 1, 2008. Certain of these changes shall be applied as of the beginning of the Company's fiscal year while others are, and will be, subject to additional interpretation and regulation by applicable regulatory agencies and accounting standards bodies in Brazil.

As a consequence of the changes been recently enacted, and some still be depending on additional regulation from regulatory agencies in Brazil to be applied, the Company's management has not been able to evaluate all the effects that such changes would cause in its financial statements and net profit or losses of following fiscal years.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

FERTILIZANTES FOSFATADOS S.A. FOSFERTIL AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION  
 STATEMENTS OF CASH FLOWS - INDIRECT METHOD  
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
 (Expressed in thousands of Brazilian reais)

	Company		Consolidated	
	2007	2006	2007	2006
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the year	450,733	226,874	443,990	229,001
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	77,698	64,259	162,046	122,825
Result on sale of fixed assets	(349)	(4,788)	(554)	(4,748)
Deferred income and social contribution taxes	(27,406)	(10,157)	(52,316)	(4,053)
Equity pick-up	(189,495)	(172,227)	-	-
Monetary and exchange rate variation and interest	(4,016)	10,176	(3,204)	8,265
Provision for adjustment of market value	62,081	(2,324)	117,200	(47)
Provision for contingencies	25,019	29,773	56,868	21,176
Provision for pension plans and post-retirement benefits to employees	2,503	1,393	10,990	(14,991)
Dividends received from subsidiary	35,256	177,574	-	-
Changes in assets and liabilities:				
Decrease in accounts receivable	107	3,032	482	5,226
Decrease (increase) in recoverable taxes	42,821	(185)	20,199	(4,814)
(Increase) decrease in inventories	(10,595)	71,346	(41,629)	123,874
Decrease (increase) in other assets	14,341	(57,157)	8,495	(79,784)
Increase (decrease) in suppliers	43,741	(42,198)	150,216	(80,923)
Increase (decrease) in other accounts payable and provisions	69,882	(60,752)	100,641	(92,558)
Increase (decrease) in income and social contribution taxes	62,522	-	94,342	(7,676)
(Decrease) increase in other liabilities	(17,647)	67,181	(22,803)	76,411
Net cash provided by operating activities	<u>637,196</u>	<u>301,820</u>	<u>1,044,963</u>	<u>297,184</u>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchases of property, plant and equipment	(37,804)	(33,791)	(141,325)	(98,605)
Purchases of shares	-	(7,699)	-	(7,699)
Proceeds from sale of fixed assets	470	5,271	831	5,613
Net cash used in investment activities	<u>(37,334)</u>	<u>(36,219)</u>	<u>(140,494)</u>	<u>(100,691)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Dividends and interest on shareholders' equity paid	(76,106)	(144,993)	(76,106)	(144,993)
Proceeds from loans	121	155,985	121	340,997
Principal payments on loans	(117,672)	(300,200)	(129,976)	(506,179)
Interest paid on loans	(8,072)	(18,678)	(9,214)	(23,806)
Net cash used in financing activities	<u>(201,729)</u>	<u>(307,886)</u>	<u>(215,175)</u>	<u>(333,981)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>398,133</u>	<u>(42,285)</u>	<u>689,294</u>	<u>(137,488)</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>				
At beginning of year	67,057	109,342	104,666	242,154
At end of year	465,190	67,057	793,960	104,666
CHANGES IN CASH AND CASH EQUIVALENTS	<u>398,133</u>	<u>(42,285)</u>	<u>689,294</u>	<u>(137,488)</u>

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

FERTILIZANTES FOSFATADOS S.A. FOSFERTIL AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION  
 STATEMENTS OF ADDED VALUE  
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
 (Expressed in thousands of Brazilian reais)

	Company		Consolidated	
	2007	2006	2007	2006
<b>REVENUES</b>				
Products and services sales	1,156,935	882,427	2,686,888	2,274,606
Allowance for doubtful accounts	(458)	(4)	(7,604)	(96)
Nonoperating result	352	3,474	1,875	2,543
	<u>1,156,829</u>	<u>885,897</u>	<u>2,681,159</u>	<u>2,277,053</u>
<b>INPUTS ACQUIRED FROM THIRD PARTIES</b>				
Raw material consumed	272,286	269,413	653,387	628,011
Cost of goods sold and services rendered	83,794	180,845	478,889	566,399
Material, electricity, third-party services and other	301,745	224,874	500,663	360,577
	<u>657,825</u>	<u>675,132</u>	<u>1,632,939</u>	<u>1,554,987</u>
<b>GROSS ADDED VALUE</b>	<u>499,004</u>	<u>210,765</u>	<u>1,048,220</u>	<u>722,066</u>
<b>RETENTIONS</b>				
Depreciation, amortization and depletion	77,698	64,259	162,046	122,825
<b>ADDED VALUE WEALTHY GENERATED BY THE COMPANY</b>	<u>421,306</u>	<u>146,506</u>	<u>886,174</u>	<u>599,241</u>
<b>ADDED VALUE RECEIVED BY TRANSFER</b>				
Equity pick-up	189,495	172,227	-	-
Financial income	36,513	16,388	59,050	26,354
	<u>226,008</u>	<u>188,615</u>	<u>59,050</u>	<u>26,354</u>
<b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>	<u>647,314</u>	<u>335,121</u>	<u>945,224</u>	<u>625,595</u>
<b>ADDED VALUE DISTRIBUTION</b>				
Payroll and related charges	50,682	51,101	186,026	180,001
Tax and contributions	141,922	20,104	305,152	153,293
Rent and interest	3,977	37,042	10,056	63,300
Interest on equity and dividends	259,473	82,481	259,473	82,481
Retained earnings	191,260	144,393	184,517	146,520
	<u>647,314</u>	<u>335,121</u>	<u>945,224</u>	<u>625,595</u>

\* \* \* \* \*