International Conference Call
JBS
3rd Quarter 2010 Earnings Results
November 12, 2010

Operator: Good morning ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to JBS' 3rd Quarter Earnings conference call. Today we have with us Mr. Joesley Mendonça Batista, CEO; Wesley Mendonça Batista, JBS USA's CEO; Jeremiah O'Callaghan, IR Officer, and Guilherme Arruda, Investor Relations.

We would like to inform you that this call and the slides are being broadcast in the internet at the company's website at www.jbs.com.br/ir, and that the presentation is available to download at the investors information section.

Also, this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After JBS' presentation, we will initiate the Questions and Answers section.

Before proceeding, let me mention that Forward-looking statements are based on the beliefs and assumptions of JBS' management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of JBS and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I willl turn the conference over to Mr. O'Callaghan, the IR Officer. Sir. you may begin your conference.

Jeremiah O'Callaghan: Hello, good morning, thank you very much for joining us today. Good afternoon in Brazil and good morning for most of you. It is our pleasure once again to come to the market today and report our 3Q earnings. Just to go through the agenda briefly we are going to give a short company overview, a short market overview; then we are going to talk a little bit about our results for the quarter and then we are going to have a wrapping up final consideration chapter at the end and I hope all of you have been able to download a presentation that corresponds to this call, because I am going to make reference to the pages and we can follow the presentation as we go through it.

Starting on page 2 of the presentation we have our disclaimer. We would like to bring your attention to that, these are forward-looking statements and they are subject to risks and uncertainties. These statements are based upon beliefs and assumptions of our management and on information currently available to us, so please take note of the disclaimer on page 2 of our presentation he.

We have with us today Joesley Batista, our CEO here in Brazil; Wesley Batista, myself and Guilherme Arruda.

A little bit about the company from page 5 onwards, who we are, our mission and then our values. Our mission firstly I would just read through it briefly: to be the best at what we set out to do, totally focused on our business, ensuring the best products and services for our customers, solidity for our suppliers, satisfactory profitability for our shareholders and the certainty of a better future for all our employees.

And our values are excellence, planning, determination, discipline, availability, openness or frankness and simplicity.

Now moving to slides number 6 and number 7 I am not going to go through this in detail, but I would like to draw your attention to our management team. We have put up these slides in order for people to see what an experienced management team we have. We have many people who have been in the industry for decades, very experienced people and we are very pleased and very proud to have such a strong and experienced team working we at JBS with all the accumulated experience that they rent to the company.

On page 8 we have a breakdown of the shareholders at JBS. The holding company, major shareholder, almost 55%; and we have BNDES (the Brazilian development Bank) with 17%; 18.7% in the market and then there is a Fund with 8% and 1.7% of the shares are in our Treasury Department.

During 3Q10 we had an average daily trade of just over R$ 33 million, something close to US$ 20 million.

On page 9 just again briefly to go through where the company is and what our activities are. We are the largest beef producer in the world with 75 production units globally, with a harvesting capacity of almost 90,000 heads per day and with many well-recognized brands taking this product out to our consumers.

And in the chicken business we are the second largest chicken producer, 33 production units, all of them in North America between the United States, Mexico and Puerto Rico with a total capacity of 7.6 million birds per day and again with brands that are very recognizable to the public.

In the pork business we are the third largest in the US with three production units with a capacity to harvest almost 50,000 hogs per day and again a very good introduced brands in the marketplace in North America.

In the hides and leather business we process not only our own hides, but hides that we purchase from other producers as well. We have 26 high-production facilities, most of them concentrated in Brazil and in the US, but also some in Australia and one in China and the capacity to process more than 90,000 hides per day.

And our dairy business, which is concentrated in Brazil, primarily in the São Paulo region, we have seven production units and we are processing 1,400 tons per day on, again, very recognizable brands on the Brazilian market like Vigor, Leco, Faixa Azul, these brands are very traditional in this sector in Brazil.

And in the lamb business our lamb business is primarily concentrated in Australia, but we also produce lamb meat in the US, a daily harvesting capacity of 27.5 thousand lambs per day in six different facilities, five in Australia and one in the US and we are, as a result, the largest lamb producer on the globe today.

Moving on to page 10 and then page 11, page 10 first, a little bit about our strategy. Many of you might have seen this slide previously, but we would like to go through it briefly. What is our overall long-term strategy we have been constructing at the time when we felt there were opportunities to acquire assets in regions ... low-cost production regions at prices we feel are attractive we built a production platform, most of which we believe is now constructed, and we are concentrating in the next phase of our strategy, which is to enhance our sales and distribution not only in the countries where we produce, but also in the countries to which we export.

And we have been developing many value-added and further processed, industrialized products. At the moment about 25% of our revenues comes from that category of product - that is also something we are working to expand - and obviously we mentioned our brands earlier, there are many opportunities for us as we further process and customize our products to put our brands on them as we move forward.

A little bit about our distribution. On page 11 we have our distribution centers, there are more than 50 of them around the globe and our regional sales offices and through these distribution centers we have been growing our customer base quite substantially - you will see some numbers regarding our customer base later on - but most of these customers are being reached through these distribution centers we have around the globe.

Our market overview is Just to ensure where we feel our market is in terms of dynamics of supply and demand and firstly on slide 13 when we look back at the last decade it is very interesting to see where we have had animal protein consumption growth in South America, and Africa, a major growth in southeast Asia and in the former Soviet Union as well as in the Middle-East.

We were always very focused upon looking at these regions and having penetration in these regions so that we could reach out to more customers and if we look at the next three slides, on 14, 15 and 16 of our presentation, we have taken ... we have broken out the three major proteins and we have taken from one of these investment banks we have taken their numbers for 2020, where they feel the dynamics of the market will be in terms of supply and demand, supply being in blue or surplus being in blue and shortage being in red on all those three nights.

If we look firstly at poultry on page 14 we see that two countries stand out: the US and Brazil as the countries that will produce surplus going into the next decade, going through the next decade and we see short supply in Europe and in the Middle-East and Southeast Asia and Russia. Basically we see the dynamics of international trade around these movements from the surplus regions to the deficitary regions.

With pork North America stands out as the region that has potential to have substantial surplus by 2020 and again we see that particularly in the regions that we classify as emerging economies or the emerging markets we see a growing deficit and again, importantly highlighting the international trade of pork.

And finally beef on page 16 of our presentation and what really stands out on page 16 is Brazil as the one country that will increase its surplus together with Australia and New Zealand and also in North America, but Brazil is the one that stands out, that stands to increase the supply base for the international trade that will exist 10 years from now.

And now to bring that little bit closer to today we just put on slide 17 and 18 a little bit of what happened in the marketplace in the first nine months of 2010 in terms of exports out of Brazil and out of the US and it is just really to consolidate the previous slide we have been looking at. Regardless of the stronger currency Brazil, we see volumes increasing on the beef side more than 10% out of Brazil as a country and prices up almost by 24% in the first nine months of 2010.

In the US also, and this is something we have been talking about and we believe on it quite firmly, the US exports will continue to increase and we are working to diversify the number of countries that we exports to, 23% volume increase year on year in the first nine months of the US, with an 8%+ price increase on top of that volume increase. That is for beef.

And then we look at the next page, we have the dynamics for chicken in exactly the same period, from January to September 2010, comparing with the same period in 2009. Poultry in the US has not performed as well this year, but there is a reason for that, one of the major markets for the poultry was closed up until August of this year and we believe that that trend will definitely turn around as that market has opened up now.

But we see prices increasing. When we look at the Brazilian chicken exports numbers we have seen prices increasing quite substantially in this period of time of almost 14% when we compare to the same period in 2009 and we believe that that trend will continue.

Now I will hand you over to Guilherme to talk about our numbers for the quarter. Guilherme please.

Mr. Guilherme Arruda: Thank you Jerry, good morning everyone. Turning to slide number 20 we highlight here the main numbers for 3Q. Our net revenues reached R$ 14 billion in the period, virtually stable versus the previous quarter, while our Ebitda increased 2.6% on a quarter on quarter comparison and our margins climbed also a little bit to 7.3% this quarter.

The main highlights during this period were JBS Mercosul, where our Ebitda reached R$ 364 million on an Ebitda margin of 10.4% versus 9.5% in the previous quarter, despite challenges that we faced in the quarter such as rising raw materials and FX rate.

JBS USA pork was also a big highlight this quarter, reaching Ebitda of nearly US$ 91 million and a historical margin of 11.8% this quarter, almost twice as high as the margin we had been posting previously.

And our chicken division, as previously reported by Pilgrim's Pride Corp., our Ebitda reached 170 million this quarter. This represents a 33% increase versus the previous quarter and our margins almost at 10% this quarter.

Finally our direct distribution continues to improve. We grew our client base on a global basis by 15% on a quarter to quarter basis reaching almost 350,000 globally.

In the next slide we highlight here a different way of looking at the company, perhaps simpler, just by separating by protein. So our Beef Division this quarter when you add up beef in Mercosul, in the US and in Australia we reached a margin of 5.2%, while pork and chicken here are the same as discussed previously and our other divisions mostly in Brazil such as the dairy business or the leather business reached a margin of 10%.

Also worth highlighting the growth that we have been seeing in exports throughout this year and our customer base evolution, as I said before reaching 350,000 clients globally this quarter versus 200,000 that we had in the beginning of this year.

Flipping over to page 22 again highlighting our net revenues at R$ 14 billion this quarter, virtually stable versus the previous quarter and Ebitda and Ebitda margin evolution that we have been seeing gradually climbing on a quarter on quarter comparison.

Going to page 23 we highlight each of the divisions: so on JBS Mercosul again we saw virtually flat net revenues in the quarter, but an Ebitda growth of almost 9% as our margins expanded from 9.5 to 10.4% for this quarter. On JBS USA beef we also saw some mild increase in net revenues, while our Ebitda margin contracted to 3.1% on rising input costs specifically in the month of August. We see now the situation normalized again and we feel that we can in the next quarter, 4Q, go back to the previous profitability level that we were obtaining.

On JBS pork I would say probably the main highlight in the quarter we continued to increase our revenues sequentially and also our Ebitda margin improved a lot reaching a historical margin of 11.8% and Ebitda of 91 million.

And finally JBS USA chicken where sales have been fairly constant, but margins have been gradually improving and reaching almost 10% this quarter.

Flipping over to page 24 we have a breakdown of our revenues by market. This graph has not changed much from the previous quarter to this and basically we see USA Beef still at around 40% of our revenues, pork at around 10%, US Chicken a little above 20%, while Mercosul represents nearly 1/4 of all revenues.

On the next page Ebitda distribution - this changed a lot this quarter, mainly because we saw some contraction in the US Beef Division while the other is expanded margins. So this quarter Mercosul represented 36% of our Ebitda, while Pilgrim's Pride 30%, USA Beef 18% and USA Pork 16% compared to 7% it represented in the previous quarter.

Our exports in 3Q remained practically flat versus 2Q, US$ 2.3 billion. I would just point out here the markets that we grew more were Africa and the Middle East, Mexico and Japan, while the US our exports to the US sank a little bit in this quarter.

Finally here on my side the debt profile basically our leverage remained practically flat white on a quarter on quarter basis, slightly less this time at 2.9x, but liquidity of our balance sheet continues to improve. Our cash position increased 25% on a quarter on quarter basis and represented almost 90% of the short-term debt this quarter versus 70% in 2Q and 55 and 1Q.

Our short-term debt now represents one third of the total debt versus 40% a couple of quarters ago and we feel that given our leverage of 3x having one third of debt concentrated in the short term is where we would like to be, so we feel comfortable where we are.

I will hand the floor over back to Jerry to analyze some matters that we have taken and for final considerations. Thank you.

Mr. O'Callaghan: Ok thank you Guilherme. Just briefly before we open for questions and answers a couple of comments about our stock performance and some of the ongoing actions of the company. Our share price was down 7.5% in the quarter and we attribute that primarily to FX issues and rising input costs. We continue to take measures to focus on enhancing our share price a couple of points, which we have on slide number 30 and 31, I will go through those briefly.

And firstly the issue of Inalca JBS in Italy and remember that JBS bought 80% of Inalca in 2008 paying a total net value of 218.5 million euros at the time. Recently we filed a request at the International Chamber of Commerce in Paris to guarantee the right to nominate and to effectively install a CFO in Italy and this is something which has been denied over the last two, almost 3 years now and we have also requested that Ernst & Young conduct a full audit and this full audit is now in progress.

In Argentina there has been quite a bit of news about Argentina. We have taken measures in our activities there. We have closed down three facilities, which laid off about one third of our workforce, 1,500 people at four different facilities and we have rescheduled our commercial agreements to be able to increase plant utilization in the plants that we have maintained open as well as in the distribution center we have in Buenos Aires.

We also - and this is a cost reduction measure - have taken the headquarters of the company out of Buenos Aires and have taken it out to Rosario and in 3Q and coming into 4Q we already see the positive effects of having made this movement, having taken these measures in terms of improving the performance of the company there.

Another issue we want to mention is regarding the convertible debentures. The company believes that the most probable scenario is that these debentures will be converted at JBS USA during next year.

And moving to our final considerations just a little bit about our debt and our income tax distribution. The management is in advanced studies and supported by specialized consultancy aiming to rebalance the company's debt to match revenues and cash flow. We believe that the solution will be implemented during the first half of 2011 and this should help reduce the cost of capital and maximize goodwill amortization and thus increasing the company's profitability.

On the slide on page 32 we have brought up this side to demonstrate how many equity analysts we have covering our company. All the institutions they represent, who they are, what their recommendation is and what their target price is and we here at investor relations at JBS we are working diligently to increase the list quite substantially. We have a number of institutions that we are working with and we expect to give us coverage in the coming months.

And now before we go to Q&A just to go through the final remarks on slide number 33 of our presentation: the efficiency gains, the business diversification of the company and the expansion of our direct distribution have more than offset any increase we have had in some of our input costs.

Global demand for protein continues solid and the company believes it can benefit from this scenario to its market penetration and export capabilities around the world. We continue committed towards improving our financials and reducing our financial leverage and as we have just mentioned we are taking measures to address any outstanding issues in order to enhance the value of our shares in the market.

And finally on the issue of distribution, on the question of distribution our customer base, as Guilherme mentioned, has grown quite substantially organically particularly in South America and the company remains committed to expanding our global direct distribution.

So thank you for that and now we will open the session for questions and answers.

<u>Q&A Session</u>

Operator: Excuse me. Ladies and Gentleman, we will now initiate the Questions and Answers section**.** If you would like to ask a question, please dial star one (*1). If at any point your question has been answered, you may remove your question from the queue by pressing star two (*2).

Our first question comes from Ms. Christina McGlone from Deutsche Bank.

Ms. Christina McGlone: Good morning.

Mr. XXX: Good morning.

Ms. McGlone: One of the areas you stressed in the quarter was the pork business and I am curious, I have been reading that JBS may open a new pork processing plant in Illinois and I am not sure if that actually is new in terms of incremental to your existing pork plants; but if it is I am curious if the market can absorb that and what happens to the margin structure in pork processing?

Mr. Wesley Batista: Hi Christina, this is Wesley. We have been analyzing our pork segment how we can grow in our pork segment. These news that came to the market about us opening a plant in Illinois we … still are rumors in the market, we are not done with any decision on this regard. So we keep looking how we can expand our pork business, but at this point we are not engaged to build a new pork plant or we have not decided on this regard.

Ms. McGlone: Ok thanks Wesley and also in terms of beef processing it was a weaker quarter sequentially; it looks like the industry has weakened even since your quarter ended, and yet your commentary pointed to some strength in your 4Q sequentially. So I am curious why it looks like the industry is weaker but you are doing better.

Mr. Wesley Batista: So Christina our 3Q in beef, believe it or not, but in Australia the margin was behind than the margin in the US; the Australian dollar is getting much stronger, so our performance in 3Q in Australia was behind the normal level that we have been running our Australian business in these past quarters.

Also cattle price is moving up in the US. We continually have forward sales that are not forward sales that we consider long-term forward sales; so our sales in our business with two weeks or three weeks sales booked ahead; so when cattle price goes up ... so we keep planning sales ahead of our cattle procurement.

So we expect that in this quarter, in this 4Q the cattle price is more stable, so we will not be behind in terms of sales ahead of our cattle procurement.

So we … in Australia also the meat price in Asia, Japan and Korea is moving up and so is compensating the strengthening of the Australian dollar. So we expect our Australian business to have a much better result in this 4Q and also we are seeing better numbers in our beef business in the US in this quarter.

Ms. McGlone: Ok great thank you and then just my last question on the chicken side: Don talked about in the last call that instead of the two additional plants posted January, instead of opening additional plants that you would look at the expansion of the existing facilities and I am wondering if that is a change in your strategic decision in terms of extra production; what your rationale is there?

Mr. Wesley Batista: Christina, we are on track to reopen Douglas. We started the first shift in Douglas in January. Of course we will see a ramp up process, so this plant will be running in a double-shift by the mid-of the year.

At this point, Christina, for 2011 we will see only Douglas being reopened. We are analyzing inside here, like Don mentioned in the previous call, we are re-analyzing if it is better to reopen a new plant or an idle plant in 2012 or if it is better to increase some volume in plants that we are already running.

So for now, Christina, you can consider that for 2011 Pilgrim's will add only Douglas and we will add Douglas not in a full capacity in the whole year, so because we will see a ramp up process.

Ms. McGlone: Great, thank you very much.

Mr. Wesley Batista: Thank you.

Operator: Excuse me. Our next question comes from Ms. Isabela Simonato with Bank of America and Merrill Lynch.

Ms. Isabela Simonato: Good afternoon everyone. I have two questions, first regarding poultry and pork businesses. We should expect rising grain prices to start affecting your margins? What level of margins do you expect to get in the next two or three quarters?

And second regarding Bertin can you give us an update on how the integration is going, synergies, and if there is any change regarding what you expected before? Thank you.

Mr. Wesley Batista: About the pork - this is Isabela, right?

Ms. Simonato: Yes.

Mr. Wesley Batista: So, Isabela, about the pork business remember that we do not have hog production, we buy hogs in the market; so we do not expect that this increase in grain prices ... we do not expect that this will affect our business. We are seeing, we keep seeing a very strong margin. We expect to see margin in our pork segment for this quarter in this level or above this level, a little bit above this level.

In the chicken business, grain we are 100% integrated in the chicken business. We produce everything, so the grain price increase in the chicken business is more an issue than it is an issue in our pork segment.

Like Don mentioned in Pilgrim's Pride earnings call, we have some position in corn that we are hedged, so we feel comfortable about our chicken segment for this quarter, this 4Q, and we feel comfortable about 2011 based on this position that we have booked in terms of corn and we are … in our view, Isabela, we think in terms of supply and demand beef, pork and chicken we believe that demand will be stronger than supply. So we are very of optimistic in terms of sales price. Even corn in these levels we think the industry will be able to pass price increases, to pass through price increases to be able to offset the grain price increase.

And about integration, the last question, it is going very well. Pilgrim's Pride we are basically done in the integration, we do not have almost anything behind us. We have some dollars to be captured in some areas, especially in the exports area in Pilgrim's. We are still expanding our exports and doing business more directly in Pilgrim's; but in terms of integration we moved everything to Colorado, we shut down old Pilgrim's Pride Head Offices, so we are on track on this. It is getting almost behind us.

Ms. Simonato: Ok thank you.

Mr. Batista: Ok, you are welcome.

Operator: Excuse me. Our next question comes from Ms. Fahra Aslam with Stephens.

Ms. Fahra Aslam: Hi, good morning.

Mr. XXX: Hi Fahra.

Ms. Aslam: A question about your BNDES transaction. Are you planning just to pay the US$ 300 million at the end of the year and could you give us some color around your IPO?

Mr. Joesley Batista: Hi, here is Joesley.

Ms. Aslam: Hi Joesley.

Mr. Joesley Batista: The base case is to pay the 300 and to have the IPO in 3Q11, when we understand that would be the best moment in the market, that JBS will be ready to show the best numbers and as all the doubts, all uncertainties - the major uncertainties - have gone, because most probably in 3Q11 we will have no issues about integration anymore, no issues about the synergies gains, no issues about the turnaround in Pilgrim's Pride.

As you see, we have been able to have strong results, improving the results in the US, so this is the base scenario that we are working on.

Ms. Aslam: That is helpful and then when you look at your business in terms of appetite for further transactions ahead of your IPO, are you willing to make incremental acquisitions?

Mr. Joesley Batista: We have been building JBS mainly through acquisitions and some organic growth also; but we keep ... we are confident that we will be able to keep growing even here in the US, in South America, North America. There are many room to grow.

Ms. Aslam: Ok and then my final question is you are involved in the dairy sector in Brazil; do you have any interest in expanding dairy outside of Brazil and particularly in the US?

Mr. Joesley Batista: No, not yet. We are learning about this segment.

Ms. Aslam: Thank you very much.

Mr. XXX: Thank you Fahra.

Operator: Excuse me. Our next question comes from Ms. Carla Casella with J.P. Morgan.

Ms. XXX: Hi, this is XXX here for Carla. Are there any intercompany loans ...

Mr. XXX: We cannot hear you. Can you just speak up a little if you do not mind?

Ms. XXX: Sure. Are there any intercompany loans outstanding between JBS, LLOC and JBS USA? And now that the IPO has been delayed a bit do you intend to use the US beef and pork businesses to fund investments at JBS USA?

Mr. XXX: Wesley, did you understand the question?

Mr. Wesley Batista: Sorry, the line is not very good, so it was hard to understand, I could not understand; if you can help ...

Mr. XXX: First half of the question we lost it, we got the second half.

Ms. XXX: Ok, the first half was just if there are any intercompany loans outstanding between JBS, LLOC and JBS USA.

Mr. Joesley Batista: Wesley, did you understand the question?

Mr. Wesley Batista: If I understood I will tell what I think I understood: between LLOC and JBS USA Holding we do not have any intercompany loans; between JBS USA Holding an JBS S.A. yes, we have an intercompany loan of US$ 450 million.

Ms. XXX: 450 million?

Mr. Wesley Batista: US$ 450 million between JBS USA Holding and JBS S.A.; but between JBS LLOC and JBS Holding we do not have any intercompany loans.

Ms. XXX: Thank you and the second half do you intend to use US beef and pork businesses to fund investments at JBS USA?

Mr. Wesley Batista: If we intend to use JBS USA beef and pork to fund JBS USA? I could not understand the question.

Ms. XXX: So now that the IPO has been delayed, do you intend to use the US beef and pork investments businesses to fund investments at JBS USA Holding?

Mr. Wesley Batista: No. We are not moving cash or money from the LLOC to the Holding level if this is what you are asking; we are not moving any cash to the Holding level.

Ms. XXX: Thank you.

Mr. Wesley Batista: Thank you.

Operator: Excuse me. Our next question comes from Mr. Gustavo Oliveira with UBS.

Mr. XXX: Gustavo, are you with us?

Mr. Gustavo Oliveira: Hello, good morning.

Mr. XXX: Yes Gustavo.

Mr. Oliveira: Can you hear me? I had a missed button here, sorry for that. The question is on JBS USA Beef. You explained that there was one particular event in August that left Ebitda margin to decline; could you please add a bit more color on that? You mentioned that it was an input rising cost and something around those lines and why you think it is going to stabilize in 4Q given that the input costs are still very high?

Mr. Wesley Batista: Gustavo, basically we have three things that impacted our beef margin in 3Q: one was our Australian operation, so as all Australians know the Australian dollar became much stronger in 3Q and so we were behind in terms of price increase in our sales; now our ... and remember that our Australian business 75% is exports, so now the prices ... our sales price is much better, so we are selling our products to Japan, Korea, Russia, contemplating the Australian currency in the level that it is now. So this is one area.

The other area was the beef, the cattle price in the US in 3Q ... the cattle price in the US in 3Q raised price, so became more expensive the cattle and the sales also was behind, so we were selling products for one, two weeks ahead and the cattle price started to move up, so our margin and our spread contract during this 3Q; now in 4Q we are seeing cattle prices stable, more stable, of course fluctuating but much stable, so we are not having this impact and as well in Australia our sales price is better than it was in 3Q.

So these are the two biggest areas and other area that had some impact - not in a big way, but had some impact - our net position in terms of our hedge position in 3Q we were short cattle, because we bought cash cattle and we sold futures to hedge our position. So we were short in our position and we had some impact in mark-to-market in 3Q.

Mr. Oliveira: Ok, much clearer, thank you. Another question is regarding your nonrecurring charges of R$ 8 million; could you please give us a little bit more color on what that is specifically?

Mr. Joesley Batista: It is mainly due to Bertin Argentina and politic elections in Brazil.

Mr. Oliveira: Ok and going forward do you think you will not have any other charges to the next quarters?

Mr. Joesley Batista: In the next four years.

Mr. Oliveira: Ok thank you.

Operator: Excuse me. Our next question comes from Mr. José Yordan with Deutsche Bank.

Mr. José Yordan: Hi, good morning gentlemen.

Mr. XXX: Hi José.

Mr. Yordan: Hi, just a follow up to other commentary about the JBS USA IPO next year. It has been mentioned in previous quarters the possibility of merging the current JBS US holding into PPC and just having one traded vehicle when this is all said and done. Is that a possibility now discarded or is this still under review?

Mr. Joesley Batista: Maybe it is a possibility also.

Mr. Wesley Batista: Here is Wesley. Remember that in our agreement we had until 2011 automatically conversion in our agreement; so if JBS USA becomes a public company we can merge the two companies in a formula that we did, that we have in our purchase agreement. This is one thing.

The other thing I think the market has been asking this and in some way I think … I am not sure if the market understood clear what we said about this. A reverse merger or any kind of these things we are not looking at this; but this is any time - or for any company - is a possibility to propose this kind of thing.

But for this to happen we need to propose for the independent Board members, the Audit Committee this reverse merger - so in a negotiation with the minorities. So we are not engaged on this, but this ... at any time we can propose this - but we are not engaged to do this now.

Mr. Yordan: Ok, thank you very much.

Mr. Wesley Batista: Ok.

Operator: Excuse me. Our next question comes from Ms. Thais Alluia with Credit Suisse.

Ms. Thais Alluia: Hello, good morning.

Mr. XXX: Hello Thais.

Ms. Alluia: How are you gentlemen? The first question is a follow-up from your answer on acquisition, especially in the US. You said that in the past you were growing mainly through acquisitions and some organic growth and you plan to still keep growing and I want to clarify if that is through acquisitions or organic growth and if that is more in the distribution segment. That is the first question.

And then the second question would be the release said that you plan to reduce your short-term debt from 33% to 30% and although the presentation mentioned, talked about the rebalance of the company's debt, I am wondering what that means and does that mean more debt coming in US dollars? That was the second question.

And then the third question is can you talk about the Mercosul business and do you think you have been through the worst in terms of from materials and how is the FX impacting the outlook for the next few quarters? Thank you.

Mr. Joesley Batista: About the growth what we mentioned is that starting with JBS' growth … grew through acquisitions, and when we look ahead we think we developed a good system to acquire companies, integrate companies, turn around companies and have successful integrations and I think ... when I look ahead I think this will be the most probable way to go.

But we also ... our organic growth company and we expect to expand margins through the distribution. So we ... actually if you look to the past last years we grew 50% per year in average; maybe about these 50% 15% comes from organic growth, but the other comes from acquisitions and we are in another growth perspective that is expanding the margins through distribution.

About the debt maybe Guilherme can say some words about it.

Mr. Arruda: Ok, it is Guilherme here. About the debt what we are saying here is basically that we have a big concentration, a big portion of our net debt today in Brazil and we have most of our cash generation in the US; so the idea here, our studies are to balance this better so you have debt in each region according to the cash flows that it generates. So this should lower our funding costs and also should lower our tax rate as we use better the goodwill that we have to amortize. Basically this is the plan here and we believe that in six months or so we should have a structure implemented to improve profitability in this regard.

Mr. Joesley Batista: Just adding to this answer, we do not intend to raise more debt; we just intend to reallocate and balance the company. The total company's debt profile will be the same, deleveraging, following the direction of deleveraging the company.

Ms. Alluia: So that means more debt coming in US dollars?

Mr. Joesley Batista: Not necessarily, because actually it is not because we have the debt here in Brazil that the debts are in BRL; we have many debts here in Brazil that is in US dollar. I do not know if this is all the answer to the question.

Ms. Alluia: Part of it; so you have a few choices that you will explore … all of those, like debt in Brazil in dollars and also dollar … debt like international bonds, correct?

Mr. Joesley Batista: Yes.

Ms. Alluia: Ok and the last question is about Mercosul.

Mr. Joesley Batista: About what?

Ms. Alluia: The Mercosul business and the outlook and how do you see the cattle prices in Brazil and the FX impacting the business.

Mr. Joesley Batista: Here in South America we had price increasing in the cattle side, but we also had a beef price increase. Actually when you compare the spread … open a gap, so the margin these few days ago became better than in the past. We expect that we will have a regular supply from now ahead. We actually had a shortage during one month, but things are getting back to the regular situation.

Ms. Alluia: Ok and just one last question: what percentage of sales you export out of Mercosul?

Mr. Joesley Batista: From Mercosul?

Ms. Alluia: Yes.

Mr. XXX: About 40% of our revenues here in Mercosul are exports.

Ms. Alluia: Thank you very much.

Mr. XXX: Thank you, thank you Thais.

Operator: The Q&A Session for analysts and investors is closed. Now we turn the conference over to Joesley Mendonça Batista, CEO, for his final considerations.

Mr. Joesley Batista: Thanks everybody for your time and we keep here ready to answer, to clarify the numbers, the scenario, our team in the IR Department. I would also congratulate all of our executives that are doing really a good job. We are improving our margins in a consolidated base, even with all the crisis, the world that is not showing the growth that many people were expecting, but we keep growing.

We are finishing the merger of Pilgrim's and Bertin and we are ready to keep growing and we will keep growing in a healthy way, having a strong management team and that is what we have been focusing here. Thanks everybody and have a good day.

Operator: Thank you. This concludes today’s presentation. You may disconnect your line at this time and have a nice day.
