

**JBS**  
**First Quarter 2009 Earnings Conference Call**  
**August 24, 2009**

**Operator:** Good morning ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to JBS 1Q '09 Earnings Conference Call. Today we have with us, Mr. Joesley Mendonça Batista, CEO and Jeremiah O'Callaghan, IR Officer.

We would like to inform you that this call and the slides are being broadcast on the Internet at the company's website [www.jbs.com.br/ir](http://www.jbs.com.br/ir) and that the presentation is available to download at the investor's information section. Also, this event is being recorded, and all participants will be in listen-only mode during the company's presentation. After the JBS' presentation, we will initiate the questions and answers section for analysts and investors only.

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, 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'll turn the conference over to Mr. O'Callaghan, the IR officer. Mr. O'Callaghan, you may begin your conference.

**Jeremiah O'Callaghan:** Thank you. Thank you and good morning or good afternoon. It's a pleasure to have you with us today. We are pleased to have this opportunity to communicate with investors and analysts regarding our first quarter results and as mentioned we have a presentation on our site and I will, as we talk I will go through this presentation page by page and then we will open for questions and answers.

We always like to start these presentations mentioned, mentioning something which is fundamental to JBS, we want to remember ourselves and remind all that we, the foundations of our culture are based on the values that we have determined for our company, and we always like to remember these values when we make these presentations and the values are planning, determination and discipline and availability, openness and simplicity. We wish to profess these values within the company and with our customers, and with the financial community in general and we like to remind ourselves and everybody involved of these values at these times when we make these presentations.

In our presentation we start on page four basically looking a little bit at the strategy of the company and going back a little, just so

that we can follow the cycle of where we are coming from in the last number of years and where we plan to go in the next couple of years as well and just to put things in perspective, we start remembering what we at JBS did in 2005 and 2006 when we raised debt and equity to finance more (sp?) from working capital. We, having raised debt and having raised equity we then in 2007 and in 2008, we constructed a global beef production platform in, initially in South America, and then in North America and in Australia and Europe, and then we have spent a major portion of the last two years in firstly turning around part of those acquisitions (sp?) and then in consolidating and integrating these operations in 2007 and 2008 and as we now enter 2009, we are initiating a new phase which is a phase of having an integrated, efficient and global distribution platform representing the volumes of production that we have and the volumes that would trade globally so in 2009 and in 2010 we will be concentrating on implanting and building this distribution platform to reach as many customers and consumers as we possibly can, and to get as close as possible to the consumers that enjoy our product. That is our focus for 2009 and 2010 and we'd like to mention this as we talk about the first quarter of 2009.

Then we move on to page 5 in the presentation which are the highlights of the first quarter of 2009, and speaking firstly of net revenue, we've had an increase of more than 58% when we compare the first quarter of '08 against the first quarter of '09, from over 5.8 billion reais last year to almost 9.3 billion reais in 2009. Those, the second highlights in relation to EBIDTA (sp?), we've had an increase of more than 20% when we compare again first quarter of '08 against first quarter of '09, from 175 plus million reais to almost 216, 200 sorry 212 million reais in the first quarter of '09.

Also, as a highlight, we have concluded the financial and structural adjustments required with a view towards ongoing growth of the company, as assigned in the company's strategy. Regarding the acquisitions and the global production platform that we have constructed over the last couple of years, we feel we have reached at least 70% of the level of efficiencies and cost reductions that we set out to do, so this is an ongoing process but a major portion of it has already been fulfilled and we continue to work on the other 30% to reach the level of efficiency and of cost reduction that we feel would be beneficial to the company and to the shareholders of the company.

In Brazil, we see that the EBITDA margins has, have been maintained, have improved and have reached a level of about 7% and we feel that this is a trend, an ongoing trend as some of the fundamentals in relation to the Brazilian market recover, with an apparent increase in the herd (sp?) size with a currency more devalued which helps boost international trade and with the more balanced supply and capacity situation in Brazil.

In the US, we see the maintenance of the margins also of the beef operation at a time of seasonality when normally margins are low in the last quarter of the year than in the first quarter of the new year. And

we've seen margins sustained at about 2% in, in the beef sector in the US and we consider that to be, to be a positive signal at the beginning of 2009, so that we can believe that we would preserve the, that we would preserve strong margins through 2009 and it makes us feel very positive about the year as a whole as we go forward. As I mentioned, 70% of the cost reductions and the efficiencies related to our global production platform have been implemented. We continue that consolidation process and we plan during 2009 to reach as close as possible to the 100% of what we set out to do when we acquired this platform. And finally as a highlight, we, we are initiating this global sustainable direct and efficient distribution platform that is part of our strategy for 2009 and it's one of the highlights of the first quarter of 2009 as we have already initiated this process and as we plan to implement it through this year and next year.

On page six of our presentation, we see net sales of 9.267 billion reais, marginally down on the previous quarter but vastly superior to the same quarter of last year. The seasonality of the Christmas trade, the trade towards the end of the year, always creates a trend towards a drop in revenue at the beginning of the new year, and we see margins of 200 and almost 212 million reais, 2.3% which is also what the company, the administration of the company believed would be feasible so we feel that we have sustained what we set out to do during this first quarter. As we now go into the barbeque season when we expect the normal cycle of margin improvements to kick in during the next two quarters.

When we look, on page seven, when we look at performance by business unit, JBS USA beef which includes Australia, we see sustained revenue of \$2.8 billion and also as I just mentioned, margins sustained at about US\$16 million for the quarter, EBIDTA margin, EBIDTA output (sp?), so we managed for the quarter about 2.2% which is practically the same number as the previous quarter. In the pork business, there has been a reduction in revenue which again is partially through (sp?) seasonal and the reduction in income, which is more related to mark-to-market than to any operational issue, which we can touch on later on in questions and answers.

In Europe, in our European operation, again, we see another drop in revenues but again in relation to seasonality, nothing unusual and similarly regarding the EBIDTA, a drop there but again within the seasonality of the business and within the European market we don't see any cause for concern in the movements in view (sp?).

In South America, as we mentioned earlier, Brazil is demonstrating a positive trend, and we see improvement as we go forward as the fundamentals are kicking in and so we look at Brazil very positively in 2009. Argentina, we continue to have some difficulties in Argentina, which are carryovers from last year basically. In operational terms Argentina is looking a lot more positive in the recent past but we still have an issue of a lag on expensive products which is produced from and which shipment has been

made because of the difficulties in getting the licenses and getting the products out of the country.

On page eight, we have the leverage, the slide on the leverage of the company. Again we have de-leveraged the company over the last twelve months. We will continue to be concerned about the leverage of the company in relation to the reality of the market, and as we go forward, this is something we will always be focusing upon in order to maintain the efficiency of the company in this regard.

On page nine, it's interesting to look at the US operations from the point of view of JBS and also from the point of view of competition, and what we see basically is that we've had fundamental change from negative or very low margins in the period after we have seen (sp?) US in 2004, for a couple of years, three or four years, and now we see the industry going into a positive trend as a whole, not only JBS but the industry as a whole and that makes us very positive about our beef operations in the US and in Australia. We feel that we are on a trend which is sustainable, which is long term and where we can look at margins similar to levels, which the industry experienced prior to the issue of the ban on exports and the BFC (sp?) case (sp?) in the US at the end of 2002.

On page ten, we see the breakdown between domestic and export markets. We've seen an increase in our participation in the domestic markets where we produce and the decrease in exports which again is partially seasonal because the export business tends to increase as we go into the summer months in the northern hemisphere and we will probably see a minor increase in the percentage of exports as we go into the next two quarters. And the revenue by business unit, beef in the USA representing 57%, pork representing 12%, beef in Australia 9%, beef in Brazil 16% and then Italy and Argentina representing respectively 5% and 2%.

And it's interesting on slide number 11 to look at the markets that we've, that we've been serving during this quarter. More than US\$900 million have started (sp?) traded by JBS in the first quarter, and our number one destination in Japan, a very mature and a very solid market. Number two the European Union, and number three the USA. Product exported primarily out of Australia and some industrialized products exported out of South America to the US and we feel that these are very strong and sustainable markets and then Mexico, which is quite dependent upon exporting source (sp?) out of North America and then Russia and South Korea which has grown substantially since that market was re-opened for North American business in the middle of last year. China, Hong Kong, Canada and then the Middle East and Taiwan and others.

The final considerations when we look at our numbers for this quarter, again we would like to highlight the fact that we are motivated and confident about the company's performance in 2009. We feel we've had a good start to the year, and we begin to work on the start (sp?) we've had. We will continue, also as I mentioned, we will continue to take

good care of the financials of the company. This is something we will always take extremely good care of. Last month, in April, JBS USA, a subsidiary of JBS SA issued senior unsecured notes in debentured (sp?) amount of US\$700 million with a coupon of 11.625% which are due in 2014 and that is relevant in relation to the cash position and debt profile of JBS that makes our—the balance between short and long term debt satisfactory from our point of view.

Our global production platform will continue to grow in the search for efficiencies, for new synergies and in between our operations, to optimize the structure we have and to always with an eye towards reducing costs. Our business being mostly a spread business, we are always looking at efficiencies to reduce costs, which represent a corresponding increase in our margins. And just to finalize, we will con, we will continue the strategy of consolidating a sustainable and direct efficient global distribution platform of meat and meat products, both chilled and unfrozen and basically we feel that this is the next step for the company that has the volume of production that JBS has, that we should be working upon distributing this product and branding it and selling it in an efficient manner, which from the point of view of margins represents substantial margin increases.

With that we would like to go to questions and answers and we would like to take your questions from now onwards. Thank you very much.

**Operator:** Ladies and gentlemen, we will now initiate the questions and answers section at this moment for analysts and investors only. If you would like to ask a question, please dial star one. If at any point your question has been answered, you may remove your question from the queue by pressing the pound key. We kindly ask you to limit to one question at a time.

Your first question comes from the line of Roy Yachowic (sp?) with Bank of America.

**Roy Yachowic:** — or is there an open exposure going forward.

**Jeremiah O’Callaghan:** Sorry, we didn’t get the question, could you kindly repeat the question from the beginning?

**Roy Yachowic:** Yes, yes, sure I apologize. The derivative losses in the financial results, 178, 179 million reais, can you explain exactly what types of derivatives transactions they arise from? Did you pay those losses out of cash balances? Is that one of the reasons cash went down? And is there an open exposure going forward?

**Male Speaker:** (Portuguese spoken).

**Jeremiah O’Callaghan:** Okay, Roy, Mark Loftans (sp?) will reply to your question.

**Roy Yachowic:** Thank you.

**Mark Loftans:** I think it’s going to be—you just—you had two questions there; the first the derivatives that we had, basically what we hedge of our exports, when we have export revenues in dollars, we will take that amount and sell in the futures market here, and we also have a loss on the capital futures that we lost (sp?) to hedge some of our long term contracts that we had with some countries, so there would be two derivatives that we move (sp?) basically. A future contract for dollars and future contracts for cattle in the year.

**Roy Yachowic:** Okay

**Mark Loftans:** For the second part of your question, the reason is why there was, there was a cash loss when we had to settle those contracts, we closed them down so there was a cash loss but if you take the amount that we registered in our financial foot (sp?) notes, it’s a little bit higher than what the cash loss actually was, basically because we—essentially it’s an ongoing operation, we have, we hedge the operations as we go for all the financials, all the exports we have, every contract you go into, you do the same with the futures, so it generates a gain or a loss depending on how the currency moves and how the cattle prices move in the future market, so the actual loss was a little over 100 million reais for those contracts, so the 180 that you have there, you know a portion of this is ongoing contracts. You mentioned earlier about the exports, you’re losing on the derivatives but your margin is pretty much you know set at this stage.

**Roy Yachowic:** And is there a net position currently that’s negative or how does it sit now?

**Mark Loftans:** So, as I mentioned, you know you can understand when you’ve had your operations, you’ve pretty much set in your margins for the contract that you entered into, so I may make money on my commercial sale and make money on my hedge or vice versa. You know, as I may move on my contract, my export contract, it’ll make money in the financial market. The reason why you do that is because, you know as Jerry mentioned before during the presentation we are a spread (sp?) business, so we have to manage our spreads very carefully not to lose money on exports when you have currency fluctuations and also cattle price fluctuations daily in the market, we try to hedge that by taking positions in the future markets and setting a margin on each contract you would go into with an importer, you know as to guarantee that we will be profitable in the future. What happened here was basically some spill over from last quarter, that the contracts that we thought we, our clients would fulfill, they denied, they did not fulfill those contracts, so we were left with a position that we thought was a hedge, and was actually a link covered (sp?) position, so we had to close it down. We didn’t realize the gain through the commercial side and we only realized the

loss in the financial contract so we, it wasn't an easy decision for us, you know to do it, but at some point you got to do it, you hedge, close it down and then forsake those sales because those clients were not going to pay us; they were not going to honor their contracts.

**Roy Yachowic:** Thank you.

**Operator:** Our next question will come from Jose Bernal (sp?) with Standard New York (sp?).

**Jose Bernal:** Hello, good morning everybody and congratulations on your results. My question is about the EBIDTA generation decline net (sp?) during the last two quarters, so I was wondering if the company can give those guidelines for 2009 about the EBIDTA generation. Thank you.

**Male Speaker:** (Portuguese spoken). We are not giving, we are not giving guidances formally, but I can talk generally about each platform. Brazil is getting better. US, we are confident that we will have better margins comparing '09 with '10. Better margins, not too much growth. Brazil, we will have a better margins and growth. We hope to fix Argentina in '09. Inoaka (sp?) that's our Italian partnership, it's stabilized (sp?), it would be almost the same, stays in the same margins. Australia it will stabilize in both sales and margins. And the pork business in US, it's doing well. We had a high volatility in the hog prices in the first quarter so we had losses in the hedging side during the first quarter, then we are making profits in the second quarter. And in the consolidated base, we are confident that we will be—the company will be more profitable in '09 than compared to '08.

**Jose Bernal:** Okay, can you just please repeat about what is your view on the US operation, the beef, the beef operation? You know the EBIDTA margins.

**Male Speaker:** The beef what?

**Jose Bernal :** In the US operation?

**Male Speaker:** The US expect to have not—the same sales with better margins.

**Jose Bernal:** Okay, thank you.

**Operator:** Your next question comes from the line of Carla Corsella (sp?) with JP Morgan.

**Carla Corsella:** Hi. My question relates to the dividends that you announced for JBS SA. Have you said how much of that will be contributed from the US operations?

**Male Speaker:** Excuse me, I didn't got the question.

**Carla Corsella:** Okay, so the dividend that JBS SA has announced, how much of that will come, how much of that cash will come from the UB, the US business?

**Male Speaker:** You are talking about less GOK (sp?), '08?

**Carla Corsella:** Right, the dividend that was being paid on the '08 earnings, it was announced about a few weeks ago.

**Male Speaker:** Yes, okay, actually it's such a small amount that I really think that it does, it doesn't make too much difference. It's around 12 million reais, we tried to increase this dividend, but by law, by Brazilian law, we wouldn't be able to increase the dividends so in the end of the day we are distributing 12 million reais that's roughly \$5 million.

**Carla Corsella :** Okay, but going forward, will it continue to be calculated using the 50% of net income but not adding back the depreciation and amortization to that net income? Will that formula that you agreed on for this year, will that continue for the going forward years?

**Male Speaker:** Yes, we are, we need to follow the Brazilian law, the US law, the covenants from the US bonds, the covenants from the Brazilian bonds so it's been a combination of all of these aspects that we have been following.

**Wesley Batista:** Carla, basically this is Wesley speaking, basically our intention is to pay in Brazil 20% that is—

**Male Speaker:** 25.

**Wesley Batista:** 25% I'm sorry that is the percent that we are obliged to pay in Brazil so—and our intention is to support Brazil with the same 25% from United States, so we would like to support Brazil from United States with the same, the same percentage, the same 25%, this is our intention so—

**Male Speaker:** —(Unintelligible) don't have historically to distribute dividends; we reinvest roughly all the profits. We distribute the minimum that we are obliged.

**Carla Corsella:** Okay, thank you.

**Operator:** Again, if you would like to ask a question, please press star, then the number one on your telephone keypad.

And we have a follow-up question from the line of Jose Bernal with Standard New York.

**Jose Bernal:** Hello, thank you for taking my follow-up question. Have a just a quick question, I was wondering how the company is planning to finance the distribution network expansion in 2009 and 2010, whether it is going to be financed with debt or growth or equity or a combination. Thank you.

**Male Speaker:** We have been able to finance this with our cash in addition (sp?), or our own cash in addition. To expand the distribution it's not much expensive, it's much more about hiring people, sales people, expanding the sales force and it's not exactly takes (sp?) off too much cap ex.

**Jose Bernal:** Okay, thank you.

**Operator:** Our next question comes from the line of Raphael Orios (sp?) with Nike (sp?).

**Raphael Orios:** Just answered. Thank you.

**Operator:** Our Q&A section for analysts and investors is closed. Now I'll turn the conference over to Mr. Joesley Mendonça Batista, CEO for his final considerations.

**Male Speaker:** Mr. Joesley Batista the CEO of the company thanks everybody. I would like to, I would like to point here that considering that we are, we are recovering the sales, we are now talking about I think that the best part of the crisis it's gone. I would like to really congratulate all JBS team, because if you compare since when we started talking about crisis the third and fourth quarter of '08, the first quarter of '09, by far, JBS was the company that less suffer, that had its financial in place, had less losses with all this process, and we were able to prove our ability to manage the company in an adverse scenario, in an adverse environment and it make me confident that we have the right team, we have, we have strong business and we are, we are confident that '09 we will be able to take advantage of all that we build in the last past years, improve margins, stabilizing margins and keep growing on sales in a very, very careful way as we have been doing for all this time. We've been able to finance our growth in the right way, through our debt, through equity in the right moments and we hope we'll be able to keep doing this. Thanks everybody. Thanks for the confidence. Thanks all the shareholders, the bondholders and have a good day.

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