International Conference Call

JBS

2nd Quarter 2013 Earnings Results

August 15, 2013

Operator: Good morning everyone and welcome to JBS S.A.'s conference call. During this call we will present and analyze the results for 2Q of 2013. As requested by JBS this event is being recorded. The recording will be available to listeners this afternoon and can be accessed by following the instructions posted on the company's website at www.jbs.com.br/ir.

Taking part on this call would have Mr. Wesley Batista, Global CEO and President of JBS S.A.; Mr. André Nogueira, CEO of JBS USA; Jeremiah O'Callaghan, Director of Investor Relations and Mr. Eliseo Fernandez, Administrative Director and Controller.

I will turn the call to Mr. Wesley Batista.

Mr. Wesley Batista: Good morning everyone and thank you to being with us in this conference call today. I would like to start this call talking about our journey in these last six years. To recalling we did an IPO in JBS in 2007. From 2008 until now we expanded our revenues by three times from 2008 until now and our results increased by five times. So I think this demonstrates our ability and our capacity to expand and to grow revenue, but more than to grow revenue to expand margin. And in a moment that we were acquiring several large companies abroad we were able to increase these revenues but more than the revenues expand margin.

So at JBS we started the internationalization process back then back in 2007 when we acquired Swift and after Swift we acquired Pilgrim's Pride and then several other businesses abroad in moments that the US economy or other economies were not going so well and we did all these acquisitions that in our view were in the right moment for our company and in the right to being able to acquire these businesses abroad.

Today we are the most internationalized Brazilian company and I believe that we will collect fruits from these investments that we did abroad by the fact that we are seeing especially the US economy getting better and some other economies, mature markets that we operate our business. So we are very satisfied by the fact that we are well-positioned, our business, with more than two thirds of our revenues coming from mature markets like North America and Australia and some on the markets.

We are a company that we are proud and we are still very committed to delivering everything that we have been telling investors and the financial community. Since we acquired Swift we were able to deliver better results and better numbers than we promised and the same thing in Pilgrim's Pride in the US and also we have been able to integrate all of these acquisitions and delivering strong results and good performance and better than have been telling.

We have been discussing with the market our deleveraging target and also we have been able to quarter by quarter to deleverage our balance sheet and we still… And we are committed to keep doing so.

Everything that we did was only possible by the fact that we have a very, very strong team, a group of people that I am very, very proud about and this is… the most valuable asset that we have in our company is our team. We are a company that we believe in simple things, doing things simple; we believe in hard work and all of our team demonstrates this every day. So to whom I want to say thanks and say that we were and we are only able to keep improving our business with all of our members and our team.

We announced a month and a half ago the acquisition of Seara in Brazil and we are still waiting for the antitrust agency in Brazil to approve this transaction. After the transaction a quick overview how will be JBS after this transaction. So we will be approximately R$ 100 billion in sales with 185,000 team members operating in North America, South America, Australia and some of the markets with a presence in the most competitive markets to produce protein that is South America and North America.

We published our 2Q results that we are satisfied about the results. As you probably saw already the numbers, so we did R$ 21.9 billion in sales and that represents an increase at 18.7% this quarter comparing to 2Q 12, so strong growth and it is important that this growth, this 18.7% topline growth 70% came from organic growth, so 30% came from the acquisition that we did in Canada but 70% came from organic growth. So a strong topline growth.

In terms of Ebitda we did R$ 1.670 billion in Ebitda and that is also a strong improvement comparing this quarter to the quarter… The same quarter last year, almost 65% increase comparing quarter by quarter. This Ebitda represents 7.6% margin Ebitda comparing to 5.5% margin Ebitda in 2Q 12.

Our net income was R$ 482 million adjusted by deferred tax that we have some goodwills in Brazil and also NOLs in North America and so for us the real net income is 482 because this deferred tax is non-cash.

Our free cash flow we were able to generate R$ 563 million in free cash flow that we are also satisfied the fact that we were able to generate this amount of free cash flow. Operating cash flow was R$ 886 million, also strong operating cash flow. We ended up 2Q with R$ 7.2 billion in cash and that represents around 85% of our short-term debt.

Our leverage - and here I want to elaborate a little more about our leverage - our leverage we have been able like I mentioned in the beginning of the call, we have been able to decrease, to reduce our leverage quarter by quarter and so we finished 2Q with 3.28x leverage.

But inside of this number is already included 320… Approximately R$ 325 million that we already assumed in advance from the Seara acquisition, so that is that we already assumed in advantage from the Seara acquisition. So if we exclude the Seara acquisition our leverage is 3.2x.

And also if we analyze our numbers putting everything in dollar terms because our debt is updated every quarter using the exchange rate in Brazil in the end of the quarter. But our LTM result is not adjusted in the same way and so we calculate our LTM based on the numbers in reais and so if we just our results in dollars and also adjust - that is already adjusted - our net debt so our leverage is 3x in dollar terms.

We have been investing in our brands. We are very satisfied with the investments that we are doing in our brands especially in Brazil. We are promoting the Friboi brand and we are seeing good results and good signs coming from this investment that we are doing in the Friboi brand and we plan to keep investing in our brands, to aggregate value in our products and to be able to create value in our products and being closer to consumers.

In our numbers also I think it is important to mention, some of the Brazilian companies start to do hedge accounting because the fact that the real is getting weaker. We did not use any hedge accounting in our numbers, so our number is the same way that we were accounting the numbers before, so we are not using hedge accounts.

Our risk management department is an area and is a department that we are very proud about and we believe we have the right tools and the right team and this area and this department has demonstrated that we have been able and we have been very cautious about how we handle our current exposure.

So in this quarter we were impacted by R$ 270 million that went in our interest expenses because we placed hedge during 2Q and we incurred in R$ 270 million in more financial expenses by the fact that we had this currency exposure. But we were able to hedge and we are fully hedged in our currency exposure today.

This was very, very effective. If we were not hedged like many other Brazilian companies was the impact in our numbers, in our balance sheet was going to be almost R$ 1 billion. So having R$ 270 million demonstrates clearly that our strategy in terms of risk management was the right strategy and we were able to maximize a huge impact in our balance sheet.

So with that I will transfer to Jerry to discuss with you in more detail about each part of our business. Jerry.

Mr. Jerry O'Callaghan: Thank you, thank you Wesley. I am going to make reference to the presentation that we put on our webpage this morning. So for those of you who are listening in I recommend that you follow the presentation. I will make mention to page numbers so as to facilitate your reading of the numbers as I go forward.

And I am going to start by going to page 5 of our presentation which is… Wesley has mentioned this already and so I will be quite quick in making a couple of comments on page 5, just a comparison of our net revenue, of our Ebitda and of our net income in 2Q 13 compared to 2Q 12. Our revenue went to almost R$ 22 billion (R$ 21.9 billion) and the revenue of the previous quarter in 2012 was R$ 18.5 billion and so we see there and expansion of almost 19%.

Our Ebitda went from just over R$ 1 billion in the same corresponding quarter last year to R$ 1.667 billion this year and that is an expansion of 65% year on year. Our Ebitda margin went from 5.5% to 7.6%, 210 basis points expansion in our Ebitda margin comparing the same quarters.

Net income - and again this is adjusted net income - and again it is because of the deferred income tax which is not disbursed and which we view as a non-event because it is a non-cash event. Our net income went from 220 million in 2012 (2Q 12) up to R$ 482.5 million in 2Q 13.

Moving on to the next page, page 6 in the presentation, again this is just a synopsis of the performance on a consolidated basis over the last five quarters, so back to 2Q 12 we can see how revenue has performed. A little bit of seasonality from 4Q 12 into the beginning of 2013 but we have seen this revenue expansion from 1Q to 2Q 13.

And Ebitda again some seasonality but we have seen a strong increase in Ebitda again from 1Q to 2Q reaching 7.6% Ebitda margin in 2Q 13.

Speaking now a little bit about each one of our business units I am sure most of you will recall that we split our business into for business units and we give some color on each one of those business units in each quarter and in our institutional presentations.

So starting with JBS Mercosul, which is primarily Brazil but it involves operations in Paraguay, in Uruguay and Argentina as well. We have R$ 5.4 billion in revenue, in net revenue in 2Q and that was up 25.5% against the same period in 2012.

We also had an increase of more than 14% in the number of animals that we processed in South America in the same period and just to remind everybody we are ramping up some of our facilities in Brazil. We are still in the ramp-up process and many of these facilities were opened late 11 and 2012 and we are still finalizing the ramp-up phase, which obviously means we are not at an ideal point in terms of efficiency, in terms of capacity utilization.

We have very strong growth in our fresh meat exports out of South America in this quarter: we were up 63%, 63% increase in exports when compared with the same quarter last year and that is really quite substantial and obviously part of it is attributable to the devaluation of the real.

Ebitda was R$ 543.5 million within an Ebitda margin of 10%. That is all of South America and if we isolate Brazil Ebitda margin was 11.2%. Somewhat of a challenging environment in Uruguay in 2Q and Argentina - we mentioned this in the past - Argentina is a country where we reduced our participation in that market and where we are working on maintaining our numbers at breakeven level.

So we can see over the last five quarters how we have performed in double-digit margins, although a slight decline in the last quarter.

Moving on to JBS USA and to our beef division at JBS USA (and that includes Australia and Canada, our Canadian operation that we started late last year). Net revenues there were US$ 4.8 billion and that adds up 12.6% in relation to 2Q 12. We saw increase in sales in both the domestic and export markets and obviously we are ramping up the facility in Canada and so there was a higher capacity utilization in the Canadian operation.

Ebitda went from a negative US$ 9 million in 2Q last year, negative US$ 25 million 1Q this year to a positive US$ 161.7 million, so a big turnaround in our JBS USA beef operation in this quarter, much better balanced in terms of supply capacity and demand.

A couple of highlights perhaps to mention: most of the restrictions that existed in terms of exports of US beef to the Japanese market were lifted in 1Q this year and so we began to see some substantial improvement in our exports out of the US to Japan. In 2Q they were up 40% and that is a trend we believe will continue going forward.

And something else which is worth highlighting: out of Australia we have seen contraction in our exports out of Australia as well and one of the highlights would be how Australia has increased its exports on a very, very consistent basis into the Chinese market.

Just a couple of numbers on that: if we take the first half of 2013 and compare it with the first half of 2012 our Australian exports to China were up more than 250% (that is beef and lamb), more than 250%; and even if we take 2Q 13 comparing it with 1Q exports were up 22%. So the trend continues through the first half of 2013, the Australian exports to the Chinese market.

US pork very consistent in terms of revenues and also in terms of margin: US$ 868.5 million in revenues, in the period that was up just 3% year on year. We have seen some increases in prices again both in the domestic and export market. Ebitda was US$ 50.7 million and that is an Ebitda margin of 5.8% and we can see that they have been quite consistent, actually exactly the same number as in 2Q last year or the same margin, Ebitda margin of 5.8%.

In terms of our poultry business, the other business unit that we break out which is Pilgrim's Pride Corporation which we control. Pilgrim's Pride already reported their numbers in August 1 this year and those numbers were very, very strong: almost US$ 2.2 billion in revenues and that was more than 10% in relation to the same quarter last year. We saw an 8.2% increase in the US market and very strong 32.5% increase in the Mexican market. We saw a lot of activity in the retail sector and also in the food service sector in 2Q and so that has boosted consumption and demand quite a bit internally in the US.

Ebitda very strong at 12.1% margin, US$ 265 million, and that regardless of the fact that input costs continue strong though declining, particularly corn prices are still strong historically but looking much more favorable going forward. I think it is worthwhile mentioning that we had… We continue to see efficiencies from within the country.

At Pilgrim's Pride we saw a further decrease in SG&A in relation to… As a percentage of total sales down 3.5% with a focus on key customers and the demonstration of its ability, of Pilgrim's Pride ability to adapt to changing market conditions and to work to have a more balanced business across all the strategic channels and improve its sales mix.

Moving on to page 11 in the presentation and to talk about our consolidated exports we had quite an increase also in our exports: almost US$ 3 billion in exports in this 2Q 13, US$ 2.975 billion and that is up 26.8% in relation to the same quarter last year. So a lot of growth on China out of Australia but China has become a strong buyer of products not only out of Australia but out of our other production platforms as well representing more than 27% of all our sales.

Mexico is also a very strong and traditional market of ours; Africa and the Middle East, also Russia is a very relevant market for us and as we can see there is a lot of consistency and there is a lot of emerging markets growth on our exports which makes us believe that they will be very consistent and there is still a lot of growth potential going forward in our exports.

Before we hand it over for Q&A I just wanted to talk a little bit about our debt profile. Here on pages 13 and 14 of our presentation we have a little bit of our debt profile, about our leverage. Again Wesley mentioned our leverage has declined for more than 4x 2Q 12 down to very, very close to 3x breaking it out in terms of… In reais 3.28x leverage but if we convert our cash generation and our revenues into reais at the same exchange rate over the last 12 months and if we exclude the portion of the Seara debt which we anticipated in the quarter we would have our leverage down to 3x, 3x leverage using the same exchange rate and excluding the portion from Seara.

In terms of currency breakdown 20% in reais, 80% in US dollars, average cost in reais of 8%, average cost in US dollars under 7% (6.95%).

Our cash position of US$ 7.2 billion as Wesley mentioned... reais excuse me, R$ 7.2 billion, but we also have available lines, committed lines in the US available, fully available and committed lines of US$ 1.2 billion, the sum of which makes us very comfortable that we have a strong liquidity position.

Almost 60% of our debt is at the parent company, just over 40% in our subsidiaries; 44% is in bonds and the rest is in other types of debt such as pre-export finance and working capital lines, etc.

Before we finalize here just a little bit about recent events we have mentioned and I am sure most of you are aware of the fact that we announced the acquisition of

Seara Brasil about two months ago. That is an ongoing process and we are waiting for the antitrust approval in Brazil and we expect to have that in the second half of 2013.

We have also made a voluntary public tender for shareholders at Vigor, which is a sister company to exchange their shares for shares at JBS. We published a material fact on July 24, 2013 to explain the details of that and I just wanted to make reference to that.

And also make reference to the fact that Pilgrim's Pride mentioned in its earnings call that it has amended its exit facility. A big portion of its debt has been extended from maturing next year in 2014 to maturing in 2018, US$ 700 million with more advantages in terms and covenants and also with a reduction in the cost of the debt.

We also earlier this week we announced the appointment of Miguel Gularte as the president of our South American operations. Again there was a press release on our webpage with the details of that. I just wanted to make reference briefly.

Wesley mentioned the fact that we have been working on branded products quite a lot. With been doing… For those of you who are not in Brazil we have been doing a campaign to disclose our Friboi brand in Brazil. It has been extremely successful over the last six months and it has caught the eye of the public quite a lot at it has become, if I may say, a reference campaign in terms of adding brand value to our business over the last six months.

Finally on our stock performance our share price on the Bovespa stock exchange has outperformed the exchange by quite a bit as can be seen on page 18 of our presentation. We have seen quite a substantial gap between the performance of the exchange rate and the performance of our stock. Quite a big volume of daily trade, R$ 36.4 million daily trade during the quarter, market cap of R$ 22 billion.

And then finally on Pilgrim's Pride on page 19 of the presentation a demonstration of how Pilgrim's Pride has performed against the S&P 500 and it has outperformed it substantially.

Just to mention in closing that JBS has taken Pilgrim's Pride increase by R$ 6 billion over the last 12 months, R$ 6 billion. If we convert this into the share price at JBS this would represent R$ 2 of incremental value in JBS's shares just by the increase in the value of Pilgrim's Pride over the last 12 months.

With that we close our presentation here and we hand it over for Q&A. Thank you very much.

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. If you have a question please press the star key followed by the one key on your touchtone phone. If at any time you would like to remove yourself from the questioning queue press star two.

Our first question comes from Ms. Farha Aslam from Stephens Inc.

Mr. Farha Aslam: Good morning.

Mr. Batista: Good morning Farha.

Ms. Aslam: About your recent purchase of Seara and your interest in chicken would you ever consider repurchasing the remaining 25% or so of Pilgrim's that you do not currently own?

Mr. Batista: Farha this is Wesley. Look, we like the fact that Pilgrim's is a public listed company and we intend to keep Pilgrim's as a public listed company. So we do not have plans to buy the remaining because by the fact that we like to have PPC as a publicly listed company.

Ms. Aslam: Ok and then just a quick now on the US beef. The business has recovered quite strongly; could you just, Wesley, provide us some… Your thoughts as we go over the next 12 months as to the cattle supply versus processing capacity in the US?

Mr. Batista: Farha basically our view is that the industry now has a better balance in terms of capacity and cattle availability. We believe with the footprint that the industry has today the industry can keep running the beef business in North America seeing margins and seeing good results. So we do not see reason, we do not see reason to believe that the industry has any unbalanced situation that will jeopardize our hurt margins going forward.

Our view is that the margin can be sustainable for beef, can be profitable in these coming quarters and in this coming year.

Ms. Aslam: Ok thank you very much.

Mr. Batista: Thank you Farha.

Mr. O'Callaghan: Thank you Farha.

Operator: Excuse me. Our next question comes from Mr. Wesley Brooks from Morgan Stanley.

Mr. Wesley Brooks: Hi Wesley, Jerry, how are you doing?

Mr. Batista: Hi Wesley.

Mr. Brooks: A couple of questions from me: also on the US beef side can you just give us some insights into where the US margins were versus your margins in Canada and in Australia roughly?

Mr. Batista: Wesley we do not disclose the margins, we report the margins together (Canada, Australia and the US) but Australia is in a positive moment, it is doing really well; Canada as you know we acquired Canada in the end of last year and so we are still improving our operation in Canada and so margin in Canada for our business is still opportunity to improve and I can tell you that it is behind in terms of where we believe margin in Canada can be for our business.

So this is the true markets, Canada and Australia that are part of our US beef business.

Mr. Brooks: Ok thank you and then on Pilgrim's if we look at the spot chicken margins in 3Q versus 2Q they look dramatically better and what we have seen now is we are starting to see egg sets increase in the last couple of months and some increase in production.

So I just wanted to get your thoughts on how sustainable is that level in 3Q and what could go wrong from there.

Mr. Batista: Wesley basically in our view the chicken industry in the US is set to see good margins going forward in these coming quarters and we do not see any risk in the midterm that something can happen that can jeopardize margins.

To remind you the grain price that we are still seeing in our business in 2Q and still in 3Q that is the old crop that we are using to feed the chicken, we are still using grain at high level in terms of price, and especially 4Q with grain price in the level that it is today and in the level that the futures market is today can be very positive for the industry especially in 4Q.

So we are very optimistic and in our view, Wesley, we are confident that we will be able to deliver better earnings in this second half of 2013 compared to the first half of this year. So we did almost 1 dollar/share in the first six months and we believe we can do more than 1 dollar/share in the second half of this year.

Mr. O'Callaghan: Wesley just to add there when you look at egg sets and you compare egg sets year on year do not forget that egg sets were down substantially at this time last year. This was the time when corn prices were peaking and so that comparison is a little bit deceptive because of the big decline we had for a period of time in the corresponding weeks in 2012.

Mr. Brooks: Agreed and sorry one last question is I think there was talk that you guys were talking with banks on renegotiating all of the debt that you are assuming from Marfrig. Is there any update on that?

Mr. Batista: Yes. Basically we are 95% done in terms of our discussion with the Brazilian banks. Of course we are waiting for the antitrust agency to approve the transaction for us to finalize the debt assumption with the Brazilian banks. But what I can tell you is that we will see a good reduction in terms of the debt cost (around 200 basis points reduction in the cost) and the maturity of this debt will be extended to a maturity that will be between 3 to 5 years. So we have been having a very good discussion and 95% is already approved by the banks and is waiting for the approval of the antitrust agency. Hello?

Mr. O'Callaghan: Did we get cut off?

Operator: Excuse me Mr. Brooks your line is still open.

Mr. O'Callaghan: I think he is gone. Perhaps we could go to the next question.

Operator: Sure. Excuse me our next question comes from Alan Alanis from J.P. Morgan.

Mr. O'Callaghan: Hi Alan. Operator I think we might have an issue with the incoming questions. Operator?

Operator: Excuse me ladies and gentlemen please hold.

Mr. O'Callaghan: Thank you.

Operator: Excuse me again, our next question comes from Mr. Allan Alanis from J.P. Morgan.

Mr. Alan Alanis: I think that Wesley got disconnected. Can you hear me?

Mr. Batista: Hi Allan we can hear you.

Mr. Alanis: Ok good. My question is a bit more long-term in the same line of your opening remarks, Wesley, regarding these last five or six years since your IPO. I think JBS has done many things that are indeed quite remarkable in terms of its size and how you mentioned revenues and so forth.

However the stock price is still below the level of that IPO and my question is specifically regarding three parts: what lessons have you learned in the last six years by running the business? That would be the first one.

The second one would be what do you think we analysts and investors are missing or have been missing or are still not fully understanding about JBS?

And I think the last part of the question, which I think is the most important one, is what do you think you will be doing different? What would JBS be doing different in the next five or six years based on those lessons learned? They are very strategic, long-term questions just in the same line as your opening remarks.

Mr. Batista: Alan basically your question is a good one. Of course we have been learning many, many things and we are still learning every day more and more. We are a company that we strongly believe in people and this… every day we increase our belief that people make the difference in business. So you can be better or not based on the team that you have, and we have been able in my view to build a very strong team and I am very proud about the team that we have in our business today.

And of course we learned that some markets, not actually… Fortunately we entered into markets that are markets that we feel very comfortable to operate; but we have a few experience in some markets that we face more difficulty to operate and I think this is a big learn for us where we feel confident that we can make the difference and we can run the business in a comfortable way, you know what I mean?

So this is a big… If I can mention one point from many, many lessons that we got in these past years this is one that we feel that we have a very clear view as an international player where we should keep investing and should keep growing our business.

Moving to the other part of your question look, it is hard to say what the market is missing about the share price - and you are right, the share price is in the level that is almost the same level compared to when we did the IPO.

Of course we have our view. I think it is a process, Alan. JBS is a company that from 2007 when we did the IPO until now we increased the size of our business in a very big way and I think the market was… And every day I think the market is getting more confident about our ability to integrate this business, to turn this business around.

If you look our history, Alan, the majority of the acquisitions that we did we acquired businesses that were not performing well like many I can mention; but when you buy a business that is not performing well it is normal that you create an expectation from the market to wait to see if you are able to turn the business around and to make the business profitable.

And look, I think we demonstrated our ability to integrate this business. We demonstrated our ability to run this business, improve margin and I think we have been able now to demonstrate to the market our ability to generate cash and to deleverage our balance sheet.

And in my view Alan I think I have mentioned this before: JBS is well settled today to collect fruits from all this expansion that we did in these many years and I think the market will recognize this and the market will recognize what we are doing and I think the share price will reflect these things we are doing.

And going forward, Allan, we are investing in our business to create branded products, to expand value added products, to have a more stable margin business and I think we are in the right track, direction to be able to increase further processed capabilities and to build more branded products in our portfolio and I think we will keep being able to improve margins and, again, I think the share price will reflect what we are doing in JBS today.

Mr. Alanis: That is very clear and very helpful in fact that maybe the market will also note the acquisition of Pilgrim's Pride. I was just working with my team this morning and it is pretty amazing when you acquired Pilgrim's and market cap was a little bit over US$ 400 million and today's more than 4.5 billion, I mean a tenfold increase in the market cap of that business in that period of time.

I am not saying Seara and the other acquisitions will end up being like that; but there are some components of big, big successes there. But again I think the understanding and the communication of the lessons learned during this journey, and you mentioned what things would be done different I think would be helpful in the way you answered, it was very clear. Thank you Wesley.

Mr. Batista: Thank you Alan.

Mr. O'Callaghan: Thank you Alan.

Operator: Excuse me. Our next question comes from Mr. Daniel XXX from J.P. Morgan.

Mr. Daniel XXX: Hi good morning. I have a question on the debt side. Here when you calculate net leverage you are assuming only a little bit over R$ 300 million from the… From Zenda and Seara. Marfrig basically when it calculates the net leverage they are deducting R$ 2 billion. So can you expand a little bit what is the difference or have they transferred more during July? Thank you.

Mr. Batista: Basically debt that was transferred by the end of 2Q was some R$ 300 million and in our purchase agreement it contemplates that we were going to transfer up to R$ 1 billion and so when we did the difference this R$ 1 billion in 3Q, so we complete the assumption of this difference to complete R$ 1 billion (so almost 700… R$ 800 million) but it was in 3Q.

So I cannot say and I cannot mention what Marfrig reported. I think - I will mention here my impression - I think Marfrig what they did they did a segregation in the business that is discontinued or that will be discontinued and Seara has that in Seara's balance sheet that Marfrig - my impression - that they already took this out of their calculation because it is a no continued business. I do not know if it is clear to you.

Mr. XXX: It is very clear, I appreciated, thank you.

Mr. Batista: Thank you.

Mr. O'Callaghan: Thank you Daniel.

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

Mr. Paul XXX: This is Paul XXX on the line.

Mr. Batista: Hi Paul.

Mr. XXX:... I just have... I just have one question for you guys: what percent of the cattle you buy have been given zilmax and do you see the zilmax issue enough to further tightening cattle supply? Thank you.

Mr. Batista: Andre I will handle to you.

Mr. Andre Nogueira: Wesley we believe that around 80% of the cattle, the fed cattle as today (inaudible 51:04) so probably the market share is 50% - 50% (50 is ... and 50 is zilmax. That is the base that I can report how the industry is. I do not think if we should take only zilmax out we have a big impact, even (inaudible 51:27) impact will be very small because probably most of the producers will change from zilmax to optaflexx without big impact in the amount of meat available.

Mr. XXX: Ok thank you.

Operator: Excuse me. This concludes today's question-and-answer session. I would like to turn the call over to Mr. Wesley Batista to proceed with his closing statements. Please go ahead.

Mr. Batista: Thank you. Thank you all to being with us today in this conference call. To summarize we are very optimistic about our business and where we are going and I believe we will see in a consolidated base a better second half of this year compared to the first half of 2013. So we are still very committed to keep improving our business, to keep improving margin, to keep deleveraging and generating cash.

With that thank you all and have a good day.

Operator: That does conclude JBS' audio conference for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.