International Conference Call

JBS

JBS Day and 3rd Quarter 2013 Earnings Results

November 14, 2013

Operator: Good morning everyone and welcome to JBS SA conference call during which we are analyzing 3Q 13 results, together with this JBS day, a public meeting in partnership with Apimec.

By request of JBS this event is being recorded and the audio will be available as of this afternoon at the company's website www.jbs.com.br/ir.

The question-and-answer session will be limited to those present physically in the event.

Today with us to have Mr. Wesley Batista, CEO of JBS; Mr. André Nogueira, CEO of JBS USA, Mr. Miguel Gularte, CEO of JBS Mercosul; Mr. Gilberto Tomazoni, CEO of JBS Foods; Mr. Denilson Molina, CFO of JBS USA; Mr. Eduardo Maciel, CFO of JBS S.A.; Mr. Eliseo Fernandez, Management and Control Officer; Mr.. Jeremiah O'Callaghan, Investor Relations Officer and Mr. Eduardo Galvão, Investor Relations Manager.

Now I would like to give the floor to the Apimec representative in order to start our call. You may proceed.

Mr. XXX: Good morning everyone. I would like to say good morning to those who follow us in the Internet and it is with great pleasure that Apimec once again welcomes JBS for this presentation, a leading company in the animal protein industry in the world and we have the whole executive committee of JBS represent here today.

We have Eduardo Galvão, IR Manager; André Nogueira, CEO of JBS in the USA; Gilberto Tomazoni, the CEO of JBS Foods; Miguel Gularte, CEO of JBS Mercosul; Denilson Molina, CFO of JBS USA; Eliseo Fernandez, Management and Control Officer; Eduardo Maciel, CFO; our dear friend Jerry O'Callaghan and the CEO of JBS Wesley Batista sitting here at my right.

Now we will be showing an institutional review and afterwards Mr. Wesley Batista will be making the opening remarks. Now the video.

Mr. Wesley Batista: Good morning everyone. It is a great pleasure to be with you and thank you very much for your presence and for everybody who participate via webcast as well and by conference call. Thank you Reginaldo, it is a great pleasure to be with you today.

I would like to start by telling you about how proud we are to be here. I also wish to congratulate our whole team, which undoubtedly led us to the results that we have achieved and thanks to 185,000 people working together in teamwork all over the world. We are immensely proud of our team, people who are committed, who are passionate, who love what they do, people who are obstinate and undoubtedly this makes a whole lot of difference for our company. This team of motivated people who allow us to look ahead and expanding our business and growing consistently.

Talking about 3Q undoubtedly this has been a very important quarter after the conclusion of Seara acquisition. We concluded this acquisition of Seara exactly at the end of 3Q, which means that all the figures of JBS from revenues results did not reflect anything of Seara yet because this will be in the figures of the selling company and the indebtedness and all the balance sheet lines are included in the figures presented by us.

We had a quarter with net revenue not including any revenues from the Seara sale of R$ 24.2 billion, a significant expansion if compared to the same period of the previous year, 25% increase in our revenues on a year-on-year comparison, of which it is important to say that it is 7% of this growth in revenues comes from organic growth. JBS is a company that has been growing along its history by acquisitions but also organically and very much so.

Our consolidated Ebitda was R$ 1.7 billion, which also represents a very major increase compared to the same period of the previous year of 2012, 24% increase higher on a year-on-year basis. Ebitda margin for the quarter was 7.1% consolidated.

Our net income was 219.8, R$ 220 million. We had cash generation, free cash generation after investments of R$ 806 million; operating cash generation 1. 24 billion and we believe these are figures that are very much in line with what we have been telling the market for quite some time already: that JBS has a position and we are more confident than ever in our capacity to continue to improve our results and to generate cash and to expand our revenues.

We closed the quarter with R$ 7.8 billion cash, a very comfortable level of liquidity and this liquidity is split among some subsidiaries of JBS.

Our leverage - and I think this is a very important figure and I will be expanding on that little bit - folds at 4x including the debt with the acquisition of Seara and not counting on results from Seara, that is to say only the acquisition or the debt for the acquisition.

And if we were to exclude the acquisition of Seara just as an exercise our leverage would have been net of Seara less than 3, it would be 2.96x and I think this is a very important figure. For one year or more I have been saying that we would be deleveraging the company and generating cash and we have been doing this consistently. This is already the fifth or the sixth quarter in which we reduce our leverage consistently and our target figure was to close the year of 2013 with 2.75x leverage and we are exactly in line with what we would have been giving you as a guidance.

And if we consider in the JBS account, if we consider the Ebitda that we consider feasible, possible and that we believe we will be delivering this Ebitda in Seara our leverage with the acquisition of Seara - and I would like to remind you that this is a very relevant acquisition, R$ 6 billion is not a small business - and it would be less than 3.4x.

So with the normalized result, the result that we believe we will be delivering a Seara.

The acquisition of Seara undoubtedly is 100% in line with JBS's strategy and in the last few years we have increased our production platform very extensively. We have built the biggest protein production platform in the whole world in the most competitive places to produce protein in the world. I say that if you want to be competitive in protein production you have US, Australia, North America and the places where competitiveness is very high and this is exactly where we are present.

We have a relevant presence in the US, Canada, Mexico, Australia. A very important one in South America (Brazil, Argentina, Uruguay and Paraguay) and we built this last form in the last few years and this is our strategy, the growth of JBS and the major focus of our company is to expand in the value chain. We want to continue growing the company at the right time and also after the acquisition of Seara we will be 100% focused on deleveraging the company once again, but the focus of expansion for the company for the next few years is on added value products adding value and expanding our margins. So the Seara acquisition is exactly in line with the strategy of expanding in the added value products, added and branded products.

After my team makes the presentation Jerry will be presenting the figures and before giving the floor to our team I would like to say… Well, our team has already been introduced but I would like to mention each one of them and each one of them will say a few words to you and before we open for questions I would be coming back.

We have Jerry O'Callaghan, he is the IR Officer of JBS; afterwards we have Denilson Molina, Denilson Molina is our CFO in the United States, which includes the whole North America and Australia operations; we have André Nogueira, our CEO of our US operations that include United States, Canada and Australia as I said before and they all report to André; afterwards we have Tomazoni. Tomazoni today is the Chairman of the Board of Pilgrim's Pride and he is also the CEO of JBS Foods. He is in charge of the whole global operation of JBS in what regards poultry, birds and the Brazil operation.

Then we have Miguel Gularte. Miguel Gularte today is the CEO of JBS Mercosul for the whole, which is beef, leather, Uruguay, Paraguay, they all report to Miguel; afterwards we have Eliseo Fernandez, our Management and Control Officer of JBS and Eduardo Maciel, our CFO at JBS SA; and then Eduardo Galvão who is our Investor Relations Manager.

Now I would like to give the floor to Jerry and Jerry will be talking about our figures in more detail about each part of our business and then he will be calling each member of our team and they will be talking about their specific businesses.

Once again thank you very much for being with us today.

Mr. Jerry O'Callaghan: It is important to remember that here we are making… Giving our indications about what we believe the market will be and we have to take into account the fact that we have a disclaimer that should be taken into account.

Let us start by talking about the consolidated results. Here we have the last five quarters and I would like to show you the trend that we have been seeing in our results and the consistency that we have been delivering in terms of growth of our revenues. We can see that we had R$ 24.2 billion this quarter and also the Ebitda, the Ebitda margin. Two or three years ago if you remember consolidated was around 4% to 5% and today we are showing a consistency, higher consistency and the consolidated Ebitda margin at around 7%, something that we expect will continue in the next few quarters.

Talking about each one of our businesses, as most of you already know we split our business into four business units and as of next year with the advent of JBS Foods we will have five business units to report as of 2014… 2013 we have four business units starting with Mercosul, JBS Mercosul.

And as Wesley said this concludes our whole Brazilian operation and cattle and birds (pre Seara) and hides (leather) and all the other related products about which we will be talking today in the operations of Uruguay and Paraguay and Argentina.

We had revenues of R$ 6.2 billion, 35% higher on a year-on-year basis. You will see that there is an expressive growth when we compare with the same quarter and it is important from the seasonal viewpoint to make this comparison, the year-on-year comparison.

Over 21% increase in the number of animals processed. And the domestic market grew by 31% and exports 30% in volume terms. In the domestic market revenues went up 40%; Ebitda R$ 687 million; Ebitda margin 11.1%. Some analysts and some people felt that there could be a decrease, a consistent decrease on the Ebitda margin of our operations in Mercosul as we delivered 10% in the previous quarter; however we see this margin further improving and if we isolate the Brazilian margin it was 11.7%, which means a major increase in our exports in general but more specifically from Brazil we see a substantial increase in exports and we will be talking about this a little bit later.

Beef in the US a very relevant operation, US$ 4.7 billion in revenues. Beef in the United States - and this includes our operations in Canada, a recent operation in our whole operation in Australia and in fact we have lamb in this operation as well, but we call this beef United States - almost US$ 4.7 billion in sales or net revenue in the quarter, almost 10% higher than a year-on-year comparison and again Ebitda 125 million and Ebitda margin 2.7%.

We saw the price of cattle going up in the United States but the industry has been transferring this pricing increase and we also see a good performance from the Australian operation mainly due to exports and demand growth from Asia and the facility on the part illustrated to access the Asian market due to geographical proximity.

In the United States one important point is that the US imports quite a lot of beef and we see a decrease in the availability of this product. The United States are importing less and this is creating a bigger balance in the domestic market of the United States.

And lastly about the US herd. This is something that we have been talking quite frequently with you about and we start to see a higher retention of cows pointing to an upturn in the growth of the heard. The volume of cows coming to the market is lower when we compare and in 3Q this is the quarter where the people keep them to have more milk cattle being born and more cows being born and we see that this is a trend that we have been observing.

Pork what we see in our pork business in the US is the following: we have three large operations there, we are the third largest pork producers in the United States and what we produced represents 50% of the overall Brazilian production just to put this in an order of magnitude. We have consistent revenues and cash generation, Ebitda in this business of pork, Ebitda margin around 5% and we do not see anything different in this quarter, so a lot of consistency here.

The next slide poultry operation in the United States which is known as Pilgrim's Pride Corporation and this is a listed company that we control in the US and that has a very relevant operation in the US, also a very relevant operation in Mexico and Puerto Rico as well. We have already reported results 15 days ago and the results are very positive: US$ 226 million Ebitda, 10.6% Ebitda margin over a revenue of US$ 2.1 billion.

Just to give an idea the increase in the Ebitda vis-à-vis the same quarter of last year is 114% on a year-on-year basis.

Next slide about our consolidated exports. I would like to highlight exports and I think it is really worth to see how demand from emerging markets is transforming the world trade of meat in general. The figures for the quarter as you can see here, almost 17% in 3Q on a year-on-year comparison. In 2Q this year we also saw over 20% increase vis-à-vis the same quarter last year.

So you can see that there is a high degree of consistency in this growth in export volumes driven by the relevant demand that we observe coming from the world, and Wesley mentioned China and Asia is transforming this trade: US$ 2.95 billion in exports, practically US$ 1 billion per month, 2.95 in the quarter and we can see that China represents most of that; then Mexico, Japan growing quite consistently in their exports especially due to the fact that the US market opened up again in the relations with Japan, so we are starting to see the relevance of this agreement and markets opening up, Japan growing consistently if we compare this to previous quarters.

Then we have Africa and the Middle East, regions where we have a relevant footprint as well with our own offices and access to end consumers in the region and followed by the other markets.

Europe also showing the need to look for more products outside Europe, although they are a little bit reluctant - I mean the politicians are a little bit reluctant - in this regard, but they have been increasing imports year-on-year.

Debt profile, let us talk about our debt profile and leveraging, and Wesley has already talked about it. This slide is very important: if we consider this net of the Seara acquisition debt we see that our leverage would have been lower than 3x as Wesley said, and according to what we had already estimated and informed the market and we have worked very diligently in this direction and with Seara, R$ 6 billion in debt, and even considering that our leverage is 4x.

On the next page we continue to talk about our debt profile. At the end of the quarter - I would like to emphasize that by the end of the quarter, it is not really the scenario today - but the figures for the end 25% of debt in reals, 75% in US dollars, the cost in real 10.5% impacted by the Selic in Brazil and the cost in dollars dropping 6.2% and 35% of this debt was short term at the end of the quarter. We have the breakdown of our debt at JBS SA and the subsidiaries are mentioned here in this breakdown and how much has to do with debt securities and other modalities of debt as well.

On the next page we show you the several relevant events that happened after the quarter was closed. So we really must keep in mind the scenario today, first because we closed or we phased the payment of a bond that was due in 2014 and we paid this in September and October and we had the issuing of US$ 1 billion by JBS SA and we also had the beginning of negotiations with Brazilian banks vis-à-vis the acquisition of Seara.

So these are reflected here on this slide and we think it is very important to highlight this. Our short-term debt with these operations all consolidated drops to 21% and our cash and cash equivalents will be equivalent of 116% of the short-term debt and the average maturity of the debt will be extended to 53 months and even stretching this debt our cost is still 6.2% even if we are rollout this debt.

Very quickly about the performance of our shares. It is important to check this in the performance of JBS's shares in Brazil and even with the relevant performance we believe that there is a lot of room for growth here. 15% increase in our market… In our share price vis-à-vis Ibovespa, a 12% devaluation, and our daily trading volume, average daily traded volume is not including the ADFs in the United States it would be over R$ 31 million being traded.

Indicators of Pilgrim's Pride in the US on the next slide. This is a very clear snapshot of the performance of Pilgrim's Pride stock in the market and the impact that this has in the market cap of the company, appreciation over 220%, 228% appreciation vis-à-vis only 17% for the market. The market cap of JBS I did not mention is R$ 24 billion today and Pilgrim's Pride R$ 3.7 billion today… Dollars, dollars.

A few words about our campaign. I think everybody in Brazil is very much aware of our advertising campaign and when we talk about the campaign I see people smiling because I think it is a very friendly campaign so to say and that really got to people's heart.

I have some data here: it increased over 100% our presence, you can see in supermarkets using our products to draw attention to their own stores. We won the Top of Mind Award of Folha de São Paulo newspaper and we are one of the contenders for the Caboré Award, which is like the Oscar of Brazilian advertising and being nominated for this award is already in award in itself. We have already received 80% recommendation by consumers and the campaign is considered by Exame magazine published last month as one of the 10 most successful and top of mind campaigns in the year. So it really makes people smile and because of that our performance in the domestic market had a major positive impact.

Now I would like to close my presentation about our figures, about our results and now we would like to give the floor to Mr. André Nogueira, the CEO of JBS United States and North America and Australia to talk about his area.

Mr. André Nogueira: (inaudible 31:22) but it is also a byproduct of the dairy industry. These two markets have different dynamics, margin and also seasonality and I guess this is unique at JBS: we are one of the few players in the US that is present in both markets and we are also closer to end consumers, which is an advantage in terms of serving our customers.

We process 20,000 heads per day in the US, 7600 in Australia and 4000 in Canada. We are the leader in the US market with a 22% market share, very close to the other two competitors, Tyson and Cargill. We are the leader in Australia by far, 27% market share and we are the second player in Canada with 40% market share for production, Canadian market.

Feedlot, another point of uniqueness for JBS. There is no other significant player both in the US and also in the Canadian market and also in the Australian market. Their feedlot operation is not as relevant as JBS's and when it comes to tighter supply it is good to us. We have 11 feedlot operations in the US, 4 in Australia, one in Canada, a total capacity of 1.2 million heads and because it changes every six months we have capacity to produce 2.5 million heads in total feedlot operations of JBS.

The lamb production in Australia primarily where our capacity was 22,000 heads per day in the operation and in the US is relatively small. The production of lamb is only a net importer of lamb, but in Australia we have 22,000 head and another important highlight of the operation… Let me talk about this, it is not so easily known.

Australia and New Zealand are the top players. If you put them together they account for 85% of total lamb exports worldwide and Australia is the absolute leader in this market of lamb production and exports with 60% of lamb exported.

And this year in Australia compared to the previous year our production grew by 41%. We are processing this year up to now, year to date one additional million head of lamb per year and this stems from a higher supply in the domestic market in our operation is far better and the amazing Chinese demand that will be addressed later on obviously is driving all kinds of proteins particularly for beef and lamb.

Poultry. Pilgrim's operation is in the US and also Mexico, 31 plants in the US, 3 plants in Mexico and one in Puerto Rico, capacity of 7.5 million birds per day. We highlight Pilgrim's results later. We are the second largest American poultry producer with 18%. I believe there is Tyson with 20% or 21% and we run second very close to Tyson and the third layer is much lower. So we are among the two leaders and the leading companies in the US market and we can consider to be domestic players, the others are more regional.

Pork we have three plants in the US, 51,000 head per day. The US is the largest worldwide exporter of pork. The US accounts for 34% of total exports worldwide and 15 years ago it was zero. In the US we moved from 0 to 34% of total exports in the world in less than 15 years, so extremely high production and pork extremely competitive. The cost of pork production in the US by pig or pound is virtually half compared to China for instance, and it is the leading pork producer. China produces half the worldwide pork production but when it comes to efficiency the US is lagging behind.

The second pork producer worldwide is Europe, approximately 32% but with a clear decrease and I will be addressing the drop in beef as well in Europe. Leather we have a plant in the US, another in Australia and distribution centers in Australia, Mexico and the US.

What about our highlights this quarter or for the year? JBS USA will be integrating many operations. Ebitda this quarter is 27%, above the same quarter of last year. When we see the company as a whole revenue was 8% higher than the same period of the previous year; cash generation operating 442 million, cash generation of 360; income of JBS USA for the first six months of the year compared to… Or the first nine months compared to the same nine months of the previous year is 132% higher. Net income in the last quarter was 379 million, so 63% higher than the same period of the previous year.

Denilson led the refinancing of JBS operation in September, JBS USA. We had a bond that would be mature in 2014 and it was refinanced into different credit lines: bonds in the market and our bond that we will pay in 2014 had a cost of 11.6% per year and the refinancing cost 5.5%. You can do the math and see that we will be saving approximately US$ 40 million per year as interest starting now with the recent financing.

The next maturity on our part... Do not laugh; you know how challenging this is… Our next maturity or debt in the US will be by 2018, in other words we have no concerns when it comes to refinancing in JBS USA and to 2018, which is the maturity of Pilgrim's bond.

Let us talk about the US, some highlights: exports - and now I am addressing our operation, our beef operation - compared to the same quarter of last year our revenue grew by 18%, the total revenue for beef of the US known as JBS US Beef 10%, our growth in exports to Japan. Japan is the leading market that buys beef from the US and this year the US is exporting 50% more to Japan compared to last year.

And that is because Japan changed the rules of the game allowing us to export cattle older than 20 months (in the past the maximum was 20 months and now up to 30 months), which is virtually all cattle bred in the US and we grew our exports by 50% in the premium market to the US.

And I will be addressing some agreements, bilateral agreements that are being made when it comes to trade and we will open even more our production for beef, pork and poultry. The US signed an agreement with Colombia as well recently, and it was approved in the National Congress. The growth imports to Colombia exports is 6%. The market opens, rates go down and US is competitive and grabs the market share.

As results of an agreement between the US and Korea which will bring import fees that were 40% for protein down to zero. It has been reducing year-on-year being zero and it will be replacing part of the Korean production.

And now the US is discussing, is negotiating the TPP system which is an agreement with Japan and several Asian countries and Australasia with high expectations to be signed by year-end or in 1Q next year and the input rate will be down to zero over time and Japan is the largest importer of proteins volume wise. The US is expected to greatly increase and will replace our domestic beef and pork production in Japan.

What about China? For us… I think Jerry showed total exports to China. China this year is importing… Let me talk about China and Hong Kong and Vietnam together (known as the greater China). China is importing 120% additional beef compared to the previous year and this will generate a total for the year of 1 million metric tons of beef. Just to give an idea that is 10% of the American production and the US is the largest beef protein producer worldwide.

So why is this happening? There is higher demand in China around 5% year-on-year, demand for beef. Until 2020 according to the Chinese forecast demand will grow another 1.5 million tons, in other words what it imported this year, which is 1,000,000 tons, will more than double volume wise by 2020 and the Chinese herd and production is going down. The Chinese herd was 124,000 head in the past and now it is 130 million, so they are changing the figures for the last 11 years.

So export is soaring in China and this will be a great topic for us, in Australia, in the US and in Brazil and Canada. Everybody is exporting more to China and the same goes for lamb. China is expected to import another 30% or is expected to increase by 30% lamb consumption (today it is 4,000,000 tons) and by 2020 will be even greater.

For pork revenue 7% higher, export for pork and revenues 8% higher than I also made comments on Colombia. So there is an agreement that opens the market, 100% growth in exports this year.

The outlook both for beef and pork for 2014 is positive. Beef this year started poorly, 1Q was very weak. Australia is doing well and Canada is below our expectation. Canada we expect to significantly improve our operations for next year. We expect Australia to keep on delivering favorably as this year, producing much more, exporting much more, with a much better margin.

The expectation for beef is positive for 2014. Herd in the US as Jerry mentioned started to have… Well we had a very strong drought in the last three years in the US which affected herd, so economic conditions had an impact in this year, farms kept raising conditions, water, and the prices of calf are high, so these economic incentives so far are working on the herd again. It has already started and this trend will continue. We do not expect to have a dramatic effect from one year to the next. If it is dramatic we have lower availability on that year but not in the future. But we do not believe this will happen; we believe it will be a natural buildup.

For pork and beef in the US we have been doing in the last three years thanks to the investments made very strongly (JBS invested for the last four, five years more than any other competitor in our beef and pork operations) in order to allow us to do what we are doing right now, in other words to work more and more growing our programs, growing and delivering more value added in what we do. What we sell for pork today is very different compared to five years ago: more added value, more branded products and this will continue next year.

Poultry revenue was higher 3.6%. Jerry already mentioned, Ebitda was also higher 114%; net income almost 160 million this quarter. The US exported another 2%, additional 2% poultry, in other words the US keeps on growing poultry exports volume and this is expected to continue next year.

The scenario is favorable. This year we had a very consistent margin, very good for poultry in the US despite grain prices, on average corn at US$ 8. Obviously corn prices for next year if we check the futures exchange it is US$ 4, US$ 4.25, which is a direct input in poultry production. So the scenario will be far more favorable for grain in poultry, which might sustain a very reasonable margin level.

And we have two different scenarios for poultry and they add to one another: in the US today groceries area in supermarkets are the so-called… Breaded products or ready to eat. I visited the 15 largest American chains last year and in all of them this area is growing from 15% to 20%, ready-to-eat meals and basically they focus on poultry. Americans are buying more and more ready-to-eat meals at grocery stores and this is to the benefit of poultry, the product that stands out the most.

And there will be lower beef production. We believe the US will have around 2 tons of beef less next year and probably less pork as well. I do not know if you know it but there is a virus affecting the US pig production and this will have an impact particularly in the first half of next year. Maybe there will be 1% or 2% less pork, 2% or 3% less beef and this supports our is to the level of poultry production that will be… Or have an increase of 2% to 3%.

Mr. O'Callaghan: The next is Miguel Gularte.

Mr. Miguel Gularte: Good morning. I am delighted to be here talking to you on JBS Day. I would like to start with an overview of the area that reports to my department. First of all I would like to thank the team that works for me: in the beef Brazil area we have Renato Costa; in leather Roberto Motta and for new businesses Nelson XXX.

As you know JBS has a beef operation… Or has beef operations throughout Mercosul. I would like to invite you to start from the south of the continent starting with Uruguay. JBS has in Uruguay a slaughter facility with a capacity of 900 head day. Uruguay is a very special country, it can export to all countries in the world: Uruguay sales fresh meat, frozen and chilled to Nafta (Canada, US and Mexico) and also to Korea; Uruguay produces Hereford and Aberdeen Angus breeds and we specialized in producing added value products premium products.

Uruguay's cattle system of livestock is extensive, which is very much related to climate and Uruguay three or four years ago had a very strong drought, and the drought had a direct impact in production until last year or by the end of two years ago. Since then the climate in Uruguay has been privileged: rainfall in spring, mild summer, warm autumn and very warm winter as well, and repercussion was extremely positive and favorable to Uruguay's scenario.

This year it reported 3 million calf in 11 million heads. Uruguay will keep on being a country with stable production, growing production and we will expand in high... in premium products growing more than 16%, 16.5% in production and exports per year.

Now continuing our geographical tour let us go to Argentina. JBS is in operation with 5 plants in Argentina, 5 plants we fully concentrated in Rosario. We maximized the operation in this plant and now it slaughters approximately 1800 head per day.

This was a plant only oriented to exports, so we decided to reap the fruits and now we are producing domestically… To the domestic market. Argentina has a series of restrictions to exports and these restrictions forced us to be targeting the domestic market and that is what we did. We have a higher market share locally; we have a brand of products which is Swift, which has a very good repercussion in the market.

And we are also launching new products. We launched breaded products, meat-based breaded products that are being a sale success and once we overcome this temporary contingency in Argentina our operation will be very strong in the domestic market, but continuing with its expertise to the international market.

Next let us talk about Paraguay. JBS has two processing units in Paraguay, we have approximately 25% of the market share in the country. Paraguay is a very special country, the livestock and the industry are very competitive; production cost is very reasonable: electric power is cheap, labor is extremely productive and Paraguay has been showing amazing growth.

Just to give an idea 10 years ago Paraguay exported US$ 67 million as meat and this year it will close at almost US$ 1 billion, amazing growth. Cattle in Paraguay for the last seven years grew by 35%, so Paraguay's growth is really strong, very consistent and this is consolidating the domestic market that has been growing and buying a lot.

Just to give an idea our operation in Paraguay today it is… 75% is oriented to exports and 25% is to the domestic market with very good results.

Continuing our tour through the South American continent let us talk about business in Brazil. Well, not Brazil through beef but let us reach Brazil by starting with related businesses, JBS related businesses. JBS has two biodiesel producing plants, 240 million L of biodiesel per year. It is the largest, which is animal-based biodiesel. As you can see it is a very important matter to add value, diversify and add value to our production.

We also have a plant, a JBS plant for cans, metal cans and casings. 17 million cans are produced per month, out of which 60% are sold in the market and 40% are used in house, 100% recycled cans and manufactured with environmentally friendly manners.

Related companies related to beef, JBS owns JBS casings (envoltórios), two producing units one and Minas Gerais and another in Goiânia. Casings are used for sausages and other products and consumption is very significant in the Asian market as my colleague said in the US, and today China is also importing as well as Russia. So this is growing and it is a very important business.

We also have a collagen producing unit in Guaiçara city. As you know college and is used in the food industry, to produce cosmetics as well and also for pharmaceutical industries. And it is one of the few collagen plants worldwide.

We also have other companies like Ambiental. It is the company that recycles byproducts of the industry, products we produce. Not only does Ambiental recycle plastics and packaging from our own companies but also third-party companies. It was recently awarded with the Ethos Award for sustainable companies, a very important prize.

And we also have a transporting company, TRP. The transportation company… Well, as you can imagine in our business logistics is critical and having a carrier that tries to maximize our logistics is. Not only to meet delivery terms but also to lower costs. This company is very port and adding to JBS businesses.

We also have a trading company and it can apply expertise from imports and exports leveraging our business and with the trading company we can close deals with all kinds of protein substances, which is very helpful.

And then we also have a very important activity for JBS which is JBS leather. JBS is the largest producer of leather in the world. Our budget for 2014… Well, we tan 15 million leather and this is dedicated to the clothing and footwear industries and also to furniture but particularly to the automotive industry.

The automotive sector has been growing tremendously in this business has very high margins and it adds very well to our activities. Not only do we process leather from animal slaughtered by JBS but we can also process and by leather from third parties.

With the recent acquisition of Seara JBS also acquired Zenda Tannery, which is very modern, located in Uruguay and specialized in providing two BMW, Porsche and Mercedes Benz and other upscale brands and we are becoming increasingly more directed to semi-finished leather and let us focus on wet blue and now we can get straight to end consumers adding more value to our products.

JBS has units in Uruguay, Argentina, China, Germany, South Africa and Mexico.

Finally to conclude our tour, well, finally we are in Brazil where JBS has more than 53 plants, meatpacking plants and now I draw your attention to the geographical diversity. This diversification not only mitigates health risks but also allows us to benefit from the potential of every region, because JBS is spread in different locations and geographies and JBS can also capture these opportunities.

And when you have this diverse occasion as JBS is you also have better human resources and expertise. I always say that we can always do something better, there is always room for improvement. So maybe in a smaller plant we can do something that can be applied to a larger plant. If you do something Argentina you can multiply by 50 in Brazil or if Uruguay, so that is something extremely important and JBS is careful enough and sensitive enough to have the perception to capture advantages and disseminate them.

Brazil next year is expected to slaughter approximately 10,000,000 head. Our domestic market… our production mix is 60% domestic market and 40% driven to exports. We have a current domestic operation with more than 70,000 customers; we have 12 DCs (distribution centers) and also a DC system around our meatpacking plants; we have many DCs. So in this competition, in this competition, this fierce competition JBS has proved to be very successful.

Also important to mention our advertising campaign mentioned by Jerry, Friboi with Tony Ramos, the actor. I would like just to make a side comment and this is not for the presentation, it is a real comment.

The other day or two days ago I met a colleague who works in the industry and has a meatpacking plant and he said: two days ago one of my trucks stolen with meat and it was really stressful. I spent the night making phone calls trying to find the truck and it appeared at 11 in the morning next day and it was opened but nobody touched the meat, the beef, and the stress was that they did not touch me because they said it was not Friboi beef. I have to listen to this kind of joke. This is true, it is a true story.

As you know Brazil had record production and exports this year. Brazilian exports are expected to grow over 18%. Production and exports by JBS will grow more than 35%, export or than 35%. Brazil exports to more than 100 countries and JBS also capitalizes on this kind of activity.

Brazil has the largest commercial herd in the world and JBS, although it has licenses for over 100 countries we are also intensively working benefiting from opportunities in the Southern Cone. JBS is selling a lot in Venezuela and also in Chile. JBS manages to benefit and deleverage its geographical diversification and also leverage its businesses. As you can see something very important behind this diversity is the ability to work as a team, learn from one another and also grabbed opportunities offered by the market.

That is a good moment to us. Brazilian exports or the price of exports, Brazilian exports they are growing but it is not pushing prices down; prices are stable over the slight rising dollar but if we consider exchange rates our growth was 30%.

Well that is what I have to say, that is my overview. Thank you for the attention and we will be here to take your questions. Thank you.

Mr. O'Callaghan: Gilberto Tomazoni, CEO of JBS Foods.

Mr. Gilberto Tomazoni: Okay, you know that five weeks ago we took over JBS Foods and with a lot of work since then. This is a mix between opportunities and challenges; opportunities and challenges because there are so many things that remain to be done yet in many, many areas and we are really doing our homework throughout the company.

And I see opportunities because there are things that remain to be done and most of them are relatively simple things and out of 30 years of experience in this sector I feel I have as much energy as they had when I started my career and as motivated as then.

We have brought on board a very experienced team to work here at JBS Foods. During this period it was difficult because of legislation. We got there with a very experienced team in the executive area at the top level. We are bringing 70% of the people, people whom we brought and it is not very much different… And we are very much motivated… And we are all participating in the transformation of such a big company.

So what I am going to tell you today is what we are doing and what our team are doing during this period when we are really taking I had this whole process.

Let us talk a little bit about strategy. Our focus is creating value for the company. We are focusing on building value for the company and we have chosen three very important pillars to carry this out and they do not happen at the same time. The first one is the performance. Performance is very important because it has to do with productivity; it has to do with yield, yield of our processes; our fixed and variable costs and the capital invested. So this is our focus and this is where we have been concentrating our energy and I will be showing you what we have already found vis-à-vis this pillar.

And the other pillar has to do with availability of our products and positioning. Our product has to be available wherever the consumer wants to buy it and our positioning, how we are positioning ourselves. So we have here brand building, positioning of our brand, portfolio the quality of the product. Communication we have not touched yet because first we have to do all the rest and then afterwards we will be communicating. We cannot communicate before we have everything very clear in our minds and so communication is not our focus right now.

Service level, improving our service level. Logistics, which is what I had already talked about, our geographic distribution planning in order not to have a huge inventory left over so that you would be forced to lower the prices and execution and prices, price performance based on what we are seeing here is of your positioning.

And the other driver is another one that is not really our focus right now which is growing and the other one is culture: our behavior, our attitude, and we called it JBS Foods for two reasons I would like to explain to you: the first one is that what we bought from Marfrig is not the Seara that Cargill sold to Marfrig because that one sold 2.9 billion and the one that we bought it is 10 billion revenues because it is part of what came from BRF, the agreement with Cade and all the other companies that Marfrig had acquired over the years. So this is a totally different company.

And the second is more an internal reason than anything else. Many people who are today Seara came from Ceval, from another history so to say, then Bunge, then Cargill and then Marfrig and now JBS. And so what happened is that some people are used to a level of performance and their performances were accepted throughout these years.

But we are very much focused on results. We are focused on ownership, everybody has to feel like the owner of the company. So that is what we want from everybody that works with us and JBS Foods is a new company. People, processes and technology all this is very important. We have a very senior team that is really going to help us face this challenge.

I know I have to follow my presentation otherwise they are going to kill me, I am not following my script. I would like to show you the synergies, the opportunities that we have found so far. Okay, so what kind of opportunities have we identified so far? We have not dealt with all the areas and not as in-depth as we would like but we have already identified quite a few things. The synergies that we have identified so far they are synergies amounting to R$ 1.2 billion, and we are talking about synergies for 2014 alone, 2013 and 14. They have to do with price positioning in the domestic market and if we talk about sales we are talking about 287 million in synergies that we have already found.

In industrial additional 600 million... 6 million; administrative 16 million; text optimization and products that go from one plant to the other, that go from one location to the other an additional 50 million; and supplies 87 million.

I just want to show you how much we have been able to raise so far and now talking about logistics. We have 20 distribution centers and 20 transshipment points. This is our logistics network or the one that Seara had.

And what kind of opportunities have we found? We have found 180 million gaps up to 2015 and for this year it was 100 and some million of gaps that we want to bridge by 2014.

And we have nine major actions that we are working on: reducing transportation, adapting margins, reducing freight, cost and expenditures with storage, third-party storage, etc. until we get to the better service level.

Just to give you an example I am going to show you one thing that has to do with adapting the network or the logistics and most of the savings will be achieved in 2014 and some in 2015. How are we managing this? We have good

KPI, the target that was subdivided into projects and each project has some value that has to be captured from each one of the projects and we have a schedule for that. We have a schedule for everything we are planning.

And it is not guesswork. We have been able to identify, to quantify and to execute because the main challenge is not finding this synergy; okay, you have to know where to look for but after you find synergies you must have the capacity to execute and execution is fundamental because we have to get to the target.

Also regarding supplies we have looked for synergies that became synergies for JBS as well. We are talking about 100 million synergies that we have already captured and looking at 2014 86 million in JBS Foods and the remainder in JBS and then we have a schedule for that and how we are going to capture all that.

Could you go back on slide please? I would like to show you the previous slide. We have 20 new brands that we acquired plus the other ones we already had (Frangosul, Tramonto) and others for poultry, 29 brands. Okay, so 29 brands means a very hard work, very tough job to execute.

So what are we doing? We are going to simplify, we are going to streamline, it is the first level of simplification and we think we will have a much lower number of brands and we have to define very clearly each one of them.

We will have brands for each one of the segments, premium, mainstream, etc. We will have specific brands for each one of the segments and we cannot have brands competing with each other at the points of sales because of price positioning. So we simplified already.

And the other thing is prices. The pricing system was a model that was decentralized in the past. It gave autonomy for the commercial areas to deal with prices and change prices and at the same time pricing was not done by means of the scientific process and so a structured, centralized process to make it very clear that is to say what is the role to be played by each one, and based on mathematical models to identify which is the right price that we should have for each channel, for each region and also for each product category.

So you have to build a process. You have to do this with technology, you have to do this with people. So what is the methodology that we will be using, what is the process that will be used, what statistical tools will be supporting the decision-making process, what is the profile of the people that we have in order to carry out the process.

We have already done quite a lot in this regard in October, in November. We are validating the model, we are working with the model and it will be ready by the beginning of January next year and it will be ready to go on stream. So next year we will have a totally different process.

And this synergy that I showed how are we going to do this in order to guarantee? Because we identified and now our challenge is to execute and we define very clearly the accountability for each one of the players, that is to say each person that is responsible, then the model that we will be adopting because otherwise you will have a process, you will be looking after the projects and you lose sight of the results. So we have to have each person accountable and what is the accountability that we will put in our income statement.

I would like to invite you to taste the Seara products. Yes I mean it. You will be surprised, Seara is very, very good. We have already accelerated what we had already been doing in terms of the quality of our products and so I would like to invite all of you to taste the Seara products and you will be surprised. And you know that Christmas is with Fiesta, one of the brands.

Mr. Batista: This is Wesley and I would like to finalize and open for questions. I would like to make a summary of what was said. If you look at our figures for analysts and for those who track and that cover JBS 25 billion in revenues this quarter, you annualized without Seara, you annualized this and we are talking about 100 million.

If you put Seara 10 billion it is not included in the 25 in the quarter and we are talking about 110, which means another organic growth and I think this figure is very important for analysts and analysts should consider this. I do not want to give you any guidance; however we will be talking about a company for 2014 with over 120 billion in revenues.

Mr. Tomazoni: I would like to add something. When people ask me: okay, so how much will even bring to you additionally? And I would like to tell a story because most people ask me that. I work for 27 years in Sadia, which is part of BRF today and at the time there was a project called 2010. In 2010 deliver 20% Ebitda margin. I was not there in 2010 but I was told that the result was achieved.

So how much can we get from this business? Well I believed in that sometime ago but we continue to believe that this business is a business that brings a lot of opportunity, and of course it depends on competence in making this happen and it depends on how the business is managed.

Mr. Batista: Okay now going back what I was telling you about our revenues I would like to remind you all about the internationalization of the company. JBS is the most international company in the whole of Brazil. So we made the move at the right time in 2007, 2008 when the exchange rate was favorable, when the US economy was weaker then we went to the rest of the world, we became international and undoubtedly we positioned ourselves at the right time, at the right places.

And as André has already talked about this and Tomazoni, André, about each one of the businesses. But summarizing we are very bullish about our US operation. We believe we have the right team in place and they are focused on details they are hands-on people, they are fully committed and we believe that 2014 will be a better year than 2013 in beef.

We believe that port can be better and the risk of downside is very small in terms of profitability and also poultry we are very bullish because Pilgrim's is a totally different company from the one that we bought. It is a company that operates in a more efficient manner and we believe that we will have a very favorable 2014 in poultry as well.

So overall the US, Canada, Australia operations we believe will bring us a better result in 2014 and 2013 and Mercosul is not different from that. Many people have been talking about the cattle breeding cycle and I have been saying this they continue with the same opinion, I have not changed my opinion: the cycle continues to be positive. Last year there were more calves being born than any other year in the history. So this means we have enough raw material and the exchange rates is more favorable to exports and so I do not see any reason whatsoever not to have a good result.

And the other opportunities as well: 80% of our leather businesses exports.

And Uruguay, Paraguay, Argentina Miguel talked about these areas, our positioning in each one of the markets. Argentina always a little bit tougher, there are opportunities; Paraguay a better outlook and Uruguay a little bit tougher now but we believe that the situation will improve from now on.

I think the major point is the following: after the Seara acquisition the major question asked by the market is the following: what about now? Seara does not have a good performance, this is the reality and it has not been performing well for quite some time. The results delivered that behind what should be expected or no results.

And we have just bought this business not differently from our history. We went to the US, we acquired accompanying 2007, Swift that was losing money, we bought from an investment fund and I will never forget when we bought Swift I went in a roadshow and Swift was losing US$ 100 million and we were saying that we believe that we could make US$ 250 million Ebitda in the first year. And of course the market looked at us and very naturally, and they were very skeptical about us, and they did not believe that we could deliver US$ 250 million in the company that was losing 100, and in the first year we delivered US$ 450 million, much higher than our own projections.

It is not different for Pilgrim's. We acquired company that already was filed for chapter 11 and we already see the results: US$ 900 million Ebitda almost this year with two digit margin. Very sound results because the market, okay, the market is helping but Pilgrim's is a company that is totally different from what it was in the past.

Pilgrim's today is one of the three best managed companies in the US and we tracked this in terms of profitability and we rank among the three most profitable companies in the United States.

So the big question about Seara I am going to tell you something: that is not going to be different and I place my bet even more on this company than on the previous ones that I mentioned. We have a team in place that I cannot say that there is not any better team in the world; but they are excellent, they are really hands on, they are focused on details and they know exactly what they have to do and where they have to do.

Tomazoni showed 1.2 billion and we believe that we will be delivering a result that will really be a big surprise to the market for 2014. We believe that we will be delivering 1.2 billion and you can argue how can you do that? Because there was a zero result.

It is focused on detail, focus on costs, focus on management, on yield, price. So you have to set your priorities, you have to have focus on brand, brand positioning and everything that Tomazoni mentioned to you today what is what we are focusing on and we are looking inside the company doing our housekeeping with the beginning and middle and an end.

We are extremely bullish about Seara and we can tell you that Seara will be the biggest surprise ever delivered to the market by our company in terms of turnaround and in terms of delivery of result.

And just to finalize we are 100% focused right now after Seara acquisition. Next year will be year of focus on the delivery of what we have promised, focus on deleveraging the company and we believe that by the end of 2014 we will be able to reach 3x leverage, what is 4 today adding the Seara results and also with cash generation and maybe even lower than 3. I do not want to give you a too bullish indication but 3x is very realistic.

Again we are very optimistic, we have placed our fate on our team and more than ever we believe that in 2014 we will be delivering a major growth in our revenues and improvement in our margins and Seara during 3Q we will be disclosing Seara - or JBS Foods, I say Seara because this is the most familiar name - but JBS Foods will be disclosing results for the segment already in 1Q 14 and I believe the opportunity… We will have the opportunity to see the major change carried out that Seara in 1Q.

Once again thank you very much and we will be opening for questions from those were present in this auditorium so we will be getting your questions. Once again thank you very much for your presence.

Mr. O'Callaghan: We will be receiving the press in the room next door, so we want to give the opportunity now to our analysts and investors and they will be the ones who will be asking questions and afterwards the press.

Mr. XXX: So we would like to thank for the very encompassing presentations and we will be starting the Q&A session in a few minutes and first we would like to give the company our frequency seal which is an award that Apimec grants to companies that make it a point of being close to the market and that is the case of JBS. So I would like to give the seal of frequency to the CEO of the company.

Now we will get questions from the audience. I would like to ask you to ask two questions. Those who follow on the Internet will be able to ask questions and we will be getting questions from the audience and from the web.

The session is open.

Q&A Session

Mr. Fernando Ferreira: Fernando Ferreira from Merrill Lynch... one and a half months after Seara acquisition what is your perception about the asset? Marfrig disclosed information yesterday… Out of these 1.2 billion how much can we get in 2014? Do you think the asset today is worse than you first imagined

Mr. Tomazoni: In a very short timeframe we managed to report and pinpoint opportunities. Well, we are confident that this opportunity, these 1.2 billion is possible. It will all depend on our performance capacity. We know what to do, we have a very competent team.

Seara remains our new opportunity. Seara performance was way below the market expectations in terms of the kind of product is used to sell.

Mr. Ferreira: What about 2014?

Mr. Tomazoni: The CEO talked about it. Can I say anything different?

Mr. Ferreira: There is a question to André Nogueira as well...

Mr. XXX: In order to allow that those who are following this over the web to listen to the questions we kindly ask you to speak on the microphone and get closer to the microphone otherwise the Internet users will not be able to listen to the translation.

Mr. Ferreira: My question is to André Nogueira, it has to do with the US business. I would like to understand two things: what about the business after this drop in production?

Mr. Nogueira: Why I mentioned about this drop in production is 2% and this is less than the size of the plant that was shut down, so there is no worse performance included in this balance sheet. If there is a dramatic increase in retention in cows this drop could be stronger. There are different opinions that nobody can tell the right figures and this is in the hands of all cow farmers in the US.

But results are reasonable if we consider the beginning of this retention phase and I do not think there will be changes to the dynamics in the US market owing to or considering the plans that were already shut down, one of them, a big one that shut down in February, more than 2% of the market, another cow facility shutdown in June and another company that shut down more recently. So if you add all those that shut down you can see what will happen to this scenario.

Please bear in mind that JBS USA Beef involves the US, Australia, Canada and there was a lot to be improvement Canada in our operation. It is our homework, our focus, and that can really help our total profitability. And the outlook is also even more positive for next year.

So it does not change, 2% continues and when we look at beef as a whole I firmly believe… We know that 1Q of this year was too weak but we expect to see a better result in 2014. As to higher retention that will have to be adjusted considering more shutdowns in the US or future opportunities in the US.

Mr. Tiago Duarte: Tiago Duarte from BTG Pactual. Talking about beef US all the margin that you had this year that even performed better than the rest of the industry I think we only have data from Tyson up to now, but to what extent does it also benefited from Australia, which is also positive for the meat packing industry?

Mr. Nogueira: Okay Tiago. Most trade is a positive impact and Canada is negative. In the US this quarter specifically we break down feedlot, operations and also cow operations. In the quarter the coal plant dropped the margin downwards because that is when farmers do not sell cows. So there is very strong seasonality in the number of cows that leave the operations.

So the margin in our cow business, which is something very specific to us, was lower this quarter. So Australia is better, Canada put this downwards and also our cow operations that put this downwards.

Mr. Duarte: No poultry. Tomazoni what about Pilgrim's? The great fear we have when we look back to previous used to justify the future whenever the industry had better margins there was recovery in demand and that brought margins down below two digits and I think that is what Pilgrim's is doing right now. So what is your opinion?

And Tomazoni, Seara, JBS Foods as far as I know is very much affected by exports. I do not know exactly what the breakdown is but it would be interesting to know. And what about the impact for next year? When we think about JBS Foods doing 12% margin in terms of synergy I also imagine a very beneficial scenario for exports. So any risks in that area?

Mr. Nogueira: When we look at our poultry business the company's doing better. The company will start both ways but the Pilgrim's company today is completely different and the rank is completely different from when we acquired the company three years ago.

So first of all the companies completely different; secondly there will be more poultry or higher poultry demand next year, but that is a recovery from a dramatic production we had last year. So if we think about next year it will be within the average of the last five years. It is not a business that is increasing production.

The industry by the way cannot increase production so fast. If we consider the strong reduction last year there was a dramatic reduction. Breeders really reduced their capacity to adjust to results reported last year and the upturn takes up to 18 months. It is slow, it takes time to rebuild it.

So I believe the company cannot grow even if it wanted to grow. It cannot grow far beyond the expectations; but I think our projections can be absorbed by the market, more exports and this growth that is very much considered by retailers or the US market in this bakery and ready to eat section that takes a lot of poultry, and also because we will have the 2% less beef and 1% to 2% less pork.

So considering these figures, which is the maximum possible considering to the industry constraints at first we are not scared. In terms of margin for grain the average was 7.80 and next year 4 to 4.5. So I think it is a positive scenario.

Mr. Batista: Tiago just adding to what he said and this point is very important. You have been following the market very carefully. The industry performs well and then one year later the margin goes down.

There are points that are very important: 1% less pork and only 3% less beef and pork. So if the country gross by 3% or 4% or 5% we can maintain the margin and if poultry gross 5% or 6% we can maintain margins as they are because the grain also came to our favor, it is cheaper.

Now we have this internal discussion: what can affect the margin negatively? If the industry has another 10% poultry and poultry prices go down but this is not possible, the industry does not have reading material. I think it has 52 million that were virtually 60 million breeders. The industry lacks breeders to produce such a magnitude of another 10% in order to put pressure on prices or that might impair margins significantly.

So this was heavily discussed because we have the same concern, we have been there before. But we do not expect to see or we do not see any scenario that might have a material deterioration in the US poultry business.

Tomazoni I think there is another question right? And it has to do with exports.

Mr. Tomazoni: I think the answer is the same. Our breeder housing in Brazil we have numbers until September, not for October yet, so the number shows stability, so we cannot significantly improve production at least until June next year. It is not possible, we do not have breeders enough.

We might have in addition, okay, maybe down the road but please bear in mind that next year my expectation is to have more expensive beef in Brazil considering our supply of cattle in Brazil.

So poultry per capita income will keep on growing. On the other hand we have to consider the grain issue. So these factors are all positive. Expectations are very bullish when it comes to exports next year.

Mr. Batista: Just adding to your comment, Tiago, just Seara 50% is foreign market, 50% domestic market, out of which 95% of this 50% is processed product. So 50% of Seara is exports. Now when we look at the exchange rates the real is not 2.20, 2.30, we believe the real has better chances to be weaker than coming back to 2.10. So it is positive for the foreign markets. Grain is positive.

So half of Seara, and by the way Tiago that is a very important point: we have in operation which is JBS poultry (Aves), the business that we took over from Frangosul plant, and we go the extra mile. We cannot disclose the figure about JBS poultry, but we go the extra mile an hour margin is greater than 12%. That is a different business because it is largely focused on exports but half of Seara sticks to the same business.

So if you ask me doing the same thing that we did before in half Seara it has to be a higher margin and then you might argue what about the domestic market? Would it be more troublesome? Will there be lower margins? On a consolidated basis it is feasible.

Answering Fernando's question, Fernando you made a comment before about this 1% that the selling company or Seara disclosed. We are not here to mention figures of the selling company; but when you look back… I do not know, it is not up to me to analyze the figures or to talk about reported figures but 1% does not sound reasonable. It is not reasonable to assume that Seara was delivering 1%. So if you think about Seara's track record it is not reasonable to think that 1% would be normal.

Mr. Tomazoni: Just adding to your comment and there is a small company, 150 million approximately, which is Excelsior and it is… It is a listed company, they disclose results and the average is 13% Ebitda. It is outside the range what was reported at Seara's earnings.

Mr. Diego Maia: Good morning, Diego Maia from HSBC. I have two questions, my first question is a follow-up vis-à-vis the beef operation. First a follow-up about beef US. There is an improvement in our attention and it could be an important potential for the future. I wonder if you would give us a flavor of how long do you think it will take you to be converted into a drop in cattle prices and does it make sense to consider around 4.5% or 5% margins as we had before in Beef USA operations?

Mr. Nogueira: Diego I do not think cattle in the US should be much cheaper than it currently is. The price level for cattle in the US is quite reasonable. The final price has to come to balance. Now the time required is two to three years until you can see significant increase in production.

But repeating, our expectation… I do not think the US will increase production 15%, that is not their structure. They will decrease the volume slightly, retention has already started, it will be gradual and slowly within four to five years to a herd of 94 to 95 million and to date is around 90. But there is no structure to grow much more.

Worldwide beef prices or meet prices will continue to go up. Demand in China for instances growing 1.5 million tons in future years, production in China 20 million less or fewer head in China. Production in Europe - I had some note here - Europe for beef herd in Europe was reduced almost by 20% over the last 10 years, so beef production is going down in Europe. In the US there will be a slight upturn and Brazil has the capacity to produce more. Paraguay… Brazil, Paraguay, Australia group a little bit this year but altogether they cannot allow beef production to be more positive.

The prices will go up more and more and poultry and pork will increase in volume in order to support this higher global demand. So I do not see a scenario of lower beef prices in the US or anywhere else. Herds will help the balance, many plants shut down in the US, Brazil will recover the margin expectation but I do not think it is something so significant. I think it will be back relatively fast but I do not think there is structure enough.

Mr. Maia: My second question is about the financial result slightly above our projections; a loss of R$ 357 million this quarter, derivatives. Could you explain better what generated this loss? And what about financial expenses for future quarters?

Mr. Batista: Okay straight to the point we have a put position and we carry it and we are 100% hedged in this position. All our exposure in dollar is hedged, you can see that we have 5 billion which cost us a carryover which costs about five cents and 5 billion at five cents R$ 250,000,000+ a variation that was about R$ 300 million overall.

Is it a loss? Yes, but it was a decision made by the company that is not exposed, does not have a currency exposure today. If you look today the dollar was 2.20 and it is already 2.35 and now this position is guarantee that the company will not have a negative impact. If it does not change until the end of the year there will be no negative impact in terms of foreign exchange variation.

JBS does not do hedge accounting; we measure our exposure, our currency exposure and we decide whether we want to hedge are not and this quarter we decided to carry this position and we continue to carry the same position and there is a cost. It was a decision on the part of the company and although the impact was negative in 3Q this was the right position for the moment.

If you look today you take a 5 billion exposure, the dollar from 2.20 to 2.35, US$ .15 with because in JBS R$ 750 million in currency exchange variation if I were exposed looking at the dollar exchange rate as it is today. So we have to carry this position in the market has the opportunity to see this at every single quarter what is the position of JBS regarding currency exposure.

Mr. Alessandro Arlan: Good morning everyone, Alessandro Arlan, bank of America. I would like to ask Gularte about Brazil beef, Mercosul beef. Brazil more specifically has a discussion about the cattle cycle, the herd cycle. I would like to know more details about that. Do you see any problem regarding the shortage of supply that is increasing the price or if the demand for exports continues to increase?

Mr. Gularte: There was more slaughter but it is totally adjusted to supply. Regarding the price if we look at the price today we have a price that reflects a period that has a peak are the off-season period, but it is just about to finish, nothing outside the normal, business as usual.

And if you look at the exchange rate we believe that in dollar the price of cattle dropped. The peak of the off-season coincided with increasing the exchange rate.

And the export cycle as André said is a positive cycle and there is a demand for protein and it will continue to exist in Brazil has been reporting of growth in its herd, productivity. It is not just the growth of the herd; but also the yield.

And now talking about the Mercosul aspect Paraguay grew last year - I am talking about June to July, which is the calendar year or the fiscal period - 854,000 heads. It is very important because the overall herd is 13 million.

If you talk about Argentina in the last 10 years it was down 50 million head and this movement today is practically null. Argentina has reached stability in terms of herd.

And if you compare to Uruguay you have Uruguay recovering from 10.2 million to almost 11.3 million and Uruguay should continue to deliver very big growth figures.

So all these exporting countries, Uruguay, Argentina, Brazil and Paraguay in the export scenario even or in spite of this growth or stability all this is not enough to meet the demand.

The demand from China has been growing very much, and just to give you an idea on the importance of China, Uruguay can export to all markets in the world: the US, Canada, Mexico, Korea, etc., and the biggest client of Uruguay this year 2013 was China. China is buying almost 53% of the overall production of Uruguay.

And another important player that must be mentioned is Russia. Russia is importing and is growing in consumption. Rush is one of the biggest importers of meat in general and the whole world. And when I talk about the geographical risk JBS is the company that has more units approved in Brazil for exports to Russia.

Mr. Batista:… In line with the same concern regarding… What do we see and what we believe is what we are following, so how many calves are being born per year? Last year we had the highest number of calves ever born in Brazil, so we will have more cattle; secondly the price of cattle in dollar it went 100, 110; the dollar 2.00, 2.35, in dollar it is cheaper the price in dollar.

The growth of exports in the price of exports, these are the important points. If we start to see a change in that, the external market, volume and prices going down and having less calves being born then we will have a situation in which we will get into an unfavorable cycle. While we have more calves being born and the price of beef in dollar is cheaper and exports (volume and price) are growing or maintaining the cycle is positive.

Mr. Arlan:... Change in your financial strategy for the next year or next two years?

Mr. Batista: You are right when you look at the figures; but as a reminder here we already include Seara's debt and we do not have Seara's revenues or earnings. Secondly, revenues outside… The result is not at the same rate. So if you do a projection based on results from South America operations including the results we believe that we can have in Seara by 2014 cash generation, what is generated here or there, 60 - 40, there is no lack of balance.

There is always opportunity. Strategically speaking we have goodwill to be amortized so maybe we can carry a little bit more financial cost where we are delivering, so there are opportunities but there is no lack of balance. This is just because here you do not see Seara's results nor Seara's revenues and actually the revenue number is not what we focus on; we focus on results compared to the debt.

Mr. Arlan: What about debt issuance perspective, more issuance in JBS USA compared to JBS SA?

Mr. Batista: we have just had very significant operations, three operations for the last six months: we have had the liability management at PPC, so in Pilgrim's we have nothing for the next two or three years, only the bond in 2018 and also in JBS USA it is already equated for 2014. Like André said we do not have anything for the next three or four years and we have just issued a bond of US$ 1 billion with a very significant demand, US$ 5 billion in demand.

So not in the short term, we do not have nothing ahead of us when it comes to issue and what about next year? We are always keep an eye on opportunities to improve our debt profile, lower costs, and if there is a chance to lower costs and improve depth profile we will go for it, but no concrete plans yet for future months.

Mr. XXX: I think that is something extremely relevant. Brazil does not work so much with this kind of line, so they be this is not so relevant for analysts; but we have more than 1.2 billion in the US at a very low cost and we can use it tomorrow if we need, we are using nothing of the revolver, 1.2 billion, so in addition to cash...

Interpreter: We would like to inform those who are listening to the English translation that the translation into English will end right now. Thank you very much.