International Conference Call

JBS

3rd Quarter 2014 Earnings Results

November 14, 2014

Operator: Good morning everyone and welcome to JBS' conference call. During this call we will present and analyze the results for 3Q 14. As requested by JBS this event is being recorded. The recording will be available to listeners this afternoon and can be accessed by following instructions posted on the company's website at jbs.com.br/ir.

Taking part on this call we have Mr. Wesley Batista, Global CEO of JBS; Mr. André Nogueira, CEO of JBS USA; Mr. Gilberto Tomazoni, CEO of JBS Foods and Mr. Jerry O'Callaghan, Investor Relations Officer.

Now I will turn the conference over to Mr. Wesley Batista. Please go ahead sir.

Mr. Wesley Batista: Thank you. Good morning or good afternoon to you all that joined this call, this 3Q earnings call. It is great to have you all in the call.

I will start talking about JBS at a glance. We estimated revenue in 2014 of US$ 50 billion. Our total cattle slaughtering capacity is today 100,000 heads of cattle per day and we are running 73 beef slaughtering plants in seven different countries. In the pork segment, in the pork business we are doing today 72,000 hogs per day in 11 production units between Brazil and the US.

In our chicken segment we are processing today around 13 million birds in 57 production units in North America, Mexico, Puerto Rico and Brazil and also in our hides and leather business we are processing around 100,000 hides per day, so all the hides… All of the cattle that we process we process the hides in 31 production units spread between Brazil, Argentina, Uruguay, Paraguay and China and Vietnam. We go from raw hides to finished leather, so it is a sizable segment inside our portfolio.

We also are growing more in our package food business or in our further processed business. We are producing today around 80,000 tons per month or around 200 million pounds in package food products in all our operations.

Today we are 200,000 people working in JBS together and so I am referring to these numbers for us to… For you all to get a sense how our operation is structured today, so some points here that I would like to point out and we strongly believe that we built a very strong and large production platform in countries that are very competitive to produce protein or the countries that are the most competitive markets to produce protein like the US, Canada, Mexico and Australia and South America.

And as well our diversification between chicken, pork, beef, hides and leather and package food products. So we strongly believe that this is giving JBS a pretty good diversification in terms of portfolio and as well and in terms of geographic location where we operate our business.

I am referring to page 4 so today we are present in more than 20 countries, operating in more than 20 countries. We export for more than 150 countries with a total customer base of 300,000 customers spread in all the countries we operate or we sell products.

When we look our revenues 51% of our revenues today is coming from North America; 17% is coming from South America and 32% is exports. So I am referring to this number for analyzing with you the diversification in terms of our sales that is dollar-denominated sales or reais-denominated sales.

So 84% of our revenues today is based in dollar and the dollar getting stronger this is a strong benefit for JBS having 84% of our revenues dollar-denominated. So as the dollar is getting stronger we are going to see a big, an increase in revenues in reais term and as well our earnings of course will get the benefit as well as the dollar gets strong and as we generate more earnings in dollar terms. So this is a benefit for us.

And we believe that the internationalization that we did these last seven years and the globalization of our operation today is starting to pay off all things that we did. So we became an internationalized protein player globally and so this is a good thing in our view and we are very pleased where we are.

Moving to page 5 also a good analysis for us to see where we came from, how we are progressing our revenues and our Ebitda as well as our margin. So if we look in 2008 the year after we became a company that did the IPO in 2007 and so in 2008 our revenues in reais terms were R$ 30 billion and we are in our last 12 months R$ 113 billion. So a very strong growth in this last 6th year coming from 30 billion to over 110 billion and a lot of this has relation to our internationalization and our diversification globally.

Analyzing our Ebitda from 2008 as well and the last 12 months in 2008 our Ebitda was R$ 1.1 billion and our LTM is R$ 9.6 billion; margin Ebitda coming from 3.8% and our LTM is now 8.5%. I mentioned these numbers to analyze here in this call that we have been able not only to expand our business but as well expand margin and improve our margins over time since 2008.

So we are satisfied where we are. We still think that we can keep improving our business but we are pleased that we have been able to grow our business in a meaningful way but as well improving our operation across the board in all the businesses where we operate.

Moving to more specifics about the quarter numbers on page 7 our revenue in 3Q we did R$ 37 billion+. This is a 20.7% growth quarter… This quarter compared to last year, 3Q last year. So still a strong growth in the top line.

Gross margin we did R$ 5.5 billion in 3Q, 18.1% gross margin coming from 12.9 last year or R$ 3 billion comparing to the R$ 5 billion gross margin this quarter. So again a strong gross margin expansion of 77% this quarter compared to last year.

The Ebitda we closed 3Q with R$ 3.6 billion in Ebitda and that represents 11.8% margin Ebitda, again a good expansion this quarter compared to 2Q this year and as well comparing to 3Q last year.

Moving to net income we closed the quarter with a net income of R$ 1.1 billion and that represents R$ 0.38/share and again a good expansion as well in terms of net income and EPS. So we were able to have a very strong free cash flow and as well operating cash flow we did R$ 3 billion in operating cash flow and R$ 2.1 billion in free cash flow.

We closed the quarter also with a good reduction in leverage. We reduced our leverage from 3.1x to 2.5x leverage. Since our last acquisition when we acquired Seara in Brazil (that was a R$ 6 billion acquisition) our leverage went up and only to remind everybody our leverage went up because we acquired a company for R$ 6 billion with the results, and I have been saying to the market that we were very confident and committed in terms of deleveraging our balance sheet and we are seeing this and this is where we were looking and again we keep looking to keep deleveraging and I am confident that we will close this year below these 2.5x leverage, probably more close to 2x leverage or 2 some; but again we will keep deleveraging our balance sheet.

One thing that I would like to mention is about our strategy in terms of our currency exposure. You know we consolidate our numbers in reais and all our debt... Not all our debt but a big portion of our debt is dollar-denominated debt. We have been carrying a fully hedged position for all our exposure for many quarters, and of course this was costing us but we were very confident that it was not the best thing for JBS and for our shareholders to have exposure in dollars and with the real getting weak - and not only the real but the dollar is getting stronger overall - and this quarter for sure our hedging strategy worked really well and we will keep carrying the strategy. Actually we closed the quarter and the real was 2.4, 2.5 and now it is already 2.57 but we are still caring our hedge position, so this is for sure working well the strategy.

Moving to page 8 some business units' highlights: JBS Foods that is the business that is our chicken, pork and package food business in Brazil that we formed last year after we acquired Seara we did R$ 3.3 billion in revenue, 9.5% superior comparing to 2Q 14 and Ebitda of R$ 576 million with Ebitda margin of 17%.

I will make a comment: here when we acquired Seara Tomazoni and I we were very confident about our team and not only Tomazoni and I; but we mentioned to the market that we were confident that we were going to be able to turn Seara around and definitely we turned; we already turned Seara around.

There are still things to improve more, we are not where we once to be; but definitely Seara is already in a much better structure today in terms of margin, in terms of everything and so we are very pleased where we are and we are very disciplined to improve our business where we believe we can control and all the improvements, the big portion of the improvements that we are seeing in our business is internal initiatives that we are doing.

We cut a lot of cost; we improved product mix; price, sales price; distribution structure; we cut a lot of SG&A. So Tomazoni I am not sure I think it was in 4Q last year we gave to the market guidance in terms of synergy that we were looking for R$ 1.2 billion synergy and actually we are ahead of this number: we are already, in nine months we already captured these R$ 1.2 billion. So we are going to close this year over our target.

Again we keep looking to keep growing this business. After the Seara acquisition we did I think eight other acquisitions in Brazil and we acquired Massa Leve, Frinal, Sul Valle and other regional businesses and we are still looking to keep growing this business. We are very pleased with our management and look forward to keep growing topline and expanding margin.

Our Mercosul business we posted a net revenue of R$ 6.4 billion, 14.8% higher than 3Q last year with Ebitda margin of R$ 555 million and this represents 8.6% margin Ebitda. We saw a reduction in the margin in this segment and we are running at around 10%, the margin came up to 8.6% due to the cattle price that increased faster than we were able to pass price increase to offset the cattle price increase. We still are confident that this business will keep performing well. The exchange rate in Brazil of course will help. The real getting weaker this helps our exports and our revenues in the export market.

Moving to our beef business in the US that includes Australia and Canada as well as a lamb business in Australia we posted US$ 5.8 billion in revenue, 24.7% higher than 3Q last year. Ebitda was US$ 500 million with Ebitda margin of 8.6%. This margin came strong this quarter.

Several things that were part of this strong margin: the Australian business is doing extremely well, margin has been very, very strong in Australia; our Canada business I think everybody remembers when we acquired XL in Canada the company had a food safety problem so it was a turnaround acquisition because of the food safety issue.

We have been able to improve our Canadian operation and in this quarter our Canadian operation ran much better than it was before, so this was a mother fact that was part of these good results in our beef business in the US.

Overall we saw the industry adjusting capacity in these last 18 months, so for sure this is helping balancing the supply and the industry capacity that is also giving to the industry some margin improvement.

Overall when we look our margin for the year we are running our beef business at 3.6% margin Ebitda… 3.4% margin Ebitda. So this is the number that we were expecting. Actually we mentioned in the beginning or in the end of last year that we were looking for 4% margin Ebitda in our beef segment, Ebitda margin at 4% in this segment and we are close to this margin.

Moving to pork our pork businesses is a very stable pork businesses, very well ran pork business. We have been posting 9%, 10% margin and this quarter we did 12% margin, US$ 900 million in revenue and US$ 113 million in Ebitda. We believe we have a very strong pork business and we look forward to keep running this business very stable.

PPC moving to Pilgrim's already reported the numbers. We posted R$ 2.2 billion in revenue, 5% over the same quarter last year; Ebitda was US$ 435 million with margin Ebitda… Ebitda margin of 19.2% that also came very strong and I think to mention about PPC again we are very pleased with our Pilgrim's Pride business.

Since we acquired the business in the end of 2009 we have been able to improve this business in relative terms. When we compare ourselves with the industry when we are acquired the business back then especially PPC was in the bottom of the industry in margin and profitability. We have been able, our team has been able to quarter by quarter improve this business regardless to market conditions and we are very pleased to say that we are running our business inside the top third most profitable chicken companies in the US. This is a very good thing and a very important thing for us because market conditions will be for everybody: if the market is healthy, if headwind is in front of everybody so this is for everybody.

I was debating in the US about the industry getting big benefits to increase production because the margin has been strong; a lot of questions about that. Our view is that with the forecast beef production next year - actually the total protein production in the US, even chicken - forecast is to grow... The chicken production is in the forecast is to grow 3%, around 3%. We believe that the market will absorb these 3%, 2% more chicken production due to the fact that beef will produce less and the global market we believe demand will keep growing and the US economy we believe we are going to see… We are already seeing in our business less availability in terms of labor, the unemployment is reducing the US. We are actually very bullish about how we see the US market. I do not see this increase pulling margin and jeopardizing our US business.

Moving to my last page here and talking about exports we did US$ 4.3 billion in exports in a consolidated basis comparing to US$ 2.9 billion in the same quarter last year. The markets: Greater China represents 16.8% of our exports; Mexico 11; Japan 10.9; South America 10. So very strong exports and we are optimistic that demand abroad will keep growing.

I will pass to Jerry O'Callaghan to go through the presentation here and we will be here in Q&A. Jerry.

Mr. Jerry O'Callaghan: Thank you Wesley, thank you everybody, thank you for being in the call. I will go through the chapter on Capex and cash and then briefly touch on each one of the business units before we open for Q&A. And again just to remind everybody we have a presentation available and I will make reference to page numbers as we go through the presentation.

I will take it on page 11 of the presentation where we talk about Capex. Capex for the quarter was just under R$ 900 million (R$ 878 million), 20% of which was on acquisitions and the rest was basically expansion and modernization. That is pretty much in line with what our Capex has been in previous quarters. I always mentioned that our Capex is close to 2% of our revenues and again that number is pretty close to 2% of our revenues.

Cash generation was really strong this quarter: we had R$ 3 billion of operating cash and R$ 2.13 billion of free cash after Capex, R$ 2.13 billion which is a pretty strong number for the quarter.

Moving on to page 12 of the presentation having a look at our debt profile in a little bit more details Wesley mentioned already the fact that we are deleveraging quite substantially since we made the Seara acquisition about this time last year, and so we came from 4x leverage to just over 2.5x leverage in this quarter and basically due to improved Ebitda and to cash generation, both of which helped us reach that number with the possibility to continue deleveraging. Again as Wesley mentioned deleveraging towards 2x leverage is where we see our number going.

In terms of the breakdown of our debt by currency, by source and by company briefly at the bottom of page 12 we have three pizza pies: 80% of our debt is in US dollars with an average cost of 5.721% and that is quite long-term debt. We have done a lot of liability management. In the last year we did a bit and so we extended maturity of our debt quite a bit; 20% is in reais in Brazil basically but that is pretty much balanced with our revenue base as we mentioned earlier: 84% of our revenue is dollar-denominated and 16% is real denominated.

Sources of our funding is 40% in the debt capital markets basically and with quite a number of bonds out there as most of you know and then the balance is basically with commercial banks primarily in Brazil.

The breakdown by company we have got JBS SA the parent company with 56%; JBS Foods with 13% and other subsidiaries with 31%.

Moving on and having a look at the maturity on page 13 firstly the balance of short and long-term debt remained pretty much close to where it was: 70% in the long-term, 30% in the short term; cash almost R$ 12.6 billion in cash which represents 110% of the short term debt; on top of the cash we got US$ 1.33 billion in fully available committed lines in the US readily available. So if we add our cash position plus the committed lines that would have present 121% actually of the short term debt.

The maturity curve we have got quite a bit of debt now maturing after 2018 (2019 and 2020, 2021 and then after 21 we have got bonds maturing in 23 and in 24).

Now moving on to the business units and again following on in our presentation speaking firstly about JBS Foods just a very brief description of JBS Foods and Mr. Tomazoni, who is the president of this unit, is with us here to take your questions later on.

It is basically in Brazil 5.1 million birds/day; 21,200 hogs/day and production 80,000 tons/month of prepared and value-added convenience products; 15 distribution centers in 12 states in Brazil; 55,000 employees, 29 thousand... Slaughtering facilities in the poultry sector; 8 in the pork sector; 23 of these facilities to prepare further processed products and as I mentioned we have a total of 15 distribution centers.

If we look at the nine months up to 3Q R$ 9.2 billion in sales and Ebitda of almost R$ 1.4 billion with an Ebitda margin of above 15% for the first nine months of 2014.

And then looking at the next page and looking at it on the quarter by quarter basis we have seen revenue growth on a consistent basis in the last quarters reaching R$ 3.4 billion in 3Q, 9.5% up in relation to the previous quarter; we had substantial increase in domestic sales up 16.28% and 2.9% increase in the sales of prepared products in the domestic market.

Quite an increase in the volume of pork exports of 17.7% pork exports up in the quarter and average export prices were up 6.4% in the quarter also; then Ebitda came from 7.9% in 4Q last year up to 17.1% in 3Q, R$ 576 million and Wesley mentioned these numbers already.

We have seen the cost of goods sold reducing from 74.4% in 2Q to 71.5% in 3Q and again we have also seen a reduction - and this is a constant reduction - in SG&A as a percentage of sales going from 15.2% of sales in 2Q down to 14.4% of sales in 3Q.

In the Mercosul business which is again just briefly described this business on page 19 of our presentation. This is our beef business in Brazil, in Uruguay, in Paraguay and in Argentina but primarily Brazil.

Capacity to process about 55,000 head of cattle/day and 90,000 hides/day. So a lot of our hides business is associated with this business unit. We have 43 distribution centers in Brazil, 11 of them are big distribution centers and 32 of them are small, regional distribution centers and again the numbers here: 70,000 employees; 48 beef processing facilities; six feedlots; 29 tanneries doing our hides and leather production; and the 43 distribution centers.

If we look at net revenue for the last 12 months up to 3Q 14 R$ 27.8 billion and Ebitda for the same period just under R$ 2.5 billion with a 10% average Ebitda margin over the last four quarters.

And then looking at page 20 with regard to this business unit we have got again the historical revenue per quarter over the last five quarters and again an increase of 14.8% if we compare the last quarter, 3Q 14 against 3Q 13 we have seen increase in sales prices in the export market, quite a strong demand in the export market and then we have been launching convenience products and branded products in the domestic market which we have been expanding our presence on the domestic market in Brazil on a consistent basis.

Ebitda R$ 555 million with Ebitda margin of 8.6%. Although we have seen strong demand in international market we have seen some cattle price increases which have compressed margins to some extent in the recent past, although we have not seen the advantages associated with the devaluation of the real in relation to exports because the majority of the valuation of the real was at the end of the last quarter and so it is benefit will be affecting this business in 4Q 14 and in 2015.

Regarding our businesses in North America again making reference to our presentation here briefly: firstly our beef business on page 22. We have got nine beef processing facilities in the US; 11 feedlots; one tannery; and six trucking centers, six carrier centers.

Then in Australia we got 13 processing facilities, 8 of them beef and 5 of them lamb; 7 feedlots, 5 of which are beef and 2 of which are lamb; 1 tannery; 7 distribution centers; 3 case ready facilities.

And in Canada we have got 1 beef processing facility; 1 feedlot and a small trading office also in Canada.

30,000+ employees in this business and just to cover the net revenue for the last 12 months ending in 3Q 14, very strong revenue: US$ 20.5 billion in the last 12 months and Ebitda of US$ 705 million with an average Ebitda over the last 12 months… An average Ebitda margin of 3.4%.

Again on page 23 we have got the historical numbers for the last five quarters just to demonstrate how revenues having creased quite substantially in the last couple of quarters from 4.5 to 5.3 to US$ 5.8 billion over the last three quarters. We have seen obviously price increases in the period.

And then when we look at the Ebitda curve the first half of the year was more challenging and we had flat Ebitda the first quarter; US$ 100 million in 2Q and then US$ 505 million with 8.6% Ebitda margin in that last quarter.

Moving on to our pork business in the US again the pork business 3 pork facilities in the US (one in Iowa, one in Minnesota and the other one in Kentucky) and our lamb facility in Colorado is also included here as is 2 case ready facilities which we have one in North Carolina and the other one in California. It is 100% US, 51,300 hogs/day capacity, 3000 lambs/day. We have got more than 6000 people, team members in this business unit.

The last 12-months revenue was just under US$ 4 billion and Ebitda was just under US$ 400 million with a 10.5% Ebitda margin in the last 12 months.

Again looking at page 26 in our presentation we can see that there has been quite constant revenue, 2Q was quite strong; there has been a decrease in the availability of hogs in 3Q which caused a decrease in revenues but average prices have been up quite substantially.

But if we look at the Ebitda of this business 4Q last year 9.5% up to just over 12% with US$ 113 million+ Ebitda in 3Q, 12.1% Ebitda margin.

And then finally before we open for Q&A just briefly to speak about our US poultry business which is Pilgrim's Pride Corporation, and as most of you probably know a listed company in the US and which has previously reported its numbers. But just to give you an overall picture here 7.5 million birds/day capacity, 6.5 million in the US, 250,000 in Puerto Rico, 800 thousand birds in Mexico; 24 poultry processing facilities; 10 distribution centers located in Mexico and a total of 3.5 thousand integrated contract growers; 36 hatcheries and 28 feed mills.

Almost 40,000 employees in this business, 40,000 team members, so a substantial job creator. Revenue over the last 12 months was US$ 8.5 billion and Ebitda in the same period was US$ 1.176 billion with 13.8% average Ebitda margin in the last 12 months.

With this finally on page 29 of our presentation just to look at those numbers. On a quarter by quarter basis we have seen revenues grow from 2 to 2.2 to US$ 2.3 billion quarter on quarter in the period and we have got the breakdown of sales domestically in the US in this presentation and also in Mexico where revenues have increased by 15% in the quarter.

Ebitda again there has been a constant improvement in Ebitda over the last number of quarters coming at Ebitda US$ 435 million in 3Q with a 19.2% Ebitda margin in 3Q 14.

So I will leave it at this and we will open for Q&A and as I mentioned Mr. Batista, our global CEO is available as is the president of our US business André Nogueira and also Mr. Tomazoni who is the president of JBS Food business.

So operator if you could please open for questions and answers. Thank you.

Q&A Session

Operator: 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 now. If at any time you would like to remove yourself from the questioning queue please press star two.

Our first question comes from Mr. Alex Robarts with Citibank.

Mr. Alex Robarts: Hi everybody thank you very much. I have two questions and I was hoping to first of all start with the USA beef. This was an extraordinary result frankly and I think impressive particularly when we look at the quarter to quarter movement of fourfold increase in the margins.

You explained earlier in Brazil call, in the Portuguese call the trend that was going on in Canada and Australia as well; but I was hoping to take a specific kind of drill down into what was going on with your cost of sales quarter on quarter.

Basically (inaudible 42:09) in JBS USA, well slower than the sales increase of 10%. I am hoping you could give us some color as to what was going on with your cattle prices and specifically talk about some of your strategies on the future side, to what extent was that a factor.

And when we think about this level of margin coming into the seasonally weaker 4Q do you think we should look at this as perhaps reverting more to a single-digit level in 4Q for JBS beef or do you think it could be something perhaps more toward a lower single-digit level? That is the first question please thanks very much.

Mr. André Nogueira: Thank you Alex. Alex this is Andre. First when we look our cost of goods you need to remind that part of this you have Australia and you have FX effect. So cattle was not much cheaper in the US in 3Q compared to 2Q but it was the consequence of the FX from Australia that show cost of goods less.

Again when you look the quarter is a combination of important trends: one is the change in Canada. We talked in the previous quarter that since we bought Canada it was a turnaround situation. The business was not performing well and now it is improving; it is not in the level it should be but much better than the same quarter last year, much better than the previous quarter. So it is going the right direction and it was an important contribution because it was negative before and now it is doing an important contribution.

As Wesley already commented Australia's operation is performing extremely well. So a very important part, a very important contributor for the performance in the quarter is the Australian operation.

And now the US operation you have two things: the micro was bad in the quarter but our operation was much better in the quarter and so you have a combination of these two things.

And the fourth point was a comment in the previous quarter, the last two quarters, 1Q, 2Q: the way that we do hedge in cattle; the way we contract cattle will have impact in 1Q and 2Q and it is was negative; in real it was lower, the number that we show was lower than the real and now in 3Q we did not have this negative impact.

When you look at the last 12 months the 3.4% margin is in line with what was our expectation at this point last year.

So we said last year that we would expect around 4% and we strongly believe that we will finish the year around 4%. For next year our expectation with this combination of things: Australia, Canada, everything that we still have to do in the US to continue to improve our performance internally in terms of especially yield and price and mix we believe that next year can be better than this year. That is our expectation.

Mr. Robarts: okay fair enough. The second and last question is back on JBS Foods and what we saw in the quarter again Q-on-Q 20% increase in your domestic processed sales which was faster than we had expected but what is interesting now is it seems processed sales in JBS Foods' domestic business is now above 60% as percentage of your total sales.

Where do you feel like you are getting the most traction as you roll out the pork and poultry processed products? Do you feel like the brand indicators are where you want them to be in terms of Seara and your regional brands? I know you have Wilson, you have Rezende and where do you hope that the processed product as a percentage of your business in the domestic market... Are they going to go higher or is it right now kind of more consolidated at these levels and just trying to work on brand equity? Thank you.

Mr. Wesley: Alex this is Wesley. Since we acquired Seara we have been improving our customer service level; we went from serving 45, 50,000 customers and now we are serving 79,000 customers. So we have been mentioning to everybody that our focus is not gain market share; our focus is to improve profitability; to have Seara selling the products in the right point of sales in terms of price and we are investing huge in quality, innovation and in marketing.

Look, this growth is coming from a much better service level; better quality; improving our distribution platform serving more customers; and having our product on the shelf. So we are getting the benefit from a better service, better service that we are doing comparing to before.

And again, to be honest even we are not focused on market share we think that this will be natural and this will happen as we access more points of sales; as we have more products in shelf and better quality; we are investing in marketing, in innovation and as well in service we believe we will keep growing our package food business in a percentage base compared to all of our domestic market.

Mr. Roberts: okay thanks very much.

Mr. Batista: thank you Alex.

Operator: our next question comes from Carla Casella with J.P. Morgan.

Ms. Carla Casella: Hi. You talked about your debt structure, you have done a good job cleaning up over the last couple of years, it is improving. Earlier in the day you had mentioned potential financings to pay down expenses debt. Can you say your preference issuing new debt even at the US LLC levels versus issuing at another entity level?

Mr. Batista: look Carla I mentioned in the call and I think André mentioned as well we are always looking liability management and this is a means that we are already decided to do something; but you know we are always looking and as well in terms of tax structure where is better to put more debt.

And in reality we are generating very strong results in the US and so yes, the better place for us in terms of tax structure is to have, to put - if we decide to do something - it is better to put more debt in the US level and have less debt in Brazil and have more earnings in Brazil as we have a huge amount of goodwill in Brazil to be amortized.

Ms. Casella: okay great thank you.

Mr. Batista: okay

Operator: our next question comes from Alan Alanis with UBS.

Mr. Alan Alanis: Thank you so much for taking my question Wesley, Tomazoni, André, Jerry. Congratulations on very impressive results. I have two questions, the first one has to do with the operations. Your beef operations in Brazil, JBS Mercosul is much larger than its competitors (Marfrig and Minerva) yet you had a lower Ebitda margin in the quarter then them.

On the other side JBS Foods is much smaller than BRF and you have a much better margin, Ebitda margin than JBS Foods. How would you reconcile this situation relating relative scales and profitability of the beef and processed food businesses in Brazil? That would be the first question.

Mr. Batista: Alan it is Wesley. When I look our business and not only one quarter our beef business has been performing, outperforming our competitors in Brazil and we still believe that our business is a very competitive beef business in Brazil.

Of course it is hard to analyze in one quarter in terms of cattle position or sales, export sales. So it is not an easy question because I do not know what our competitor is doing in each quarter. But overall I do not see this any negative thing and as well, Alan, you remember that we opened some plants in the last 18 months or 12 months and we are still ramping up some plants and getting these startups running at better level. So this is about beef.

About JBS Foods you know Alan if you look… I think if you are comparing apples and apples I think our margin is almost the same as our main competitor, we can compare and that has positive numbers. So when you exclude some of our competitors' business for us to be able to compare apples and apples... And I think one thing that also the market needs to think about it is that we do not have hedge account and remember that when you do a hedge account what you do you defer the devaluation of the currency and so your exports revenue you lock the dollar to have the fluctuation and you put in the PNL the fluctuation.

So what I can say Alan we are improving our business and we are closing price gaps. If you look our average sales price in the domestic market last quarter the difference was 15% and we closed the gap in 3Q to 8.9%

I think it is a combination of these things and we are very optimistic about our operation and I tell you what: I do not see any reason why even we have a smaller operation but sometimes a big operation does not mean really big-sized plants in Brazil - today for example; it is more problem than benefit. We have a huge amount of labor issues very hard to operate some really large facilities in Brazil, today unemployment is very low.

So actually some small-scale plants today in Brazil you can do a better job than I really big sized. So a combination Alan.

Mr. Alanis: that is very useful Wesley thank you. My second question has to do with the currency derivatives that you have established for Brazil. You mentioned 84% of your revenues are in US dollars in a consolidated basis; more than 70% of your debt expires post-2018 and so it is more than three years away.

Could you explain to us what is the criteria? What are the principles? What makes you take one of these currency derivatives increased, decreased? What is the kind of criteria that you take to do that in light of the alternative of just saying "I will wait for this debt to expire, I have a lot of revenues in US dollars and I have a match long-term of my revenues versus my US dollars"?

What are the principles and criteria for taking this and what is the duration of these derivatives? Thank you.

Mr. Batista: Alan we have a very straightforward approach on this. We look at everyday our exposure and how we measure our exposure. All of our debt that is dollar-denominated minus all of our accounts receivables plus the sales orders already confirmed that we have products in inventory and we hedge the difference and why we do this? We do not believe in a natural hedge?

Because our revenue yes is in dollar; but this does not mean that you will keep the sales price in the same level that it is today for example. If we were 100% sure… For example we are going to do from Brazil in exports this year US$ 6 billion. If we were 100% sure that the sales… If the real for example; let us say the real tomorrow goes to 3,00 and you can say "but you do not need to hedge this because you have US$ 6 billion in exports". Yes but what happens if the sales price drops there? And this is very common to happen and when you have currency valuations sales price drop.

You cannot say that anyone has a natural hedge unless you lock the sales price. So Alan we have been carrying a fully hedged position and I think this is proving to be the right structure this quarter. We were not impacted like a lot of Brazilian companies with a huge amount of impact in exchange rate.

And again I keep fully hedged. The quarter the real closed 2.45 and is now 2.57 or 6 or 8 and I am still fully hedged - and JBS will not be exposed to the dollar. We think the dollar will keep middle term, keep being stronger. The US economy is doing better; commodity prices are dropping and this is our strategy.

And also Alan we do not see hedge accounts - I am not criticizing who does - but we do not see hedge accounts the best strategy; we see hedge accounts is a defer the problem, you are deferring the problem.

Mr. Alanis: got it okay that is useful. Thank you so much Wesley.

Mr. Batista: thank you Alan.

Operator: our next question comes from Daniel Sensel with J.P. Morgan.

Mr. O'Callahan: hi Daniel

Mr. Daniel Sensel: hi good morning...

Mr. O'Callahan: we cannot hear you Daniel.

Mr. Sensel: thank you. Just a quick follow-up on what Carla asked before. Basically you are saying that in terms of capital structure the one that you have at Pilgrim's Pride is not right one right? Its leverage is very low, tax is negative so you have a lot of cash.

So the question is basically you are planning to lever out that entity in the future and the question is what are you going to do with the cash that you are going to raise? Are you going to dividend that at the holding level and also pay some dividends to minority shareholders of Pilgrim's Pride or you will try to engage into another acquisition similar to what you were trying to do with Hillshire?

Mr. O'Callahan: it is that Pilgrim's Pride level? Are you referring to Pilgrim's?

Mr. Batista: Daniel this is Wesley. If you are referring… it is simple: we have two options. We are building cash, we have a positive cash position in Pilgrim's and we keep this in cash. So two things is the real and realistic option: or in some point we are going to pay a dividend and send money back to shareholders or we are going to do acquisitions.

And what I can tell you I think we proved our discipline on the Hillshire transaction. We are only going to do an acquisition that is accretive. So if we see an opportunity in any point that is accretive we are going to be looking; but if not at some point the second option that will last to us is to pay dividends to send money back to shareholders. These are the two ways that you can do and there is no other option on top of these two.

Mr. Sensel: okay perfect and the other question I have you had an excellent quarter; so do you think that in terms of margins you have reached a peak or you see that there is more room for improvement especially with negative consolidation some of the fundamentals story on the cost side?

Mr. Batista: Daniel look we keep looking to expand our business in more value-added businesses, in a more branded businesses and we think we have been able to expand in a more higher-margin segment. So middle term and long term we believe we can keep growing and expanding margin.

I will not mention short term, I will not give any guidance, we never did in terms of next quarter or so. But again we think we will have great quarters going forward but we do not give specific guidance in terms of margin.

But again overall if you look JBS midterm, long-term, we think we will keep on having a very strong topline growth and good earnings coming from our business.

If you look back seven years ago we acquired sizable businesses in a market that was in a situation that was attractive and we have been creating good value on these acquisitions and we think we will be able to keep doing so.

Mr. Sensel: perfect thank you.

Mr. Batista: thank you.

Operator: our next question comes from Brett Hundley with BBNT Capital Market.

Mr. Brett Hundley: Hi good morning gentlemen, thank you so much for taking my question.

Mr. Batista: hi Brett.

Mr. Hundley: good morning. So I had a question, André or Wesley: your USA margins were excellent during the quarter both beef and pork and the question within beef you talked about Australia and Canada and it sounds like you are satisfied with the way your US business performed as well, the US specifically.

The margins have become very difficult as we see them today and I am curious to get your near-term outlook. We have seen feedlots hanging on to cattle a little bit longer than... It looks like there are some expansion plans under way.

And I am curious if you believe if US beef margins can reverse in coming months from where they are today?

Mr. Nogueira: I will keep my position as I just commented before: you always have some seasonality in 4Q. So if you look historically 2Q and 3Q are better, 4Q is a little bit weaker. I think we are going to see a little bit of the same seasonality but when I look next year and I look the combination of our business (Australia, Canada) and I look the improvement we are doing inside of our business in the US and we are looking the rationalization that the industry did during this year I have all the arguments to believe that 2015 will be better than 2014.

You can have seasonality quarter by quarter, I do not think this will change; but overall 15 at this point is the same thing I said at the same time last year in the same JBS Day and I looked and we commented that we believed that 14 would be better and in reality 14 we finished much better than 13. Despite of the industry trends we are sitting here now and believe the same thing about 15.

And you are right: we are seeing a very strong retention, so good signs not for the short term but the near-term future of the industry US.

Mr. Hundley: that is helpful and am I understanding correctly not as we move into 2015 you feel good about your beef business being up year on year in the US because improvement, strength in Australia and Canada can offset potential weakness in the US market specifically or do you believe that you can drive improvements in the US market alongside Australia and Canada?

Mr. Nogueira: I think that you asked has all the conditions to be there. Again with the rationalization of the plants that we have and more improvement we are doing inside of our business I have no reason to think that our US beef business will not be better 15 than it was in 14.

Mr. Hundley: okay and then just my last question is we have seen some capacity, some processing capacity in the beef industry United States come in relative to the supply level there. Is it your position that further capacity needs to come in or be rationalized or do you believe that capacity can stay in place and match oncoming potential expansion on the cattle side?

Mr. Nogueira: I think we have one plant that we opened that to be honest is very marginal. I am not sure if the location is the right location, I am not sure if the asset is the right asset; this has been opened and shut so many times in history that I do not think that to be honest deserves my attention.

I think that we have a good balance in the most of the US. You have some areas in the US especially in the cow that probably need some more Capex to come out specifically in Texas and California. Fortunately we do not have plants in these two areas that I believe that are the two areas today the US that have more pressure, and I think that in that specific area if you want to be balanced you need to have capacity to be shut there.

Our plants are not there; our plans are more in the dairy area and I feel very, very comfortable with the supply in 2015 in our plants.

Mr. Hundley: very helpful thank you sir.

Operator: our next question comes from Luca Cipiccia with Goldman Sachs.

Mr. Luca Cipiccia: Hi thank you good morning, thanks for taking my question. It is a follow-up on the acquisition front. First on Pilgrim's in the US how you would still look for opportunities but you want to stay disciplined; how realistic is it that you can find some attractive opportunities in the current market also considering where you are in the size and what type of prices may that imply?

That is for the US. But also in the JBS Foods division you have done a number of smaller acquisitions after Seara and I would like to understand how do you see that progressing? Where do you stand in that process? Should we expect more and if so is it more capacity, more on branded processed food? Where do you stand in there? You have a pretty good… you are satisfied with it, do you think you could do more? Maybe if you could also comment on that it would be great. Thank you.

Mr. Batista: Luca basically - this is Wesley - as mentioned since we acquired Seara we have been doing some small acquisitions in our JBS Foods business and we keep look at opportunities in Brazil and I think we will keep doing some regional acquisitions when we see opportunities.

And this will keep happening in the same kind of segment: we will keep being interested to grow in the chicken segment, the package food business, and in the value-added type of business. So realistic in Brazil is not anything big that can be done; but small and regional yes it is doable and it is accretive. So I think this will keep happening.

So in the US it is hard to say if it is realistic to think about a sizable acquisition because you never know how things progress and we keep looking two things: we keep looking to grow our business, to use cash to create value.

So if we see opportunity we will be interested but if not we are not the US, we are not engaged in any discussion with anyone today. It is hard to answer your question if it is realistic or not. So let us be looking, let us keep looking and see.

Mr. Cipiccia: okay I understand thank you.

Mr. O'Callaghan: thank you Lucca.

Operator: our next question comes from Jose Yordan from Deutsche Bank.

Mr. Jose Yordan: Hi good morning everyone. My question is about the federal of income of R$ 240 million in the quarter and I see in the notes that a lot of it is due to some political party donations, contributions or whatever.

I mean that obviously is likely to raise some eyebrows to say the least and so I would just be interested in any color you can give us as to what is the justification, how you justify that to the board and to the shareholders and if you can put it into historical context of what has been the level of political country issues in the past.

And the last part of the question is is it finished for now or should we expect more in 4Q?

Mr. Batista: as you mentioned the adjusted Ebitda a portion of this is contribution to the election Brazil. As you know in Brazil the election system is not public funded, so it is the private sector and the population that fund the elections in

Brazil. This is common in Brazil, this is how Brazil works and it is our contribution, it is the clerk contribution and a portion of - but all the number - is election contribution but a big chunk of the number is and other portion is restructuring charge that is a one-off charge in these last acquisitions that we did like Massa Leve, like Bella Foods and some other acquisitions that we did.

But this is how the election system works in Brazil and our board… of course this was approved by the board and all the contribution. And again the number looks big and it is big of course; but today we are the second largest Brazilian company - actually the largest private company in Brazil - and so we represent in Brazil what we are.

Mr. O'Callaghan: just to add to that Jose we are also one of the largest employers in Brazil. We have operations in 21 Brazilian states; we are one of the two largest exporters out of Brazil and we are very engaged in the communities where we are, our facilities whatever we are they are very relevant regionally in the states where we are because a lot of communities are dependent upon the business and we need to protect business as much as we possibly can thus protecting stakeholders and shareholders.

And remember the election in Brazil is every four years.

Mr. Yordan: right so I guess the last part of the question is since the election was… Took place in 4Q can you give us any color as to how much additional… other additional contributions to expect in 4Q? And I am assuming that in 2015 the drop off...

Mr. Batista: 2015 we are not going to have any or… We are not going to have any number in 2015. So in 4Q yes we will have some and much smaller than this number. The majority of the number was in 3Q. I do not have the number on the top of my head that incurs in 4Q; but what I can tell you is that the majority was in 4Q… In 3Q sorry.

Mr. Yordan: great very clear, thank you.

Mr. Batista: thank you.

Operator: This concludes today's question-and-answer session. I would like to invite Mr. Wesley Batista to proceed with his closing statements. Please go ahead sir.

Mr. Batista: So thank you all to be in our 3Q earnings call. It is a great pleasure to discuss our results and have everybody a great day and I look forward to the next quarter call. Thank you.

Operator: This concludes the JBS audio conference for today. Thank you very much for your participation and have a good day.