



**International Conference Call  
JBS S/A  
Extraordinary Conference Call  
October 26<sup>th</sup>, 2016**

**Operator:** Good morning everyone and welcome to JBS conference call. During this call, we will debate the material fact released today.

As requested by JBS, this event is being recorded. The recording will be available this afternoon and can be accessed by following the instructions posted on the company's website, at: [www.jbs.com.br/ir](http://www.jbs.com.br/ir).

Taking part on this call, we have Mr. Wesley Batista, Global CEO of JBS, Mr. Russ Colaco, CFO, and Mr. Jerry O'Callaghan, Investor Relations Officer.

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

**Mr. Batista:** Thank you. Good morning to you all, thank you for joining this call this morning.

As you all know, we published a material fact this morning highlighting that BNDES vetoed our proposal reorganization. In all BNDES' analysis and work that they did to analyzed the organization they came to a conclusion that the reorganization was not the best way for JBS to go forward and to create shareholders' value.

We are going to respect their decision, JBS is going to cancel and is not going to move forward on the proposal reorganization.

As you all know, when we announced the reorganization the rationale behind was to, you know, have a structure that better reflect our global presence and our diversification across all of our international business. The rationale behind the proposal organization was to maximize shareholders' value.

In our opinion, when we see the value of JBS and when we see the value of each part of our business, the sum of the parts, we believe and we think that the sum of the parts is not reflected in JBS value today.

We also are looking with the organization to expand, to have a broader capital market access, so all these points were the main rationale behind the proposed reorganization. All this strategic reason is still existing, the company's going to continue looking and working around options and alternatives that we can accomplish these benefits that was behind the proposed reorganization.

The company is going... we believe we have many other alternatives and we are going to keep working and looking what is the best way to go forward.



I'd like to thank every team member in JBS that was very supportive since we announced this reorganization. I'd like to thank everyone and each shareholder in JBS that also was supportive to this proposal reorganization, all the bondholders that agree and consent us with the proposal reorganization, all the banks and all the advisors that were working with us in this proposal organization.

Why we are disappointed with this outcome? Looking forward, we strongly believe that we have a unique platform, a very strong business across each region that we operate, we have here a very, very strong management team, the diverse application we did in JBS over these last many years put us in a unique position to compete globally, we are the market leader in the protein sector globally today. So, I'm very confident that we are going to keep working and creating value and delivering strong results.

We are very positive and we are very optimistic about the scenario for our business and for our sector. Each part of our business in 2017 we are confident that is going to deliver strong results.

In US, as you all know, the beef market is getting much better, we have a sizable operation in this segment and this, for sure, we believe is going to deliver good results for us in these coming years, as well chickens performing well, pork is doing very, very well and, you know, in Brazil we believe that the worst is getting behind in terms of how the Brazilian economy was performing, and also this puts us very positive, with a lot of optimism around what we can deliver in our platform in Brazil.

We still see protein consumption growth across the board, around the world. With this disappointing outcome we, again, we are going to keep looking alternatives to create shareholder value through operating our business strongly, and also seeing other alternatives that can, you know, reflect the value that we believe the company should have today.

So, with that I'm going to stop here and ask the operator to open for the Q&A. Thank you all.

### **Question & Answer 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 press star two.

Our 1st question comes from Brian Hunt, with Wells Fargo security.

**Mr. Hunt:** Good morning, it's actually David Cucon for Brian.



**Mr. Batista:** Good morning.

**Mr. Cucon:** A couple from us. Had BNDES previously expressed any disagreement with the reorganization plan or is that a more recent development? And if so, just curious what may have changed their perspective.

**Mr. Colaco:** So, Brian, in our discussions with BNDES, we would provide information and wide perspective that they needed to analyze... [0:08:14 through 0:08:20 audio interruption] ...

**Mr. Cucon:** Hello?

**Mr. O'Callaghan:** We are getting interruption in the call. Let's see if we can get them back on the line. Just a minute.

Just a minute, we've been disconnected from both Mr. Batista and Mr. Colaco. We are in Colorado, we just got disconnected. So, we are reconnecting and, if you don't mind, could you repeat the question as soon as we get reconnected?

**Mr. Cucon:** Sure!

**Operator:** Mr. Wesley, you may now proceed.

**Mr. Batista:** Thank you.

**Mr. O'Callaghan:** Wesley, if I may here, we didn't hear the answer that Russ gave to the previous question, so we are going to have to repeat the question and Russ, if you don't mind, can you repeat the answer as well because the lost all your answer.

**Mr. Cucon:** Hi, again, it's David Cucon for Brian Hunt at Wells Fargo. My question was: Had BNDES previously expressed any disagreement with the pending reorganization or is that a more recent development? And if so, any idea what may have caused the change in their assessment?

**Mr. Colaco:** Yes, so they gave us the broad feedback that did not believe it was the best path worth for the company in terms of value creation, but there was, you know, no specifics provided to us around details behind that, but you know, they came to the conclusion in their own analysis that they did not believe it was the best value creating move for the company.

**Mr. Cucon:** Okay, and are there going to be any cash charges our costs associated with the termination of the US [0:10:14 unintelligible]?

**Mr. Colaco:** I know there is no termination costs, there is obviously fees expended to date working with advisors on, you know, some of the structuring work, but there's no termination costs that would be associated with discontinuing the transaction.



**Mr. Cucon:** Okay, and last from us: Is it possible to get an update on the various investigation if there were an answer? We'd like to hear the triangle with the [0:10:46 unintelligible] company and BNDES investments as well, the pension fund investments in El Dorado?

**Mr. Colaco:** Sure, we can definitely do that, I would say it's not the primary focus of the call, so what I rather do is return to you to the line, ask other folks if they have questions related to this topic and then, if there is time at the end, we can certainly come back to it.

**Mr. Cucon:** Great, thanks.

**Operator:** Our next question comes from Luca Cipiccia, with Goldman Sachs.

**Mr. Cipiccia:** Hi, good morning. Thank you. I wanted to follow up on some of the questions on the previous call in Portuguese. There was only one that I didn't managed it ask, and it's the following: Wesley, you mentioned the possibility for alternative plans for value creation, and I think in the past you'd explored potential listing of JBS USA, potential listing of JBS Foods, Seara in Brazil, the Moy Park as well had been mentioned.

I wanted to understand, given this announcement today: Number one, should we consider 100% fact that the current proposal will be abandoned today as well as any other point in the future, so we shouldn't continue this with remainder option; and number two, if you look at alternatives, how will you prioritize the value creation opportunity across the geography?

This transaction I think realistically was opening actions to broader invest base, particularly in the US, where the majority of your business is, and therefore going forward, would be a way to liberate that value that relates to the US assets be the number 1 priority as compared to other alternatives, such as, for instance, liberating value in Brazil, in the processed food division, in Europe, in Australia, or any of that alternatives?

Maybe if you can answer that, where does the US part of your business aligning investors and operation being the US spend in your future plans?

**Mr. Colaco:** Thank you Luca, it's Russ. So, I would say your 1st question is: Is it practical to proceed the transaction, the organization? I would say no. As of today, given the details from BNDES, it would not for practical, reasonable to pursue the reorganization.

You know, if circumstances change in the future we can certainly reevaluate that. But right now, it just doesn't make sense.

**Mr. Batista:** Just one comment, you know, the shareholders' agreement is going to expire in the end of 19, so we have 3 years more. But, like Russ said, today, you know, it does not make sense to keep this alternative on the table and having this open for us to try to move in the same direction.



**Mr. Colaco:** And, look, you said in part of your question related to what value creation alternatives we are going to evaluate and, you know, with the US business being the 1st one of the list, look, it's not just subsidiary IPOs that are in the [0:14:23 unintelligible] for us, and we are going to evaluate all the alternatives.

I think it's pretty immature right now speculate which one, after we do a comprehensive review, will be the one that we settle on, but we are going to continue to look at ways to increase the stock price, you know, the management team and the founders of the shareholder share and all interests are aligned with shareholders to increase the value of the stock.

**Mr. Cipiccia:** Understood. Thank you. Thank you all.

**Operator:** Our next question comes from Carla Casella, with J.P. Morgan.

**Ms. Casilla:** Hi, one question just on the reporting. I know since you announced this transaction you have changed some of the [0:15:04 unintelligible] reports [0:15:05 unintelligible] S/A and then also for the US bondholders. Will that stay or will you go back to reporting the way you have before? Being specifically of the US restricted group, I know restricted group the JBS blocks.

**Mr. Nogueira:** Hi Carla, it's Andre. The change in the report is related to the reorganization that we did, and we are not changing that. The company restructure was done, there is other reasons to why we did that and this will not change. So, we are not changing the report of the way that we do today.

**Ms. Casilla:** Okay, great. That's very helpful. And then also to understand, I mean, it seems like one of the emphasis seems that the transaction was giving... Brazil's smaller piece of your overall business, there was less need to be [0:15:57 unintelligible] there. Can I just refresh us on if you look at your global exports of beef, how much of that (the beef) is coming out of Brazil versus US, versus Canada or Australia? Whatever the key primary market you can give us.

**Mr. O'Callaghan:** Carla, this is Jerry. As a percentage of our revenue of beef business, just under 50% comes from exports, so you can calculate based upon, you know, we have each business unit reporting separately, it's about 20% of our US and Canadian business. That's in the beef sector.

And then just to remind you, in the poultry sector again about 50% would be exports out of Brazil, smaller percentage, probably 10% of the revenue in the US, would come from exports, poultry exports.

So broadly speaking, if you put it all together, about 30% of our revenue across all the proteins come from exports, of which 40% comes out of Brazil.

**Ms. Casilla:** Okay, it's very helpful. Thank you.



**Operator:** Our next question comes from Pedro Leduc, also with JP Morgan.

**Mr. Leduc:** Hi, thank you for taking this question. It will be a quick one. How was the listing process evolving with the SEC? If you can give us an update on that. I know you filed the reply, but we haven't heard anything since then. So, if it were to again be revised, if it was already in advanced stages or not from their side.

And that's the first, and then second if you plan to keep KPMG revisiting also your Brazilian financials? Thank you.

**Mr. Colaco:** Pedro, you know, we'd received the SEC comments and we were prepared to respond to them, you know, they... nothing in the comments was outside of, you know, what we would've expected. So, we would've gone down the process and without SEC I think we would have been in a position after a couple of rounds of comments to go effective.

You asked about KPMG. We have looked to a PCLD standards on our accounting, and we don't intend to look back. So, in terms of the standards of what we are doing to be consistent with US standards and thresholds, we are going to continue to do over accounting at that level.

**Mr. Leduc:** Okay, thank you Russ. So, the SEC had 1st replied, but you never reply back, right? So, that's what I understood.

**Mr. Colaco:** Yes, we did not. Once that it comments, no [0:18:43 unintelligible], that's correct.

**Mr. Leduc:** Okay, so the plan on replying? So, it keeps at least on their sided life or no?

**Mr. Colaco:** No, we will hold the SEC process. Right now it just doesn't make sense to continue it at current point.

**Mr. Leduc:** Got it. Thank you.

**Operator:** Next question Hale Holden, with Barclays.

**Mr. Holden:** Good morning. I had just a follow-up to Luca's question. Was your answer it to him that JBS or the USA kind of entered the... might be first on the list for potential value accretion considerations?

**Mr. Colaco:** I know, in fact, what I said to Luca was that we would evaluate all of the alternatives available to us, and we haven't settled our mind anything in particular at the moment.

**Mr. Holden:** Got it. Understood. And then [0:19:32 voice overlapping] ...



**Mr. Colaco:** [0:19:32 voice overlapping] ...

**Mr. Holden:** Sorry, go ahead.

**Mr. Colaco:** I would say certainly the USA would be in our considerations set.

**Mr. Holden:** And then I just have 2 other quick follow-ups. You know, part of the rationale for the Foods international transaction was to lower your funding costs. So maybe you could talk about some of the options available to get lower rates going forward.

**Mr. Colaco:** Yeah, that's correct. Part of the benefit was to new... to the development market index, and I did not see right now a move of the JBS USA bonds to the development market index.

We will continue to look at other ways that tap lower-cost funding and of course to improve our credit profile to see if we can get better perception from both rating agencies and investors.

But right now, it's too early to speculate on what actions we could take to enhance our credible bond.

**Mr. Holden:** And then the last question I just had to was: On the BNDES discussion, did they tell you what they thought could be a better value enhancing than what the international was? Because would seems like all shareholders were down today.

**Mr. Batista:** Yes, we have a lot of discussions with them. You know, we spent fair amount of time discussing with them and, of course, it was part of the discussion other alternatives, but as we are not committing ourselves at this point, what kind of... what it's going to like these alternatives, so I'm not going to mention anyone specifically here.

But of course, they brought ideas, you know, the discussion was a pretty broad discussion and the discussion was all around these alternatives that we see, that we have to enhance shareholder value and to create a better reflection of, you know, of the sum of the parts in the value of JBS S/A.

**Mr. Holden:** Great. Thank you for the time. I appreciate it.

**Mr. Batista:** Thank you.

**Operator:** The next question comes from Jeronimo de Guzman, Morgan Stanley.

**Mr. Guzman:** Hi, good morning. It just a few follow-ups. You mentioned that the BNDES shareholder agreement expires in 2019, and I was just wondering what is the conditions for the renewal? Because I believe the last time I think it was automatically renewed. So, I just wanted to check on that.



**Mr. Colaco:** You know, Jerry will come on the line here with our Chief Legal Counsel who can communicate on the specifics and, of course, it is publicly filed so you can also review it.

**Mr. O'Callaghan:** Jeronimo, so Khalil, our Chief Counsel, will comment.

**Mr. Khalil:** Yes, so the shareholders' agreement was executed on 2009, it was a five-year 1st period and then it was automatically renovation, and as Wesley said, we have a termination period on 2019.

**Mr. Guzman:** So, if you don't have another automatic renewal, I guess...

**Mr. Khalil:** No. The shareholders' agreement will terminate on 2019.

**Mr. Guzman:** Okay, great. And Russ, you mentioned that you have other alternatives and the two [0:23:05 unintelligible] ideal, and I was just wondering if you would be able to provide any color, any general color on what kind of alternatives that could be, besides these?

**Mr. Colaco:** You know, we really don't want to provide color until we fully embedded the alternatives among the management team and decide what's the best path forth to it. Is entry review that would afford.

So, we wanted to just pause on speculating where we can go until we have a firm plan.

**Mr. Guzman:** Okay, fair enough. And then just the last question. I mean, you mentioned that your strategic priorities for next year are to some extent talking about a focus on cash flow generation next year, probably not focusing on M&A until 2018. And I'm just wondering, does this kind of roadmap, or strategic roadmap, change given what just happened? It's a tough question.

**Mr. Batista:** No, it did not change anything. We are going to keep focused on, you know, free cash flow and we did a lot in last 2 years, as you know, we acquired several businesses, we feel that it is time to finalize the integration of all these businesses and as well to improve, you know, our balance sheet, to strengthen our balance sheet and we are going to be very focused on that to deleverage our company.

**Mr. Guzman:** Okay, great, thank you.

**Mr. Batista:** Thank you.

**Operator:** The next question comes from José Yordan, from Deutsche Bank.

**Mr. Yordan:** Hi, good morning everyone.

**Mr. Batista:** Hi José.



**Mr. Yordan:** I just have a follow-up from Luca's question in the prior call. The changes you announced to the tax structure on all your subsidiaries etc. late last year, early this year, are those still expected to yield the same tax savings, or was the reorganization a necessary condition to, you know, of that tax planning exercise? Any color you can give us there would be great.

**Mr. Colaco:** Yes, so our guidance around our global tax rate stands, there is no changes related to the reorganization. So, without pushing it forward, we are somehow on the same path forth with the guidance we gave you around, you know, where our [0:25:44 unintelligible] would migrate over time.

**Mr. Yordan:** Okay, thanks.

**Operator:** Our next question comes from Carlos Lobo, with HSBC.

**Mr. Lobo:** Yes, good morning.

**Mr. Batista:** Morning.

**Mr. Lobo:** You made a pretty clear argument already that the current structure in path is either value destructive or it is not certainly that optimal. When will you come back to us with the alternative path forward that you think will be most constructive now?

**Mr. Colaco:** You know, Carlos, we took a considerable amount of time in developing the reorganization that we announced and, you know, this kind of reorganizations take a lot of effort and we want to make sure that you get it right, so as we analyze our path is going to take considerable amount of time.

I would not expect us to come back to you properly with something new. We want to be measured and consider it about where we take the company and protect us and the interest of the company and the stakeholders.

**Mr. Lobo:** But are we talking into next year or is this basically put it on the shelf until the end of 2019?

**Mr. Colaco:** No, in the next year, Carlos.

**Mr. Lobo:** Thank you.

**Operator:** Next question comes from Ericko Ross, with Imperial.

**Mr. O'Callaghan:** Ericko?

**Operator:** Mr. Ross?

**Mr. O'Callaghan:** Miss...



**Mr. Colaco:** I think we can move to the next question.

**Operator:** Yes, the next question comes from Gabriel Lima, with Bradesco.

**Mr. Lima:** Hi, thanks and good morning Wesley, and good morning Russ.

**Mr. Colaco:** Good morning Gabriel.

**Mr. Lima:** Basically, looking at... exploring these other alternatives that we are talking about that you just mentioned next year, you know, my 1st question is: Does the BNDES have also the veto power on these alternatives? And I suppose that they do, right? So, the 2nd question would be: What would make us believe that the BNDES would, for example, be okay with accepting the IPO of JBS USA, which you guys tried back in 2010, for example?

So, just exploring, you know... I think that the 3rd part of the question is, finally, I know that the shareholders' agreement expires in 2009... I'm sorry, in 19, but at this point doesn't it make sense to buy, to repurchase this stake on the BNDES side? It's, you know, quite digestible for the company, not only for the JBS itself, but for the parent company.

So, those would be my 3-phase questions.

**Mr. Batista:** Gabriel, the shareholders' agreement is a public document, so you can see what kind of veto right they have. But in case if we decide to do list or to IPO, we don't need to ask them approval to this... you know, to do this.

So, they have veto in terms of capital reduction, they have veto in terms of divesting us, etc., in acquisition or in structure, but in case we decide to do anything in the sublevel, is a board decision, is not part of the shareholders' agreement.

And as you said, the shareholders' agreement is going to and in 19, and sure, after 19 so we can go in any direction we want to go without the need to ask any shareholder or BNDES, you know, permission in terms of the shareholders' agreement.

And, you know, I am not going to comment on BNDES, they have been very, you know, long-term investor. I don't see any change in their mind. What we heard from them, they see a lot of value creation potential for JBS, and I think they are doing to keep seeing opportunity for them as well to get a great return on their investment.

**Mr. Lima:** Yes, okay, we really thought here they would have a veto on the IPO on the subs, so that's it. Thank you, Wesley.

**Mr. Batista:** Thank you.

**Operator:** The next question comes from Ericko Ross, with Imperial.



**Ms. Ross:** Hi there. Sorry about that earlier, I think I had some problems with my connection. But thank you very much for taking the questions. As part of the reorganization, you guys saw consent from bondholders to change the entities from which you're issuing?

What is the intention now with respect to the bonds that are issued from JBS SA and JBS USA? And is there any intention to basically have one issuing and see going forward? And if that's the case, what would that be?

**Mr. Colaco:** So, we haven't decided the structure going forward. Probably we have the consent for the reorganization, which we don't intend to pursue, so the bonds from JBS S/A will not be moving.

You know, we are going to spend some time thinking about what the best way is to achieve the lowest cost of capital, and that may well be issuing at a single entity, but we have to work through that with our advisors as to which path we are going to go down.

**Ms. Ross:** Great, that's helpful. And then one last question would be, you guys talked about the fact that the reorganization would reduce the need to... in fact there would be half material hedges in place. It sounds like you've rolled off the large majority of those.

I'm just wondering now that the reorg is kind of off the table now, if there is an intention I guess to reimplement at least part of that hedging strategy which you had I guess part to 2015?

**Mr. Batista:** Yes, we don't have any hedge today and we don't plan to place any hedge.

**Mr. Colaco:** There is really no change to our plans or policies.

**Ms. Ross:** Got it, thanks.

**Operator:** Our next question comes from Mr. Victor Saragioto, with repeats please.

**Mr. Saragioto:** Hi everyone, thanks for taking my question.

**Mr. Batista:** Hi Victor.

**Mr. Saragioto:** I just want to understand if anything changes in the relationship with BNDES, and also, I know that this is a bank decision, but has BNDES demonstrated any interest in divesting in the company? That would be my 2 questions. Thank you.

**Mr. Batista:** No, no change in the relationship. Actually, they were very committed to analyze the transaction, so they did all the work and end up with



their conclusion that this is not the best path for the company to go forward, and we are going to respect.

So, no change in the relationship. And, you know, I cannot comment about their interest in terms of holding or, you know, or not. My impression is that if they were looking to divest, my impression is that they were going to do this now and they didn't.

So, my impression is that they see a lot of value creation and they want to capture this for their investment. But again, I cannot speak for them.

**Mr. Saragioto:** Very clear. Thank you very much.

**Operator:** The next question comes from Ed Santevechi, with Nomura.

Mr. Santevechi, you may proceed.

This concludes today's question-and-answer session. I'd like to invite Mr. Wesley Batista to proceed with his closing statements. Please, go ahead Sir.

**Mr. Batista:** Thank you. Thank you to you all to join the call this morning. Like I mentioned, we are going to keep looking alternatives and options to create shareholder value.

I am very confident with the management team that we have that we can deliver strong results going forward, and we are optimists about the performance of our business in 2017, and we believe that we are going to be able to create value delivering good rate results and as well analyzing all the alternatives that we can have a structure that can reflect better value on all the sum of the parts and in JBS as a total.

Thank you all and good morning to you.

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