International Conference Call
JBS S.A.
1st Quarter 2011 Earnings Results
May 16, 2012

Operator: Good morning everyone and welcome to JBS S.A.'s Conference Call. During this call we will present and analyze the results for 1st Quarter of 2012. As requested by JBS this event is being recorded and the recording will be available to listeners this afternoon and can be accessed by following the instructions posted on the Company's website at www.jbs.com.br/ir.

Taking part in this call we have Mr. Wesley Batista, President and CEO of JBS S.A.; Mr. Jeremiah O'Callaghan, Director of Investor Relations; Mr. Eliseo Fernandez, Administrative Director and Controller and Mr. Denilson Molina CFO of JBS USA.

Now I will turn the conference over to Mr. Jerry O'Callaghan. Mr. O'Callaghan you may now proceed.

Mr. Jeremiah O'Callaghan: Ok thank you very much, thank you and good morning to you all and welcome to this earnings call for JBS 1Q12 results. As mentioned Mr. Batista, our CEO and President, is with us here and so is Mr. Fernandez, our Controller and Administrative Director, as well as Mr. Denilson Molina who is our CFO at JBS USA.

I will go through the presentation briefing you and then hand you over to Mr. Batista for some comments and then we will open the session for your questions. So I would like to make reference to some slides that we posted on our webpage earlier today with some market analysis and with the highlights for the quarter and the numbers for 1Q12.

And I will go straight to page number 10 on the presentation. If any of you are following the presentation we have got the highlights for the quarter on page 10. On the previous pages we have got some market analysis and I suggest when you have some time perhaps to have a look at those numbers that are some interesting statistics regarding exports and information from an analytical point of view.

In 1Q12 JBS posted consolidated net revenue of just over R$ 16 billion and that is more than 9% higher than 1Q11. The Ebitda for the period was just under R$ 700 million with an Ebitda margin of 4.4%. A couple of highlights in this quarter, the most relevant one being JBS Mercosul, our South American business, where we posted revenues of over R$ 3.8 billion and that is an increase of more than 6% in relation to the same period last year; and our Ebitda had a significant increase over the corresponding period of last year, 65%, reaching R$ 508 million with an Ebitda margin of 13.3%.

Our chicken business in the US, Pilgrim's Pride Corp., also posted net revenue of US$ 1.9 billion and an Ebitda of US$ 104 million with Ebitda margin of 5.5%, a significant recovery in relation to how this business unit was performing in 2011.

So those are some of the highlights for the quarter and another highlight is our net income. Our adjusted net income came in at R$ 240 million and excluding deferred income tax, which because of the accumulated goodwill we have in Brazil we were obliged to put in our results, which effectively is a non-cash event. So it is R$ 240 million taking that in consideration and if we exclude the income tax, this deferred income tax, our net income would be R$ 116 million.

Also for the quarter we ended the quarter with R$ 5.15 billion in cash or cash equivalents and that is more than 100% of the company's short-term debt.

Also just to highlight a couple of recent events at JBS, particularly in South America over the first few months, and some of these events occurred after the closure of the quarter: we announced a couple of weeks ago we initiated a participation in the chicken industry in Brazil, we list the facilities that were the legacy of Frangosul is in Brazil and these are quite relevant facilities with a processing capacity of 1.1 million birds a day, the third largest Brazilian chicken exporter, and so it is quite relevant participation that was started in the chicken industry in Brazil. We have already put some eggs out with the contract growers and we will be ramping up production in our chicken business as of next month up to the 1.1 million birds per day.

Also in Brazil during the first months of 2012 we have added a total of 12 beef production units to our business in Brazil and that is quite a relevant number of plants with the capacity to process 8000 heads of cattle per day, and so if we take the revenues annualized from our chicken business and also the annualized revenues from these 12 beef facilities and put them all together we are talking about incremental revenues of about R$ 4.5 billion and our South American business on an annualized basis, most of which will be on board by the second half of this year, and obviously this is a relevant margin that we are bringing to our South American business as well.

And just bear in mind we do not have the historical Ebitda for these businesses when we look at the leverage of the company; but we are looking to continue performing with this incremental revenue and margin similar to our South American business.

Also just actually this morning we posted a material fact confirming the approval by regulatory authorities of the voluntary share swap at our dairy business in Brazil, Vigor. This has been approved by the regulatory authorities and in the coming days we will be making an announcement regarding the continuation of the process for shareholders at JBS to be able to opt to do this voluntary swap as they desire to participate in Vigor with the same participation that they today participate in JBS.

Just going through the presentation and going on to page 11 in our presentation looking at the consolidated numbers: that is revenue in 1Q last year was R$

14.6 billion compared to just over 16 billion this year and Ebitda margin, as I mentioned, was 4% on a consolidated basis and 2Q last year that is a kind of above 5% in 3Q and 4Q and went back to 4.4% Ebitda margin now in 1Q12.

Going to page 12 in the presentation and looking at the analysis by business unit and starting with JBS Mercosul, again just to repeat revenues of R$ 3.8 billion and Ebitda of R$ 508 million and 13.3% Ebitda margin and on page 12 of our presentation one can see how this has evolved. Over the last five quarters from 8.6% in 1Q11 we have seen a gradual improvement in this business coming into 2012.

JBS USA based business (and then here we include our Australian business) we have revenues in 1Q of US$ 4.1 billion and that is well above the US$ 3.8 billion of 1Q11, and this was the most challenging environment that we operated in at the beginning of 2012. It is public knowledge that this was a challenging environment for the whole industry at the beginning of this year and our CEO, Mr. Batista, will elaborate on that in his comments in just a little while.

Our pork business in the US again US$ 855 million in revenues in 1Q12 and that is up from US$ 836 million in 1Q last year, again a revenue increase, and we have seen some marginal decline in Ebitda and Ebitda margin in this business.

But we are quite confident that 2012 will be a similar year to 2011. In this 1Q we had just under US$ 56 million in Ebitda with a 6.5% Ebitda margin and that is down somewhat from the single-digit that we had during 2011. But as I mentioned in this business we see the continuity of the performance of the 2011 numbers through 2012.

And then to speak about Pilgrim's Pride Corp., our USA chicken business, revenues of US$ 1.9 billion and these numbers were made public already by Pilgrim's Pride a couple of weeks ago, and a substantial recovery of this business. As we indicated through the second half of last year we saw this coming. We had a better last quarter of 2011 and a much improved quarter in 2012 with US$ 104 million in Ebitda and that is a 5.5 Ebitda margin and with a continued improvement in this business. So this is an ongoing process, it is work in progress our chicken business in the US.

Moving to slide number 13 in our presentation, which talks a little bit about exports performance in the beginning of this year, you might recall last year we had total exports close to US$ 10 billion, indicating how important exports, animal protein meat exports are to the emerging economies where production is relatively low and consumption is increasing all the time.

Well, at the beginning of 2012 exports were a little bit slow. We have seen them picking up over the last couple of months but we still had quite a good performance exporting, more than US$ 2 billion in these first three months of 2012, US$ 2.039 billion to be precise, and in our slide on page 13 it is just interesting to highlight that most of these exports have been to these emerging economies that were talked about so much:our largest destination in fact was Mexico and then China and China's neighbors, the two representing almost 15% each of our exports; then Japan also, which is a very relevant destination for our US and our Australian business; Africa and the Middle East, which is a very relevant portion of our business as well, and which has been picking up enormously over these last few weeks; and then South Korea; Russia, which is obvious a big importer either of beef or pork or chicken; and then we have got other markets like the European Union; Canada; Chile, which is importing quite a lot more of our product as well. So that is our export performance for 2012.

Now just before handing over to Wesley I will speak briefly about our debt profile and make reference to page 14 in the presentation that we posted on our webpage this morning. Firstly as I mentioned earlier we ended the quarter with R$ 5.15 billion in cash or cash equivalents, which is more than 100% of our short-term debt.

Our leverage - and we have separated the leverage here including and excluding Pilgrim's Pride… striving at other company in the US and a nonrecourse company, nonrecourse to JBS, and excluding Pilgrim's Pride our leverage at the end of the period was 3.6x and including Pilgrim's Pride that was 4.3x and again, just important to highlight - and this can be seen on the slide on page 14 - the fact that we have improved our debt profile in reducing our short-term debt to less than 30% of our total indebtedness and increasing our long-term debt correspondingly.

And with that I would like to hand you over to Mr. Batista for his comments before we open for Q&A. Thank you very much

Mr. Wesley Batista: Thank you Jerry, good morning you all. Like Jerry mentioned and went through each business unit I think some of the important points here is that we are seeing a very, very strong improvement in our Mercosul business, especially in Brazil. So we spent last year, I just think our business, and doing a lot of things to put our business more competitive and to put our business running in a much more efficient way. So I think we are seeing and collecting fruits from these things that we did last year.

We are very, very optimistic about the performance of our business in Brazil. We had a good quarter and we believe you will see a very strong year for our Mercosul business. We are adding more capacity and we are adding more, expanding our business in the beef business in Brazil. Like Jerry mentioned we added 12 plants in these last three months and so these 12 plants is… we will bring to us 8000 heads per day more volume - and this is around 2 million heads per year - and so to summarize about the beef business in Brazil the exchange rate in Brazil is also putting the business more competitive, and of course this will help to bring results in Mercosul and in the Brazilian beef business.

Talking about the US business chicken like you saw Pilgrim's has already published 1Q, a good improvement comparing to 2011. We are very optimistic that this year will be a very good year for the chicken business and for Pilgrim's. We are seeing every day a better condition in the chicken business. We had a good quarter and we believe we will see better numbers in these coming quarters and again we are very, very happy to see the way the business is going and all the changes that also we are doing in Pilgrim's to put Pilgrim's as a much more efficient company and operating in a much more efficient way.

The pork business, like Jerry mentioned, we had a quarter that in terms of the result is slightly lower than the previous quarters, but we closed the quarter with 6.5% margin Ebitda and we are very confident that this year will also be a good year for the pork business and we believe we can deliver the same kind of results that were delivered in 2011 in the pork business.

The numbers is showing us where is the challenge here: the challenge here is the beef business in the US. We had a quarter… a tough quarter. Since the beginning of 2012 the beef business started much more challenging. The industry, since the closure of 1Q, the industry started to balance more supply and demand. We are seeing some improvements in the beef business, but still with the performance of 1Q a still challenging scenario and the challenging environment to the beef business.

We believe… through 2012 we still believe that we will be able to deliver a good number in the beef business and to deliver good results, even though this 1Q the number is not the number we were looking for.

So I think with that I will ask the operator to open for questions and then we are all here to answer your questions. Thank you.

Q&A Session

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

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

Ms. Farha Aslam: Good morning.

Mr. Batista: Hi Farha good morning.

Ms. Aslam: Good morning. My first question relates to the US cattle supply. In the summer cattle availability is expected to be in full; but going into the fall and into 2013 the supply of cattle, particularly fed cattle, is expected to contract. How do you think you and the industry will manage through that contraction and cattle supply?

Mr. Batista: Farha yes, you are right. We are seeing some decline in the US cattle availability. We believe 2012 will be a year that we will see reasonable cattle availability and so we do not think that the industry will face a big challenge this year in terms of cattle availability.

In 2013 and 2014 yes, probably we will see less availability in fed cattle and I think the industry will need to manage this and organize the business to run the business in balance and following the amount of supply that we will see in the market. So I think this is the way and this is the thing that industry can do to go through this period that we will be facing less cattle, less availability in cattle.

Ms. Aslam: Because the industry just needs to maintain the supply in terms of how much they need for cattle.

Mr. Batista: Farha I think the industry has space to manage how many hours the industry is running the business and to match cattle availability and the amount of hours or the amount of days that the industry will be running the plants.

Ms. Aslam: Do you think beef plants in the US need to be shut in order to better align production with the supply of cattle?

Mr. Batista: Look Farha, I do not think that this year... Like I mentioned I think this year we will see enough cattle for the industry to run the plants. Going forward 2013 and 2014 it is hard to say exactly what the industry will do in terms of closing plants or not; so I can speak by JBS and we will not be looking to close plants and of course we will be looking to run our plants matching the amount of availability and the amount of cattle that we will be able to run the plants.

I think one point, Farha, that is important: I think JBS has a quite unique situation in terms of cattle supply because we are running Five Rivers with around 2 million heads of cattle per year and that gives us a good amount of cattle for us to run the plants and a good base for us.

And the other thing that is important Farha: we have some regional plants that is the plants based in Wisconsin or Tomlinson or Plainwell and so these plants are located in areas that we can run the plants, slaughtering cows or dairy cows and hosting and so this puts us, I think, in a better position in terms of cattle supply and cattle availability.

Ms. Aslam: Understood, thanks for the color.

Mr. Batista: Thank you Farha.

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

Mr. Wesley Brooks: Hi guys.

Mr. Batista: Hi Wesley.

Mr. Brooks: A couple of questions also on the US beef business. Just thinking about 2Q obviously you started all very weak and you had all the pink slam; but in the last month or so beef prices have gone up, cattle prices have gone down and if you look at margins they have returned to profitability.

So when you think about 2Q what do you expect in terms of profitability? Was the start too bad for us to think you are going to turn profitable or could you get to… what sort of margin do you think you could achieve in 2Q?

Mr. Batista: Wesley like you mentioned 2Q started out very good. We are seeing an improvement in these last weeks and if the business keeps like it is today I think we will see a better quarter.

Mr. Brooks: Ok. But do you think you can recover the losses from the start of the quarter or if things stay where they are?

Mr. Batista: Wesley like I mentioned before I am very confident that we will be able this year to make a good margin in beef; but I do not want to give guidance here in terms of quarter by quarter. But everybody knows that the business is getting better and improving week by week in these last weeks, so I am confident.

When we compare 2011 and we look our numbers in 2011 in the beef segment we still look to deliver the same kind of results that we did in 2011, even with this tough 1Q.

Mr. Brooks: Ok and I am thinking about the Brazilian beef business. Obviously you did have a fantastic margin, I think you said 15%. From here obviously you are going to have a significant growth from the new volumes and increasing slaughter, etc.; but in terms of the margin do you think there is a lot of upside from here or do we get more volume at the same margin?

Mr. Batista: Wesley I think we will get more volume. This is for sure because we are adding more capacity and we are running more plants, and also we are running more cattle in our plants and so we have been able to have a better capacity utilization in these last weeks or in these last months.

In terms of margin, look, that really is getting weaker… week. The real at 2 of course this is helping the business and so if the real holds in this level I think we can see some improvement.

Mr. Brooks: Ok thank you very much.

Mr. Batista: Ok Wesley.

Operator: Excuse me. Our next question comes from Mr. Akshky Jagkale from Key Banc Capital Market.

Mr. Akshky Jagkale: Good morning, thanks for taking the question. This is Akshky.

Mr. O'Callaghan: Akshky how are you?

Mr. Akshky: Good, hearty doing Jerry?

Mr. O'Callaghan: Good.

Mr. Akshky: I wanted to talk a little bit about beef again. Just what do you think happened in 1Q? I know, Jerry, you have talked about this and now that you have some time to think about what happened, why did the industry go from profitable to losing money in 1Q? What is your explanation for what happened? It seems like the industry has obviously adjusted and you are back to profitability; but excluding the pink slime issue, which was more recent, what has happened in your opinion in 1Q?

Mr. Batista: I think it is a quite simple thing: the industry was running the business not balancing supply and demand and so the industry put more meat in the market and the market was not able to pay a better price to offset the increase in cattle cost.

And also exports. The industry declined 10% in 1Q and so more meat in the domestic market puts pressure on the price and the industry was not able to pass through the cattle price increase. So this is the two main reasons that the industry faced a challenge for this quarter. It is supply and demand and exports.

Mr. Jagkale: That is helpful and then if I continue on that theme, the steer forecast of slaughter for 1Q for the industry was down, I think, somewhere around 5% to 7% in 1Q on a year-over-year basis and yet I am looking at your head slaughter number and they went down a lot less than the industry. What should I make of that? Is there a lot moving for work there in Australia?

Mr. Batista: Yes. When you look our numbers you are right. The industry slaughtered actually 4.9% less cattle until now and 5% less cattle comparing this 1Q with 1Q11. Our numbers include Australia and so we ran the US business in line with this percentage and so we also declined our volume in the US in the same proportion like the industry did.

When you look in a consolidated base we did more lam and more cattle in Australia in 1Q; but if you separate Australia and the US our US business we reduced volume by this amount like 5%.

Mr. Jagkale: That is interesting because (inaudible 33:11) also reported recently and they actually slaughtered a lot less than the industry even and so if you and… were close to the industry. There must be some other big player who slaughtered more, but that is interesting.

In terms of pork can you… again the same question for pork: obviously the cutout had been pretty weak all of a sudden. What is your best guess as to what happened? Obviously your commentary is very positive and you still expect 2012 results to be in line with 2011; but can you just talk about what happened in pork and why was the cutout so weak?

Mr. Batista: I think we saw China last year… China bought a reasonable volume last year and I think it is also exports. The industry did the same kind of volume this year compared to last year; but I think the industry needs to see stronger exports and I think everybody is waiting to see China coming back and buying carcass and more volume in the US and we will see this margin picking up again.

So it is quite the same: it is supply and demand and the industry was not able to sell the product in a price that we were looking for to hold double-digit margin.

Mr. Jagkale: Ok one last one on chicken: you did seem to be pretty positive about those results and when I look at Pilgrim's 1Q results Mexico obviously played a big role and the US operations improved a lot, but were not as good as the rest of the industry per se.

When you say you expect better results than 2012 can you help us by what the expectations are at longer-term for that business and if we are going to be in some sort of normalized range, you think, in 2012?

Mr. Batista: I am very positive and we will see a normalized margin in Pilgrim's and I think in the chicken industry, and we will see improvements quarter by quarter. We will see an improvement in 2Q comparing to 1Q and I believe 3Q will be even stronger then 1Q and 2Q. So I think it is a recovery process and I think the industry is recovering itself and we will see better numbers in these coming quarters.

Mr. Jagdale: Ok thank you and I will pass it on. Thanks for taking the questions.

Mr. Batista: Thank you, you are welcome.

Operator: Excuse me. Our next question comes from Mr. Jose Yordan from Deutsche Bank.

Mr. Jose Yordan: Hi good morning Wesley, Jerry. On Pilgrim's Pride obviously a great turnaround in that business and so I guess the two-part question is how much... how should we think about the impact on Mexico of that and whether that is sustainable, and if it is then what is the kind of normalized margin that we should expect in later quarters into next year assuming obviously that the industry keeps the discipline and all the other issues that could make the change?

Mr. Batista: Jose I think… like I mentioned I think the industry we will be able to have a normalized kind of margin this year and I also do not see any reason that we will not see a normalized margin in this coming year, in 2013. I already mentioned that I believe that we will see margins in 8% level, and for 2012 in Pilgrim's Pride I would be not surprised to see even higher than this percentage, than this number. But I think a normalized level in my view is around 8%.

Mr. O'Callaghan: Also Jose you mentioned Mexico. If you look at JBS consolidated exports Mexico is our number one destination and that is obviously a signal that there is meat consumption growth in Mexico, relevant meat consumption growth. We exported just in 1Q US$ 300 million worth of product to Mexico and that is obviously an indication that our Mexican business should continue performing well in that sort of environment where there is more demand than supply.

Mr. Yordan: And assuming that the very weak exchange rate helped you in 1Q and will probably help you even more in 2Q.

Mr. O'Callaghan: The currency is come and go. The currency is… possibly a result of economic movements and thus consumption habits. Generally speaking I think Mexico has become a very relevant consumption base for our products and our industry and our production within Mexico should reflect that sort of environment as well.

Mr. Yordan: Ok thanks a lot.

Mr. O'Callaghan: Thank you Jose.

Operator: Excuse me. Our next question comes from Mr. Reza Vahabzadeh from Barclays.

Mr. Reza Vahabzadeh: Hi good morning.

Mr. Batista: Hi Reza.

Mr. Reza Vahabzadeh: In terms of US beef margins just getting back to that story, I think you may have mentioned in your comments that you would expect still a good year in 2012. Does that mean that that is really to be comparable to 2011 or somewhat lower than that or better than that?

Mr. Batista: Reza, for sure we started this year in a more challenging environment and more challenging 1Q. I still believe that we can deliver the same kind of result that we did in 2011. But for sure with this 1Q being negative in 45 million it will be tougher to achieve the same kind of result that we did in 2011, but I still think that it is possible.

Mr. Vahabzadeh: What would make you be concerned that the weakness that you saw in 1Q as well as the first part of this 2Q would make US beef margins still a challenging year for the whole year? What would make you more concerned or more cautious? And of course what would make you more positive?

Mr. Batista: I think if the industry keeps balancing supply and demand. I think this will be positive; if the industry returns or starts to put more products in the market and the market starts not being able to absorb I think this will be more challenging. So I think it is more about supply and demand and I think if the industry keeps running the business looking at demand I think it will be fine.

Mr. Vahabzadeh: So it is really more about cattle supply, cattle slaughter discipline.

Mr. Batista: Yes, I think it is more availability and supply and demand.

Mr. Vahabzadeh: Right and then as far as… can you talk about your outlook for the US beef exports? It has been as low stocks so far in 2012.

Mr. Batista: Look I think we can see some decline this year compared to 2011. We already saw in 1Q around 10% decline in exports and I think the US dollar is getting a little more strong and other countries the currency is getting… somehow getting weak and so I think this can change a little bit the amount of meat that the US will export.

But overall I think the US is still very competitive and the US will keep playing a big role in terms of exports. But again, I think we can see some decline in exports this year.

Mr. Vahabzadeh: Ok and is that due to FX or is that due to demand?

Mr. Batista: To what?

Mr. Vahabzadeh: Is it down because of consumer demand…

Mr. Batista: I think it is more related to currency. I think the Australian dollar is getting weaker compared to where the Australian dollar was a couple of months ago and the real as well, and other currencies. So I think this is putting other players a little more competitive and I think these countries will sell some more meat in the international market and I think we will see, again, some decline in the US exports.

Mr. Vahabzadeh: Thank you.

Mr. Batista: Thank you.

Operator: Excuse me. Our next question comes from Mrs. Carla Casella from J.P. Morgan.

Mrs. Carla Casella: Hi. I know in the past you have had hedging adjustments that affected Ebitda in the beef business. Were there any hedging adjustments this quarter that were included in that 10 million Ebitda loss?

Mr. Batista: Yes, negative 60 million Carla.

Mrs. Casella: And should that reverse in 2Q?

Mr. Batista: Let us see, Carla, how 2Q will close and we will see the numbers after we close 2Q.

Mrs. Casella: Ok great thank you.

Mr. Batista: Thank you.

Operator: Excuse me. Our next question comes from Mrs. Celina Merrill from Credit Suisse.

Mrs. Celina Merrill: Hi good morning. I have two questions, the first is regarding your acquisitions in the beef sector in Brazil. After the recent increases can you remind us what your total operating capacity in Brazil is today and if that includes any plants that you own but that are closed or idle?

And then can you also talk about the opportunities you are seeing maybe to purchase other beef assets in Brazil now?

Mr. Batista: We have 12 plants in these last three months in our business. Today we have capacity to slaughter 10 million heads of cattle per year in an annualized basis, we are looking to do 8.5 million heads per year and so we still have some plants that is idle and we are analyzing the opportunity. If we can increase our participation in the beef segment in Brazil we would like to do so.

I think it is an important point: JBS is a diversified protein operator, so we operate in the beef business in Australia, in Brazil, in the US. So sometimes things that is hurting one country is helping another country. So Brazil the FX is helping the Brazilian operation, our scale in the export. We believe Brazil will grow some volume in the export side. So we would like to participate as most as we can in the segment in Brazil. So this is where we are.

Mrs. Merrill: Ok thank you and then my second question was regarding our cash flow expectations for the year. You talked in your Portuguese call about decreasing the average with cash from operations especially during the second half of the year. Is that an expectation that JBS USA businesses are going to improve or additional strength from Mercosul, or do you expect working capital to be a source of cash this year?

Mr. Batista: I think we expect all the business to generate a good amount of free cash flow. I think the chicken business Pilgrim's will generate some very strong amount of cash flow, free cash flow. Pilgrim's will not pay a lot of tax this year because they have the losses in 2011 and so the resulting Pilgrim's will give a strong free cash flow generation and also in the LLOC level beef and pork we expect to generate a good amount of free cash flow and also in Brazil. So all the business units we expect to generate a good amount of free cash flow and we will be using this to pay down debt and to reduce leverage.

Mrs. Merrill: And what about your Capex investments for the year? Do you have a sense what it would be versus last year?

Mr. Batista: In a consolidated base R$ 1 billion.

Mrs. Merrill: Ok great, thank you very much.

Mr. Batista: Thank you.

Operator: Excuse me. Our next question comes from Ms. Cristina Ronac from Gleacher&Co.

Ms. Cristina Ronac: Hi there thank you.

Mr. Batista: Hi Cristina.

Ms. Ronac: Hi there. Can you tell what your JBS USA gross debt and cash is as of the end of the quarter?

Mr. Batista: Gross debt and cash. Just a second. I do not know, I do not have it on top of my head this number. We will have on Friday JBS USA and LLOC earnings call. Just a second, sorry. Your question is in the LLOC level, right?

Ms. Ronac: Yes that is correct.

Mr. Batista: 2.8 billion in debt, gross debt.

Ms. Ronac: Great and you do not know cash at the moment then?

Mr. Batista: Yes, I do not have in front of me here.

Ms. Ronac: And then also in earlier answer you said that US beef was impacted by a derivative of 60 million; is that US dollars or reais?

Mr. Batista: US$ 60 million.

Ms. Ronac: Ok dollars, thank you very much.

Mr. Batista: Just a second, Denilson got the number here: so 2.8 gross debt and 255 in cash.

Ms. Ronac: Great thank you very much.

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

Mr. Batista: Thank you all to participate in our earnings call and I look forward for being together again in 2Q and again. We are optimistic about the way we are operating our business and the diversification that we have in our business. It is for sure an important point for us that allowed us to enjoy when some countries are doing better and offset some of the difficulties when some other operations or other countries are facing a more challenging moment. So again thank you everybody and have a good day. Thank you.

Operator: Thank you. That does conclude our JBS audio conference call for today. Thank you very much for your participation and have a good afternoon.
