Q3 2010 Earnings Call

Company Participants

- Edemir Pinto, CEO
- Leopoldo Saboya, CFO and IR Officer
- Unidentified Speaker, Unknown

Other Participants

- Daniela Bretthauer, Analyst
- Gabriel Vaz de Lima, Analyst
- Isabella Simonato, Analyst
- Pedro Leduc, Analyst
- Unidentified Participant, Analyst

Presentation

Unidentified Speaker

Good morning. Welcome. And it is a great pleasure for us. And as on this very special date we are celebrating 30 years of the company APIMEC get together with BR Foods in order to make this presentation. This commitment on the part of BR Foods, with proximity and with being close to the market, goes back a long way.

And I would like to say that the partnership that the Company has with APIMEC for public presentation open to the public, we have a very good exchange of ideas and a very candid exchange of ideas, also looks back a long way, 28 years. It is one of the longest histories that we have in presentations of this kind. So 28 years that BR Foods holds an event similar to this one for investors, analysts and other stakeholders.

I would like to tell you that the presentation is inside the bags that you have received as you entered the room. We have Leopold Saboya, CFO and IRO. And Jose Antonia do Prado Fay, CEO. And I would like to give him the floor for his opening remarks.

Good morning. I would like to thank you for being with us today. It is always very nice to come to the Stock Exchange to talk about our business. And mainly so when we celebrate 30 years of listing. This is quite a long period, mainly for Brasil. These are very important dates that we have.

And today we will be talking to you about the short run. However, this is just a small part of a very long history and a very well built one. I would like to thank you very much for joining us today. And we have some members of our Board. We have Julio Cadoso, who is the CEO of Sadia as well. And they can also participate in our Q&A session.

Okay, now let us start with our presentation. When we talk about Brasil Foods we are very proud to do so. And this is very legitimate because when we see our figures we see that figures are very strong and they are part of the Brazilian scenario. Brasil Foods in fact is really a consequence and -- of this Brazilian vocation in the area of proteins. Brazil has a very important role to perform in the world in proteins and Brasil Foods is a very important part of the success of the country.

We are the largest exporter of poultry in the world. And when we consider our competitors, this is not something easy to do. We export almost threefold our -- the second competitor and we are the second largest exporters of proteins in the world and the fourth in Brazil. We are really at the top of the Brazilian export companies. About 40% of our revenues come from the -- from our exports. And the protein market, following the Brazilian trend, 10%, 9%.

We are a global company today. Our stock is traded in the two major stock exchanges, the Sao Paulo Stock Exchange and the New York Stock Exchange. And almost 40% of our capital is in the hands of foreign shareholders.

Still talking about our figures, I think the yellow is not very easy for you to see on the screen, the words that are in yellow. But what really draws our attention here, besides the size of the Company, a very strong company worldwide, is the level of sophistication that the Company has in its business activities. We have a complex business from the planning viewpoint. And slaughtering 7 million heads of poultry per day means that every single day we have to have 7 million chicks, 7 million eggs that are being hatched. And these birds are transported to our unit over 20,000 points where we capture these birds. They go to almost 50 plants every single day so that we may run our business.

So sometimes we look at Brasil and we look at every business and we think it's not a very sophisticated business. However, it is extremely sophisticated from the planning viewpoint, with a high degree of commitment and a major focus on the good planning of our operations. Besides we are a company of brands and distribution and certainly this is our focus. We have very strong brands in Brasil. Our portfolio is very extensive.

And we -- many years ago we became an overall food company. And another thing that is very important is that if we think about this on a monthly basis, 500,000 tons of finished products per month. This is what we sell every month. So we have 500,000 tons of finished products coming from our raw materials.

And besides, in order to become a global leader, it is not enough to be big, it's not enough to be in Brazil, which is very blessed, very competitive in what we do; you really need -- in order to have global leadership you have to conquer it. And you have to conquer it with global scale. In order to be a leader you must have scale, mainly in refrigerated products. And it is fundamental to have scale. If you need to have sustainable growth you must understand all the mechanisms.

And we are very close to the Brazilian agribusiness. We have to pay keen attention to sustainability, not only of our own business but also of the areas where we operate. And we are basically job generators in the hinterland of the country. Most of the jobs generated by us are in small towns and this keeps people rooted to the country. This is a new trend.

And our financial practices are very disciplined, very strict and we are very strict regarding our corporate governance standards. We consider that this is one of the pillars for our leadership, that we really practice the principles of good governance in everything we do.

On this slide you can see how the Company participates in Brazil. When you consider it, we are one of the countries that has a very long chain, from the producer to the table and to the consumer's table, not only as an ingredient. But most times it is as a brand, as a consumer product.

So if we consider downstream, we find integrated -- an integrated system which was set up over the 75 years of existence of the Company. This is a very interesting production system. Brazil is a leader. It is one of the major developers of this system and many countries approach us in order to try and implement the same thing abroad in other countries.

And our climate is very favorable to what we do, Brazil. We are very proud when we go to the midwest of Brazil and see that the midwest of Brazil today is what the Midwest of the United States was and came to a halt and Brazil continues to evolve. We have two corn crops per year. This is not something banal, these are very favorable conditions.

And producing proteins has to do with the availability of water, of course. And Brazil is a country with the highest availability of water, fresh water in the whole world. And this is a structural competitive advantage. This is not something that will be lost over time. Quite the opposite, it will become a more important advantage for our business and also for Brazil as a major food producer.

I'd like to give one example that is simple but that can give you an idea. You need 20 liters of water per -- to slaughter one broiler. So you can imagine the amount of water we are talking about. And we are talking about the end of the stream. We are not talking about the water necessary for the grains and for the food and water that is consumed by the animals. So we are very water intensive. And this advantage of Brazil will consolidate more and more as time goes by.

And another important thing is that there is a lot of land available in Brazil. We have a lot of productivity to be gained in grains production. And these advantages are really structural. They are advantages of the country and Brasil Foods, coming from the south to the midwest, achieved a very good position. Our major three units, (inaudible) are located there. And this is where we have the agricultural frontier. And we have a very strong presence in the south as well, where the whole structure facilitates the lives of the small farmers.

And when we talk about the domestic market, we are present all over Brazil. We participate in most of the food categories in Brazil and we have very important brands, both in dairy, with Elege and Batavo. And in meat, it's Sadia, Perdigao, not to mention the others, only mentioning the two major ones. And the domestic market, this is a brand business. It's purely distribution and brand.

In the foreign market, most of our business is already with brands or based on brands. But we still work with more basic products. We export poultry In Natura and also with our brand. And we started our internationalization. We have our plant in Holland, in the UK. And we already start processing food abroad. This is a model that we will tackle in the next few years.

Looking at the map, we can see very clearly that we occupy the whole of the Brazilian territory. We don't have any plants in the Amazon region or close to the Amazon region. The northeastern plant you can see here. And in red we have the commercial offices in practically all Brazilian states. So our business is very strong and very well established in Brazil, supported by two very strong brands.

Regarding the markets where we operate, in fact, we operate in practically all frozen and cooled categories. We do not have ice creams because this is totally different from our business. And we do not operate in ice cream for consumption. We are major suppliers for the ice cream market for food service. The large chains use an ice cream that is produced in our plants. The material is produced in our plants.

But in the consumer categories we are present, for instance, in breakfast, with yogurt, milk, margarines and in dinner and lunch with proteins. And we have a very wide ranging portfolio and with a very high market value in the country.

And another interesting thing is that the markets are relatively balanced. Part of our markets are very mature, mainly the industrialized products market, such as sausages and bologna sausages. And frankfurters. And on the other hand, there are other markets that are starting -- they are incipient. And this means that we have a very large room to grow, fragmented distribution, a lot of room to grow in categories that the two companies created.

When we consider, for instance, the ready-made sandwiches, ready-to-eat sandwiches, this was a category created by Sadia a couple of years ago. And it is incipient and it is just starting to develop. This has many opportunities. The portfolio is very balanced, very well balanced. And some are very large and very stable. The margarine market is stable and continues to grow consistently over the year with no major leaps and bounds. And this is very interesting because we have a very major presence with two very strong brands, Qualy and Doriana.

When we consider the global market, in fact what I find interesting is the balance that we have among the different regions. In the last couple of years we saw more rapid growth in the Middle East. It has been growing quite steadily. We are very strong there. And we have a complete operation there. We have distributors, we have a sales force and we do something very similar to what we do in Brazil and we place our brands in the supermarkets.

The emerging world has been growing consistently and we have a major presence also in Europe, a major business in Europe as well. And also a growing business, a very balanced growth all over the world because we have 140 countries we export to. And this is something recent because if we consider the growth of the Company in this market, it started about 20 years ago where we had a major international leap of the Company.

And if we look at the map here we can see that our distribution is very interesting, very strong in the southern hemisphere. In Latin America we have Brazil with the major operation. We have distribution in Chile as well, distribution in the Middle East that we talked about. We are creating distribution in Russia. And this is the way that we are accelerating in our strategic plan. That is to say to have distribution in many countries of the world and replicating the model that we have in Brazil.

We still have many white areas, as you can see on the map. So we have a lot of opportunities to create our brands there. And another sector that we have been investing in a lot is food service. We have a vocation towards services in this area and we have been working quite steadily there, not only in Brazil but abroad as well, with a very important share already. Basically, all global clients of food service are part of our portfolio of clients.

And lastly, we like to show this slide because this slide has everything to do with the Company's DNA, the DNA of growth and the DNA of diversification. From 2006 on, the Company started to diversify and got into the dairy world, acquiring Batavo, which was a very strong name. And another company that had a major presence here, which was Avipal AG. And besides giving us this diversification it also gives us a very important competitive advantage by using the two that we had already developed for meat byproducts. And it ended up in the merger with Sadia in May 2010 -- '09.

So this is just a quick overview of the Company and which are the major points, the highlights. And where we are today. To simplify, we are in the best place of the world to do what we do, which is Brazil. In Brazil we have a very strong position with two very strong brands. And we have a consistent distribution and a very wide-ranging footprint, which is the basis for our growth.

Now I would like to give the floor to Leopoldo and he will be talking about the figures.

Leopoldo Saboya {BIO 16137418 <GO>}

Good morning. We will continue with the presentation and we will be talking about the earnings of our quarter. We understand that the results were very positive considering the growth in revenues and our net income, operating income, in spite of factors that started to emerge at the end of the quarter, which was the price hike of raw materials and also the exchange rate. And we will be talking about the outlook for the next quarters and we will give you a more long-term view as well.

In January of this quarter we had the confirmation of a very strong Brazilian economy, an international scenario that is back to normal. Our export flow is back to normal already with a firm demand from the major markets we export to and the Company already starting with prices in the foreign markets because of the hike in commodity prices and also because of the exchange rate situation.

Considering the Company, we see a gradual and consistent improvement in our results. We have been talking about this for at least one year. So this last quarter is evidence of that expansion by means of an increase in capacity that we have in the system as well. So you will see our figures, the figures that we achieved. And we were able to grow with a modest investment and at the same time improving our balance sheet situation, which is very important for the growth plans for the Company from now on.

The market, as we said before, very good demand, already heating up towards a more positive -- normal export flows.

Integrations authorized by the CADE are going as predicted and we are gradually taking advantage of synergies. And I would like to remind you that many of the synergies to be taken advantage of depend on homogenized systems. We are already advancing in this regard. And Fay, I think he will need to talk about that a little bit. But we have a very strong organizational structure in order to support the growth.

Yes, I would like to say a few words about our merger situation because the worst thing that could happen is that we are just sitting waiting for CADE to give us the approval. But the -- not the CADE but the Brazilian competition system. One year and a half already have gone by and we must know how to deal with that. When we decided to carry out this merger, when we decided to acquire Sadia, in fact we knew that we were getting into a process that is made up of many different steps. Many steps are already back. We had no problem in our shareholders meetings and the follow-on and we did our job, mapping our synergies. And now we have to give this one last step, which is the approval of our operation by the CADE.

And in fact, earlier we signed the reversibility agreement that gives us some limitations. But not very big limitations. And over the years we also worked to make this more flexible and the results are coming. First, we mapped all the synergies and we have the zero day. We know where we are and where the synergy gains are and how to carry this out, who is in charge.

There is an office which we call PMO, which looks after all projects. And we have almost 200 projects and a way linked to synergy and already structured and organized. We defined what is this structure that will take this ahead. And although the VPs cannot still act as VPs of Brasil Foods as a whole, part are at Sadia, part are at Perdigao, we have already defined a structure. So we know how the structure is. People know what the structure will be up to the third level and which in a way gives a very high degree of comfort to people regarding their future.

And we set up a very well-balanced structure of the 10 vice presidents. We have two VPs who come from Sadia, who are basically in commercial, Cabro Etiti [ph], he's our Food Service VP. In the operations core we have one person who came from the market, Lissoni. And another person who came from Perdigao, Nilvo, who looks after the industrial operations. And the person from dairy is -- dairy is not in the merger. We are still structuring this in the Company.

And when we go to the administrative area then there is a certain predominance of Perdigao because of the past, of governance that the Company has. So in the administrative areas we have the Human Resources VP, Gilberto, who is here from Perdigao -- administration and finance, Leopoldo, who come from Perdigao -- corporate, Wilson, who came from the market -- and M&A, Nelson. So we were able to set up a very well-balanced structure and this gives us a very high degree of comfort regarding how the structure will perform when we already have the CADE authority.

So you can see that we have people from the market which has the DNA of governance of Perdigao and the DNA of commercialization of Sadia. And this is in line with what we said we would be doing, which would be to look after the best practices of the two companies regardless of coming from Sadia or Perdigao.

And the other thing that is already underway and that from my viewpoint is crucial in a merger is the unification of the systems. We are working with the unification of the two systems. That is to say the two companies worked with SAP and they still work with SAP. The two SAPs were not updated SAPs. They needed some updating and they need to be modernized as well.

We have already upgraded the version, or the release within the Brasil Foods' structure. No noise there. This is very complex because you are really dealing with the core of the Company. And we did that in June with no problem whatsoever.

And during -- as of April next year we will be rolling out the systems, already modernized systems, with the functionalities and characteristics required by the business. We start in April in the two companies to roll out the system. This is a very major operation. I do not believe in merger without this, the billing system, the control system under one same umbrella.

And we still discuss with CADE, with the Brazilian competition system and we were very happy with the work done by CI. CI had one and a half year to do a very thorough job and they did a very superficial job. And now CADE is doing like a sanitation of what they got. And we intend to be more selective in the process and get to the decision as quickly as possible.

Okay, now let's go back to the figures.

I don't know if you can see on the screen. But I will give you some highlights. And you also have this in this book. You have the highlights here. And I will be talking about -- of the highlights, talking about the figures for the quarter and some major information for the year, for the nine months.

Net revenues, net sales going up by 8%. Domestic market, already showing a higher strength. And being more important, in the net operating and net income, very good, BRL1.558 billion -- see presentation, 44% higher than last year, representing an increase of 700 points in our margin, most of it coming from costs and optimization of our operations, our plant operations last year.

As you remember, we still have some damaging effects of the international crisis. So an EBIT of BRL416m, 613% higher than last year.

For the net income when we compare to the previous year, the figures are similar, BRL190 million this year vis-a-vis BRL211 million last year. And in the case of last year, we had in the Third Quarter a major appreciation of the real. And because of that, due to our exchange rate exposure we had a very high financial revenue. And this figure is compared this way to this quarter where the result for this quarter, BRL47m, are natural and very normal for a quarter such as this one.

EBITDA margin, 10.8%, compared to 5.5% last year and 10.6% of the previous quarter. That is to say the Second Quarter of '010, showing a slight evolution vis-a-vis the previous quarter.

Performance per channel, we don't see major differences. You have been tracking the Company on a regular basis. And in our portfolio we have about 55% totally processed.

And in the export market we already have 20% of our revenues from processed products. And of this amount, of this 41.6% that you can see in our sales, export sales, 40% approximately is based on our brands already, although we are -- they are not fully operated by us with our structures. But more and more we are, ourselves, operating our brands, as Fay said, downstream. We already have 40% of our sales, export sales, with our brands.

And now the next screen, which breaks down volumes and prices, the performance in the quarter now per market. In the domestic market we have all the meat chain, a volume growth of 5.3%, almost the same growth as the revenue, since the prices held stable, held steady when compared to the previous year. If we take -- if we total everything which is processed in the Company, the price increase was 1.6%, quarter compared to quarter.

And the diary products, well, here we may say that this is the only market where we have a performance below the previous year. All the other markets in all categories -- In Natura, processed, the exports market in all categories, Food Service, beef, all our business is well above the business of last year. And this has led to a significant improvement of margins vis-a-vis last year.

But the only business which has not done so well is the diary. And that is not only in Brazil. You may observe the results of other companies as well and you will see that dairy products are experiencing a very challenging moment. But even so, the volume has grown 8.4% even in dry products, dry milk or powdered milk and also the chilled products, with yogurts and others.

The exports market, here the great growth of -- in volume, 10.4%. This was very good, volume wise. Price in dollars, practically stable as compared to last year. You can see that the price is stable in dollar and it drops in reals because of an average exchange compared to the previous half year, $0.12 below. But the profitability of the export market is substantially higher than the previous year. And even with flat prices in dollar we have a very good profitability.

And now I will just give you an idea of what is happening now in the market. We are experiencing a very favorable market internationally and good demand, adjusted in terms of supply and demand. Therefore we are managing to hold these prices, or hold our prices in reals or increase them. Since the appreciation of the real, what we are experiencing today is a depreciation of the dollar. So if you compare our currency, real, compared to, for instance, the Japanese currency or even European currencies, we will see that it has been stable since June. Therefore, we are not facing so many prices regarding passing on the price because our buyers' market also have a strong currency.

Now, talking about the sales of the Third Quarter, I would like to mention something which I have already mentioned, which was the growth of 5% of our meats, regarding volume. And the same growth obtained on the last line here in processed products. Total processed products, 527,000 tons in the quarter compared to 503,000 tons in the previous year.

Now, the exports market. Once again the highlight is meats. Sales grew approximately 11% in volume. Exports of dairy products, negligible in this quarter.

Now, sales to date, accumulated, we had, in terms of volume, this 5% of growth in variation of meats, which is a growth, which, together with the revenue, which shows that our prices are reasonably stable until now. But -- and from now on we will pass on the inflationary processes. And I'm sure that all of you are familiar with this because of the commodities. We will talk more about that later.

In the In Natura market we have had a greater growth here in the In Natura category in volume, 11%. But much more in quality, the In Natura mix has become much richer. We also have a very clear strategy toward focused on processed products. But the In Natura market is also a market where we must have an adequate share because the market has a significant share of monthly sales. And we must also -- in case there's any trouble in the export markets we must be very strong in the domestic. So we've had an increase of 11% in the quarter and this has been followed also by the yearly growth. And this is very important due to the strategy.

But I would like to highlight the mix once again because when you look at the revenue, with 11% of volume, it has grown 22% in revenue. And here also I would like to mention the growth of beef products, growth in volume but also in quality.

And our earnings here have improved as well when compared to the previous year.

So when we analyze this and -- I read a lot about the mix. We have to understand the mix. If we take processes as compared to In Natura, the In Natura has grown more. But in the category of In Natura we have a significant improvement to the mix, which makes up the total of our meat category in the quarter and the year.

Now the year to date in the year 2010. The highlights are practically the same as the foreign -- as the exports market. And here the meats, which have grown 7%, practically the growth of the poultry business as well, since pork and beef has dropped 2%, particularly pork, since beef we have growth vis-a-vis the previous year. And the revenue is flat, exactly the same as the previous year, due to the exchange effect, which I have already mentioned. But I would also like to stress a significant change of levels vis-a-vis the profitability in the exports market, which is practically back to our normal levels.

Now, I think we've already said a few words about this. But in the nine months we have here a -- expenses compared -- the same as last year. Comparing quarter to quarter, we have 90 basis points above the previous quarter. But this analysis is better done when you analyze the year as a whole because some expenses drop in one quarter and don't drop in the other. So we have nine months.

We have an expense regarding net sales, the same as the previous year, even having incurred with BRL45 million expenses vis-a-vis the merger. All this work of systems that Fay talked about have been considered expenditures and we have not yet reaped the benefits which come from the merger. But we have the expenditures and the expenses in the quarter, about BRL30m, in the year, BRL45m.

So this gradual evolution of our EBITDA, as you may see. And I would like to underscore the following. This has been happening even with a systematically appreciating exchange, which shows the capacity of the organization, the strength of the Company, which is not based or -- on exchange. It's very -- it's wonderful to see a company like this and not based just on exchange. Obviously, short term, it's fine. When it is -- the real appreciates very strongly, this is a challenge. But we are managing to mitigate this factor.

Investments. Totally the investments in breading stock and for organic growth of the Company, we closed the year -- the nine months with BRL612 million invested and we close according the guidance of BRL1 billion in total investments. And these investments have been bringing about, together with an effective management of our balance sheet.

And cash generation, once again a consistent drop of our leverage. We started the year with three times net debt/EBITDA and we are now below twice that, as we had signaled in the last quarter. We must grow even more in the Fourth Quarter. But this is already a very strong position, preparing the Company for growth.

So we would like to start the final part of our presentation. And I would like to talk about the grains scenario and protein. And Fay will then conclude talking about the Company's strategies and the main most important markets. Well this is a question which obviously all of you have been following closely, this scenario of a very -- of this hike of agricultural commodities. This is not a Brazilian phenomenon but a world phenomenon. And the price increases are stronger outside Brazil than in Brazil. And we, generally speaking, think that this scenario will bring about more opportunities than risks to our segment.

When we consider the prices here in Brazil, we think that still the comparison of the Third Quarter with the Second Quarter, on average, does not show yet such a significant hike, in the case 17% for soy and 7.5% for corn. But when I analyze point to point, when I take, for example, June compared to October, which was the beginning of the hike, the increases are much more significant, 27% for soy in Brazil and 36% for corn.

And corn has increased not only because of the export market. But also because of the government, which brought about auctions to -- so the product would flow more easily. At that moment, the concern was the contrary, that the prices were too low. So these were two factors which propped the prices. Therefore the increase of the price in Brazil is due to this as well. But the government is already taking steps to correct this.

When we take the international prices, we can see that the increased price of corn was much greater than it was here in Brazil. So point to point, from June to October, it was 57% and soybean 23%. So when we see the performance of the beef-producing chains in Europe and Asia, this inflationary effect has already reached the wholesale market and sometimes the retail market as well. Therefore, our confidence in the Company's capacity, because of its global position, its strength, its quality and its brands, to mitigate these effects and, when necessary, passing this price on. And will finally be stronger at the end of it all.

Now regarding the Brazilian exports, we have here the last figures of the USDA, which mentions that Brazil has had modest increases or will have modest increases with the rest -- compared to the rest of the world. But it is okay. And here we have the revision of the USDA figures which, for 2011, will see a total volume for proteins in the world about 23 million tons, which is the level which we were at in 2008. It is also important to mention that the world will take three years to absorb the crisis effects for this year, 2010. And turning to 2011, the balance between supply and demand is very favorable for the industry and for our Company.

I will skip these two slides and Fay will talk about the outlook regarding markets. Well we must hurry a little to fulfill our schedule.

Our business, as it is based on distribution and brands, it has a lot to do with growth and income and consumption availability. And this, in Brazil, for some years has been very positive. There has been important growth of Class C, which is a great consumer. And also the Classes D and E, who are entering the market now. This has brought about greater consumption which has been more concentrated on durables rather than non-durables.

So therefore, sometimes, well, the mature -- well, for example, margarine this year has grown 1.8%. And this is quite normal because it grows in a vegetative way because margarine has a very high penetration -- 98% of Brazilian homes already consume margarine. And as I always say, nobody spreads margarine on two sides of the bread just because it's cheaper. But somebody will buy a second television. So there's a different tradeoff regarding food. So our categories still have a lot of room to grow.

When we compare this chart on the right-hand side and when we compare the consumption of processed meat in Brazil with the rest of the world, you may see that in Germany they consume seven times more processed meat than they do here in Brazil. Well certainly in Brazil we'll never eat sausages as they do -- or frankfurters as they do in Germany. But when we compare it to Mexico, Mexico compares 23%, 25% more than Brazil. Therefore it is a market very similar to Brazil.

So there's still a lot to -- there's a lot of room for growth because the emerging world is still on the track towards convenience. The emerging world or the developed world is coming back to the In Natura and the fresh world. But the emerging world is still on the track towards convenience because urbanization is still a very important factor in these countries. Therefore, I think that the center of this analysis, the essential part of this is that there is a very positive point for Brazil and for the domestic market.

And going on to the next, well, the question here is the food service. This is very important as well. Food service is very important to us. We have a Vice President for this category. We believe in this. We have the best possible portfolio for this kind of category. We have all the proteins for meals. We have the dairy protein. We have the meats. We have good distribution. And this is a market which grows twice the GDP. It continues to grow very much.

Eating outside the home, well, it's still not a very, very high degree when you compare it to other countries. But it is of extraordinary growth. And we are well structured and we are preparing even more and focusing on this to continue our growth in this area.

This slide shows our strategic aspirations and explains why we have these strategic aspirations. And this has confirmed what I have said right from the start. We are a brand company and we are a distribution company. When we consider our performance in the domestic market, we act within that square -- within the triangle in yellow. So there, in Brazil, our brands are as strong as the brands that are there and are as appreciated by the consumer as all of those brands. The difference is that we do not have this brand strength globally so our strategies are to continue to grow in this direction, in the direction of a world company of world brands in the protein market, basically of food, meat, dairy products, of food products where we have a leadership capacity, which is very important.

This is the brand portfolio of the Company, which is very strong. Here are Brazilian brands and the ones that we operate in the world. Sadia is an international brand and Perdix, another international brand. In Europe we have the Plusfood. So we have many, many operations and others which are all very important and part of our short-term strategy.

The companies continue separately. And we have to do that. We continue to launch products in the market. This is what I want to say. CADE has made things a little difficult. But it has not stopped us. We continue to launch our products. We have many, many new launches coming up. We have a new premium line and, in fact, Sadia has worked with the Speciali [ph] line and now the Prezato line, which is a very high premium line. And also the Natural lines, according to Perdigao's lines and the grains. So we continue to work in this scenario.

Okay. Leopoldo can take over. This is what he likes. I think our time is almost up. So, because we want to leave lots of time for questions and answers. But this table is interesting -- I don't know whether you can read it. In fact, this summarizes a very important point. If we take 12 months ending at the end of October, Brasil Foods' ADR in dollars yielded 28% compared to 12.8% of the Bovespa, 11% of Dow Jones Industrial. And 20.6% of the securities variation here at Bovespa, leading the ranking.

Also when we -- regarding the other companies, Tyson, Smithfield, Hormel, Heinz, Kraft, Nestle. And this is also a way of saying to our shareholders thank you so much for your trust -- we know how much you trust our Company and our track record and the management of this Company. So this is just a simple way of saying thank you so much. And this is being translated into our figures. We know that there is a lot to do. But recognition is shown in many ways, with prizes and awards which are very important. But this is our message to you.

So in a nutshell, what we have presented to you is the following. The Company continues to grow in spite of this scenario of having to wait for what CADE is going to decide and also the problem of the exchange. Even so, results in earnings have been positive. We continue to grow in integration. We have not come to a standstill as far as CADE will allow us to. We are going forward. We are not waiting for anything. We continue to be extremely competitive globally. Our strategy is to increase our competitiveness. Our investments are to make Brasil Foods even more competitive and the most important and most competitive player in the market and in the global market.

Supply and demand is well balanced. And this scenario in Brazil is one of growth. So with all of this, we believe that the trend that we have presented will continue and we will have the fifth quarter of growth. And the end of the year will be a good year for Brazilian trade. And I think we have our good share.

Christmas this year I think will be a very, very good season. And I hope that everybody has bought all the televisions they need and now they will be able to spend more on the food for Christmas Eve. So thank you very much. And now we're open for questions.

Unidentified Speaker

Thank you very much, Saboya and Fay, for the presentation. The commitment by BR Food with transparency and with the market, as we said at the beginning, goes back a long way. We have been having meetings like this one for many, many years. And practically ever since the moment when the Company was listed 30 years ago. And in order to celebrate

28 consecutive years in partnership with APIMEC, I would like to give the Company to the CEO our Emerald Certificate for the 28 consecutive years of presentation.

Questions And Answers

A - Leopoldo Saboya {BIO 16137418 <GO>}

Very well. Now we would like to invite you to ask questions. But a few announcements before we start the Q&A. First, this event is being broadcast on the Internet and those who are following on the Internet may also ask questions by means of this platform. There is a specific link on the Internet so you may send your questions and they will be asked here.

For those who are here, could you please raise your hand and wait for the microphone to be brought to you because we have simultaneous interpretation. And please identify yourselves. And in order to speed up the process and to make it more agile, I would like to ask you to ask two questions at the -- one following the other.

Q - Unidentified Participant

Good morning. I'm from Citibank. When we consider the growth in sales in the domestic market, we see that meat processed products grew 1%. It seems quite small for the category. And other processed products grew by 20%. Could you please tell us how these two markets work, why we have this big difference? And I think that analyzing the market share that you show on the table, vis-a-vis the Second Quarter, in some categories of meats you have lost a little bit of market share. So does it have anything to do with this low growth in this category?

Well you have to analyze both value and volume. And as politicians say, it is within the range of the sample error of 0.4, 0.3 or 0.4. But in value we have gained market share. We have maintained and gained market share practically in all categories. Nielsen reads the market of frozen products 13.6% year-to-date growth and our market share remained the same, stable.

And the dynamics of the category have to do with the penetration in homes and, as I said before, the issue of the consumers' habit that still looks for convenience. Basically when we sell a frozen product, the ready-to-eat meal, the major attribute is convenience. You just put it in the microwave and you defrost it and you have a ready-to-eat meal. So this category has been having a two-digit growth because it's not a mature category yet.

But when we talk about industrialized products, the mechanism is different because it's not the same as margarine, for instance. The markets are more stable, mainly the ones with the higher penetration, such as steaks and sausages and bologna sausages. So the growth is more in line. If we consider last year, the GDP grew by zero and we grew by 6%, 7%. And these markets grew more or less along these lines.

And in value, what really matters is that 2009 to now, we had a very low commodity scenario. And because of that, we didn't have to increase our prices in order to increase our margins. We increased our margins, more or less working with stable prices. In some categories we even reduced the prices. But now the scenario is different. From June on we already have this effort here in the domestic market. And in exports we have to pass this extra cost on to the final price because commodities are a major component of our products. And we are doing this now -- we are protecting our results.

And we didn't raise any prices in the past because it was not necessary. However, the situation is different today. But the dynamics of the market has a lot to do with convenience and with the maturity of the markets in which we operate.

Regarding cost, the margin was going up. And in this quarter it was almost flat vis-a-vis the Second Quarter. So a slight cost pressure, as you mentioned yourself.

Considering the fact that vis-a-vis grains you -- I understand that grains have not been having a major participation in your cost. So could you describe how much of your price, of your cost pressure came from the exchange rate?

Well much more exchange rate than grains. The grains started in the chain of the effective cost this quarter. It is more visible in the Fourth Quarter, in fact. But not so much, because this is really a chain and we consumed inventories that were strategic inventories that we had in order to comply with this. And it affects, as of September, as you can see, this was not the damaging effect on our result. And at the same time, we started to have this price issue in the foreign market, which is the most important short-term mitigator.

The chain of the exports are the one that suffer these two effects more quickly because these have a lower degree of processing, that is to say, soybean meal and corn feel this more quickly. And of course, the exchange rate has an immediate impact. And we are being able to face the situation with the pricing policy for the export market. And also we have global inventories. This helps us, because the world doesn't have an inventory of proteins, mainly poultry, which is our major export product. And the supply-and-demand equation is balanced. And this is very good. This is a very good moment for us to have this situation.

Last year, up to the end of the First Quarter this year, we still had an excess supply of product, an oversupply, which makes it difficult to raise prices in the international markets. And right now there is a balance in the market. Nobody has a major stock. Nobody has a major inventory. And in general, Brazil, with an oversupply, is a worse situation. However, this is not happening. We have quite a good flow of poultry. And because of beef, which is very expensive now and people are replacing one for the other. And we have a very high demand for poultry from the export markets that we have.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Daniela from Raymond James. The first question has to do with the cost structure. What can we expect for the Fourth Quarter? What will be your Company strategy because the grains will have a higher price? And I would like to know if you will be able to mitigate this effect by means of price increases that you talked about. So what will be your strategy for gross margin for the Fourth Quarter?

Well this is what we have just said. During this quarter prices for exports are not immediately changed because there is a whole cycle. Some products are on their way. They are traveling. There is a lag time, you have the delivery time. So the price increase, it started in fact two, three months ago for the export market. And now we will feel this being put in force. And it will be completed this month.

How much are we talking about?

For our exports we are talking about -- well, there are quite a few small increases in different regions. I would say between 10% and 15% in US dollars price increase.

And for the domestic market you also intend to increase prices or --?

Well we do have the mix that helps a lot, mainly towards the end of the year because the higher-value categories, such as ham and cold cuts and specific Christmas products have a high demand. But we are making effort to pass prices on. It varies from category to category, in fact. It is more -- well, this discussion is more sensitive in this sense.

And the second question has to do with synergy gains. You had 45 million in expenses for the mapping of synergies and in the work done in the merger. But have you been able to take advantage of synergies already? Could you quantify that? Could you explain this?

We have a very detailed process of synergy mapping, based on a baseline when we started to work together. Later this year, we will give you the statement, the profit and loss statement. And we maintain the guidance given in the Third Quarter that this year we should have about BRL100 million in expenses but that they would be totally neutralized by the same amount of synergies already taken advantage of. And we must be very careful when we analyze this issue, because it's very easy to find synergies where they do not exist. And it's very easy not to see synergies.

So we are already -- I can say we are already offsetting these expenses. But we cannot break down, as yet. We will be doing this in the next quarter. But it will be BRL100 million vis-a-vis BRL100 million expenses and synergies.

Q - Pedro Leduc {BIO 20979981 <GO>}

Good morning. This is Pedro Leduc. I am of the Alan Alanis team of JPMorgan. My question is the following. When we consider your sales of processed meats, we see a performance which is lower than the other staples in Brazil, such as beer, Coca-Cola and even cigarettes. And why do you have this low performance? Does it have to do with prices or competition or what?

In fact, what happens is that we fight for the share of wallet. So the guy has money to spend in many different things. And in food, there is a trade-up. We grew more in Sadia than in Perdigao and then in the entry brands, which is normal. There is an increase in consumption, as I said before. The less mature categories grew more quickly and the mature categories grew less. But the food industry doesn't have these leaps and bounds that you see in durable goods.

For instance, if the government reduces the IPI, the tax, then everybody rushes to buy a new TV set or a new car, they continue to eat with more quality. The quantity's not so important because people do not eat more. The entry-level classes, yes, they add more food. But this is a characteristic. I believe that the behavior is according to the dynamics that we expect. And the opposite is true, as well. When you see major drops in durables, then food is maintained. 2008 is a good example of that. Late 2008 we had that big crisis and food continued in the same levels, at the same levels. This is something good about the food industry. You are able to maintain a volume performance over time with no major changes, be it good or bad.

Q - Isabella Simonato {BIO 16693071 <GO>}

Isabella Simonato from Merrill Lynch. My first question has to do with exports. Russia was a very important market this year. So with the release of beef and poultry in the United States, what will happen to this country?

And secondly, in the international markets, do you have any M&A plans or any platform abroad for 2011?

Well in fact, we are growing our platforms. Yes. This is one of our strategies. We will continue to create our distribution and brand platforms outside Brazil. So we are open to business. We will start from nothing, from an operation which is all our own, which we have done in Saudi Arabia. And perhaps we might find a company and then we'll start an M&A. But this is one of the Company's focuses, in other words, to multiply our distribution platform, which is our expertise.

As I have said before, the Company has expertise in planning and commercial expertise, if we make 500,000 deliveries a month to the market. So these are all our own systems. And also not only in the country. But outside Brazil, very useful. So we continue to work on the segmented distribution, which is what protects our results. Not concentrating on large companies and large clients. We have no client with more than 3% of the sales, which is a very privileged position vis-a-vis the size and the fragmentation of our distribution.

Regarding the markets, I think the important thing is that globally there is balance between supply and demand. The Americans go in and out of Russia. China releases and then does not release plants. And we are very fortunate in pork. And the United States is going to open -- we've been told that it is open. This is good for Brazil.

Brazil is very difficult. It's sometimes in difficult positions. Sometimes the Brazilian government helps to get these barriers away from Brazil. Brazil is very competitive. It's very easy for countries to open markets to small countries. People say well, Chile has wonderful agreements. Yes, okay, they do. But when Chile opens, this does not change the trade of a country. When Brazil opens, it is different. Brazil is much more competitive a country, with a much greater production, etc. So we are -- people fight against us. But the market is very competitive.

And what Pedro has told us is great. And this, in fact, is a result of an effort which is being carried out for a long time. To open a country is something which takes a long time. But I think for 2011 or 2012, the trend is to continue with more openness rather than closing. Obviously countries will protect themselves. Food is something which is extremely strategic. But I think the trend is positive.

Q - Unidentified Participant

When you look towards 2011, without going into the CADE questions. But just the fundamentals of the industry, as we said at the beginning, the increased grain price you haven't yet felt. But in the Fourth Quarter it'll be good, as you've said. But when we look at the first and Second Quarters of 2011, will there be a stronger margin pressure in the first and Second Quarters of next year?

Regarding the price increases that you mentioned, you will be offsetting this margin pressure. So how much do you think that the price will go up and how much can you pass on to the domestic and international markets?

Well as I see it, we have to strongly prepare 2011. 2010 is given. The exports market, there's not much to happen now. And I think the prospects are good, the outlook is good. I am always very concerned with supply and demand, both in grains and in the finished products, let's say, of pork and poultry and beef products. In the grain market, I do have a concern. And that's not a short-term concern. It's here to stay. And that is the volatility which has entered this market, basically for two reasons, relatively new reasons.

One, there's very low interest rates. The commodity funds have a voracious appetite to negotiate contracts and become very strong and interfere in the market because they speculate financially and they take away this vision of plant, a dairy, etc. And another component comes in which sometimes we find difficult to analyze. And another component which is here to stay.

And the other question is the question of food becoming energy. And I am more concerned with this particular point, with this issue. It is a mistake, I think, that we are making, because the world is going to need a lot of food in the next few years. And we are transforming food into fuel. And I think this is a general point of view, not only ours. And I think it's somewhat dangerous. And I think it can generate once again in the world a lack of protein. And when this happens, Africa is always the victim. And once again we will have famine, etc. And things were moving very positively before and I'm very concerned with this energy issue which has been introduced and interfered with the value of commodities.

But taking the scenario as a whole, I would say that on the side of the supply of poultry, pork, etc., I think things are well balanced. And I hope that Brazil, which is well balanced, I hope it does not unbalance the equation, because I think this is very positive for our business.

Grain, there is still a certain uncertainty. We do not know how far it'll go and how much of this increase is speculation and how much is not. I think the government and the auctions, the previous auctions, I think they have done a lot. Today the corn stocks are in the hands of the government. And the government has shown that it will hold auctions until the end of the year. I hope so, because today most of the strategic inventories of the government should be used as a strategy to regulate the price and to free, to release the stocks in the hands of the government.

But 2011 is what I've said. The exports market will continue to demand our products. They will continue to demand protein. Demand will continue to be strong, particularly in emerging countries. Middle East will continue strong. Asia will continue strong. Possibly new markets will open as well. And these are long-term processes. So it takes a while to open a market and for things to take shape. There is a lag.

But I see things much more positively. I think the signs are much more positive rather than negative. Obviously there are always uncertainties which I have mentioned of the commodities because of the financial speculations, low interest rates. And also the possibility of transforming food into fuel, ethanol from corn basically.

Well I think the grain level at the moment, you would need new price increases, is that it, to keep the margin at this relative -- at this level?

Well the main difficulty was what you mentioned. So quickly, because we don't know where things will go. Today I think we have managed to equate these increases. We still have to consolidate these increases because they are still coming onboard. This should be consolidated.

But I have the same concern as you -- I share this with you. I thought this would not come back to the same levels of 2007/2008. But some interesting points have occurred in four auctions or -- in Chicago there have been four hikes. And this is very interesting. And my question is how much of this is speculation and how much the reports are speculative as well? How much of this is actually real?

Our view is that in the grain scenario it won't be easy for the next four years, the drought in the south, etc., things that we have been discussing for a long time. So things will be difficult for the scenario of grains and demand will be heated up. So that's the scenario.

A - Leopoldo Saboya {BIO 16137418 <GO>}

Well before taking more questions from the public, we have a question from the Internet, from Rodrigo Santos from Oceana Investimentos. He's asking how the Company considers the competitiveness of the United States in beef, in meats, because of this depreciated dollar scenario.

Well we have followed this very closely and it's very important to us. United States is our greatest competitor. Brazil continues to be competitive vis-a-vis the United States. We are still competitive. Leopoldo has shown clearly that the grain price increase was higher there than it is here. Obviously the depreciated dollar allows -- brings about greater competitiveness. But I always try and separate advantages which belong to the context from those that are structural. The dollar question's a contextual problem and the Brazilian production cost is a structural problem.

So even for a certain period, this competitiveness will drop, or the American price/cost comes closer to the Brazilian. In fact, Brazil has structural conditions which are conditions which are consistent and will continue to be the best place in the world to produce poultry.

I would just like to add a point. When we compare Brazilian exports to American poultry exports, the last five, six or seven years. And taking 2004/2005 years where the Brazilian currency was very high. And after the hiccup of 2008, it continues to appreciate. If you take the market share, Brazil's market share and the United States' market share, on this horizon you will see that it is stable. Brazil, 38%, 39% of the world share and the United States is 34%, 35%. So it's what we have in 2010 and what we foresee for 2011.

So there is a lot of speculation. There are a lot of questions as to whether Brazil is losing competitiveness. I think these numbers prove that it is not. And I said during my presentation, we cannot simplify Brazilian competitiveness and reduce it to an exchange question. Obviously if you put on $0.30 on the exchange in the next few months, the Company has to withstand this moment too and reestablish its competitive fundamentals. But it is not only based on the exchange.

And also remembering that we have several expenses denominated in foreign currency. Today we are becoming more and more international. We have expenses with freight, the grain, the corn, etc., they're all dollarized. So this question of exchange is important. But volatility is, short term, very much worse than the long-term trend. And reminding you that in terms of results this year shows that our results are growing, our earnings are growing. And the exchange appreciating.

Q - Gabriel Vaz de Lima {BIO 16224058 <GO>}

Gabriel from Santander. Good morning. I would like to know the level of utilization of your capacity consolidated.

We do not have full access. One piece of information that we do not have integral access is this. We always have -- we cannot have it in real time because the PRO doesn't allow us. So it's difficult to enter this. But I could say that, if we consider what we know, around 85% of capacity. We have Lucas do Rio Verde, which is a new unit of Sadia, which is growing and still has good potential. And the other units are already more mature, both Sadia and Perdigao. The new unit in the system is Lucas which is very big which is being started up.

I would like to know how much you can grow with the maintenance CapEx? As you have 85% utilization, if you place 6%, 7% volume per year, we will be talking about two years with this level of investment, right?

In the last two years we invested little vis a vis what we usually invest. And the two companies, I believe that 2011 it will still be the same, maybe more for the second half, higher investments, because our investments take a long time to mature. In order to guarantee growth for 2013 I have to invest in 2011. So probably in 2011 we will invest. But not focused on growth for 2011 and '12. But for '13 and '14.

Leopoldo said that the external market is almost normal. So what is missing, some contract that you carry with price, volatility in the exchange rate?

I was referring to profitability in terms of flow, demand, inventories. It is totally normal already. I was talking about normal margins, historical, typical margins that we have in these markets are practically back. And we only have to pass on the price increase in dollars or euros or whatever in order to bridge this gap, which is small, to go back to normal levels. And in terms of the market dynamics, we have to go back to growth.

The chart that Leopoldo showed you, the market for 15 years grew every single year. And 2008 it was its first drop ever. And it is going back to normal. However, it is not as consistent as it was in the last 10 years or 15 years. Exception made to the 2008 financial crisis.

And one last question. I remember that late last year you gave us a guidance 8%, 10% for the domestic market, 2% or 3% for exports. Can you give us a guidance for next year?

Well we are still working on our budget for '11. And later this year we will meet with you again and we will share our guidance for 2011. It's still a little bit too early.

A - Unidentified Speaker

We have one question here. (inaudible) on the Internet. Which is your growth strategy for new markets such as food service. And she adds, the strength of synergies with Sadia, will it be a decisive factor?

Okay, let's split this question into two. Domestic market, first, the structure of Sadia is more fragmented. And it is more encompassing which are the major growth drivers here. And it has to do with our merger. We have the dairy area. We see a major growth opportunity in dairy products, in food service such as cheese, out-of-home is very big, maybe most of the consumption is out-of-home. And we have the carry vectors which are our food service structure.

We see a great growth of KFC abroad, a very important client of ours in China, staggering growth, Chinese figures. And food service is where -- the growth driver is the putting together of the two structures and the putting together of the two portfolios like meat and dairy products. So this is a major strength that we have with the distribution that we have and with the coverage of our distribution.

As we have to open the floor now, we will have the opening bell. We would like to close and thank you very much for joining us this morning. And hope to see you again in the next events of Bovespa and APIMEC. I would like to thank our shareholders, the Members of our Board, officers, Executive Officers, employees of the Company who are following us here in this auditorium of Bovespa.

And I would like especially to thank all the professionals, the market professionals and also the CFO, the IRO Leopoldo Saboya. And this is an area that has been making a major endeavor to get closer to the market and he worked a lot so that this event could be realized. So Leopoldo, Edina, I thank you very much. Thank you for the effort that you put in the setting up of this meeting. And of course I would like to thank the CEO Jose Antonio Fay and I would like to give him the microphone for his final remarks.

My friends I would like to thank you very much for your presence. And we have a record both of participants who are here in the auditorium and participants on the Internet. I would like to thank Bovespa for the opportunity because this is the right place. This is where we exercise our corporate duty at the highest level. It is at a stock exchange that a corporation can be recognized, can have its value recognized and where we have contact with the shareholders. So we are very happy celebrating 30 years of our listing here at Bovespa. Thank you very much.

I am going to give you one final message. Could you stay where you are, do not move because this event will continue so please stay here and please continue to enjoy our products. Thank you very much.

(Technical difficulty)

A - Edemir Pinto {BIO 3881360 <GO>}

In this way Brasil Foods became an excellent example of the sustainable development cycle that the share market can generate for the market, the community and its shareholders, providing necessary capital to expand its needs. Today Brasil Foods has very strong brands for the market and an efficient distribution system which allows its products to be found from north to south of the country. The Company has 60 industrial units in Brazil and 13 abroad in Argentina, UK and Holland. And 36 distribution centers. And it also exports to 140 countries and has more than 30,000 items among its products -- 3,000. And it is not -- we need not say what all this means in terms of jobs and income and good earnings for its shareholders.

We would like to mention that Brasil Foods is the first company to participate in a Company Day for the second time. In September 2009 we celebrated the creation of the Company and today we celebrate its anniversary on the stock exchange. We would like -- also we wish to participate of many other celebrations which certainly will come about. Congratulations Brasil Foods for everything you are doing for the development of our country and our capital markets. We would like to thank you for the trust that you have always given us.

Thank you. So much for being here and for your attention.

A - Unidentified Speaker

Thank you, Mr. Edemir. And now we would like to invite you to watch the institutional video of Brasil Foods that will be shown here on all the screens.

Strong brands which are part of the lives of millions and millions of people, stories that started at the table of Brazilians and went out to the world. The most important food companies in Brazil with a presence in five continents decided to get together in order to form one of the best and most competitive food companies in the world and to offer products and services with top quality.

You can see the salami and the bologna sausage, they are great Brazil foods. A Brazilian food company that starts as a global giant, already one of the biggest Brazilian employers and one of the largest producers and exporters of food in the world. Leader in production of meat, cooled and frozen products, accounting for 9% of the world protein trade. And one of the major producers of dairy products and pasta and margarines in Brazil. BRF counts on a major product portfolio that reach consumers through a very well-structured distribution network reaching 98% of the Brazilian population and consumers in 140 countries.

I would like 300 grams of Sadia ham cut very thin. Wouldn't you like to buy another one just to test it? No way.

Food which is part of the lives of millions of consumers are produced in 60 plants in Brazil and three plants abroad. The Company has well-known brands in the domestic market that share leadership in all segments among themselves. Together with Brazil, BRF conquers the international markets as well with brands that are already a benchmark in their own categories. Brasil Foods operations are supported by the Brazilian vocation which is to produce food, which is self sufficiency in raw materials and an integrated business model, aiming at an ongoing quality improvement as well as the development of new technologies. And the outcome of them is a very strict control of the production processes that guarantee safe food and a high standard of quality from the fields to the table of consumers.

Present in the BM&FBovespa and the New York Stock Exchange, BRF works to guarantee sustainable growth, aligned to the highest corporate governance standards. The Happy Brasil, one of the most important food companies, proud of being Brazilian with the option of being global. BRF is Brazil feeding the world.

BRF. The two largest Brazilian companies of food gave origin to one of the largest food companies in the world and market cap. In these 30 years of listing in Brazil, the support and trust of investors were fundamental for BRF to become one of the most important companies in its sector in the whole world. Bringing some of its history, BRF was founded in 1934 and in 1994 it was restructured. A group of pension funds held the control of the Company starting a major structuring process by means of which all the business of the Group were concentrated on one single company, a publicly traded company.

Another landmark in BRF occurred in 2000 when it became the first food company in Brazil to launch ADRs in the New York Stock Exchange. In 2001 it was a member of -- one of the first companies to participate on the Level One of Bovespa and participating in all the major indices. And the Novo Mercado as well, with the highest practices of corporate governance.

In the last few years the Company increased its sales on average 43% a year by means of sustainable growth and mergers and acquisitions, characterized by structural operations. A trust on the part of investors can be seen in the public offering made last year when it was necessary to have a supplementary lot of stock because of the major interest by investors in the new company.

The transparency of BRF also awarded it the LatinFinance Deal of the Year 2009 award in the best follow-on equity issue category. And the best company in corporate governance in consumer goods. And top five in corporate governance in Latin America by the IR Global Ranking Awards. Transparency and sustainability among the companies listed at Bovespa by Haza Portablo [ph] magazine and also the recognition by the Institutional Investor Company which nominated BRF and its executives and the CEO, CFO and Investor Relations team categories and IR program as the best in Latin America in beverages and food.

And now to talk about the history of success we would like to invite the CEO of Brasil Foods, Jose Antonio do Prado Fay.

Once again what I did here last year was an overview of the eighties. And our memory is not very strong. In 1980 Joao Baptista de Figueiredo was the President of Brazil. The PT was starting to be created and they said they wanted to be government. And Jacque Abitan was the major leader of the PT and Lula was being sued by the National Security Law. We are talking about the year we listed here. The Congress voted for the end of the bionic senators and direct elections for governor in '82. So we still had two years ahead of us to vote for governor. And there was an attack on the OAB and inflation. And the worst was still to come. The '90s was much worse. And in the '80s we had nine ministers of the treasury. In the last 16 years we had three. And we had three different currencies, there was the cruzeiro, the cruzado and the new cruzado 1989.

So this was the environment. It was in this environment that the Company listed in the stock exchange and all the companies followed suit. The truth is that Brazil is a very new country and it reinvented itself very recently. It is interesting to see that, in the spirit, the Company was able to take advantage of this good moment. We are a more consistent country today. And when we travel over Latin America we are surprised because we get like a Xerox copy showing the currency that is no longer in force.

And the Company, in the spirit, consolidated and is the global leader in its sector. It is a leader in Brazil. And the legacy that we must leave for you to celebrate the fiftieth year is that in 20 years time Brazil will be a much more important country and the Company has to be more relevant as well. It has to be a global leader consolidating its leadership, both in the domestic market and in the export market. Thank you very much.

So now this is the time for celebration. Thank you, Mr. Jose Antonio do Prado Fay, who we would like to invite now to ring the bell which symbolizes the beginning of today's trading. Jose Emirzo the President of Bovespa, Jose Antonio do Prado Fay, CEO of Brasil Foods, Leopoldo Saboya, CFO and RI Officer, the VPs and other Board members present here today.