International Conference Call
JBS S/A
Second Quarter 2015 Results
August 14th, 2015

Operator: Good morning everyone and welcome to JBS conference call. During this call we will present and analyze the results for the second quarter of 2015.

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

Taking part in this call we have Mr. Wesley Batista, global CEO of JBS, Mr. Gilberto Tomazoni, CEO of JBS Foods, Mr. Miguel Goulart, CEO of JBS Mercosul, Mr. André Nogueira, CEO of JBS USA and Mr. Jerry O'Callaghan, Investor Relations Officer.

Now, I'll turn the conference over to Mr. Jerry O'Callaghan. Please, go ahead Sir.

Mr. Jerry O'Callaghan: Thank you. Thank you very much. Good morning to you all.

As we present these results this morning we will go through our presentation, which is available on our website and I will make mention to the page numbers as we talk about each item in the presentation.

Starting on page 4 of our presentation looking at consolidated highlights for the second quarter of 2015, firstly, with regards to net sales we had a substantial increase in net sales when compared with the same quarter in 2014; we went from just under R$29 billion to almost R$39 million quarter on quarter; an increase of 34+ percent in net sales.

In terms of Ebitda, Ebitda went from R$2.4 billion to practically R$3.6 billion with an Ebitda margin going from 8.4% to 9.2%; an increase of 47% in Ebitda when comparing the quarters. And we can see that the Ebitda growth was substantially greater than the revenue growth in the period.

Moving on to page 5 in our presentation our consolidated net income was R$80 million in the quarter, 3 cents per share, as against it R$254 million, or 9 cents per share, in the previous quarter.

The net income was affected by our FX hedging expenses in the quarter. If you recall at the end of 2014 the Real against the dollar was at 2,60 to the dollar, and that was about 3.20 by the end of the first quarter and back to about R$3,10 at the end of the second quarter. Today that number is close to R$3.50, so we've had a consistent hedging policy around our dollar exposure in Reais over all this period and although we had some expenses and our net income was affected in the quarter as a result of that policy we believe that the strategy continues to be effective through a longer period of time.

When we see what's happening in emerging market currencies generally speaking, when we see what's happening with commodities, hard and soft commodities as we see the recovery of the economy in the US and the strength of the US dollar we are convinced that it is prudent to maintain this position and to know exactly what our risk is rather than to be exposed to the volatility associated with the Brazilian Real and with the emerging market currencies as a whole.

Cash generation in the second quarter was R$675 million as against R$147 million in the same period last year, 350+ increase in cash generation in the period.

Moving on to page 6 in our presentation and looking at net debt and at leverage very important more more we look at our net debt position in US dollars and although we made acquisitions and we paid for the acquisition we made in Mexico right at the end of the second quarter in 2015, our net debt in US dollars remained the same at the end of the second quarter this year as compared to the end of the second quarter in 2014.

Leverage, we had a leverage of 3.2 times at the end of the second quarter in 2014 and that reduced to 2.4 times at the end of the second quarter of this year and if we take into account and do a *pro forma* addition of the Ebitda generated on an annualized basis of the acquisitions that we made over the last six months – or just over six months – including the Tyson Brazil acquisition, the Tyson Mexico acquisition, the Big Frango acquisition, the Céu Azul acquisition and also the Primo acquisition in Australia, which was finalized at the end of the first quarter of 2015 – that's we've had only one quarter of results in this consolidated numbers we are presenting today – if we annualize the Ebitda associated with all those businesses we are talking about an incremental Ebitda of about pro forma 1 billion – more than $300 million – and that would reduce our leverage from 2.4 times at the end of the period to 2.3 times.

Moving on to page 7 in our presentation to talk a little bit about our exposure in terms of revenues by currency. If we look today at the split between our revenues in Reais and our revenues in dollar associated currencies we've got 84% of our revenues in US dollars and 16% in Reais, which is the portion of our revenues generated from sales in the domestic Brazilian market.

And this is prior to the acquisition of Moy Park and of the Cargill pork business, which we announced at the end of the second quarter, so the position would be even more skewed towards the US dollars when those acquisitions are concluded.

On page 8 of our presentation a little bit about our historical performance. Firstly, if we look at our last 12 months numbers we had revenue of about pro forma 138 billion and an Ebitda of pro forma 13.2 billion in the period and that's equivalent to a 9.6% Ebitda margin for the last 12 months to 30 of June this year.

If we update these numbers with the exchange rate at the end of the second quarter and if we add the *pro forma* revenue associated with the acquisitions, which I just mentioned, we would have had an Ebitda LTM of R$15.2 million and our revenues would have reached R$160 billion.

Also on page 8 we've got numbers that stretch over a longer period of time from 2007 up until the LTM 2015 and I think it's important to point out the consistency with which we've grown our business and at the same time we've grown the profitability of our business. We've gone from R$14 billion in 2007 to almost R$140 billion LTM, but more importantly our Ebitda has grown greater than our revenues, so we've grown from 4.3% Ebitda margin at the beginning of this period to an almost 10% Ebitda margin last 12 months.

Now to talk a little bit about our business units and starting with JBS Foods in Brazil, which is our poultry and pork and prepared foods business, we've had revenue increase again comparing the second quarter 2014 with the second quarter 2015, from R$3 billion to R$4.46 billion; an increase of almost 45% in revenues in the period.

And allied with those other revenues we've seen a greater increase in the performance of this business, we went from R$440 million in Ebitda in the second quarter of 13 to R$790 million in the second quarter 2015; an increase of almost 80% year on year with the Ebitda margin going from 14.3% in the second quarter last year to 17.7% in the second quarter of this year.

We've seen that this revenue strength coming from both organic and inorganic actions. We've seen revenue growth of sporadically 30% in the prepared products in the domestic market in Brazil, and we've also seen a continuous improvement in the quality indicators, level of service and execution associated with our business in Brazil, of our value-added branded business in Brazil.

We've seen a substantial enlargement of our customer base particularly in the small and medium retail sector. Just to give you an idea of numbers, we've increased our customer base by 19,000 customers from the end of the second quarter 2014 to the end of the second quarter in 2015, and we've seen a successful strategy associated with our international business as well.

If you move to page 11 in our presentation we can see some of the actions we've taken with the Seara brand outside of Brazil, where we are doing promotions at the point-of-sale and we are marking our products under our own brands worldwide in Brazil.

But also on page 11 we've got some numbers associated with the domestic market, so we have the market divided into 4 different categories: Frozen products, processed products, margarines and pizzas. And we can see the market share increase that JBS food has had in each one of these categories when comparing the 12 month period.

We've seen an increase in the size of market of each one of these businesses, but more importantly we've seen an increase in the market share of JBS Foods in each one of these categories: In pizzas a 9.7 percentage point increase, in margarines 1.2%, in processed products a 2.3% increase and in frozen products almost 11 percentage point increase in… of the increase of the market share of JBS Foods in each one of these categories.

We also had a substantial number of items launched, new SKUs launched, 46 new SKUs launched in the first half of these year and some examples of those are demonstrated on page 11, some of the new SKUs that we've been launching innovative products and convenient products in the domestic market.

Moving on to page 12 of our presentation in JBS Mercosul, we saw revenues increase by almost 15%; R$6.3 billion to R$7.2 billion in the comparable period. Ebitda down from R$634 million to R$377 million; down 40% in the period with an Ebitda margin declining almost in half from; 10.1% to 5.2%.

This margin compression was primarily due to tight cattle supply and relevant reduction in the Brazilian beef exports. Highlights of the quarter were an increase in our participation in the industrialized further processed category, where we posted an increase in volume and prices both in the domestic Brazilian market and also in the external market associated with these products.

We continue to invest in marketing and product for the full new innovation in our beef business in Brazil and we are observing as we enter the second half of 2015 an improved supply and the demand balance and a recovery of exports to major markets, which in our view will improve the performance of this business as we go to the second half of the year.

A good example is that reopening of the Chinese market for Brazilian beef, which reopened in June of this year, this is a relevant market and we've already seen a relevant demand coming out of this market at the beginning of the third quarter, 80% of the capacity in Brazil, which is approved for that market, is JBS capacity so we will have a relevant participation in exports to the Chinese market.

We've also seen some other markets reopening for Brazilian products; Saudi Arabia is on the verge of reopening and there is a perspective that their trade between Brazil and the US will start in a not-too-distant future.

Moving on to page 13 in our presentation and to talk about our beef business in the US, which includes Australia and Canada, these numbers are in US dollars, we've seen revenue increase of 11.5%, from US$5.3 billion in the second quarter in 2014 to $5.95 billion dollars in the second quarter of 2015.

Ebitda increased from $108 million to $228 million; 110% increase in Ebitda. Ebitda margin went from 2% to 3.8% in the period; we've seen volume and price improvement both in the domestic US market and in exports.

We consolidate it the Primo numbers at the beginning of the second quarter of 2015 and so this is the first quarter where we have those numbers presented to the public, we've seen a resilient demand in the US market for beef with growth in exports primarily from Australia. Basically what we've seen is a decline in domestic production in the US associated with herd retention and a corresponding increase in exports to compensate for the lack of cattle available in the US market.

So although prices have increased quite substantially domestically in the US market consumption has not declined, imports compensating for the lack of domestic production.

We've seen Australia exports increase quite substantially in the first half of this year and particularly in the second quarter to the US and elsewhere, the currency in Australia is favorable towards the export market and we particularly are very focused on increasing and diversifying our exports out of Australia.

And finally on this point we've seen a strong cow and heifer retention in the US, which is good news from medium and long-term for our business. We've seen cow numbers growing by 2.5% and heifer numbers growing by relevant 6.5%. These are the numbers that were presented recently by the US.

Moving on to page 14 of our presentation in our pork business in the US, we've seen a decline of 22.7% in revenues associated with this business from $1.028 billion to $795 million primarily because of the decline in the average price of products sold, which is associated with an increase in the number of animals that came to the market, the number of hogs that came to the market in the quarter.

Ebitda went from $113.8 million to $64.6 million; a decline of 43%. Ebitda margin from 11.1% to 8.1% in the period. We did see quite a lot of demand coming out of the export market and we think that will increase in the second half of this year particularly as a result of liquidation of sows in the Asian market.

Our exports in the second quarter of 2015 were up about 35% when compared with the same period last year and we think we will continue to see strong demand in the export market.

And also in relation to this business we’ve increase our participation in value added products in the domestic market. We've got some examples of photographs on this slide on page 14. We've had quite a substantial increase in the sale of these value added product domestically and the US market. Organic growth.

On chicken business in the US, JBS USA chicken Pilgrim's Pride Corporation, they already published their numbers so these numbers have been available for the last couple of weeks, but just a quick synopsis here.

Sales were down 6.1% from $2.186 billion to $2.045 billion, primarily again as a result of the decrease in the average price of products sold, but Ebitda was up from $338.6 million to $425.8 million; an increase in Ebitda margin from 15.5 to 20.7%, an increase of 25.7% in Ebitda year over year and basically as a result of our focus on operational excellence.

We have an effective a strategy in product and management of sales channel and a geographic portfolio on sales channel diversification meaning a good product mix which optimizes our risk management and the pricing of our products.

At the beginning of this new third quarter we had the integration of Tyson Mexico operations and they are progressing according to plan and we will be reporting the numbers as we finalize the third quarter of this year.

Moving on to talk briefly about exports, our exports in the quarter were just under $4 billion. A highlight for exports to Greater China, China and Hong Kong basically grew; together here we had 14.7% of our sales to that destination.

We should say an increase in that percentage now as we move into the second half of the year and as Brazilian beef exports which have quite relevant volume into that market.

Secondly we have very traditional markets; we have particularly poultry products out of Brazil and also for our beef products out of South America, Africa and Middle East, a very consistent market for our products.

We are also increasing our sale around South America, 11.7% of our total exports went to countries in South America and we export to South America not only from Brazil, Paraguay, Uruguay and Argentina, but also the export products out of Australia into South America and out of North America into South America.

Mexico is a very traditional market of ours as well, we have relevant distribution as well as having operations, we have relevant distribution in the Mexican market and we have a strong presence also in the Japanese market as a result of our exports out of Australia and out of the US, Japan being quite import-dependent particularly for high quality value added tight beef cuts.

We also had relevant exports to the US and that's primarily because of the Australian exports of product into the US to compensate for the reduction in production within the US market.

Moving on to page 19 in our presentation to talk a little bit of our Capex and about our cash generation. Our total Capex in the second quarter of 2015 was just over R$2 billion, half of which approximately is associated with the acquisition of Tyson in Mexico, the other half is associated with the expansion and modernization of our facilities, about 50% of it and the other 50% is associated with maintenance.

Regarding cash generation we generated a net cash from operations of R$675 million in the quarter and free cash flow after Capex was –R$1.41 5 billion due primarily to the payment of Tyson Mexico operation at the end of the quarter, $400 million which is about R$1.24 billion.

Our debt profile on page 20, a little bit of our debt profile. We already spoke about net leverage, which declined from 3.2 to 2.4 times and if we take into consideration the annualized Ebitda associated with the recent acquisitions that would have been at 2.3 times at the end of the quarter with net debt at R$34.8 billion.

When we look at net debt in US dollars, as I mentioned, and regardless of the acquisitions we made and the payment of the Tyson we did recently as well, net debt in US dollars at the end of the second quarter of this year was almost exactly equal to what it was at the end of the second quarter last year.

The breakdown by currency: 87% of our debt today in the US dollars and 13% in Reais, and with that the cost of debt under 5% in dollars and above 13% in Reais, very much matching our revenue by currencies as well. The breakdown is just over 50% with commercial banks, with whom we have strong relationships around the world, and 47% in the debt capital market.

The breakdown by company almost 50% of our debt is at JBS S/A, 38% at JBS USA and 13% at JBS Foods.

At the end of the quarter, page 21 in our presentation, at the end of the quarter we just had just under R$14 billion in cash equivalent to 87% of our short-term debt, and if we add on the committed lines we have in the US of $1.6 billion, which are fully committed lines at the end of the quarter, the sum of our cash position and these fully committed lines it would represent almost 120% of our short-term debt, which was 33% of our net debt at the end of the quarter.

Our debt maturity again I think it's important to look at the amount of liability management we did over the last couple of years, we’ve extended the maturity quite substantially, we can see we got no relevant maturities until 2020 and thereafter, R$8 billion in 2020, R$3.5 billion in 21 and R$11.5 billion thereafter.

So with that that concludes our presentation. I'd like to pass you on to Wesley Batista, to our CEO, for some comments before we open up for Q&A.

Wesley.

Mr. Wesley Batista: Thank you Jerry. Good morning you all. I'd like to talk about some highlights on this second quarter and summarize some performance of our second quarter and as well to talk about where we see our business today and where we see our business going forward.

So some important highlight here, when we see our top line growth we have been growing our business substantially and we keep growing our business, so 35% growth quarter on quarter, but the good thing and more important than the top line growth is that we have been able to grow our operating performance greater than our sales growth.

So very clearly the Ebitda is growing bit more than our revenue, so our Ebitda margin is expanding, keeps expanding, we have been able to keep expanding our Ebitda margin.

We have been saying this for quite a while; we believe JBS built a unique protein platform globally, well diversified in terms of where we operate, in terms of the protein that we are and as well our product mix and we see this very beneficial through this diversification in product portfolio, in terms of geographic and as well as it in terms of different proteins.

We have been able to stabilize our margins and to have consistency in our margins and we see this very beneficial because sometimes one protein is performing better, other protein is suffering, but when we consulate our business we see this very beneficial and it is a unique company in the sector that has this diversification. So we see this great.

We are expanding our value added business, we are expanding our prepared food product portfolio and we are investing in our brands, we are very happy with the results that we are getting, so every day more and this is where we keep going, is to keep expanding our value added portfolio and product mix that aggregates value to product innovation to our brands.

So when we look inside of each business unit we are very happy where we are with our JBS Foods business unit, we are growing our business substantially in Brazil, we are investing in our brands, launching new products and we have been able to expand our market share and the good thing as well is that the category is growing in Brazil even though we are facing challenges in Brazil in terms of Brazilian economy, but the frozen category, the other categories that we are is growing nicely in Brazil, and we on top of this nice growth we have been able to even grow more than the market.

So when we look at our beef business clearly it has been the challenge business unit in the first quarter and the second quarter, so margin declined. The good news on this business is that we saw a big rebalance, industry rebalance in terms of capacity and supply, cattle availability, and as well export is improving in Brazil and with the opening of China and as well the improvement for some key markets in Brazil we are seeing an improvement in the export for beef in Brazil.

We are already seeing a much better margin in the business currently as we speak; we had a great July, so we are very confident that we are going to see a very good expansion, margin expansion in the third quarter and going forward. So we are very positive even though we suffered in these first two quarters.

So chicken in US, Pilgrims is doing very well, we are very focused on excellence, execution and we are very satisfied with where we are.

Our Australian business with the Primo acquisition is going well and is performing well in as well our beef business in North America is performing good comparing to the market, so we are very positive that the beef business in US we passed the worst moments and we strongly believe that we are going to see going forward these coming quarters 2016, 2017 an improvement especially due to the increase in cattle availability that we believe that is going to happen; we are seeing cattle retention in the USA and we are going to collect fruits in the coming quarters and in the coming years.

Our pork business continues performing well and we are very excited about the acquisition that we agreed with Cargill that is going to be very complimentary to our pork business in the USA.

So overall, when we see our business we are satisfied where we are, we are confident that due to the diversification that a mentioned before, portfolio diversification, platform and all these things, we strongly believe that we are going to deliver consistent margins going forward and we still believe that we can keep or even grow our margins more than our top line.

So talking about the net income, we were affected; our net income was affected this quarter by our hedging strategy. Remember that the Real closed at 3.10 in the end of the second quarter and now the Real is almost 3.50, so just in 45 days we saw a big devaluation in the Real so our hedge strategy is going to be very very effective and we strong believe that this is the right thing to do.

When we see all the things that are going on globally; China, commodity price, the USA economy is doing better so we are going to see rate increase in US – the question is not if, it's when – and also the challenges in the Brazilian economy, we strongly believe that we need and should be hedged not to be exposed in Real, we want to be fully hedge in dollar.

And again, this quarter we are at this point the benefit are far greater than the costs that we incurred in the second quarter.

So we are still holding our hedging position and our strategy did not change and we are confident that this is the right thing to do.

Hedging our exposure we know how much this is going to cost us. To be exposed to the US dollar, we don't know what can happen and how much can be the cost, so we keep holding our hedging strategy.

So with that I will stop here and ask the operator, please, open to Q&A operator. Please. Thank you.

Question & Answer Session

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

Our first question comes from Lori Torres, UBS.

Ms. Torres: Yes, hi, good morning everyone.

Mr. Batista: Hi Lori.

Ms. Torres: My question is directed to your Brazilian businesses. I guess first I'll ask the ever popular question about how high is up on margin that JBS Foods team is like, you know, we are hitting another quarter of almost 18% margins and you talked about organic and inorganic growth, so just curious to get your perspective on, you know, when we look at organic growth we look at synergies and cost reduction and kind of pull that together, you know, how sustainable are these margins and how much of this is more a one-time in nature because of the benefits that your seen flowing through?

And I guess the second question is on Mercosul and, you know, thanks for the description of a better second half, but I guess I'm just trying to get a bit more confident about why we should see margins actually turn positive as opposed to get less negative?

If you could talk a little bit about the components of that. I know you mentioned a few factors, but I'm just trying to get a better sense of what of kind of turn that around. Thank you.

Mr. Batista: Lori talking about first margin in JBS Foods the sustainability, actually, is the other way around; it's not a one-time benefit, we have been incurring in costs due to the fact that we did several acquisitions in JBS Foods over these last 12 or more 6 months. Actually, it is the other way around.

If we normalize the margins in these companies or in these plants are that we acquired in these last 6 or 12 months the JBS Foods margin was going to be even higher, in our calculation the impact on this is around 1%, so if we normalize this companies and these plants in the same level that our current business is performing our margin was going to be over where we are by 1%.

So, look, we see this sustainable, actually our business is even performing better as we speak, we are already in the middle of the third quarter and the business is even performing better than the second quarter.

Export is, you know, Brazil is benefiting in export due to some markets close to USA, so volume is growing nicely in Brazil in chicken, so this is benefiting our Brazilian chicken business and as well the domestic market we are growing and performing well.

So we are very confident, we don't see any reason that we cannot keep delivering this kind of margin. And to be honest we see even higher margin in these coming quarters.

So moving to the beef business. So why am I confident? I am seeing already a good margin improvement. It's basically 2 things, Lori: It's exports, it's much normal now in terms of volume, so Brazil got hurt in the first and second quarter by some markets that import a lot of volume from Brazil, like Russia, so we are seeing a normalization in terms of volume, and as well the opening of China is going to help quite a lot.

But also – that is very important – the industry due to the decline in margin and we are part of the industry, the industry did an equalization in terms of supply availability and as well the industry capacity, so we saw and we are seeing a lot of beef plants closing in Brazil and this is putting much more balance in the industry comparing to the first and second quarters.

So these 2 main things are the 2 key factors and we strongly believe that we are going to see a good margin recovery and improvement, and we are, as we speak, we already saw this in July and we are seeing this as we speak.

So we are very confident that margin in the beef sector in Brazil is going to recover and, again, we are very very confident that our JBS Foods business is going to keep delivering strong margins.

Ms. Torres: Can I ask just a quick follow-up? What are you seeing with respect to consumer demand for beef in Brazil on a sequential quarter over quarter basis?

Mr. Batista: We are seeing, you know, even Brazil is facing some economic challenges, we are not seeing consumers decline or demand decline in Brazil. We saw a big decline in exports, so in the first half of this year exports declined by 15%, so this is a big number.

But in the domestic market we are not seeing decline in consumers' demand and that's what I can tell doing all of our business. In the dairy business that we run here in Brazil – that JBS is still shareholder – we are not seeing decline in volume and also JBS Foods all the frozen – you can see in the graph – the frozen sector in Brazil grew 7.5% the category and as well processed products 7.2%.

You know, I think it's normal, Lori, when you see some economic challenges in any country, you know, the industries that surfer more are industries there are in durable good type of business, in the automobile industry, in the real estate, and we are seeing this in Brazil.

But food, you know, people still buy and we are not seeing a decline.

Ms. Torres: It's enough, thank you.

Mr. Batista: Thank you.

Operator: Our next question comes from Farha Aslam, Stephens.

Ms. Aslam: Hi, good morning!

Mr. O'Callaghan: Hi Farha!

Mr. Batista: Hi Farha, good morning.

Ms. Aslam: You are in a unique position and you have thorough operations both in North America as well as Australia and in your discussions you highlighted the amount of imports into the US of foreign beef.

That's definitely keeping profitability in the North American beef sector a bit challenge. So for JBS USA given your Australian asset, are you okay with that increase in the amount of beef coming into the US?

And some color would be very helpful in terms of how you expect your US thorough operation to perform over the next 6 months with that increased beef coming into the US.

Mr. Batista: Okay, great. André? I will ask André. Please, can you?

Mr. Nogueira: Hi Farha. I am not sure if the import in beef in US has put any new challenge for the US. The reality is: The amount that we import of lean beef was exactly the amount in reduction of the lean production in US.

So it's more related with the reduction of the 20 and some percent reduction in the cow queue in US that was replaced by this amount of lean beef that came from outside of the US.

Of course we operate on this market, we import a lot of this beef and it's beneficial for our operation in Australia. I am not sure if this changes anything the reality of the cattle price in the USA because of the availability and the beef price in the US.

I think that's it replacement of a very specific type of beef and I think that as US come back next year and the following years to produce more I think that the import will decline a little bit and US will export more, and the profitability will be much more related to the price of cattle and the price of beef in the US and outside of US.

Ms. Aslam: That's helpful. And then just as a follow-up broadly; how are you seeing the M&A landscape around the world? Where are you seeing the best opportunities?

And in particular are there particular types of businesses that are more interesting for JBS, or particular geographies that you are targeting?

Mr. Batista: Farha we announced 2 acquisitions in this last quarter; the Cargill pork business in the US and as well the Moy Park business in the UK, so we are not looking anything now.

We are going to wait for the approval, close these transactions, we are very confident that we are going to generate strong amount of cash in these coming quarters, we strongly believe that our balance sheet will keep being very healthy and even with these acquisitions we still believe that we can reduce leverage.

So at this point we are not looking, we are not active in M&A, but answering your question in terms of location, in terms of… I have been very clear with the market that we want to grow our business when is appropriate time for us in value added products, in packaged food business in North America, Australia, these are the regions, and JBS food we have been growing our business and it's a business that in the right time we want to keep growing this business.

In Europe we did the Moy Park acquisition, we are going to learn and it's our first sizable investment in Europe so we want to first to get to know more the UK market and to the European market before we decide that it's going to be a strategic region for us.

So at this point North America, Australia and JBS Foods is the business in the regions that we have more interest. But again, after the 2 acquisitions that we did we are very committed to close these transactions and to integrate these businesses to generate cash to keep our leverage in a comfortable level.

So this is where we are.

Ms. Aslam: That's helpful, thank you very much.

Mr. Batista: Thank you.

Operator: The next question comes from Alex Robarts, Citibank.

Mr. Robarts: Yes hi everybody, thanks very much.

Mr. Batista: Hi Alex!

Mr. O'Callaghan: Hi Alex!

Mr. Robarts: Hi, 2 questions. First going back to the JBS Foods business, very interesting the revenue per kilo trends, and the question relates to the process domestic revenue per kilo, I mean, it looks like from the first quarter to the second quarter in that key processed category you got about 5% increase in terms of your average selling price.

Now that's double the magnitude of your competitors' increase in the same period, but at the same time you are also getting market share and I guess it sounded also like you staggered a little bit the industry price increases or at least to the price increases that were being put through by the market leader.

So I guess just thinking about that interesting revenue per (0:50:06 unintelligible), I mean, per kilo growth, excuse me, if this coming from mix? If you can kind of help us understand.

Is it channel mix, is it product mix that's giving you this lift on your selling prices year to date?

You talked about 19,000 points of sales coming on stream year on year in the domestic market, were these points of sales that were helping to drive this revenue per kilo?

And where might we think about your pricing in the domestic processed in JBS Foods in the second half given that… I think we should all feel a little bit more pressured on the dollar packaging costs inside so… that's the first question. Thanks.

Mr. Tomazoni: Hi Alex, it's Gilberto Tomazoni. In reality you mentioned all of the factors; it's a continuation of increase the number of clients.

If you compare the last quarter for the last year with this quarter we increased 19,000 new customers, and this is one thing, and we are not present in these points of sales, we are putting our product there.

Second, in addition, when we increase this number of points of sales we are able to assess, let's say, in terms of margins, better channel. You go from the big ones to the small ones. This means you increase margins just because of mix of channels.

The second way, we improve our mix even in all of these channels, even in the biggest ones and we launched new products since we started to develop our brand we launched a lot of new products. These new products came with high margins.

The combination of channels, product mix and our advertising… because we are repositioning our brands; we are making advertisements and the reason why we are advertising our products is because we want to increase the value of the product.

It's the combination of advertising, mix of products and mix of channels is the result of this increase in terms of price. But, you know, we increased our volume in 2%, but even the promotion in Brazil because of we are focused on… we are not focused to gain market share, we are gaining market share because of this reason, but our focus is to gain the preference of the consumers and we are focused on that, and we are focused to create value.

Mr. Robarts: Thank you, that's helpful. So in the second half do you think it might look to take some prices tactically to set up, the offset some of the of maybe dollar packaging pressure or would it just be a continuation perhaps of your positive mix that kind of can drive the revenue per kilo in the second half, you think?

Mr. Tomazoni: Our focus is to remain the same, but you never know what will be happening in the future because we have competitors.

But we just finished at July, and July we keep tendency. And I don't know in the future, but I believe that some costs in terms of the grain, grain could affect in terms of our margins, then if the grain affects our margin we will try to put part of the cost to the price.

It's very difficult to say, we are remaining confident that we can deliver for the next quarter even higher margins when we add this quarter.

Mr. Robarts: Okay, okay thank you. And the second question just understanding a little bit more the thinking behind the share repurchase program, I mean, it sounds like you said in your comments that it kind of confirmed the fact that there is no big debt maturities really over the next few years until 2021.

You are at the level of leverage that you've kind of guided us to in the mid two ranges, and so this, you know, almost R$2 billion in share repurchases over next year, should we think about this as something that you plan to use tactically? Is it also perhaps signaling that maybe you are not out looking at M&A targets for right now?

Any comment about the thinking behind the share repurchase program would be helpful. Thanks very much.

Mr. Batista: Alex, basically we want to have the option, we approved in our board the share buyback program, we have been leaving our share buyback program open, we see this as a tactical instrument, but we believe that this should be opened.

We don't intend at this point to compromise anything in our leverage with the share buyback, we are going to use the share buyback option to be used first of all without compromising our leverage, secondly we are going to use this more strategically.

Mr. Robarts: Okay, thanks very much.

Mr. O'Callaghan: Thank you Alex.

Mr. Batista: Thank you.

Operator: Our next question comes from Brian Hunt, with Wells Fargo.

Mr. Hunt: Good morning, it's actually Dave through Brian.

Mr. Batista: Good morning Dave.

Mr. Hunt: Good morning. A couple from me. US pork exports to China are down meaningfully for the year this far, I think I've seen 40% decline cited.

Can you talk about what you attribute that decline mostly too? Is it currency, is it the shutdown in the West Coast ports or were the US the use of ractopamine?

Mr. Batista: André?

Mr. Nogueira: Yes, it's a combination of all the 3 factors and some liquidation that we saw in the sow herd in China that put more availability in the domestic market. That's what we expect it's changing now.

If you see the graph of hog costs in China in the last several weeks have been up very dramatically, so price of pork meat in China several weeks have been much higher, so we expect that this trend will change, but they have the limitation of free of ractopamine, so we need to import only products that feed that specification.

Mr. Hunt: Is that something that the US would ever move away from using in pork?

Mr. Nogueira: I think that the market will define that. Again, pork from US 30% we will export and this is growing, so the pork industry and the hog industry in the US rely each day more in exports and because the US is so competitive this will continue to grow.

I think that if demand globally changes this will define the US production. I think that we have today part of the production that is already ractopamine-free, I believe that this will grow as demands continue to grow for this specific type of product.

Mr. Hunt: Okay. And given the recent devaluation of the Chinese currency, how do you think that impacts Chinese imports?

Mr. Nogueira: I think that both (0:59:48 unintelligible) is very small, is quite irrelevant. 2 or 3% will not make any difference. Considering the difference in costs of producing protein in China and the import protein, I think that's absolutely irrelevant.

Mr. Hunt: Okay. And on the US beef supply, when do you think you'd start seeing a meaningful increase in the supply cattle?

Mr. Nogueira: That's a little bit more challenging to say, I think that's very related with the retention, if you see the retention to grow the herd continue to be strong and become even stronger this will be more in the back of 2016. If the retention goes more for the normal level we will see some impact in the first part of 2016.

I believe that we will start to see in the first part of 2016.

Mr. Hunt: Okay, the Primo acquisition you closed, how is that performing this far relative to expectations?

Mr. Nogueira: So we've had only 3 month so with this acquisition, I think that we are not performing at the level that we expect that this will perform, which is over 15%, it's performing the same level that was performing before, but in the last several weeks we've started to see an improvement on that.

So it's performing the way that was before, but already pointing the direction that we will go to or to what we expect – that is15%.

The integration is during very well, we have a new management team in place so we are very confident that we will deliver more than we expected originally.

Mr. Hunt: Okay, and then I'll ask one for me. Pilgrim's Pride management has mentioned a couple of times as your base budgeting, is that an initiative you all are working on within a broader JBS organization and if so can you discuss any progress or goals that you have for that?

Mr. Batista: Yes, this is Wesley, we have been using 0 base budget for quite a while, for quite a long time in our business. This started here in Brazil and we have the 0 base budget today across all of our businesses, so we implemented and we are everyday implementing more and more in Pilgrim's Pride, but we have been using this for quite a while in all the parts of our businesses.

Mr. Hunt: Thank you.

Mr. O'Callaghan: Thank you day.

Mr. Batista: Thank you.

Operator: Our next question comes from Carla Casella, from JP Morgan.

Ms. Casella: Hi. I may have missed it, but did you say the Ebitda contribution from Primo in the quarter and was that all included in JBS USA beef?

Mr. Batista: Yes Carla, the Primo result is included as Australia is included in the JBS USA beef, Primo also is part of this, it is included.

Ms. Casella: Did you say how much of Ebitda increase in the quarter was related to Primo?

Mr. Batista: No, we did not say how much the Ebitda increased due to the fact that Primo is now included. What André said is that the business is performing the same level that it was when we acquired.

We are running the business just 3 months and we expect that this business is going to deliver 15% type of margin, so this is what we said.

So the impact in the quarter inside of the business unit is not meaningful, so this is going to be more meaningful when we hit this levels that we strong believe that we can deliver this kind of margin that I mentioned.

Ms. Casella: That's great. And then also on the USA beef side, did you provide the hedging, the amount of the hedging gain you had in the quarter?

Mr. Batista: André?

Mr. Nogueira: As I said in the previous quarter, since we started this year our MTM, our hedge gain, we are doing be MTM for our cash position too.

So if I have a cash position cattle and I hedge this cattle we are doing the market to market in both positions so with that we reduce a lot.

So we just recognized that both when we kill the cattle and month by moth recognize the 2 variations. So it's very small now that we have both with market to market, it's not relevant anymore.

Ms. Casella: Okay, great. Thank you so much.

Mr. Batista: Thank you Carla.

Mr. O'Callaghan: Thank you Carla.

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

Mr. Cipiccia: Yes, good morning everyone and thanks for taking my question. Just a quick follow-up on some of the previous discussions.

What is on Brazil on the point of sale of the expansion, you mentioned about 19 20,000 incremental point of sales, could you discuss, you know, how much more upside there is to that and also how that process works, how you see that development going forward?

Maybe just an update on that as a follow-up to the previous discussions that will be great.

Mr. Tomazoni: Look, if you consider all of the customers we have now is around 120,000, but our main competitor in the market say that they have above 200,000, that means we are in the same business, we are the same category, I believe that we can go to this number too.

But our strategy is to reach this level of customers that is different to go to market because there is some parts of the country that is not economic to go by self, to have our own sales team and our own trucks to distribute, then we are using distributors to reach these points of sales.

We are going in the way is productive to go there, we will not say I want to increase, we are not a targeting for number of clients; we open new routes, we check if there route is possible, we pick and then we go to another road. We are looking in terms of how we can grow in productive way.

Mr. Cipiccia: Are there obvious areas where you are under index, let's say? Is this more of a regional penetration, is more across the country your intensity or the depth of your penetration could be greater? Are there some obvious areas where the gap is… I wouldn't see easier to close, but easier to identify at least?

Mr. Tomazoni: For example, it's incredible, but interior of São Paulo we have a huge gap in terms of number of clients because they are traditional to buy other brands and then we are investing in our brand to become more well-known in the market so people try to eat our product.

Before we needed to knock the door and ask “I want to sell to you”. Now some clients call us “I want to have your product”. It's not the countryside our main gap; our main gap is in the big cities where is easier to get there, but we need to getting a productive way, it's very important.

I don't want to measure the number of clients, we are measuring profit for each client, customer, sorry.

Mr. Cipiccia: Perfect. Thank you, thank you very much. Very clear.

Mr. O’Callaghan: Thank you.

Mr. Batista: Thank you.

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

Mr. Yordan: Hi, good morning everyone. I just have a couple of questions. The first one is in the whole beef capacity issue. Obviously your competitors have been talking about how many plans they closed during the quarter and etc. and in general it looks like an industry wide move.

I'd just be curious if you could give us some color as to what your role was on that? You know, if you can remind us how many plants you opened over the last couple of years and did you close any in the second quarter? You know, what was your variation in capacity contributing to the change in the industry?

Mr. Batista: Actually, not only the second quarter so we started in the first quarter. So in the first quarter ending the second quarter we closed 6 plants in these two quarters and, as the market got much difficult in terms of exports and also the availability of cattle declined, so, yes, we are part, so we are the leader in this market and we closed these plants as well.

Mr. Yordan: Great. And then I guess maybe it's premature to think, but once the exports go back up in Russia and some places if they do and depending on how successful you are in China and in the US etc., is it projected that some of these plants industry wide will open within a couple of years and are they ready to do so within a month or 2 notice if the demand worsen?

Mr. Batista: Yes, we look, I think it's not only the demand; I think what's going to happen is if the demands get back and the demands recover and also if the industry starts to see a change in cycle and see more cattle available to be processed, so I think the industry can put some of these plants back.

But for me it's clear that now the industry is balanced in terms of cattle availability and also demand and for me it's clear that the industry it's not going to put back any plant until the industry sees a sustainable demand recover and also cattle availability.

Mr. Cipiccia: Great. And if I can just ask one more question on the 2 pending deals. I realize that there is a review period that as we followed and you never know what's going to happen, but what is your advisors' latest estimate of when you can close on Moy Park and on Cargill?

And specifically on the Cargill deal, given that it involves some integration etc., unlike Moy Park, is there any sort of internal activity that you are doing to prepare for that so that after that 3 or 4 months or whatever it takes you can hit the ground running, you know, once the green light goes on?

Mr. Batista: Yes, sure. On Moy Park what our advisors, our legal advisors are telling us is that we expect to get the approval in Europe sometime in the end of September or October.

So second half of September until the end of October. So this is what we are seeing now and our advisors are telling us.

About Cargill we are working with the Department of Justice in the US, it's hard to predict. Our advisors they are telling us that they believe we can close this deal this year, sometime this year, but, you know, we cannot guarantee if we are going to get the approval this year, but we see a good chance that we can get the approval sometime in this coming month.

So, yes, we are actively working, our team in the US is actively working with Cargill and planning everything, integration and everything, and as well is Moy Park; we are going to be ready if we get the approval any time in Moy Park from September 15, we are going to be ready to close the deal and with Cargill as well; we are working closely with them to be ready if we get the approval any time in these coming months.

Mr. Cipiccia: Super, thanks a lot.

Mr. Batista: Thank you.

Mr. O'Callaghan: Thank you José
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Operator: This concludes today's question-and-answer session. I would like to invite Mr. Wesley Batista to proceed with his closing statements. Please, go ahead Sir.

Mr. Batista: So I'd like to thank you all again for being in the second quarter earnings call with us this morning.

And like I mentioned, we are confident that the company has a very strong global platform and we are very satisfied where we are and we think we can do more, and this is where we are going.

We have been discipline to execute our strategy and we are going to keep focused and committed with our targets and we look forward for a great second half of 2015 and 16 as well.

So thank you all and have a good morning.

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