## Company Participants

- Andre Nogueira, Chief Executive Officer, JBS USA
- Gilberto Tomazoni, Global Chief Executive Officer
- Guilherme Cavalcanti, Chief Financial Officer and Investor Relations Officer

## Other Participants

- Alan Alanis, Analyst
- Antonio Hernandez, Analyst
- Bryan Hunt, Analyst
- Marcel Moraes, Analyst
- Sarah Clark, Analyst
- Unidentified Participant

## Presentation

### Operator

(Starts Abruptly) Mr. Gilberto Tomazoni, Global CEO of JBS; Guilherme Cavalcanti, Global CFO of JBS; Andre Nogueira, CEO of JBS USA; Wesley Batista Filho, CEO of JBS South America; and (inaudible), Investor Relations Director. Now, I'll turn the conference over to Mr. Gilberto Tomazoni. Please, sir, go ahead.

### Gilberto Tomazoni {BIO 2090061 <GO>}

Good morning and welcome to our conference call to present the results for the second quarter 2019. Apologize for the delay. Our service provider had a technical problem. We are very happy to announce another quarter of solid results. In the last 24 months, we have delivered consistently quarter-after-quarter, everything that we have set out to do. This quarter, we have completed two years since we have set five priorities for JBS, which has been confirmed every quarter.

Continuous focus on operational excellence, organic growth of our business, continuous investment in quality and innovation, deleverage, robust global compliance program, mission accomplished. All of them exceeded our expectations. The record results of the second quarter show that we have made the right choice and reinforced the company operational excellence and the execution ability of our management team.

This quarter, net revenue was over BRL50 billion, an increase of 12.5% over the second quarter of 2018. Net income for the quarter was BRL2.2 billion with an earnings per share of BRL0.82. Year-to-date, net income reached BRL3.3 billion. Record EBITDA of BRL5.1 billion, 20% higher than the second quarter of 2018, with a 10% margin, the third largest in the last 10 years.

Operating cash flow was BRL5.2 billion and free cash flow was BRL3.7 billion. This strong cash generation and debt reduction resulted in a leverage of 2.78 times in reais and 2.81 times in dollars and it wasn't just the leverage ratio that improved, our debt profile improved significantly, increasing our average debt maturity from 4.3 years to seven years. In the last 24 months from the second quarter of 2017 until the second quarter for 2019, we have reduced our gross debt by $5.3 billion, which reduced our interest expenses by $400 million per year. During the same period, we paid more than BRL80 billions of debt with banks in Brazil.

The company is in excellent financial conditions and future prospects are even more encouraged. This fact has already been perceived by a larger portion of the market and can be seen by the company's strong equity appreciation as well as in the issuance of our less bonds when after four hours of launching, we had demand for $7 billion, more than 4.5 times the initial offer. As you have noted, I'm very optimistic about the company's future. I see very favorable market. The increase in population, urbanization, and hike in income, amongst other factors has resulted in an increase on the global protein consumption, especially in Asia.

In addition, the industrial cycle is very positive. The events of African swine fevers in many countries, in addition to increase in the export flows should create opportunity to accelerate the growth of our branded and value-added products. These favorable market conditions encountered JBS at its best moment in history.

Our financial situation is already high, as I already commented, is strongly solid. Operationally, the company is very strong with an experienced and motivated management team. We have a diversified production platform by geography and by protein types, which is already a great advantage, that becomes even more important considering that helped in tariff discussion events. In US listing is our -- the US listing of our international assets in addition to unlock a tremendous value will be an important driver for accelerating the growth.

Lastly, the evolution of our governance and the publication of our financial policy clearly demonstrates our commitments towards financial discipline. All of these reasons, JBS is better prepared for capturing market opportunity. Organic growth alone is no longer a priority.

In addition, I want to highlight the advancement in our ability to innovate, the effort in qualifying our market and R&D team. The creation of our global innovation team and investment in research center made in recent years has already brought excellent results, confirmed by awards at the national and international affairs and by the larger numbers of new product launches in different geographies where we are present.

Two of these releases introduced the company into the vegetable protein segment. In Brazil, with the launch of the Incredible Burger by Seara, a vegetable burger made by soy and other vegetables, which has been sold in Brazil market for over 60 days. In Australia, Primo has launched a line of flexitarian sausages, a mix of vegetables and animal protein. Most importantly, these products were created by our researchers within our product development labs and a proprietary technology. Now, I will pass it on to Guilherme, which will detail the financial and business results. Guilherme, please?

## Guilherme Cavalcanti {BIO 2181205 <GO>}

Thank you, Tomazoni. Please, let's go to slide four of the presentation. We see that we -- our net revenue increased 12.5%, higher than the FX valuation that was 8.5%. Fixed cost dilution and productivity made our EBITDA increased in 20%, reaching a record of BRL5.1 billion. Our net profit reached BRL2.2 billion and the net profit accumulated in the -- during 2019, it's already BRL3.3 billion. It's worth mentioning that the Brazilian corporate law requires that we pay 25% minimum of the net profit.

Now, please move to page five. We can see that our operational cash flow increased 46%, the double of the EBITDA, given the improvement in the working capital. They are both on the accounts receivable and on the days of payment. Also, our net financial expenses decreased in $20 million quarter-over-quarter due to the -- we didn't -- the payment of that with free cash flow we generated. From the second quarter '18 to the second quarter '19, we generated $1.4 billion and all of these resources were used to pay down debt.

We also used our cash since we extended the maturities of our debt. We use as part of our cash position to pay down gross debt, decreasing the carry of disposition. And we also issued new debt cheaper than the debt that we paid, but most of these movement was done in the second quarter. So, we will continue to see improvements going forward. Then we reached to our free cash flow of BRL3.7 billion, which means a 71% cash conversion related to the EBITDA. In dollars, we generated a free cash flow of $950 million this quarter and the accumulated free cash flow of the year is $750 million.

Now, please move to slide six, where we have our debt profile. So on the left-hand side, we can see that we decreased our gross debt in $3 billion, half of that with free cash flow generation and half of that, as I mentioned, using cash position to pay gross debt. Our net leverage decreased to 2.8 times, net debt to EBITDA and moving to the pie -- to the last pie of the chart, we see that our average interest rates for a six-year average period that was in June 30, it was 6%, so it's comparing to our bonds that is maturing 2025. So, it's the same average period of our debt.

These bond is trading 1% lower than my average cost of debt. So, we see that at the margin, we have the potential to continue to decrease interest expense. And more than that even this bond '25, if you compare to the same tenure of the average BB minus industry, we are still 0.5% higher. So, there is room also compared to our same -- the same companies with our same rate rating.

And if you consider our metrics, financial metrics, we could compare to a BB plus industry, then we would have then around almost 1% difference. So, this shows that we can have around 2% decrease in our average cost of debt. And if you compare to food companies in US with the same leverage, with the same net debt that we have, you see that we can get this 2% difference in our average cost of that, releasing free cash flow to our shareholders.

Now, please move to page seven, where we will talk about liability management that was done after the close of the quarter. So, you can see on the left-hand side, it was the photography of our repayment schedule as June 30 and what we did after that. First, we got $200 million from the US free cash flow brought to pay down debt, bank debt.

We are bringing today more $300 million from US free cash flow using to pay down debt. We issued a bond in Brazil of $750 million, which we are using to pay down debt. We issued $1.25 billion from the US, we issued to call our 24 bonds and half of our 23 bonds. So the results, while the repayment schedule that we see on the right-hand side, where our average term came from 5.8 years to 7 years and now our cash position plus our revolving lines, they are enough to pay the amortization of the debt in full up to 2025. So, it's a very comfortable liquidity position that the company has today. And the market is reorganizing that, as you see that, since the beginning of the year, we have around 2% decrease in the rates that our bonds trades.

Now, let's talk about the business unit performance. Let's move to page nine, as we start with Seara. So, net revenue of BRL5.1 billion and increasing 24% year-over-year, and with an increase of 18.3% in average in prices and 5.6% in volumes. In the domestic market, net revenue was driven by a 25% growth in prices when compared to the second quarter '18. In the export market, net revenue totaled BRL2.5 billion, 29% higher than the second quarter '18 as a result of a 11.6% increase in sales price and a 15.6% higher volumes. EBITDA then totaled BRL563 million, with 11.1% margin, an increase of 150% when compared to the second quarter last year.

Now, please move to page 10. When you talk about -- we will talk about JBS Brazil. So, net revenues of BRL7.2 billion for the quarter, a growth of 15% in relation to the second quarter last year, with processed volumes increasing 12.2%. In the domestic market, net revenue was BRL4.2 billion, a 17% increase when compared to last year, with an increase in 15% in volumes and 1.6% in price.

In export market, which represents 41% of this unit sales, net revenue grew 12%, reaching BRL2.9 billion, due to an increase in 6.5% in volumes and a 5.3% in prices. Despite the temporary suspension of Brazilian beef exports to China, sales to this region improved 32% when compared to the second quarter '18. EBITDA then for the quarter was BRL336 million, with a 4.7% margin, a recovery of 72% when compared to the first quarter '19.

Now, please let's move to page 11, where we will talk about JBS USA Beef. EBITDA was $503 million, 11.8% lower than the same period, impacted by lower US exports and higher cattle prices. Nevertheless, EBITDA margin was a robust 8.9%. In the domestic market, despite the delayed start of the grilling season due to atypical weather conditions for this period, demand for beef in the second quarter '19 remained strong, boosting sales notably in the second half of the quarter. In Australia, the main highlight was the increase in beef and lamb exports directly to China, which grew 68% in volumes and 85% in sales year-to-date when compared to the first half of 2018.

Now, please let's move to page 12, where we'll talk about JBS USA Pork. Net revenues totaled BRL1.6 billion, with an increase of 9.1% in relation to the second quarter '18, mainly due to a 10.4% growth in average prices, with stable volumes. A relevant EBITDA margin of 8.2%. JBS USA Pork has been able to differentiate itself from the competition due to its outstanding operational performance and to its ability to transform primary products into higher value-added products, earnings sales premiums and increasing margins. In June, exports grew 9.3% when compared to the same month last year, which signals a recovery, considering an expected increase in imports by China and Mexico.

Now, please let's move to page 13, where we will talk about the highlights of Pilgrim's Pride. Net revenue EBITDA of $350 million, a 24% higher than the same period last year, while EBITDA margin was 12.3%. Significant operational recovery in the US, reflecting higher market featuring and promotional activity of chicken in retail and food service, supporting better demand for the commodity segment, combined with its US portfolio, which continues to deliver strong results in high value-added segment. In Mexico, the reduction of chicken supply, alongside the growth of demand, coupled with less competition of other proteins, contributed to better pricing of chicken cuts and consequently to stronger operational performance of PPC.

Now on page 14, we show our global footprint. That despite trade barriers tariffs, we always have several angles to sell our products. With that, the second quarter, the exports revenue was $3.3 billion, representing 25% of our sales and almost 50% of that was directed to Asia. Now, I will pass the word to Tomazoni for the final considerations.

### **Gilberto Tomazoni** {BIO 2090061 <GO>}

Thank you, Guilherme. Before I open to questions, I would like to highlight our priorities. Organic and organic growth, financial discipline, and cost of capital reduction, operational excellence, innovation, quality and compliance. JBS is ready to grow in a certain way and advanced with our strategy and brands and value-added products. Now, we can open for questions.

## Questions And Answers

### Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Bryan Hunt, Wells Fargo Securities.

### **Q - Bryan Hunt** {BIO 1530288 <GO>}

Thank you. My first question is, you all have mentioned that you would like to begin growing inorganically or through acquisition. What level of leverage are you willing to endure to execute that part of your growth strategy?

### A - Guilherme Cavalcanti {BIO 2181205 <GO>}

Okay. Thank you for the question. We -- last quarter, we just announced that in the long term, we pursue to be between 2 times and 3 times net debt to EBITDA, which we consider a comfort level, especially in an environment of decreasing interest rates and also considering that we extended significantly the maturities of our debt.

For -- we have a limit of 3.75 in order to pay extraordinary dividends and a limit of 4.25 for acquisitions, but it's worth mentioning that if we pass two quarters above 3.75, the Executive Board has to present to the Board of Directors a contingent plan to bring down leverage ratios. So, we have these parameters, but our willingness is to pursue between 2 times and 3 times net debt to EBITDA.

### Q - Bryan Hunt {BIO 1530288 <GO>}

Given your market cap now and your overall global scale, the level of EBITDA, your free cash flow metrics, is an investment grade rating in the cards for the company? Is that a financial objective?

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

Yeah, I think, for sure. Our free cash flow -- strong free cash flow generation, we will continue to make our deleveraging path. However, our commitment is to reduce the cost of capital. Investment grade should be a consequence of that. We want to maximize value to our shareholders. So, we will be considering that. So if we maximize value to our shareholders on a BB plus level, we will be fine with that as long as we have a low cost of debt and a low cost of capital. So, we don't have an objective of investment grade. We have an objective of creating value to our shareholders and investment where it could be a consequence of that.

### Q - Bryan Hunt {BIO 1530288 <GO>}

Looking at in the US, one of your competitors lost one of their plants to a fire. It takes about 5% out of the US market. Can you talk about the flexibility you may have within your operations, maybe to operate on extra Saturdays or over time to absorb additional sales?

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, please, could you make a comment?

### A - Andre Nogueira {BIO 19941317 <GO>}

Thanks for the question. I don't want to speculate around the issue that happened due to fire. I'm very happy that the fire did not impact enough the spirit of the production [ph] team members. For us, we are planning to run our business with our regional plan. I think we always talk that the second part of the year is very strong, and we are going to have some capital generating. I don't think that it's partly to learn in US because of the labor situation. All the (inaudible) you have to have today is a little bit different. So, we are not going to change our original plan. We are running to meet our customers' demand. If it's started to run (inaudible) and sell a little bit more, we can do that as long as they ramp up fast, the safe and the health of our team members. At this point, we have not changed our plan. We think that the second part of the year will be very strong (inaudible) since we start the year because of scalability, because there is strong demand and I believe that exports will start to pick up. The recent events is not changing (inaudible).

### Q - Bryan Hunt {BIO 1530288 <GO>}

Then my last question is could you tell us what hurdles that the company has to come over -- has to overcome to complete their listing IPO on the US market? Thank you and good luck.

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

The listing US continues in our plans, and we are continuing to study the models. It's worth mentioning that, as I mentioned before, the strong free cash flow generation. We don't need primary resources. So, we are talking about at least in US and as long as -- since we don't have the urgency to pay down debt anymore, we have time to think the best structure that will unlock value to our shareholders. But Bryan, I wanted to emphasize this is one of our main priorities because of the potential to unlock value to the company, it's in our driver for accelerated growth.

## Q - Bryan Hunt {BIO 1530288 <GO>}

Are there any settlements that you have to make either with the Brazilian government or the US Federal Trade Commission to get that done? Are those hurdles or not? And that's my last question. Thank you.

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

No, there is no -- those are not hurdles for an SEC listing.

## Q - Bryan Hunt {BIO 1530288 <GO>}

Thank you very much.

## Operator

Our next question comes from Carla Casella, J.P. Morgan.

## Q - Sarah Clark {BIO 21140157 <GO>}

Hi. This is Sarah Clark on for Carla Casella. I was wondering if we could talk a little bit about pork, how much of the worldwide pork supply has been wiped out from ASF? Thanks.

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

Carla, could you repeat the question, please?

## Q - Sarah Clark {BIO 21140157 <GO>}

Yes. How much of the worldwide pork supply has been wiped out from ASF? From the African Swine Fever (multiple speakers).

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

It's a really difficult question. We don't have -- we have the information -- market information. We don't have the details of that. I think the market is talking about, could be 30, could be more than 30, could be 40. I don't know. We don't know exactly, but I know there is -- it is important, it's a situation not just in China but in other countries. It's become worst in Europe. But we don't have really numbers to say to you what is the size of this.

## A - Andre Nogueira {BIO 19941317 <GO>}

What we've tried to help a little bit here, the future numbers, that spread is around 4 million hog, 1 million inside of China and 3 million to other countries in Asia. The main one was the -- the future number from the Chinese government from the Ministry of Agriculture in China is that the herd in China with this year compared to last year, around 25%, both in the breeding sales and the hog numbers. That's the official number. That's the number that we use to plan. It's the official number from China. It's (inaudible) around 25%. We have a lot of other situations in the market. There are other numbers that speculate. It's bigger than that. We will (inaudible). We plan based on the regional numbers that the Chinese government put out and this is around 25%.

## Q - Sarah Clark {BIO 21140157 <GO>}

Great. Thank you.

## Operator

The next question comes from Marcel Moraes, Santander.

## Q - Marcel Moraes {BIO 6696122 <GO>}

Hi. Good morning, everyone. Just sort of detail about Seara and what has been going on with the ASF. We saw a very strong margin gain in the quarter and we can also see volumes -- export volumes going up around 16%. So, what do you think would be kind of the bottleneck for you to continue to increase in the export volumes, mainly into China, I guess? But what do you think are going to be the next bottleneck that you could maybe face? Thank you.

## A - Guilherme Cavalcanti {BIO 2181205 <GO>}

Marcel, this is Guilherme. I think we -- we have very good facilities approved to export to China. We have a good number of plants approved to go to China, to export to China. For us to increase our volume to China, I guess the biggest barrier or the biggest bottleneck we would have would be having raw materials, so we having enough growers to increase the production. But today, our industrial capacity to those -- for that market is good, is well suited for increasing in demand.

## Q - Marcel Moraes {BIO 6696122 <GO>}

Thank you. And looking forward, when you evaluate what's going on in, let's say, July, August, do you think the number that we saw in the second quarter in terms of performance is sustainable? Do you see those numbers trending even higher? How do you compare what we're going to see in the second half with what we saw in the second quarter? Thank you.

## A - Guilherme Cavalcanti {BIO 2181205 <GO>}

We don't give specific guidance, but we can expect that the main drivers that led to this improvement in results will continue. So, exports still continue to be strong and you have domestic process, further process, prepared foods prices have continued to be high. We continue the same prices and probably we will have a further increase. And you also have the grain situation that we think would be stable to some small potential upside.

## Q - Marcel Moraes {BIO 6696122 <GO>}

Just a final question on the prepared foods at Seara. I saw in the domestic market, the average price is up 25%, very strong number. But how much of the prepared foods are contributing to the 25%? I guess it's less than that. But is it kind of double-digit, strong double-digit price increase on prepared foods?

## A - Guilherme Cavalcanti {BIO 2181205 <GO>}

The increase in prices for just further process is around 18%, 20%.

## Q - Marcel Moraes {BIO 6696122 <GO>}

Thank you very much.

## Operator

The next question comes from Alan Alanis, UBS.

## Q - Alan Alanis {BIO 15998010 <GO>}

Hello. Yeah. Thank you so much for taking the question and congratulations on both the operating and the financial results. You are a very big company. I mean you're selling easily north of $50 billion per year and you're making this big investments on the -- my question has to do with the vegetable meat, with the non-meat meat, the vegetable meat that you mentioned. How much do you think you can sell of these new products next year and the years afterwards? And what is the anticipated margin that you can -- that you can tell? I know it's small relative to the overall size of the company. But I am interesting in terms of how much management, what's the size of the opportunity for you? And do you think that in 2020 or 2021 you could be selling how much of this product worldwide?

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

Thank you for the question. Look, we are following this market very closely. I think there is a trend, a lot of new companies enter in this market, announced we entered. We are already at 60 days in the market in Brazil, with the name of Incredible Burger, is launched by Seara, and we have in Australia by Primo flexitarian range of sausage and still we are developing this market. We see in US this grow a lot. We are entering this market, for sure, and we are just define what is the best time to enter [ph]. To quantify, the size of the market now is difficult because there is a trend. It's clear. But it depends on the supply. If you see in the amount of companies entering the market and we don't know how really -- the size of this market. There is many information, you know information in the market. We don't have a clear numbers about what is the size of the market, but I believe that we have a really good opportunity in our market because we have already distribution capacity. We have sales capacity. We have relation with retails. Then we have now technology to produce the product, because we are already processing the market. If you combine the -- our technology to produce the product, to develop the product with combination, with the ability to sell into distribution, in relationship or the existing base of customers, I strongly believe that we can play a big role in this market, but to advance you now what we'll decide, it's too early.

## Q - Alan Alanis {BIO 15998010 <GO>}

Got it. Got it. No, I understand that. When do you think you will have a product in the US? I mean, because you already have a product in Brazil, correct?

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

We are not open this information. Sorry for that. But we are working on that.

## Q - Alan Alanis {BIO 15998010 <GO>}

Got it. Understand. No, I understand. A different question, changing topics completely and I appreciate the answers. And how much -- I don't know what you can comment regarding, I mean, BNDES, and it's still a large shareholder of JBS. They've been selling shares of other companies in Brazil. How do you see -- I mean, I know I'm asking a question about one of your key shareholders. But what are the different scenarios that US management see for that stake of BNDES?

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

Yeah. I think this question we should make to BNDES. I understand your question. But we can --- we don't have answer for that. I think you need to start -- it's better to talk directly to BNDES.

## Q - Alan Alanis {BIO 15998010 <GO>}

Yeah. We will do that again. We will do that again. Now, I mean, I guess that one of the possibilities -- I don't know how can that be structured. But given the very strong financial position and the excellent work that you did in refinancing all of this, how much -- I guess if I can ask a question that you can answer, how do you think about share buyback program? Let me make more a direct question that would be more straightforward for you guys.

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

Maybe [Technical Difficulty] Sorry. No, I think -- okay. Returning capital to shareholders is also the agenda. So as I mentioned on the presentation, we are presenting a big profit, which in Brazilian Corporate Law, it's required to distribute at least 35% of my net profit. So, I have to take this into consideration. But of course, as long as we are generating a lot of free cash flow, we will -- and again, we will have the leverage and the free cash flow enough to grow and to pay dividends or share buybacks. And those decisions will be done depending on the market situation, the company valuing the stock market, the minimum dividends that I have to distribute. So, this is the decision that we will take ahead, but -- when it's time to decide.

### Q - Alan Alanis {BIO 15998010 <GO>}

Got it. It's good that you have that flexibility. Thank you so much for taking my questions. And again, congratulations on the results.

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

Thank you.

### Operator

Our next question comes from Antonio Hernandez, Barclays.

### Q - Antonio Hernandez {BIO 19255349 <GO>}

Hi. Good morning. First of all, congratulations on your results. And thanks for taking my question. Well, actually two questions. The first one is on USA Pork. Can you give more light on the outstanding results that you have there, especially on top line? And second, could you please give more light also on JBS Brazil on the impact on profitability, and what should we expect for the second half? Thanks.

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, please answer the question about our pork business there and then Guilherme will be answering Brazil.

### A - Andre Nogueira {BIO 19941317 <GO>}

(inaudible) question about the result in the pork division?

### Q - Antonio Hernandez {BIO 19255349 <GO>}

Yeah, on the pork division, can you give more light on the solid top line results that you have there? I mean you were posting a very good nice growth and very good volume growth. Can you please explain how sustainable is that and maybe a couple more light on that? Thanks.

### A - Andre Nogueira {BIO 19941317 <GO>}

Antonio, our line is really bad. I could not understand the question. About pork or chicken?

### A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, he asked for -- I don't know, if you are -- the connection is really bad here. We have some difficulty to understand as well. But Andre if you are -- if you can hear me better, the question is about our pork operation in US?

### A - Andre Nogueira {BIO 19941317 <GO>}

Okay. So, about pork.

## A - Guilherme Cavalcanti {BIO 2181205 <GO>}

Yeah. He is asking, is it strong, is it strong result, he is saying is this sustainable, the result of the last quarter?

## A - Andre Nogueira {BIO 19941317 <GO>}

The US result in pork was strong. The market, very challenging, we saw a lot of volatility during the quarter. It's more related with execution from our team. The structure of the business, the plant efficiency and the converted price and the value that -- I think that we continued today. The (inaudible) strength, is the strength of our business we have. So, that's why we outperformed the market and has been outperforming the market for several years. Just expanding this outperformance. I don't see that change.

We always expect that in the second part of this year and for next year the (inaudible) is a little bit better. That should increase the margins as a result of this. Again, the quarter (inaudible) was more related to the execution our team and the strength of our business in a very challenging market condition because of (inaudible) and that we will improve for the second part of this year and for next year. And I think that our team is doing extremely well.

## A - Guilherme Cavalcanti {BIO 2181205 <GO>}

So, Antonio, here in Brazil, when it comes to Seara, a few drivers, so to give some idea what we're expecting. So on the domestic side, we still think that there is price to be increased. We still think that from previous cost increases that we weren't able to pass onto price. In previous periods, we still have some of that to catch up. Domestic or exports, we still think that there is potential to increase volume in exports due to better prices in the fresh and frozen side. So on the sales side, we expect that we can increase exports. When it comes to grain, we think that through the end of the year, we will be a -- we're comfortable. We're confident with the position we have. And we think that we will be -- we'll have stable to better -- a better situation on grains. So overall, we expect -- we are confident with Seara and expecting a good second half of the year.

When it comes to beef or actually to JBS Brazil, more specifically we're talking about beef. We have a second quarter that we think will be a good or second half of the year that we think will be a good cattle supply. There'll be enough cattle supply. We still have a -- have a little bit of a question mark for the first half of next year. Still we have to wait and see a little bit how that will play out. Like I mentioned before in the previous call, we have capacity to -- we are increasing capacity to export to China about 15% to 20% in the next second half of this year, which will make it -- will allow us to export more to that country. So overall, we are expecting to utilize our capacity better in the beef plant in Brazil and be able to export more. We have a steady cattle supply for this rest of the year end. We're still leading to see what's going to happen for the first half of next year.

## Q - Antonio Hernandez {BIO 19255349 <GO>}

Perfect. Thanks a lot.

## Operator

The next question comes from (inaudible).

## Q - Unidentified Participant

Hi. Good morning. Thank you very much for the presentation and congratulation on the results. I have three questions. So just regarding CapEx, could you give us an idea if there was any change in terms of what you were expecting in CapEx for the second half of the year? You mentioned that you were going to increase your capacity, your exports to China and Brazil. And is there any CapEx involved as well and increasing the supply in the US, as we have short supply for the second half? So, this is the first question. The second question is regarding dividends. Yes, you have this dividend policy, which applies to most of Brazilian companies. I just wanted to know whether it is possible for you also to think of an exceptional dividend, if you have a record year in terms of profits? And last question. You mentioned at the beginning of the call that in terms of rating, you would be fine with the BB plus rating as long as you can unlock value for shareholders. You're right now at BB minus BB. So, does it imply that you would like first to reach that level of BB plus, or you are still fine remaining at the rating that you have right now?



## A - Gilberto Tomazoni {BIO 2090061 <GO>}

Okay. Beginning with the ratings, again, as I mentioned, our target is to decrease our cost of capital, our cost of debt and the ratings must come as a consequence. So the level there'll -- I'll be comfortable with the level that I reach these objectives. It could be investment grade or not. But for sure, we want to continue to decrease our cost of debt and improve our metrics. And I think our metrics already deserve higher ratings. In terms of dividends, it's too early to say. I think it's something that we should decide later on, because we don't even know what's going to be the profit of the whole year. And again, relating to Brazil, it's not our policy, the Brazilian Corporate Law that requires the 25% minimum. So, we have to first know what's going to be this number and then decide if we are going to pay more dividends or not.

## A - Guilherme Cavalcanti {BIO 2181205 <GO>}

So, regarding CapEx, in Brazil, to increase export to China, the overall CapEx in JBS, which is really focused in China, it's not relevant to the overall size of CapEx of JBS globally.

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, do we have -- you can make some comments about the CapEx in the US?

## A - Andre Nogueira {BIO 19941317 <GO>}

There is no relevant change in the CapEx, considering (inaudible) where we'll start the year. We are (inaudible) in this guidance about the CapEx for the year, considering the growth and the organic growth that we are creating. So, there is no relevant change in the guidance that we gave in terms of CapEx for the operation. And it is between $600 million and $650 million as we are now (inaudible) for the year



## Q - Unidentified Participant

Thank you very much.

## Operator

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

## A - Gilberto Tomazoni {BIO 2090061 <GO>}

Before I have to make the final remarks, I want to point that the -- when you talk for organic growth, we are thought to grow in the market that when we have operating and we have a synergy with our existing business. For example, in Brazil, we bought a small pork plant, it's a lot of synergy with Seara operation and according to the trend, in line with the trend of increased consumption of pork meat of the world. Besides of this, is our focus is increasing the size of our value-added and branded business, in line with our long-term strategy. This is the focus of our organic growth, but for finalize, I want to thank you, each one of you to participating in this conference call and special thank you for our 230,000 team members who with their daily work and dedication has made this company better each day. And thank you to all who stood by us and wished for our success. Thank you.

## Operator

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