



**International Conference Call
JBS S/A
JBS Day – 2017
December 7th, 2017**

Jerry O’Callaghan: Thank you for showing up on a Thursday in December. Everyone got here very early, so we are starting right on time so that we can all leave at the scheduled time.

We are starting with Mr. Tomazoni talking about business strategy, and then André Menezes about the balance sheet and this quarter's results, leveraging, cash flow, liquidity and everything else, and that Márcio Nappo, our Sustainability Officer, will update us on the initiatives we have embarked on in the past decade basically, and the outlook, and then, finally, Marcelo Proença, our Compliance Director, will be making a presentation about what we've done in 2017 and the plans for the future.

But first, I would like to give the floor to Mr. José Mineiro to welcome all of us, the company CEO and Chairman.

You can speak into the mic.

Mr. José Mineiro: Good morning. Good morning everyone. I would like to thank you for being here and for the trust you place on the company. As you all know, we have a 2017 with good results and we hope, we expect 2018 will demand a lot of hard work, getting up early, and I hope we have good results as well.

I'd like to wish everyone Happy Holidays and Happy New Year, and once again, thank you for all the support and the trust you placed on our entire team. These results are the result of all of the hard work of this great team.

And I'm giving the floor is now to Tomazoni. Good morning everyone. Thank you once again.

Mr. Tomazoni: Good morning everyone. Thank you all for being here this morning. We are all very pleased to welcome all of you, we hope this is going to be a very fruitful day.

Before I get started, I must say that when we look at the size of the company we can't systemically understand what the company really is. The competitive advantage of this company we haven't been able to detect them all in our results given the amount of M&A's we have been involved in, this is part of the company's track record, and only now we can again to see those positive results.

I think we should dedicate more time to every business we are part of. We are a global company, we have geographic and protein diversity, and that gives us a



relevant competitive advantage, both in our portfolio and also to mitigate risks for our customers.

One of our advantage is the structure we have today, we are organized by business unit, so despite this huge scale, we operate as a small company in every business. So, a large corporation that operates as a small entity because we are broken down into several units, and the people we have in our team are extremely skillful and knowledgeable in that business.

So, a small business with people that are experts in that segment, so the culture that we have in placing focus on the detail, ownership, determination, all this makes this company makes its focus in operational excellence.

So, we have gone through a silent transformation so to speak, from a purely protein-based company to a value-added company. So, that's the strategy, that's the way to go, and this should be proven when we show that broken down by business unit.

Here is our footprint: We are truly a global company. This is our revenue, but what we produce is not that different from what we see in terms of revenues, so Brazil would play somewhat bigger role, but, actually, out of our production, of our revenues, Brazil accounts for less than 25% of our business. So, the company has built this global footprint at the right time, businesses that were acquired were acquired by attractive prices when the real was overvalued, so it can rarely be replicated in the future.

This is the portfolio power, we are selling in China, but not only one protein, we sell 4, 5 proteins if you include added-value products. So, our market portfolio power makes a huge difference in the company's productivity.

Here is proof of the company robustness, the company led by our founder, the person who has just spoken, but with all the experience of the founder, but when you look at the bottom here those that actually run the businesses, those who operate the businesses, everyone has over 25 years of experience in this business, they all understand the operations deeply.

In order to be excellent in what you do you have to go down into the detail. Bill Lovette, Al Bayers, they have a track record in that industry. Bill Lovette family used to produce poultry when he was a kid, now that Wesley Filho is back in Brazil, Tim took over. Tim has a long track record in the beef, he worked for Smithfield and other important companies in this industry in the US.

We have a very experienced team, and that's the company's focus: to have people that are knowledgeable of that business to run that business, and the same thing applies to all the other members of the staff. And that's proof of the robustness of the company.

With all the noise we've been submitted to this year, the company is robust based on the results we showed in the previous quarter because that's the



structure: every business unit has an owner, and this owner knows what he or she has to perform. We have the guidance and focus and attention on the details.

What's our strategy? Our long-term strategy is to have a more added-value company with a strong brand. The company is being transformed into a food company rather than a purely protein-based company. That's behind our strategy, but here is what we are doing now, we have 3 major focuses: cash generation; deleveraging; and to reduce the cost of capital.

If I could summarize strategy into one word, that would be: simplicity. So, execution, here is what we are going to do to generate more cash. There are 2 focuses: one, cost. We must reduce cost to look for opportunities, to improve our operations for productivity, logistics, we have to be very good at what we do to reduce those costs; and we also have price to expand our margin. There is no limit there because it's connected to value. On the other side you have connected to the costs, grains and everything else, you have a limitation so to speak, but to add value it all depends on your creativity.

So, 2 focuses: to boost the added-value, for both processed food and also product in bulk, you have a seasoned or a prepared product, fresh products that you can put into the oven and other added-value products; on the price side, you have to have capacity and adaptability to manage the product mix.

We have to adapt, supply and demand applies here in several different markets, so we have an industry that will break down things, so our ability to manage, optimize, maximize every single element of that process is key to our results. That's why I talk about knowledge. How can you pull it off if you do not have people who are knowledgeable? Does who understand what they are doing? That adaptability to move from market to market, from one geography to another geography, that makes a huge difference.

So, here is our focus: product mix, okay, let's optimize the elements; and brands. And this is, once again, we are pointing out synergy, but there is an area on top of this slide that is directly connected to me: quality and food safety. We have hired Almanza because we are raising the bar in terms of quality, global sourcing, and a center for excellence and innovation. This is a global benchmark in every region.

We have a very well experienced team to run the accounting services on all operations so that we can identify opportunities, and there are huge opportunities. What I can learn from what's happening in the US, Australia and Brazil and of course promote the interaction amongst our staff. It's not a matter of copying that's it, people have to sit down together, discuss the process in detail and then a new idea can be created, only when people share their experiences in trying to identify opportunities.

So, this is what synergy is all about. Again, focusing on efficiency, reducing costs and boost innovation.



Deleveraging. I'm talking about debt vis-à-vis cash generation. The word here I'd like to use is "Capex discipline". We are going to use every possible resource, but rigorously selecting investments. Of course, quality is number one, we have to pay attention to compliance, the environment of course, but innovation is key for growth, and some activities to complete our mix. So, we are going to be very disciplined in using the money, and we have idle capacity in several of our operations.

Working capital. How we manage the entire year chain, the inventory and to monetize our tax so we can free up some capital from our operations and we have to have discipline in spending that money and, of course, focusing on cash generation.

And yet another focus is to reduce the cost of capital. Our capital structure today does not represent what our operations stand for. As you can see, it is a global company, indeed, very often we are regarded as a Brazilian company, and only 24% is in Brazil. So, we have to have a capital structure that represents the company, and that makes sense to all of us to have access to international markets, that will help us dramatically to reduce the cost of our capital.

Let me talk about each of our business. I'm not going to discuss them in detail because we have just presented our Q3 results, I just would like to remind all of you that and I'm talking about Seara, it's a Brazilian business for processed food poultry, swine or pork rather. Sales is 17.7 billion, 71,000 employees and there is an important poultry unit and pork unit. Seara is a company put together based on several acquisitions, so there are still future opportunities to optimize its footprint.

Let me talk about Seara. Well, I'm talking about grains now (is also true for the US), there will be a very balanced supply and demand, carryover, stocks will be very comfortable, both in Brazil and Argentina and in the US. We don't see any major changes in the near future.

Corn, 3.4-3.6 a bushel of corn, corn, meal... so nothing will change in the near future, except we have major environmental changes, but there is nothing on our radar.

Poultry supply will be controlled, consumption is peaking up in Brazil looking at exports because Seara has 2 parts, 50% of its sales is from exports, one of the biggest market is China, there is an USDA forecast that will reduce their production because of chicken flu. Based on forecast, we have to produce 60% more protein by 2050, so protein consumption is on the rise all over the world.

So, here is Seara's strategy. I will be talking about that in another slide. Seara is optimizing its assets, we are adopting the partnership strategy, we are not opening up our own distribution, so we are adopting the strategy of having strategic partnerships, so things we've done in the past then you can have



lower inventory levels and you can be part of the value chain downstream, provided that you have that strategic partnership in the long run.

I wanted to put this slide on because I think it summarizes... you don't have that, I was looking at it, I'm going to include this slide here because it helps you understand it. What is Seara's strategy brand? Seara has regional brands, so Seara is made up of several companies, so there are several regional companies, you cannot simply do away with the original brand because you affect sales, you purchased an asset, but as time goes by you focus on transferring original brands under the Seara brand.

This is a long-term process. These brands are not our focus, so when you reach the ceiling of that category you replace a low-value brand with the higher-value brand. So, this is for both premium and mainstream. So, when demand peaks up, the economy is on the rise, we want to take part of that market with that premium brand. So, our focus is to upgrade the brands, for both brands and categories.

Our focus is to introduce more added-value products. We are not reducing prices, we want to boost our average price. Many of the things that have happened are the result of acquiring customers preference and to boost its distribution focused on quality, our products have to be the top product in the marketplace, continuous monitoring so when someone purchases our product they will purchase it again almost 80% of the times.

So, we are increasing our penetration. Today is not in 100% of the homes, we are at 75-76% of households. So, once those that tries it repurchase it and all of course there is market share the company has managed to acquire.

We are increasing prices, you've seen in recent results, we are focusing on increasing our average prices and they have been on the rise, we've been doing that in several categories and some of these categories we can have a very good performance.

So, very simple strategy: keep on doing what we have been doing. This is just a matter of execution. Nothing new under the sun.

If you are familiar with the recent introduction, investments on value-added product and new technology for one of our facilities, the heat is scattered throughout the tray, so it's better for the microwave.

The other unit is called JBS Brazil, it's a combination not only from beef facilities, we have the leather, bio diesel, a key facility, several businesses created by JBS or that came from acquisitions we operate, and they all have synergy with our business. We have 48,000 employees and net revenue around R\$25 billion.



I would like to talk about beef in Brazil. What I talked about Seara is also true for the beef department, our cattle raising production is very positive in terms of supply and exports are also peaking up. So, it's a positive market outlook.

Here is what we are going to do: this is the unit that was impacted the most due to recent developments, we are giving to recover the share that we had in Brazilian market and also in exports. This is our focus. We are going to get back on track, we are going to restabilized production levels back to historical levels we've had in recent years. This will bring us scale gains, we are going to introduce added-value products, the top 3 beef brands are ours, Maturata, we are running TV ads, so we are focusing on added-value and convenience, and we want to differentiate ourselves in the marketplace through quality in service level. Once again, here is just a matter of execution.

Let's talk about beef production in the United States. This is a mega business, we have 36,000 employees, net revenue of US\$21 billion, and I'm not referring only to the United States, in this business unit we consider Canada as well, we have 4.2 heads being slaughtered and, of course, everything is considered as a whole, leading to this US\$21 billion in net revenues. Yes, we turn to dollars now in terms of denomination.

I will talk about beef in the United States, and the situation there, the picture, is no different. We have a very positive cycle of supply of animals, we believe that the peak will take place around 2021 or 22, so it's looking pretty good and it's going to be like that in the future as well.

The industry has unlimited potential for growth in the United States, and of course there is a restriction in relation to manpower, and the market is buoyant, we see an increase not only in per capita, consumption, and also in exports that are very robust, growing over 10% in this year alone.

So, the outlook in the foreign market is very positive, the internal market is going strong, the supply of animals and we see restriction in the potential for growth in the industry. So, we believe this will be a wonderful moment for the business in the United States.

And as for Australia, we believe things are looking tougher, but in the second half of 2018 there is the possibility of a change as well.

So, what about our strategy considering the positive outlook that we are experiencing? First of all, we have a very strong program of strategic partnerships, and we believe that this is the path we have to pursue. We are strengthening this partnership and increasing their number and also focusing on higher added-value products. I will show you in a minute, our efforts in that regard, and also our efforts to make our mix more diversified.

Today we are operating in the markets with the focus of becoming the best operator. This is the model we follow in all of our units, it's embedded in our



strategy, and it's our life model becoming the best operator. It's a very simple strategy.

And in the United States we are seeing some improvements in the beef segment and we still detect an opportunity to increase our revenues by US\$100 million next year.

As for Australia, we have an opportunity to develop higher added-value product sales in Australia and also export for Asian countries, especially Japan.

This is an example of our product mix. So, once again, diversified mix and higher added-value, this is the strategy we follow in the United States and we see in Australia Pilgrim's launching several added-value products there as well.

We have also our pork unit in the United States, restricted to the United States in this case, we have just completed the integration with our Cargill operation, we have 90,000 hogs per day in the United States, which is very relevant, with 11,000 employees and net revenues of US\$6 billion. This unit is focused on added-value, not very long ago we had the acquisition of Plumrose and the objective was to transform fresh products into processed products in fact.

What I was saying about beef as protein and its growth is also valid for swine and poultry, we've seen increase in per capita consumption, and in the United States we count on another competitive advantage, because it's the lowest swine production costs worldwide.

So, this location enjoys a very important competitive advantage and we see an increase in slaughter houses in the United States, but keeping up with the demand because this is being done mostly by producers that are already out in the field, so soon we will reach an equilibrium and we are focusing on added-value products, so we are investing in Research and Development and in improvement of our operations. What I said before is valid for the rest of the world.

And by referring to added-value products, they are fresh products with higher added-value. We have several products that enhance the convenience and also are very easy to prepare, they can be put in the oven directly.

And Plumrose is still a small company with revenues of US\$500 million, representing less than 10% of our business, but they focus on higher value-added products. The acquisition was done this year, this is the year we, in fact, completed it and it'd still being integrated, and from this on we will be able to build our processed food and swine business in the United States based on this acquisition. They have 5 prepared food plants, they are state-of-the-art facilities, and from this solid base we will be able to build our business in that area in the United States.

And lastly, we have Pilgrim's to talk about. We have, of course, poultry and processed chicken products being produced in the United States, Mexico,



Puerto Rico, the UK and in Continental Europe. In fact, in Europe we have other processed food, such as nuggets, hamburgers and etc. This unit has net revenues up US\$10.4 billion with 59,000 employees and the plants are spread, as you can see, throughout the United States, in Mexico, as well we have one facility in Europe.

Well, this unit was made through the acquisition of Moy Park by Pilgrim's and, in fact, we have an extensive brand portfolio. Once again, as I said, the grain outlook is looking very positive, we see consumption growth also from food service and retail in the United States. In Mexico, we see high protein consumption as well and, of course, there is a certain competition between the different types of protein, but we believe the chicken is the protein that will grow more modestly next year in the United States.

And where does Pilgrim's focus lie? It's on brand. Pilgrim's used to be a purely commodity company, they acquired GNP, which was also a brand of chicken company, so to transform this brand in the nationwide chicken brand and once again we're looking at the very high gross in organic products.

Pilgrim's has just set up a new plant, I think it's the largest organic product plant in the world, 440,000 chickens a day with several partnerships. Of course, they are trying to explore this niche with the advantages of a strong brand and also operating in added-value products, and we expect very high growth over 20% in the aggregated businesses at Pilgrim's. So, as I said, United States Mexico and Europe.

Before I mentioned the restrictions on labor, since Pilgrim's uses labor more intensively than in other of our businesses, we are trying to automate as much as possible so the company can continue growing as planned.

Well, the image is a little difficult to see in Mexico, the brand is Pilgrim's and the focus is on processed products, and Mexico has the live bird market as well and also modern retail, so they are doing a change, just like in Brazil some time ago, you know, in fact, Mexico is what Brazil used to be, so there is the possibility to build stronger brands and retail there.

When you consider, for example, dairy products, it's a very highly developed market, but in poultry it's still very primary and incipient. So, Pilgrim's believes there is a huge opportunity for strengthening brands in retail.

And as I said, we are trying to make this national brand in the fresh chicken market, and once again, we have all those products I mentioned before. And in Europe we focus on high added-value products.

All of this will leverage Pilgrim's ability to introduce innovations that are used in the British market and transfer those to the American market.

This is what I had to share with you. I would like to stress that these results were made possible for just one reason: because we have an extraordinary



team. In addition to our leadership, our team has shown fantastic resilience, and our culture and determination, this ownership attitude has really made the difference for the company.

Our team has shown that they are able to overcome difficulties and the market is at a very positive time, we are outperforming other players in the market, and we believe that this is a situation that will persist, in fact, it will increase our margins and also our revenues.

André, I'll turn now to André who will discuss our earnings.

Mr. André Menezes: Good morning everyone. Some of you have seen these slides at our recent call, but it's important to go over them again for those who haven't seen them.

I would like to start with our consolidated operating highlights, starting with net revenue. In 3Q 17 we reached R\$41.1 billion, in instability in comparison to 3Q 16. It's worth mentioning that in this quarter, in the comparison, the real appreciated by 9 cents.

Moving on to gross profit, JBS gross profit in the third quarter reached R\$6.9 billion with a substantial improvement in gross margin, up from 13 to 17.7%. And breaking down this into business units, all business units, especially those located in the US, grew their gross margins in the comparison of the 2 periods.

So, once again, driven by an increase in consumption per capita consumption, stable prices, all of this have increased our gross margin, and as a consequence our Ebitda was of R\$4.3 billion. If it's not the highest, it's one of the highest in the last quarters and with expressive growth in Ebitda margin, up to 9% in comparison to 6.6% in 3Q 16.

Our net income was R\$1.9 billion not considering the effect of the tax regularization program, to which we adhered in the first half of the year, and this represents 27 cents. And if we exclude this effect, of course, the reported net income was 323 million with earnings-per-share of 0,12 cents.

And another very important highlight in the quarter was operational cash generation, which amounted to R\$2.8 billion, almost twice as high as 3Q 16. Once again, this was driven by the very favorable performance of our operations. In Seara, for example, they are now going back to the historical margin levels they had enjoyed, and we had a wonderful performance.

In terms of free cash generation, R\$3.2 billion, even better and, once again, with the impact of the sale of our assets in Argentina and Paraguay.

In the next slide, slide 27 if you are following through the webcast, we see our debt profile and leverage. There was a reduction of almost R\$5 billion in net debt, leading to a deleveraging of 4.6 times in the previous quarter to... that was very important evolution and that was the result of better results and better



Ebitda in the period in all of our operation units, and cash generation that was very relevant to drive deleveraging, and by the reduction of our debt, especially short-term debt, and here we see the impact of the exchange variation in comparison to 2Q 17.

And at the end, our cash was up R\$14.1 billion, if we consider also the lines we have available, especially in the United States, our total liquidity increased to 17.4 billion, above our short-term debt.

Finally, we have a slide on the debt profile. When we consider our debt according to currency, 94% of the debt is nominated in US dollars and with a cost of 5.21% a year, and in reais this is below 10% a year. When we breakdown by company, most of the debt is sourced by JBS USA and the rest is shared between JBS S/A and Seara.

An important point is that we see a change in the profile, the beginning of a change in the profile, when we consider short-term debt it represents a 30% of our debt historically, and in this quarter it's down to 27%. This as a result of the reduction of short-term debt, something that will be emphasized in the 4Q with the addition of some of the assets we have invested in.

With this, I'll handed over to Márcio, who will talk about our progress in sustainability.

Mr. Márcio Nappo: Good morning to all. I am Márcio Nappo, I'm Sustainability Officer for JBS, especially in Brazil, and in the time allowed to me I would like to give you an overview of JBS sustainability agenda and how we have been handling this issue in recent years.

I think before anything else, as you all know, sustainability is a cornerstone of all major global companies such as JBS. This is something that has been gaining more relevance, and for JBS this is a very central part of our business, we focus on sustainability in our activities.

First of all, I think we should define sustainability. How does JBS view it? As I said, JBS is a global company with operations spread throughout the world, and as such, we have a global sustainability agenda. When we consider sustainability considering these different geographies we operate in, what we know is that we have 5 main areas that are deeply connected with our business. Sustainability for JBS means to work on a daily basis to improve employee health and safety. As we have said before, but we have over 300 plants, so this is a central issue, something we have been working on to adopt the best health and safety practices.

Another very important point that has been gaining a lot of attention, especially from consumers, is animal welfare. JBS is a protein company, our main raw material are animals, so this is something that we give great importance to in our business.



Another very important issue for the food industry is water management, the use of water resources. Water is used for cleaning our plants at the end of the day, so this is also something that we take into account.

Finally, we have product integrity, and here we are referring to our main products, and this has to do with relationships with supplies and also food safety and also a guarantee of origin.

And finally, there is also climate change to think about. All you have to do is look at the newspapers and you see that it's on the headlines. This affects businesses that work with natural resources and agriculture. Once again, it is central to our business.

So, these 5 main areas I have described led to discussions that took almost one year and a half with our employees and external suppliers so that we can really focus on the high impact issues for our business, and that have also importance for our global stakeholders.

Since we cannot address every topic, I would like to focus on product integrity. As I said, we are a global company following a global strategy and with a global vision, but everything has to be translated to the local sphere.

In Brazil our vision of product integrity is based on an integrated, holistic vision trying to bring together several departments under the same vision. For us what we want to offer is progress with a high-quality level that provides food safety that ensure animal welfare and that are also traceable.

Once again, I will limit myself to social and environmental sustainability in the name of time. Very well, so I will concentrate on beef operations. Beef is one of our major lines of business in Brazil and it's something where sustainability is critical.

JBS believes that you can work on protein markets in Brazil and to produce high-quality beef sustainably. As part of this strategy, we developed a procurement process, the procurement of cattle process that take into account environmental criteria, and since 2009 we have made a public commitment to buy raw materials only after the verification of 5 criteria.

We don't buy cattle from farms that are involved in the deforestation of the Amazon, and after 2009 this is very important criteria, zero deforestation. This is a very important trend in global markets, so you don't have to cut down trees to increase your farming areas and to increase cattle production. So, we never buy from areas that have been involved with deforestation in the Amazon biome after 2009, we don't buy from forest that use any labor practices analogous to slavery or they are located on the indigenous lands or environmental conservation areas, or that face any environmental embargoes.

The key point is that each JBS beef has over 17,000 suppliers of capital. We buy cattle every day, between 30 to 35 heads to feed our operations, so we



have around 35 of those procurement points, and this of course represents a challenge: how can we buy raw materials with the certainty that all farms and suppliers are in line with the sustainability criteria we use?

And to meet that objective, since 2010 we have developed a geo-monitoring system, social and environmental monitoring system, that checks the conditions in all of our farms. So, every day we revisit this registration of 70,000 ranchers to check whether they are fulfilling the responsible procurement criteria and to see if there are any suppliers that are non-compliant with the social and environmental criteria.

The system is very robust, it's state-of-the-art in terms of technology and geo-processing, we use satellite imagery from all farms, especially those that are located in the Amazon, so that we can check if they are cutting down trees in any parts of the farms or if they are in indigenous lands or conservation areas, and besides that, we also use information provided to the governance in relation to illegal deforestation.

This a screenshot of the system, as I was dating, the yellow line shows the boundary of a ranch that supplies to JBS, and the deforestation areas. We use official data with statistics about deforestation in line with Brazil's commitments in the area of climate change. So, we use daily analysis for 40,000 suppliers based in the Amazon and we cover 60 million hectares. It is one third of all pastureland in Brazil, and probably I believe it's the highest scale and highest technology system of this sort of being used in the planet.

When you visit Europe and you talk to clients, just to give you a little taste of what I am saying, you know, it represents over 400 municipalities where we have supplier that are checked daily to really make sure that there are no environmental noncompliance issues among our cattle suppliers.

And another important part of this sustainable commitment is the publication of an independent audit, just like we do with our financial figures. It is an independent audit that verifies whether we are fulfilling our public commitment in relation to deforestation and verifies the integrity of the database and if the automatic block on suppliers that are noncompliant is working properly.

In the last 3 years, in fact, in the last 4 years that we have had these audits... by the way, the audits were developed together with the support of an organization called Greenpeace, and that of course advocates zero deforestation, so every rule was discussed in depth together with the reference term that is used by the auditing companies. And in the last 4 years we have published our report in Portuguese and English and we have been getting scores over 99.9% in conformity.

On the right you can see the number of cattle purchases, it is a 10% sample, there were over 9000 purchases, only 3 cases were nonconform, so almost 100% conformity in that responsible raw material purchase as the result of this system to make sure we have responsible purchases throughout the supply



chain. JBS is the world benchmark to run social environment practices. We've had very good results, almost to 100%, we submit sustainability information to several international platforms. One of them is called CDP.

CDP is the most important corporate data base. This is a screenshot from that website, but CDP states there are over 5600 companies that report sustainability data, greenhouse, gases mission, water consumption data, and forced policies to fight deforestation in tropical forests.

The top 100 companies in that platform have a purchasing power of US\$2.7 trillion. Every food company is part of that platform, the number one consumer of that information is the international financial market. Sustainability is a risk for the business and it is part of the risk calculation on the part of investors.

When it comes to forests and deforestations, companies are assessed based on 4 commodities: pulp and paper production, palm oil, cow and soybeans. According to the CDP, their recent ranking published in 2017, consumer sample JBS ranks 6th in the world to have a policy to fight deforestation within its supply chain. JBS ranks better than companies that are considered benchmark in sustainability, Nestlé, and even some British supermarket chains that are very active, Marks & Spencer is at the 17th position.

The top 5 companies are not processing companies per se, they are more retail-oriented. And why am I pointing that out? Processing companies have direct contact with suppliers. So, these are the companies that can actually change their markets. It's more difficult if you're closer to retail.

So, we are at the 6th position. Again, according to CDP, JBS is number one in Brazil in terms of responsible raw material purchases, so you prevent deforestation and other environmental related problems.

So, this is a well-developed process, independent auditors' results are very favorable too, our performance record is outstanding, and we have been recognized internationally for performing very well in that regard.

Let me now talk about Seara. These are what we call "white protein", chicken and poultry... chicken and hog, I'm sorry. So, this is one of the global indices, as you move to a different business, things have different weights, when we talk to white protein, chicken and swine, animal welfare is the most important thing, and society demands better production systems. We move away from extreme confinement so that you can improve animal welfare.

Both Seara and JBS decided to transform our entire production system, we now have collective gestation cages of hogs, so we are no longer using individual cages. The ramp-up starts in 2015 so the transition will be completed by 2025.

From the very start, 40% of our production system used the collective gestation cage in 2016, the forecast was 43 and we managed to do it. 46% in 2017. We are aligned and we are going to meet that target for 2017.



My final slide again on animal welfare for chicken, cage-free eggs is the trend. So, broiler chicken will have more freedom to move about, and again, Seara and JBS will have the transition completed by 2020.

Of all the top corporations have the deadline in 2025, we are going to do that sooner, in 2 or 3 years we will have completed that transition to improve animal welfare.

That's all I have to say. I will be available during the Q&A.

I will turn over to Marcelo Proença, who will talk about compliance.

Mr. Marcelo Proença: Thank you for inviting me to this meeting. This is the first time we are externally announcing what we have been doing in recent months as far as compliance goes, so we had to announce that publicly now, it's very important to us, and this meeting is very timely therefore.

I am Marcelo Proença, I'm the Global Compliance Head as of late June this year.

I'll briefly describe how important compliance is to our company. It is important to have a robust to prevent all the risks associated to not having it, then I will be talking about the pillars of the programs, what happened in 2017, our measures we are taking, objectives for 2018, and finally our message to describe how important the Compliance Program is.

Alright. When we think about compliance in something that is mandatory or good to have or must have, should it be taken seriously? So, we have been talking to everyone about it in the company that whether it is mandatory or not, due to the turning of state's evidences, we all know that Compliance Programs are indispensable so that companies are more perennial and more competitive. And why is that? Because a Compliance Program is preventive, and I stress that, "preventive".

Compliance is preventive work in every responsible company, both economically and socially, and why is that? We take into account several issues. When you consider that irregularities, wrong doings, unethical conduct can happen, I am talking about moral laxity. So when you think that laxity, empirical studies indicate that morals and ethics are not that rigid, and once companies are held accountable by whatever their employees and third-parties do, so I consider that society has that moral neglected or neglectful and regulations are not that stringent but they are becoming more and more stringent to hold companies accountable for whatever its employees do, and even third-parties, third-parties do on behalf of their company throughout the entire production chain and I have world regulation that encourage plea bargaining or turning state's evidence in which you can more easily investigate and prove wrong doings, something has to be done.



I again, there is moral laxity. A company does not speak, it is an inanimate being, I have third-parties acting on behalf of the company, so I have moral laxity and companies are more and more responsible for whatever its employees and third-parties do, and all the incentives you have for turning state's evidence throughout the world, something has to be done if that company is indeed responsible social and economically.

What does that mean, in a nutshell? Well, if wrong doing can take place, if I can easily prove it and more responsibly on the part of companies, I have to have preventive measures in place, and preventive measures that can deal with the problem. So, we need Compliance Programs, not only in JBS, but we need Compliance Programs that will discourage or prevent that unlawful conduct.

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We need some compliance structure that will prevent or even... or at least discourage unlawful conduct. We need a Compliance Program that is robust, with a clear indication and truth recognition that that cannot be done. And if it is, the likelihood of finding it, improving it is huge.

How do you do that? I need investment to improve control systems within the company, I need company policies, those that have variable pay should not be calculated based on the economic result only. Of course, it is important, but that variable pay should be adjusted whether it is compliant or not.

I have to have some security, I have to make sure that if wrong doings are conducted, it will be investigated. I need channels for reporting internally and externally, to ensure anonymity, non-retaliation, and etc.

So, this is what I am trying to say. We need something so that Compliance Programs are effective, being preventive. I am giving you three examples: variable pay; report channels; effective internal controls and so on so forth. But the second remedial function for that preventive aspect of Compliance Programs is: once a problem is detected, they should be addressed immediately and internally we should prevent scandals and preventing the company from incurring in further problems. We need to implement effective reporting programs or whistleblowing systems, something that can actually prevent immediately. The remedy should yield results instantly. I have to have Compliance Programs with that preventive nature.

Having said that and once again taking into account that preventive aspects of compliance, here is what we have been doing in recent months. We have perfecting several pillars of what we consider to be an effective Compliance Program.

"Training and Communications", I will be showing you all the programs that we have developed in the past four months. I am positive that no director is not aware of what compliance is all about, how important it is, what its role is, and how to create robust and effective Compliance Program. And not only that, they



are all aware of how competitive you can be once you have Compliance Programs and it can ensure the life of the company.

“Third party due diligence programs”, so we have to have effective control of third-parties we hire, and we are going to talk about due diligence in a minute.

We have to pay close attention to both, internal and external control systems to reduce risks of unlawful activities; whistleblowing channels; risk assessment; leadership governance; assessment and discipline. When I am talking about assessment, including Compliance Programs, so we have to have permanent assessment discipline to perfect the entire program.

I could discuss each and every pillar, but I am sure that it is going to be easier to describe them in the next slides.

These are recent events for 2017 that are worth mentioning, so it has to do with all the measures taken by JBS in 2017. In May there was a plea bargain agreement announced, J&F signed a lenience agreement with the Federal Prosecutor’s Office preserving JBS from any responsibility or financial impact.

Given this agreement and the perspective of having JBS becoming benchmark in compliance, I was appointed on June 14th Global Compliance Director, we also hired White & Case, an American law firm, with a global footprint to help us perfect our Compliance Program.

Soon after, JBS announced the creation of Committees (Governance and Related Parties) supporting the Board of Directors, and we have introduced, or we introduced back then “*Faça Sempre o Certo*” Program (always do the right thing). It is directly connected to the company to help us guide through. There is a logo with a very clear indication of what it was all about.

Back in July we celebrated, we signed agreements to preserve our credit lines to ensure its financial liquidity and to bring our operations back on track, and we held a meeting with the entire senior management a month after my appointment, so we had a clear view of what the situation was. So, we had that meeting with the senior management on July 25th, what we call the “C-level” group of executives, “Tone at the top or tone from the top”. There is no Compliance Program that will survive without the full commitment of the senior management, and we had that commitment taking into account every best practice throughout the world, not disregarding our creativity, our hard work to come up with this excellent Compliance Program.

Back in July, August and September, we talked to 600 people, describing what compliance is all about. Why? What is the preventive function of compliance? How can it help in being more competitive? To maintain the economic profitability whilst keeping track of social responsibility, our involvement with staff and communities where we operate. We conducted meetings with these people day in day out to explain that to the company at a very critical time, as you can see. We tried to instill that believe in a very good Compliance Program,



but knowing what effective and effective... efficient and effective compliance Program is. Not compliance for compliance sake, as you often see around there.

And almost at the same time we conducted a training program with all directors in Brazil. We conducted training programs with almost everyone, only 2 were absent and I will explain why, but every director attended it and even our expats. Again, we talked about the role, the relevance of compliance, but we also talked about what is an effective Compliance Program.

As a result, they have been trained on anticorruption, antitrust, money laundering, labor compliance, harassment and conflict of interest. This training program has been replicated in some units with local leaders on every beef units, Mato Grosso, Campo Grande, Mato Grosso do Sul, they have been comprehensively trained, and we did that with the supply leaders in Southern Brazil.

And I would like to point out that last Monday we introduced a new whistleblowing line. This is very important. After 3 months we have this new report line this is for... this is conducted by a third-part, 7 days a week, 24/7. You can submit your report in 3 languages in writing (English, Spanish and Portuguese) maintaining or guaranteeing anonymity, and over the phone you can add documents, evidence, and the whistleblower can keep track of how that report is being treated.

Having that channel would not be enough, so we have very outright communication of this new tool. It will guarantee anonymity. We also developed specific policies to deal with that channel. We have a system that will not differentiate who the person... who the accused is. So, there is a report, a probing, investigation, who is in charge and everything, the follow up. And we had another policy that will regulate the Ethics Committees, and I will be talking about them shortly to address these investigations.

In practical terms, those were the events in the area of compliance. And being more specific about how we have structured the Compliance Program at JBS, allow me to say that I was hired, and I am now, as Compliance Officer, I am not under any of the C-level centers, I report direct to the Board and of course this gives me a great deal of freedom.

The compliance team was reinforced. Ricardo, Andre, please raise your hand, he is the compliance manager. We also made a new hire and we welcome these people into the company, and we had also to reinforce our team to strengthen the Compliance Program. Then we had the meeting with the C-Suite, where we communicated and obtained the commitment of these officers in support to the Compliance Program.

So, the event "Talk to Compliance" was held in July and 600 leaders at corporate headquarters participated. There we communicated all the restructuring of the compliance departments and discussed roles,



responsibilities and other aspects. Later we had the replication to all the business leaders in Lins, the town of Lins, at the end of August or mid-September, I cannot recall the date exactly.

Another important activity, we made an assessment of possible conflicts of interests. This is a very sensitive issue that has to be properly addressed. In some cases, there might be conflicts of interests and we need to map those instances, we have now the almost full map for the C-Suite and then we have to go down to management and also check other important professionals in the company.

After the map is complete we will be able to address any potential conflicts of interest in the company, and we hope to finish this by the first half of 2018. It is not so easy because involves surveys, questionnaires, etc., but we will finish as soon as we can.

We also started collaborating with Transparency International, providing them with important information so that they continue to publish the transparency index in corporate reports, which is one of the most important tools in the area of compliance.

So, now that we are refining our Compliance Program, we reached the decision that Ethics Committees should be set up. So, considering the size and the global exposure of JBS, the Ethics Committee one single would be just not enough, it would be overburdened with too many issues relating to ethics, compliance and integrity. As such, we decided to form 6 committees. For example, we have one for Beef, one for Seara, Leather, New Business and Swift, and a Corporate Ethics Committee.

These Ethics Committee... in this ethics we have always somebody from the Business, from Compliance and from Legal sitting and they will be closely involved with the reports they received in their specific areas.

So, in addition to these six ethics committees, we believe that we should have an overarching Ethics Committees. This overarching Ethics Committee, here one, it would not be formed by 3 members, but rather 5 members, including Legal, the CEO, Compliance, Managements and Control, and for that specific Ethics Committee, what we see as a role is the discussion of gaps in policies and also the application of punitive measures for the most important reports, those that involve, for example, misconduct, environmental misconduct with effects throughout the country and others with more sparse effects. Here as an example, for example, we have corruption, environmental issues, labor issues, also with sparse effects in the organization.

Still on the topic of structuring activities, and even being redundant, we will broadly extend communications on compliance through all hierarchical levels. We have also some compliance notes, you will be getting those notes and communications every time you open your computer. They are just little reminders, for example, what happened that week, what were the compliance



concerns, what are we reading in the news, not in relation to JBS but in the topic of compliance and ethics.

We have to be continuously attentive. It is going to be a very broad communication program, and this is something I have been witnessing every day, they... you know, people say “Wow, we will be getting that e-mail very soon about compliance”, because compliance is culture, and this is how you go about changing a culture. I spent my whole life, when I was little, my mom used to say: “don’t drink from a stranger’s glass”. I didn’t know why she said that but, you know, after 20 or 50 e-mails, people understand that compliance is a way of life.

In relation to third-party due diligence, it is a frenetic rhythm of onboarding new suppliers. As my previous speakers have said, we have such strength, so many talents in the company and this creates a frenetic rhythm, new people being onboarded, new registrations being made, we have thousands and thousands of records every month, and of course, it is a huge task to do the third-party due diligence of all of those partners.

And we believe that... we thought it would be necessary to count on the support of a third-party, so we hired Deloitte to review all of those records and to perform the third-party due diligence, and we believe we will be able to complete this on a timely basis in the first half of 2018. And even with such a small team like we had before, we were able to complete 1116 due diligences on individuals and some entities. Still not much, but it has been done very thoroughly.

Ok, when I... after my joining of the company, I was able to review fairly well drafted policies, some that needed yet to be created and others that needed improvement. So, we have been reviewing these policies. We have approved some of them and we are working on a few. And we are expecting that some policies will be announced early next year, but on a global basis. Today each country has a code of conduct, and we believe that to really raise awareness about ethics in the company, it would be very relevant to have a standardized manual.

Then we have other policies on consequences, investigations of complaints and committee guidelines. At the Ethics Committee, we are working very hard to create a policy of variable pay that is linked not only to performance but also to the compliance track records, participation in training sessions, dissemination of culture within the company, and we are also reviewing together with the global corruption policy.

In relation to controls, we have changed some procedures applying to donations and sponsorships. We have analyzed 225 donations and 30% of them were rejected from July to November 2017. And in terms of controls, we have blocked in the company’s systems all of those parties that had their names revealed in the lenience agreement and annexes. So, all individuals and corporations mentioned have been blocked.



In the last few weeks and months, we gave training to 30 employees. They will be investigators, internal investigators at the reporting channel. They will get the claim, they will give follow up to them. If they decide that the claim should be investigated further, we will have 30 investigators, people from Legal, Compliance, Internal Audits and Human Resources, in each of our businesses. And depending on the report, an investigator will be appointed, and he will have a deadline to complete the investigation and draft the report that will be submitted to the Ethics Committee in the regular meetings, either on a monthly basis or not, they will evaluate the report.

And as a result of this 7 Ethics Committees (1 from Business and 1 from the overarching Ethics Committee), we had training session on the internal statute of these trainings and how they should act and play their roles.

Well, those were the measures that I thought worthy of your attention, and I emphasize the importance of communicating our Program Compliance. So, what about the plans for 2018? Much of what we have developed was done in collaboration with our foreign units and we have to roll out the Compliance Program to all other units, not only to have a standard Compliance Program, but also to minimize exposure of JBS global in relation to compliance. And in the first quarter of 2018 we expect to replace the code of conduct of each country by a global document.

As a matter of fact, this document is now ready to use. Something we did in support with our partners in the other countries, it's now being discussed. There are still a few comments and inputs that need alignment and we believe that this will be ready in the first quarter of 2018. We will extend and improve third-party due diligence with the support and consulting provided by Deloitte.

In early 2018 we will launch a Global Training Program. Now that we have a well-structured compliance team, we know what is the schedule of training programs that is needed and the people who will be involved, the periodicity of the training programs. We will also estimate whether these programs are being effective, so we already have even a schedule and a list of participants according to the topic.

But if the program is applied and it is deemed ineffective, we will do the necessary adjustments based on the risks we have detected and the reports we have received. Training is one of the pillars of the Compliance Program. We need everything in writing, we need a clear description of everything that can and cannot be done.

However, if the effect of the Global Training Program is considered insufficient because we keep on getting claims and reports, we will take that into account. And regardless of any report, if we see that are irregularities occurring, it's this continuous monitoring that will enable us to organize the Global Training Program in the best way possible.



We will continue to extend and improve our communication strategy on compliance, disseminating the important topics in the company. Depending on the possible irregular conduct report that are received in the whistleblowing channel, we will also try to improve the different controls that perhaps have failed. It is a daily work that we have to do, we have to monitor any irregularities and compliance should then address the control.

And in the company, we have investigation of misconduct relating to facts that occurred in the past. So, the findings of all investigations, in addition to the blocking of the 160 names that were mentioned in the lenience agreement, we will be able to once again prevent that this misconduct that happened in the past reoccurs.

All of this will enhance the preventive power of our Compliance Program, and in 2018 we have to start monitoring our Compliance Program, this will be in the hands of third-parties, and additionally, if it's being useful to avoid risks, or if there are any failings and course adjustments needed.

In 2018 we want to improve our Governance, that is, the communication between Compliance, Senior Management, the Board and our Governance Committees or committees that support the Board. Communication should flow effectively and freely. This is what sets the tone at the top, this is what will demonstrate that compliance is for real, and that we will be intolerant of any transgressions.

And the final message that I would like to leave with you, ladies and gentlemen, this is a clipping from IstoÉ Magazine: Control and Compliance, they are the basis to stablish more transparency, more stability and to make companies long-lasting. In such a risky business environment, improving risk controls and compliance controls is a must. So, this is what I said in the beginning: compliance is a necessity. It is a competitive edge and also what will ensure companies have a long life in activity. Something I have reinforced in my communications as well is that to have long-life companies must have solid Compliance Programs.

JBS is a company that is exemplary in almost everything it does. If it wants to be long-lasting and if it wants to be the subject of envy of all, it should not abstain from engaging in a sound compliance program, and we are feeling the pressure to make this compliance program move fast, pressure from the senior management and C-Suite.

Compliance is a topic for discussion in every meeting and every touchpoint, and this is the logo of our program: "Always do the right thing".

Thank you very much and I am here for your questions if you have any.

Question-and-Answer Session



Operator: With this, we would like to open the floor for questions. Thank you very much for attending and the presenters are here for your questions if you have and you would like to ask.

Ms. Daniela: Thank you very much, I'm Daniela from Merrill Lynch. I have a question about JBS Brazil. You were talking about recovering the domestic market, market share, and lifting production to historical levels. Could you tell us a little bit about your capacity? Because there was a reduction of 30 to 40% and we would like to see whether this makes sense.

And what's the progress outlook for next year? We see many smaller players expanding capacity, so I would like to know whether this attempt will not be a risk rather than something positive.

Mr. Tomazoni: Well, we have a benefit or something in our favor, the consumer. According to recent surveys, the 3 beef brands top of mind in Brazil are ours. So, considering the consumer market, we have this desire to buy our products.

So, it was not the demand of our products that was limited, it was our supply to the market. This is the first point. And this was the limitation, because we started buying our raw materials at 30 days, and this led to volume restriction in terms of slaughtering.

During this period, we maintained our installed capacity, we didn't close down any plants, and now we are finding a solution in the financial market so that we can have a term of 30 days for the cattle ranches and they get paid at a shorter term.

So, we will continue with a term of 30 days when purchasing cattle, but if they wish they can receive payment sooner. So, we are not saying that it will be a leap into the future, but we are actually very close to this going back to normal in slaughtering volumes, so it's not something abrupt, it is something gradual and that will happen next year.

Ms. Daniela: Thank you very much. May I ask a second question? In Seara you said in the third quarter there would be many promotions, and you are talking about introducing price increases, which is very positive, especially now the consumption is rebounding.

So, are you running fewer promotions now? And what about the Christmas sales? Can you give us a little flavor there?

Mr. Tomazoni: Yes, we talk about promotions in the second bimester, and in the third one we weren't able to introduce price increases because there were too many promotions going on. Now the market is much more disciplined, there was a problem with advanced shelf life, demand is picking up, and about the holiday season, well, we have to say that we are surprised at the performance,



in our planning the forecasts did not foresee the very substantial recovery in sale of seasonal products.

Mr. Victor: Good morning, I'm from BTG Pactual. In relation to your investment program, you have announced the sale of some assets. I would like to know about the negotiation of Five Rivers. Will you sell that specific asset? And also, what do you expect in relation to your debt level by mid-2018, when the agreement with the bank comes to an end? And what do you expect from July forward in relation to leverage and funding so that the company can continue to operate sustainably?

Mr. Tomazoni: So, there is 2 questions in one, right?

Mr. Victor: Yes, I'm talking about the stabilization...

Mr. Tomazoni: Well, Five Rivers, this negotiation is taking a little longer because it is not only a divestiture, we are selling an asset, but maintaining supply. So, the level of complexity is much higher. But we are coming to the end of the sale too, we are coming close to the last chapters.

About leverage, could you please repeat your question?

Mr. Victor: I would like to know about the stabilization agreement, it will end by mid-next year, so in terms of the balance sheet where will you be and how can you continue to operate sustainably so that you don't have, I don't know, any means to increase cost of capital in terms of debt?

Mr. O'Callaghan: In relation to leverage or rather deleverage (I believe this is a better term), in the third quarter we observed considerable improvement. Tomazoni was talking about the business units and we believe that this trend will persist into 2018, there is an expectation that these indicators will continue to look better in 2018.

We cannot say specifically, we cannot speak specifically or give you guidance on leverage levels, but based on the way things are going, we believe that we will continue to make progress.

Let me now talk about liquidity and the agreement. In Q3 results we have more liquidity than our short-term debt. As to divestures, what strikes the most is how fast we conducted several divestures, and that was positive, surprisingly positive, so we have a good environment to be a very healthy relationship with the tiger financial community.

Mr. João: Good morning, I'm João from Bradesco. I have 2 questions. My first question is about JBS Brazil. Now that you are getting back on track in operations, what's your long-term strategy in Brazil? Are you purchasing new meatpacking plants, or are you going to focus on your global operations?



And my second question is about the US. Is the IPO forecast for next year? What's the situation there?

Mr. Tomazoni: When I showed you our strategy, I talked about cash generation, deleveraging and reduction of the cost of capital. Of course, the IPO is one of the ways to address these goals, the IPO is, therefore, still part of our priority list. We are not giving any guidance as to when it's going to happen, this is one of the most important strategies to create value.

Mr. João: And my question about JBS Brazil, my first question?

Mr. Tomazoni: We have to keep what we have in Brazil, we are going back to business as usual. This is our focus in Brazil, we are going to keep on adding value to our products, we have products of higher value-added and brand, strengthening our brand. That's the strategy for Brazil.

Our growth will be the results of more add value, and one of the focuses is the US, with the acquisition of Plumrose that's the first step towards that strategy.

Ms. Luciana: Good morning, I'm Luciana from Banco do Brasil.

My question is about the performance in the US, the demand for exports. My question is about margins, 16.6%. Let me try to better understand how sustainable those margins are for Pilgrim. Can you talk about Moy Park performance, how it contributes to the margins and how is that integration going? What's the outlook in terms of synergy to help maintain those margins?

Mr. Tomazoni: We are not giving any margin guidances, but Pilgrim is a public company, we shouldn't be giving any guidance. The synergy with Moy Park is great for Pilgrim based on its new strategy to create more add value products, both UK and the US, that's the synergy we are looking for.

Here is what I can say about margins: we have a well-balanced market in terms of supply and demand of grains, there is no pression in terms of cost there. There is enough supply for product as well, about 2% I'd say. If you look at the growth of per capita consumption in the US and the populational growth in the US too you can make your projections right there.

Mr. Guilherme Haguiara: Good morning. Guilherme Haguiara, from UBS. My question is about the US as well. We've seen that the herds are growing, there is strong demand. I'd like to better understand how can that be a driver provided the margins are strong and Australia is bringing those numbers down. What's the projections for demand in the US for the future?

Mr. Tomazoni: Our take is very positive for the US market. The domestic market there has a very strong demand, and increase in per capita consumption (I read a report from Rabobank) the forecast is 2% increase of per capita consumption. If you add that to the populational of growth (I'm talking about beef) there is robust demand.



The cycle of animals is there, strong exports, and companies cannot expand, there is no labor availability for major expansions, they have room to do what they are doing right now. The way we see it, this business will perform very well in years to come because there will be a peak of supply of animals in the near future.

Mr. João Barrieu: Good morning. I am João Barrieu, from Goldman Sachs. I have 2 questions. Tomazoni was very clear when he talked about more investment and focusing in value-added, and that applies to all divisions of the company in every market it operates.

Can you give us some figures as to how much of that revenue are that volume that is already value-added and commodity? What's the breakdown, what's the focus for growth from now on? And my second question is about strategic partnerships for Seara abroad. Could you please elaborate on where you are going to operate, how you are going to go about that? Thank you.

Mr. Tomazoni: The value-added composition, is that a direct number? Because the destination varies. Is that a packaging or is it more convenient? Can it be considered a value-added product rather than fresh product?

So, the definition is depending on how you define it. So, we're being very conservative. It has to be marinated very convenient, it's not a matter of putting it on a tray and that's it. The number we had last year was more than US\$6 billion. If you are less conservative, the number will go up, of course.

We do not manage our guidance as a corporation, we manage the companies separately, so every company has one direction and one focus. So, the focus is the value-added products, so every company devises and implements its own strategy trying to detect opportunities. So, everyone has the same focus: value-added products. Period. That's the way to go. There is no guidance as to how much you can go or how much you can get at years-end. We set the direction and the businesses develop their own strategies.

Your question was about Seara if I recall your question. All right, that's it.

One of the markets we are interested in is the Middle East, there was a drop in that market, so when the market had very restricted margins, we reduced our volumes to these markets. We believe that commodity market share doesn't make much sense to maintain it when margins are comprised. If the market goes back to having healthier levels, we are going to go back to these markets, and we are establishing partnerships with customers in each of these countries and it will allow us to develop our brands there.

So, on top of having better distribution in terms of numbers, we are having a more comprehensive portfolio for this market. So, again, it's one of our priorities and we have several opportunities to develop this market even further given the team we have there in the Middle East, so they have experienced in their



market, and of course because of the market opportunities that there are out there.

Europe is still one of our focuses, of course. Brazil must have different markets, different types of cuts, different types of markets. China has one type of preference, Japan, Europe. Strategy has to do with the distribution so that you can get closer and closer to retail. And in Japan, for example, it's a retail to work directly. I don't know what they call the small stores, convenience stores, but they haven't a specific name in Japanese I can't recall the name.

What was that? ... Thank you. That's it.

Mr. Tomazoni: Did I answer your question?

Mrs. Maristela Franco: Can I ask a question? Maristela Franco, from the DBO Magazine. Are you considering purchasing cattle cash or are you going to keep on with that 30-day payment policy?

Mr. Tomazoni: Yes, the policy is to purchase 30 days, but as I said we have to have a strategy in place in the Brazilian market so that farmers can get the payment before those 30 days. I cannot give you any further information because we are still negotiating with the financial market. The strategy hasn't been completed yet. That will vary from market to market. It's not a one-size fits all, we will define based on the needs of every market.

Mr. Marcelo: Last question, Marcelo from Citi. It is clear in efficiency, in synergy are part and parcel of the cash generation, but what units give you more opportunities in that regard? What's the variable, what's the metric that will impact variable pay of company's directors?

Mr. Tomazoni: Opportunities are very well distributed, we have a management methodology call "open the gap and close the gap". You look for best practices opening up opportunities and then you are to close that opportunity gap. So, we have huge opportunities across the board because you are always comparing yourself to the best.

As I said, we have the best global practices division. Let's say, a unit that was looking at its operations and they consider they have a small gap, well, they have a bigger gap because they are not comparing themselves to themselves, so they are comparing themselves to what they do in Australia. So, again, opportunities are huge out there to gather and to have more synergy. Once you identify a gap, you have to work to close it, maybe bigger here or there, I don't know, I just know it's huge.

Marcelo: What about the metrics that will impact the variable pay?

Mr. Marcelo Proença: There are several, several out there. We don't have to implement them all at once. If we have a very robust training program, a very well organized for 2018 variable pay, we will be dependent on the participation



of those programs, but we have 115,000 in Brazil, 30% of them have computers, 70% don't have a computer, you have to train them all. How you go about that?

So, we must have the involvement of the leader, the leader has to be directly trained, presentially, and then he or she will have to cascaded it down to all of its staff members, and we must make sure everyone is trained, it has to be proven that they have all been trained. So, taking part of the training program physically, presentially, and then disseminating that all staff members.

That's one of the metrics. And the results, well, you took the training program, it's important, but there is no change in the culture, in a given plant or in a business, you can have specific auditing programs and also the number of reports stemming from that division. So, this is something that can be easily measured and calculated into the variable pay. Two examples, I could give you 5 more.

Mr. Marcelo: Thank you.

Mr. O'Callaghan: So, we've been for over 2 hours and 20 min. I hope you have enjoyed it, thank you once again for being here this morning. All analysts know that we are always available to answer any questions.

Thank you once again and Happy Holidays. Help us go out there and buy Seara products and Friboi products.

Thank you, have a good day.