International Conference Call
JBS S/A
Second Quarter 2020 Results
August 14fourth**, 2020**

Operator: Good morning everyone and thank you for waiting. Welcome to **JBS second quarter of 2020** results conference call.

With us here today we have **Gilberto Tomazoni, Global CEO of JBS, Guilherme Cavalcanti, Global CFO of JBS, André Nogueira, CEO of JBS USA, Wesley Batista Filho, CEO of JBS Brazil, and Christiane Assis, Investor Relations Director.**

This event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After **JBS'** remarks, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-statements are based on the beliefs and assumptions of **JBS'** management. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Now, I'll turn the conference over to **Gilberto Tomazoni, Global CEO of JBS**. Mr. **Tomazoni**, you may begin your presentation.

Mr. Gilberto Tomazoni: Good morning everyone. I want to begin by thanking our 240,000 team members for the extraordinary work, dedication and commitment, specially our leadership team: You are great, thank you very much!

Since the beginning of the coronavirus pandemic, JBS has prioritized: One, to protect our 240,000 team members; two, to commitment to our great purpose of producing food at the time when the world need it most; third, to stay by the side of our customers, clients and suppliers; and number four, ensuring the strength of our financial position.

We promoted a giant mobilization to protect people and support communities. We invested US$ 400 million in protective measures for team members and the community, including bonus paid in the US. We implemented a strict prevention of safety protocol in all of our facilities established with the support of health experts and benchmark institutions. The protocols have been strictly adhered by our team members and promptly incorporated enhanced safety measures including new PPEs into our daily work routines.

We donated R$ 700 million to the communities, equivalent to US$ 120 million, for actions to combat the COVID-19; one of the largest global donations of a company in the food sector.

The speed of the response of our team in the face of this context was extraordinary. The ability to adapt, to change in the markets imposed by the change in consumer habits and buying pattern was unbelievable. This was only possible due to the experiences of our team, their autonomy and our culture of execution.

During a period of so many challenges, we have once again demonstrated our resilience. Our diversified geography and our protein production platform, our focus on health and safety of our workforce and our dedication of our team members around the world enabled JBS to face the challenge and the volatility that the pandemic imposed on all the companies worldwide.

Even throughout this period of so many challenges, innovation at the company did not stop. On the contrary, with the acceleration of trends, some initiatives took shape quickly: We entered in the vegetal protein and meatless segment. In the US, we set up an independent company to explore this market, Planterra with the OZO brand. It's already in the shelves of so many stores. In Brazil, Seara with *Incrível* line is the leader in the category. This is a market that grows year by year. We are very well-positioned to be among the leaders in this segment.

We have significantly increased our dedication to the important issues of sustainability. We have been firmly committed to eradicating deforestation across our entire supply chain. The last independent of auditor report show that 100% of our cattle purchase meet our social and environmental criteria.

We are confident that our actions make us part of the solution, but we are aware that we must do more, and we will. We have already directed our efforts towards the development of the platform that will guarantee full traceability of our livestock supply chain. We are well-positioned technologically and operationally to address this issue responsibly for a leadership position.

Let's go to the numbers. Net revenue in the quarter was R$ 67.6 billion, an increase of 32.9% with EBITDA of R$ 10.5 billion and EBITDA margin of 15.5%. In this scenario of countless challenge, we kept our liquidity at very comfortable level, US$ 4.8 billion, and we have reduced our leverage ratio to 2.75x; the lowest leverage in the JBS history.

Now I will pass to Guilherme that will make the details of our results. Guilherme, please.

Mr. Guilherme Cavalcanti: Thank you, Tomazoni.

So, please, let's move to page 5, where we show the increase in revenues to R$ 67.6 billion, a gross profit of R$ 14.5 billion, an increase in 83% and the increase in 106% of the EBITDA, reaching R$ 10.5 billion.

This strong operational result was enough to offset the FX loss caused by the translation of the Dollar debt into the Reais balance sheet and at the end generated a net profit of R$ 3.4 billion.

Next page, we show our operating cash flow, which increased in 120% to R$ 11.4 million, higher than our EBITDA due to a release in working capital, more specifically lower accounts receivables and lower inventories, which was also benefiting our free cash flow that was R$ 9.5 billion, a cash conversion from EBITDA of more than 90%.

In this page, we also see the reduction in our net interest expenses of US$ 30 million on the quarter compared to the quarter last year.

Next page, 7, our debt profile. On the left-hand side, we see the decrease in our leverage ratio to the lowest level in the history of the company, to 1.75x net debt to EBITDA and an increase in net debt from US$ 11.7 billion to US$ 10 billion.

On the right-hand side, we have our net amortization schedule. This is already a *pro forma* considering the payment of US$ 875 million of debt that we used in cash for that, and even after the payment of this debt, we still have US$ 3.25 billion in cash on hand and US$ 1.6 billion in revolving credit facilities available.

This total liquidity of US$ 4.8 billion is enough to take the company in terms of its amortizations until 2026. Worth mentioning that second quarter 2019 we ended with US$ 1.6 billion in cash on hand, so if we were to come back to the same levels of cash on hands of one year ago, we could pay US$ 1.7 billion in debt, which would represent more US$ 100 million in net interest expenses savings.

Worth mentioning our cost of debt of 5.15% for an average term of 7 years. If comparing to our 10-year bond, which is trading at 4%, shows that we also have an opportunity to continue decreasing interest expenses with more liability management exercises.

Now, let's talk about unit performance. We will begin on page 9 with Seara. Net revenue of R$ 6.4 billion, an increase of 25.8% compared to the second quarter 2019, boosted by a 19.8% increase in the average sales price and 4.5% in volumes sold. EBITDA in the second quarter 2020 totaled R$ 1.1 billion, which represents a significant growth of 91.6% when compared to the R$ 563.4 million the second quarter 2019.

The EBITDA margin expanded from 11.1% in the second quarter 19 to 16.9% in the second quarter of 20. This performance is the result of an increase in sales volume, a better mix of markets, channels and products with an emphasis on processed products category and the continued growth in sales coming from innovations introduced since 2019.

In the domestic market, net revenue was R$ 2.9 billion, 9% higher than the second quarter of 2019 with an increase of 4.2% in volumes sold and 4.5% in the average sales price. The process products category was once again the highlight, posting growth in volumes and average prices of 12.3% and 8.9%, respectively.

The Seara brand has been for the last 12 months the leader of the frozen food category with 23.8% of market share in value, 1.8 points versus the second brand, and has been delivering record results in the *Incrível Seara*, *Seara Gourmet, Seara Orgânico* product lines.

In the export market, Seara's net revenue reached R$ 3.5 billion in the quarter, an increase of 42.5% in the annual comparison driven by an increase of 36.1% in the average price and 4.7% in volumes sold.

Moving to JBS Brazil, net revenues of R$ 8.7 billion, an increase in 21.6% compared to the second quarter 19. EBITDA of the second quarter 2020 totaled R$ 1.1 billion with an EBITDA margin of 12.4, which represents a significant increase of 222.8% in the annual comparison. In the domestic market, net revenue was R$ 4.3 billion, which corresponds to an increase of 0.8% when compared to the second quarter 19.

Friboi remains focused on consolidating its position as the main beef brand in the Brazilian market with the growth of its *Maturatta, Friboi Reserva* and *1953 Friboi* brands in the country.

In the export market, which represents 51.1% of the business unit sales, net revenue had a significant growth of 51%, reaching R$ 4.5 billion driven by an increase in the average sales price. It's worth mentioning that the beef exports to China posted 53% growth in Dollar revenue in the period when compared to the second half last year.

Now moving to JBS USA Beef, net revenue of US$ 5.6 billion and EBITDA of US$ 1.1 billion and an EBITDA margin of 20.4%. The quarter was marked by a material volatility in the supply and demand balance due to the impact of COVID 19 on the animal protein industry, notably in North America. During the quarter, the company's number 1 priority was protecting the health and safety of its team members coupled with the safety of their families and local communities.

In the United States and Canada, beef production volumes decreased as a result of the enhanced safety measures and protocols implemented by the company. These actions included removing the group of vulnerable people with full pay and benefits, decreasing line speeds and erecting physical barriers on production force, among other safety measures to prevent the potential spread of COVID-19.

During April, the company temporarily closed 3 processing facilities, further reducing production capacity. On the other hand, beef demand remained strong creating a momentary imbalance in supply and demand, which impacted beef prices.

The Australian operation had less impact of COVID-19 in the second quarter. The volume of processed cattle increased compared to the previous quarter despite the continuity of the challenging scenario of cattle availability.

Primo Foods further processing operation remained focused on diversifying its portfolio with innovative products, mainly in the snack and ready-to-eat segment. In the segment of 2020 alone, Primo Food launched 15 new products under Primo, Smokeman Brothers and Stackers brands with great success in Australia and New Zealand.

Now moving to JBS USA Pork, net revenue of US$ 1.6 billion and EBITDA of US$ 167 million, an increase in 31% over the previous years with an EBITDA margin of 10.5%. In a quarter marked by the unprecedented impact of COVID-19, the unit confirmed the resilience of its business model based on its operational excellence stemming from its team members' ownership attitude, on the close relationship with the suppliers and on the commitment to supply high-quality pork products to its customers.

Similarly to beef, JBS USA Pork also enhanced safety measures and protocols through all its plants in the US. The focus on safety of its members and families, as well as the partnership with the local communities, were of vital importance to ensure the continuity of pork production, minimizing the negative effects of a more pronounced reduction in slaughter. In the quarter, JBS USA Pork processed 5.5% less hogs compared to the same period last year, a rate significantly lower than some of our competitors.

Moving forward in the company's growth strategy in the prepared food segment in the US, during the quarter, Plumrose broke ground of its brand-new facility in Moberly – Missouri –, the new plant with the capacity of 24 million tons per year will produce precooked and cooked bacon and should start operating in 2021. Also, in a later announcement this week, Plumrose communicated its plans to build a new state-of-the-art Italian meats and charcuterie ready-to-eat facility with investments estimated in US$ 200 million.

Now moving to Pilgrim's Pride, net revenue of US$ 2.8 billion, stable in relation to the second quarter 19. EBITDA of the second quarter totaled US$112 million and an EBITDA margin of 4%. In the US, the first half of the quarter was significantly challenged before a gradual loosening of travel and movement restrictions due to COVID-19, drove an improvement in cattle demand, especially from food service. Similar to the first quarter, large bird deboning was, once again, the most volatile in the quarter and remained challenging.

In Mexico, industry prices were also below seasonality before reverting closer to normal levels by the end of the quarter. In the region, PPC's increased share of non-commodity products, strong execution and growth in prepared foods have helped to partially offset the weakness.

In Europe, the operations, once again, performed in line with last year, driven by strong retail demand. And despite the significant impact of COVID-19 on the operations, its strong internal operating performance and improved SG&A management helped in mitigating the difficult environment. The performance was driven by strong demand at the retail, partially offset by a reduction in food service, continuing strength in pork exports, especially to China, as well as the implementation of operational improvements and synergy capture.

With that, I would like to open for question and answer session.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press the star key followed by the 1 key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please press star 2.

Our first question comes from Ben Theurer, with Barclays.

Mr. Ben, you may proceed.

Mr. Ben Theurer: Hello, can you hear me?

Mr. Gilberto Tomazoni: Yes, we can hear you, Ben.

Mr. Ben Theurer: Now you can hear me? Okay, sorry, that was a little technical issue here. So, let me start off again. So, first of all, congratulations on the results, clearly impressive what you've managed to post here during the quarter.

Two questions. One I guess more for Guilherme. Obviously, we saw a very strong cash flow generation during the quarter and leverage, and you've mentioned that being at historically low levels for JBS. So question is around capital allocation: What is priority right now in terms of Capex, potential M&A, shareholder return for dividends, pay down debt?

So if you could guide us a little bit through your capital allocation process and what are the drivers and how you think about M&A in the current environment considering that there might be some opportunities that have been caused because of the COVID pandemic. So that would be my first question.

Mr. Guilherme Cavalcanti: Okay, thanks, Ben. So regarding capital allocation, in the last 12 months we generated around US$ 3.3 billion in free cash flow. Roughly speaking, we used this cash to pay down US$ 2 billion of net debt, US$ 800 million in acquisitions and US$ 300 million in dividends.

Going forward, we expect positive free cash flow, so even if you consider the same EBITDA of the last year's semester, we would still be deleveraging through the free cash flow and reach the year-end with leverages even lower than now.

So, said that, we have free cash flow enough to invest in organic growth, to invest in M&A, to return money to shareholders and still preserve a very solid balance sheet. Of course, with the leverage that we are reaching, the balance from returning to shareholders to pay down debt and M&A can change. But in the case of M&A, this will depend on us having a target at the right price, we will not spend our cash just because we are with excess cash, so it has to be an accretive acquisition for the shareholders.

In terms of returning money to shareholders, we have a repurchase shares programs open and given the high discounts that our enterprise value EBITDA related to our peers, we think that it's a good investment for our excess cash.

Now, to finish, I would like also to remember that if we were to increase our net debt in one-time – remember, we generated US$ 5.6 billion in EBITDA in the last 12 months –, so in order to come back to the levels of between 2 and 3 times, which maybe would maximize the firm value, we would need to spend US$ 5 billion without bringing any EBITDA to the balance sheet.

So, I would say that we will continue with a very strong balance sheet despite being able to continue with our strategy of growth and creating value for the shareholders.

Mr. Ben Theurer: Okay, perfect. That was very clear. And then my second question I guess is more for André. In the US, obviously it was challenging quarter, there was a lot of disruption within your beef and pork operations, you had to shut down and then the market dynamics clearly cost is just once-in-a-lifetime opportunity with low cattle and then high beef pricing.

Now, how do you think about the potential going forward, the next 6 to 12 months? How do you feel about cattle availability, farmer reaction within cattle, but also within hog in order to secure supply beyond 2021? And how have you performed, within that context, domestically and on the export market? I think you've mentioned something on the Brazil call this morning, so I just wanted to follow-up on your performance on export as well. Thank you.

Mr. André Nogueira: Hi, Ben, thanks for the question. Good morning. Ben, we had a situation in terms of the supply that is very favorable, correct? It was already favorable for the pandemic, and now with the backlog of cattle and hogs that we created during the pandemic because of the reduction in production for all the disruption that you commented that was very challenging, not only in the US, challenging in the US, challenging in Canada, less in Australia, but challenging in Europe, so created a backlog of cattle in the US and Canada and a backlog of hogs. But it will take time for us to walk through this backlog.

So, the supply perspective is very positive for the next several months, probably this year and next year, and demand is pretty strong. Demand is strong in retail, very strong in retail, we reduced the export from the US and from Canada during the quarter by design because we put priority in the domestic market and export is growing again, production is back for almost normal level, I would say that it's not 100%, but it's close to normal level, we still have some areas that we need to continue to improve, especially in the more value-added side, inside of the beef and pork plants there are more things that we can do to return to the normal meat level.

But exports will grow in the second part of this year, export is growing pretty strong to China, US, as I anticipated in the last quarter, the US is taking a big part of market share, I think that now is around 20% of the total pork that China imports, it’s importing from the US, so is ahead of what I thought, and I said and I commented in the last quarter the volumes from the US to China, and we have this reduction in export that we need to offset now in the second part of the year, so we will grow pretty strong.

Australia production will be less. Australia is in a rebound phase of the herd, so grass is very good and very available in the whole of Australia, so production in Australia will be down because less cattle available, but for a good reason: we are building the herd back, for the mid and long term this will be positive, but Australia will export less, so the US will export more, the US and Canada.

And we will start to export beef from the US to China. US has a very, very small position today in China, but now with the adjustments in tariff, the US is more competitive and it's growing, and I believe that today China is the largest import of pork from the US, I believe that China will be one of the top 5 imports of beef from the US too, that will be very helpful for the demand for the US beef side.

Again, we are back, *quase* [almost] normal production, not absolute normal, but very close, supply is in very good shape, demand is in very good shape, can improve if food service comes back, and it's coming back, it's not normal yet, but it's clearly coming back, and with food service comeback we should see even a big improvement. And the perspective for the long-term did not change. Asia overall is growing the consumption of protein and it is growing through import.

The US, Canada, Australia and, of course, Brazil are the suppliers of this new demand. So I think that the perspective is very positive. I understand that we are still in the middle of the pandemic, that we can see and probably will see a lot of volatility, but I am extremely proud of the way that our team’s faced this volatility, the way that we put our priorities, protect our workers and produce food and even with absolute priority of that we were able to deliver a pretty strong result in the quarter.

Mr. Ben Theurer: Perfect. Well, thank you very much, André. Very complete, and congratulations again.

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

Mr. Brian Hunt: Thank you very much. Just 2 questions. First question is: When you look at your US$ 400 million COVID-related expenses, how much of those may be ongoing in future periods? Basically, what should we expect in Q3 and Q4?

Mr. André Nogueira: Maybe I start to answer here in the US perspective.

Mr. Gilberto Tomazoni: Yes, please, André.

Mr. André Nogueira: So, Brian, from the US perspective was around US$ 315 million, a lot of this is investment, one-time to adjust the plants. A big part of this is new protocols of safety and staggered shifts, 1,000 more people that we hired, 500 of that is to educate the workers about COVID and reinforce social distancing and reinforce the use of PPE, the new PPEs that is facemask and face shield in every plant, another 500 is extra cleaning in all the common areas.

So this will stay, this part of the people as long as the COVID is with us, will stay. The part of the PPE, the extra PPE it will stay, some additional costs for staggered shifts it will stay as long as the COVID is here, but I would say that the big part of this, the largest partner was one-time event that was in Q2. But it's hard, again, we are still in the middle of pandemic, how much this will come to affect us, how much more we need to do to be able to say that will be maybe less than 50% for the second part of the year, but I will not go there to try to guess that. But I would say that the biggest part was one-time event.

And these US$ 350 million related to the US, we are not considering any inefficiency because we reduce speed and we did not process. That's not. That's only cost that was accrual in the quarter. And part of this is the donations, the US$ 35 million donation and investments in the communities that we are doing. Of the US$ 50 million that we are going to do in the US, US$ 35 million was already booked in the quarter.

Mr. Wesley Batista: Brian, this is Wesley here. So, very similar scenario in Brazil. A lot of this cost is one-time event for Brazil: adjustments in the plants, flow of the plant, flow of the people in the plant, increasing size of cafeterias, increasing size of changing rooms, and obviously there is going to be ongoing PPE.

But like André said, it's very hard to forecast what's going to be because we continue to always improve our protocols and new things could come, so it's tough to say how much will be ongoing.

Mr. Brian Hunt: Very good. My next question is around the US$ 200 million cured meat facility in the United States, which was announced. You look at that and you look at the success of you all and others in the industry, and I am wondering, you know, is this announcement of building your own facility more of a characteristic the earnings are so strong in the industry this point that there is less willing sellers? I was wondering if you can characterize what the M&A pipeline looks like and should we anticipate more organic growth in the company going forward?

Mr. André Nogueira: Brian, from the US perspective, again, every growth that we want to have needs to be aligned with the company's strategy. The company's strategy is to grow the portfolio of prepared food and branded. So this is aligned with that growth.

We did the acquisition of Empire Food that was more in the value-added site. The price was right, the acquisition was right, we analyzed that, and it was better in that case to do acquisition than build 5 new case ready plants, so we bought 5 case ready plants with the Empire.

The Italian meat and in the bacon side, the question was: Is it to complete our portfolio of the prepared food? Do we want to grow in that area? We didn't see any assets that were modern enough, with the quality that we want for the growth of the segment. So in that case, between buying old assets, smaller plants, not so efficient and building a new state-of-the-art, very efficient plant in a segment that is growing, that we already have the capabilities inside of Plumrose to build and to sell that, it made more sense to build that.

So, we will always look both, Brian: sometimes acquisition makes more sense, and with better returns; sometimes it will be a greenfield investment that will be a better investment. And in that case, we have very few new or relative new assets in the US that make sense for us to do the acquisition.

I will not say that is more a trend of greenfield, it's a trend of looking both, and when it makes sense greenfield, we will go to greenfield. It needs to be aligned with the company's strategy of growing more the prepared foods and value added to continue to build.

but we just did 2 acquisitions in the more value-added and we announced 2 greenfield. It will be a combination of both.

Mr. Gilberto Tomazoni: And, Brian, in addition to what André said, JBS has a history of acquisitions. We didn't change this. We are always evaluating opportunities in the market.

We have had a great success due to our discipline to seek the right price. I think right price is a combination of margin and multiples. We continue to evaluate looking for the right moment. We didn't change this strategy, but when we don't have the right target, we do greenfield. It is simple like that.

Mr. Brian Hunt: Very good. and then my last question is: given the strong results that you just posted and the likelihood you will be listed on the US

Exchange, do you believe those would trigger mechanisms to become investment-grade on the debt side? That's it for me, thank you.

Mr. Guilherme Cavalcanti: The investment-grade is… it's worth mentioning that the rating agencies they work on a moving average way, so they either get 2 years of historic data and 3 years of forecast data. So even showing strong data at the moment, maybe you have to [unintelligible] this moving average to get on the scorecard the level of investment-grade.

If you read the reports of S&P, Moody's and Fitch, our financial metrics are already investment-grade, and it's getting, for example, our financial metrics would be compared to a Triple B flat before these results. Now I would say that our financial metrics is going towards an A-level because, as I mentioned, we will continue to deleverage until the end of the year.

So, my expectation is that these strong metrics will be enough to offset all the qualitative metrics of the scorecard and will bring us ratings upgrade.

Mr. Brian Hunt: I concur. Best of luck and stay safe. Thank you.

Mr. Gilberto Tomazoni: Thank you, Brian.

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

Ms. Carla Casilla: Hi, just a follow-up on Brian's question. Are there any hurdles left to complete the US listening? And do you have a timeframe in mind?

Mr. Gilberto Tomazoni: Hi, Carla! As we said last quarter, our priority was to focus on protecting people and the operation challenges imposed by the pandemic. And the agility with which we reacted setup that we did the right decision. But now things are more under control and we are returning to addressing the listing.

We don't have a deadline, but we are taking all necessary steps for the process.

Ms. Carla Casilla: Okay, and are there any key steps that we should track?

Mr. Gilberto Tomazoni: Sorry, could you repeat?

Ms. Carla Casilla: Are there any steps that we could track to see as you move forward to listing? What's the order events you will have to put out the [unintelligible - audio breakage] amendment or other just documentation? I'm wondering if there are any important steps or hurdles.

Mr. Gilberto Tomazoni: No, it is the same steps. We have some rules to be full, to be completed, paper to be completed. It's just to return on the process, there is a time to approve. Now we need to return to the beginning, but we have a lot of work done, we just restart.

I don't know if you want to add some, Guilherme? I think it's clear that we just restarted the project.

Mr. Guilherme Cavalcanti: Yes, in due time, if we need a [unintelligible] solicitation from bondholders, we will ask it. But we still have some other things to do before that.

Ms. Carla Casilla: Okay, great. And then I have one question on the business. If you could talk about how food service versus the retail performed or the mix. How does that mix change, may have changed during COVID and if you are seeing a shift back to more normal levels or if you see that changing more longer-term?

Mr. André Nogueira: Maybe I start here from the US perspective, Carla. Of course, during the pandemic, the strong point of the pandemic in April and May, food service slowed down dramatically. I'd say that for us – and I'm saying that we are out of the market, but for us – in the beef and pork side food service in July was only 10% below of July last year, so pretty strong in my mind considering all that is still going on in the US and Canada.

In Australia, food service is still very slow, very, very slowly in Australia. Our customers in chicken, maybe because of the segments that we operate in chicken, some of the customers in the food service are doing better than the same time of last year. So, I'd say that recovery is coming in the US. I don't think that is a long-term, but more a medium-term perspective, and this will be an upside for the business.

I think that as food services recover, retail will slow down a little bit, but will not slowdown in the same amount that food service will recover. So it's coming, it's not in the level that it was before, but no question that's improving, especially in the US and Canada and Mexico.

Australia a little bit behind the curve with the resurgence of the virus that we saw there now, so Australia was recovering, now it came back.

Ms. Carla Casilla: Great, and just one other one. Given all 3 proteins, in the US market, can you talk about what the grocers are doing in terms of promoting, or as you come out COVID, are you seeing them shifted from one protein to another?

Mr. André Nogueira: Carla, I think that during the COVID no one promoted anything. It was a question of availability. I'm really proud that our key customers were the ones that gained more market share during the COVID time. So it looks like that we kept the supply in very good shape, and they were able to gain market share from other retailers that are not customers of ours.

I think that now we are seeing much more promotion, price has come down in retail, the wholesale price came down way early, retail enjoyed, very good margins for a period of time and now they are promoting more aggressively.

And I think that they are promoting all the 3 proteins, I don't think that they are putting one ahead of the other. I think that in a period of time some retailers will push more beef, others will push pork, others will push chicken.

I think that we are seeing promotion strong back, and strong backing all the 3 proteins.

Ms. Carla Casilla: Okay, great. Thank you so much for all the answers.

Operator: Our next question comes from Pedro Leduc, with BNP Assets.

Mr. Pedro Leduc: Hi everyone. Congrats on the operating results and thank you for taking the question. It's a bit of a different one, okay? So bear with me. I much appreciate your describing the SG&A efforts you are pursuing, and I'm definitely I look forward to following its results.

Now, as a Brazilian, I recognize that the government doesn't always do its part, in restraining deforestation fires and cow raising a movement in prohibited areas, and given that they don't do much of their part, it increases the burden on you as a company to do this extra effort. And, of course, it is very hard and more often than not the press likes to show the negative headlines and probably will take time to show the positive ones.

So given this negative bias from the press, I guess, and everybody paying much more attention to it, as a shareholder, I am starting to think that maybe it would be better for your share price to completely shut down the 20+ plants that you have close to those protected areas, you would probably lose 2 or 3% of your revenues, but get more clients elsewhere, more investors, better stock multiples, credit and etc.

So, I'm starting to think, as a positive trade-off, it's very sensitive for you, but is this this something that you are also considering? Is this valid discussion? So get out of those areas, shut down those plants, maybe sell to have a limited impact on your revenues and probably better benefits elsewhere? Thank you.

Mr. Wesley Batista: Pedro, this is Wesley. I would address this question from 2 angles. So, first angle, we don't believe that that's part of the solution and that's not part of improving the situation in that region of Brazil. We actually think the other way around, we think that our operations can be part of the solution and part of bringing positive improvements and positive changes in the region. So we don't like to think of approaching this issue and this situation from that perspective.

The other part that I think is important, when we approach from an ESG perspective, we can't forget that the middle part, the S part, which is the social part, and all of the thousands of people that work in those regions and thousands of jobs that are created directly and indirectly by those operations in Brazil, and those are regions that really need that type of companies and type of industries there.

So we believe that we can improve, we can be part of the solution, we can bring positive changes, take care of the environment for sure, that is a priority, but absolutely continue to create opportunities on the social part.

Mr. Pedro Leduc: That's even better. Thank you.

Mr. Gilberto Tomazoni: I would like to add to the answer of Wesley. We have a strong policy in terms of zero deforestation in Amazon region. I think we have one of the best programs with our satellite monitoring in geo-reference data. Our direct supplier is 50,000 suppliers and we blocked and 9,000, but I know that there are the direct suppliers, there is a gap to monitor the indirect suppliers, and we need to fill the gap. We need to close this gap.

We are working on that because this depends on 2 things: one is the technical platform; and the other is the agreement with the other association in the market give the information that possibility the monitoring of all of this process, and we are really advanced on that, really advanced.

And we need to answer; I think the solution is not to close the plant, is to find ways to guarantee that we are full versatility of our supply chain.

Mr. Pedro Leduc: That's right. I hope that's the better solution, indeed, but it's a good discussion. Food for thought. Thank you for the answer.

Mr. Gilberto Tomazoni: I know. But we are working hard on that. We are working hard and are so confident that we will give the answer to the market very soon.

Mr. Pedro Leduc: Very good Tomazoni. Thank you.

Operator: Our next question comes from Carlos Laboy, with HSBC.

Mr. Carlos Laboy: Yes, good morning. First of all, congratulations on the spectacular results. It’s fantastic!

Mr. Tomazoni, can you expand on the traceability tool that you mentioned here? Do you have a plan for when it's going to get rolled out, if it's been pilot-tested already or are or are you getting good results from this? When do you think you may have a target date for tracing the full providence record of every animal that you buy?

Mr. Gilberto Tomazoni: We are committed to do that. We are committed to full traceability for all of the supply chain. We are committed to do that. We have some challenge because it's technical challenge and process challenge to get the information, to put all the things. But we are working hard on that for a long period of time. I believe that we are very advanced on that and, and, as I said before, I think we are able to share with the society in a short term our strategy to do that.

But don't forget that direct supplier we are doing a great job on that. Indirect, we didn't because it does not depend just on us, we need to have other association, other players in the market to do that together, and we are working on that.

I think we can address this in a very short time.

Mr. Wesley Batista: Carlos, if I can just to complement on Tomazoni's answer, he is 100% thought on. The direct supplier issue we can directly address without the partnership with third-party. But the indirect supplier, we need to work with the chain, this is not an integrated chain. So we need to work with other people and bring more parties into the solution here.

So, because of that, it's more difficult to put a timeline. What we can tell you is that this is a top priority for the Brazilian operation and for the company in general and that we are working very hard on this and this is something that is on the top of our priority and in the short term we want to be able to present to the market and to the society a proposition of how to address this issue.

Mr. Carlos Laboy: Thank you.

Operator: Our next question comes from Lucas Ferreira, from JP Morgan.

Mr. Lucas Ferreira: Hi, good morning everybody. I have a very specific question about the margarine business that you recently bought, that it appears that is now fully approved by the antitrust authorities of Brazil.

So I'm wondering if you can comment about integration plan for this business and what your expectation is about in sales volume growth. Are you investing in the brand, what is the kind of commercial strategy up for it and also in terms of production, if you expect also to increase your market share in the segment? Thank you.

Mr. Gilberto Tomazoni: Wesley, I think you can answer, and I can add at the end some.

Mr. Wesley Batista: Sure. So, Lucas, we had a response from the antitrust division here in Brazil and they did not have any objections to this deal, and we are now within the 15 days in which we have to wait until the transaction is concluded. So we are waiting here for these 15 days to pass and then we can, with the antitrust approval, we can go ahead and integrate the business.

Our approach to this business will be very similar and in line with what we've done in Seara and in JBS in general. Our strategy doesn't change in that way.

So, top-quality products, that's the first part and that is something that we have already been working on with our current margarine business and we are already planning with this approval to implement and to put all of our controls and all of our practices to improve quality and that's the number 1 action that we need to take.

Other than that, use our distribution in Brazil for Seara, which is a very robust distribution to bring this product to the market and communicate it well to the consumer what are the benefits of this product and why our product has a top-quality in the market.

So we won't have a very different approach. Our integration will be fast and, with the approval, it will be fast and will be similar to what we've done in Seara, and we hope to gain share with the consumers' preference, similar to what we've done in Seara, and acquire the preference of the consumer just like we've done with the other brands here in Brazil and around the world.

Tomazoni, I don't' know if you want to complement?

Mr. Gilberto Tomazoni: No, I think when it's integrated, but integrated in terms of get all of the synergies, but we are managing as an independent company; just a team focused on developing this market. And it's a lot of synergy to us because, first, we don't have today production facility, we have a third-party supply us that we started to produce our own margarine, that is Doriana. And second, I think it is we will use all of the capability that Seara has for distribution, for point of sales management.

We are so excited with this opportunity in this market.

Mr. Lucas Ferreira: Thank you very much.

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

Mr. Gilberto Tomazoni: Sorry, I was on mute. I want to say that we our solid team, our global production and distribution platform, our robust balance sheet and our liquidity put us in a good position to continue executing our growth plan.

We are continuing to put our team safety first and we will focus on to produce quality food for all of the world and keep our focus on innovation.

I stand my sincere appreciation to all of you and continue to support us and believe in our company. Thank you very much.

Operator: That does conclude the JBS audio conference for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.