

### SOLID FINANCIAL POSITION AND RECORD SALES IN 3Q08 PROTECTS MINERVA FROM TURBULENCE IN FINANCIAL MARKETS

*With a "comfortable" cash position and solid capital structure, the company will weather the current turbulence with no impacts*

According to CEO Fernando Galletti de Queiroz, given Minerva's financial policy, which pursues maintaining liquidity by holding large positions in cash and short-term financial investments, Minerva will not suffer any impacts from the turbulence that has rocked financial markets in recent weeks.

According to the CEO, despite the turbulent markets, Minerva had access to long term funding before the intensification of credit restrictions and enjoys a comfortable cash position, closing September with approximately R\$570 million in cash, more than double the amount at the close of June. This situation lowers any refinancing risk and ensures the company will continue to operate normally

while also remaining alert to any opportunities in the market.

"Another factor ensuring Minerva's favorable position, which makes any refinancing highly unlikely, is that at least 80% of total debt is concentrated in long-term instruments, a level that has also improved from end June, when this indicator stood at 76%," said Carlos Watanabe, the company's chief financial officer. "Another important factor is the company's highly conservative hedge policy, with these instruments only used to hedge current operations, even in scenarios of high volatility in the financial markets."

The CFO also stressed that the company does not carry out leveraged derivative operations that expose the company to risks

and losses, which guarantees zero losses from financial operations using leveraged derivative instruments in the quarter.

#### Record Sales

Even with the highly turbulent period in global financial markets, Minerva set a new all-time high for net sales in the third quarter of the year of approximately R\$610 million, for organic growth of 50% year on year. "The strong net sales performance in the quarter is the result of Minerva's operational flexibility in both the international and domestic markets, which allows it to operate at high installed capacity utilization rates compared with the industry average," explained Watanabe.

#### Indicators

##### BOVESPA

42,100 (-5.43%)

##### NASDAQ

1,862 (-4.33%)

##### MINERVA (BEEF3)

R\$ 2.54 (-15.33%)

##### SAVINGS

0.69800%

##### C-BOND

106.250 (+1.43%)

##### SOVEREIGN RISK

349 Base Points

##### EXCHANGE RATE (USD)

R\$ 2.1980 (+7.42%)

##### OIL

Brent: US\$ 90.25 (-0.31%)

##### FINISHED CATTLE

SP - R\$ 92.00

MS - R\$ 87.00

RO - R\$ 85.00

PA - R\$ 86.00

GO - R\$ 85.00

MT - R\$ 84.00

##### LEAN CATTLE

R\$ 960.00

##### CALF 12m

R\$ 850.00

##### COW

R\$850.00

### EYEING THE DOMESTIC MARKET, MINERVA EXPANDS ITS DISTRIBUTION NETWORK INTO TWO NEW STATES

*Minerva to inaugurate Distribution Centers in the states of Santa Catarina and Espírito Santo in October. The strategy to expand in the domestic market is generating positive effects, with the company closing 2Q08 with growth of 133% in domestic gross sales*

In line with its strategy of expanding in the domestic market, Minerva announces the launch of its operations in two more Brazilian states. In October, the company will inaugurate new Distribution Centers in the states of Espírito Santo and Santa Catarina, which will serve small and midsized

retailers in the two regions. The operation in these two states will sell Minerva's own products as well as its principal third-party products. The Company's distribution networks currently cover 850 Brazilian cities, serving 15,000 commercial establishments in the states of São Paulo, Minas Gerais,

Paraná, Goiás as well as the Federal District of Brasília.

The selection of the states of Santa Catarina and Espírito Santo for the location of the new distribution centers followed a restructuring of logistics operations by the company, with the contracting of a specialized consulting firm. "In addition to the weak presence of competitors in the region, the two regions have important ports for exporting and importing goods, which facilitates our import operations," said Ailton Firmino, sales director at Minerva. The DCs will handle goods imported and distributed in Brazil by the company, which includes fish from Chile and Argentina and lamb from Uruguay.

Minerva's medium-term target is to reach approximately 75% of the small and midsized

retailers in these promising regions. "This sector of the market is extremely profitable and it was through this wide-spread distribution network that Minerva leveraged part of its domestic expansion, which has played an extremely important role this year," said Ronald Aitken, the company's investor relations superintendent.

Overall the domestic market expanded by 133% year on year in 2Q08, accounting for 37% of Minerva's total sales in the quarter. "Minerva's strategy is based primarily on the strength of the Brazilian consumer, as well as the company's continuous market share gains in both the domestic and international markets. Minerva's solid financial position also provides important support during the turbulent periods in the meat industry," said Firmino.





# THE EXPANSION IN FEEDLOT OPERATIONS IN BRAZIL IS POSITIVE FOR RANCHERS AND THE BEEF INDUSTRY

*Despite the unfavorable year for the industry, more intensive cattle operations have led to greater professionalism and higher production efficiency. Outlook is for continued industry growth*

The growing professionalism of feedlot operations in Brazil, the more efficient production operations and the expectations of continued growth were the main points stressed during the 1st International Conference of Cattle Feeders (Interconf). The conference brought together specialists in the United States, Australia, South Africa, Argentina and Brazil, who presented the reality of intensive cattle

operations on September 16 and 17 in Goiânia, Goiás.

According to Sergio Del Arco, Minerva's financial analyst who was present at the event sponsored by the National Feedlot Association (ASSOCON), one of the main trends observed was the growth in feedlot operations in the states of Mato Grosso do Sul and Tocantins and the enhanced production at existing feedlot operations. "The state of

Tocantins offers excellent potential for the development of intensive cattle operations, mainly due to high cattle supplies, competitive production costs, the current phase of industry consolidation, satisfactory sanitary conditions, as well as a well defined wet season," he said. Today, the state with the highest production of livestock using feedlots is Goiás. The activity brings R\$2 billion per year into the state, which has 518 feedlots.

Despite the increased professionalism and expansion trend, the number of head of cattle in confinement remains at approximately 3 million, given the difficult period for purchasing unfinished cattle and inputs between March and May of this year. "What has become clear is that interest in intensifying this type of operation is growing and even after a year that has proven unfavorable for feedlot operations, expectations are high," he said.

The alignment of ranchers with meatpacking plants shows that feedlot

operations are viewed positively by both parties. "The consolidation of feedlot operations as a profitable activity attracts the attention of large players, in turn leading more producers to professionalize." Most feedlot operations supply large-sized meatpackers.

According to Del Arco, Brazil also established an important precedent by holding an event of this size that brought together approximately 1,000 specialists.

## Feedlot Operations in Brazil

Despite the constant improvement of techniques in Brazil, in countries like the United States the activity is more profitable and productive, since the herd is better developed genetically. "Today, Brazil is more competitive internationally when it finishes cattle in the pasture," said Sergio Del Arco. "However, we are experiencing a natural trend in cattle production complementing with feedlot operations."



# NUMBER OF RANCHES CLEARED FOR EXPORTING TO THE EUROPEAN UNION INCREASES, FAVORING THE INDUSTRY

*Frigorífico Minerva, one of Brazil's largest beef exporters, slaughters 12,000 head in September destined for the European Union*

The increase to 364 in the number of ranches authorized to export to the European Union has directly favored the industry, which is already showing more optimistic signs in terms of the full resumption of exports to the EU. The forecast calls for an increase in the number of authorized ranches to 1,000-1,500 by the end of the year.

The most recent steps of the EU inspections left ranchers and meatpackers optimistic, since the states of Mato Grosso and Mato Grosso do Sul have also already been recognized as free of foot-and-mouth disease. In addition to these two states, the following states are now also authorized to export to the European Union: São Paulo, Minas Gerais, Goiás, Rio Grande do Sul, Paraná and Espírito Santo.

The production in September

of Frigorífico Minerva, one of the leading exporters of fresh beef in Brazil, already reflects the authorizations of the past few months. According to the company's management, slaughter destined for Europe reached 12,000 head in the month, up sharply from the 3,000 animals slaughtered in July and August.

Before the ban, Minerva's fresh beef exports to the European Union accounted for 25% of gross revenue. In 2Q08, however, this figure stood at 0.9%. Despite this decline, the company was not affected by the ban on Brazilian imports, with its share of Brazilian fresh beef exports rising to 16% in the quarter.

"Thanks to our strategy of exploring new markets, Minerva did not suffer from the ban. Exports to Europe were substituted by emerging markets such as the Middle East,

Eastern Europe and Northern Africa, as well as Russia, which consumes the bulk of the company's exports", said Ronald Aitken, investor relations superintendent.

However, according to Aitken, the authorization of these ranches will directly benefit Minerva's plants already certified to export to Europe, such as the plants in José Bonifácio and Barretos in São Paulo state and in Palmeiras de Goiás in Goiás state.

**Meatpackers' positioning is essential for normalizing exports**

According to Minerva's management, the entire cattle production chain must become involved in order for the Ministry of Agriculture to achieve its target of reaching 2,000 authorized ranches. And in this joint effort, meatpackers must play the fundamental role. "Minerva has worked very closely with

producers, helping them achieve certification. A joint effort, providing technical support and information, is needed to boost adherence and consequently the number of ranches authorized," said Minerva's CEO, Fernando Galletti de Queiroz.

## Prices

With the increase in the number of ranches authorized to sell to the European bloc, the domestic market has already seen higher prices for hider cuts, with the average kilogram price rising 7.5% in the last fifteen days.

The explanation for this is that hindquarter are more valued in the European market, and now with the ability to boost exports to the European Union, the volume directed to the domestic market has fallen, leading to higher prices in the local retail market.

Farms Approved per State	
ES:	16
GO:	63
MG:	184
MT:	62
PR:	5
SP:	8
RS:	26

