

INDUSTRY OVERVIEW

1Q19

Barretos, May 14, 2019 – Minerva Foods is the South American leader in beef exports, which also operates in the processed foods segment, selling its products to over 100 countries. Currently, the Company has a daily slaughtering capacity of 26,380 head of cattle and a daily beef deboning capacity equivalent to 28,366 head of cattle. Present in Brazil, Paraguay, Argentina, Uruguay and Colombia, Minerva operates 25 slaughter and deboning plants and 3 processing plants.

HIGHLIGHTS BY COUNTRY

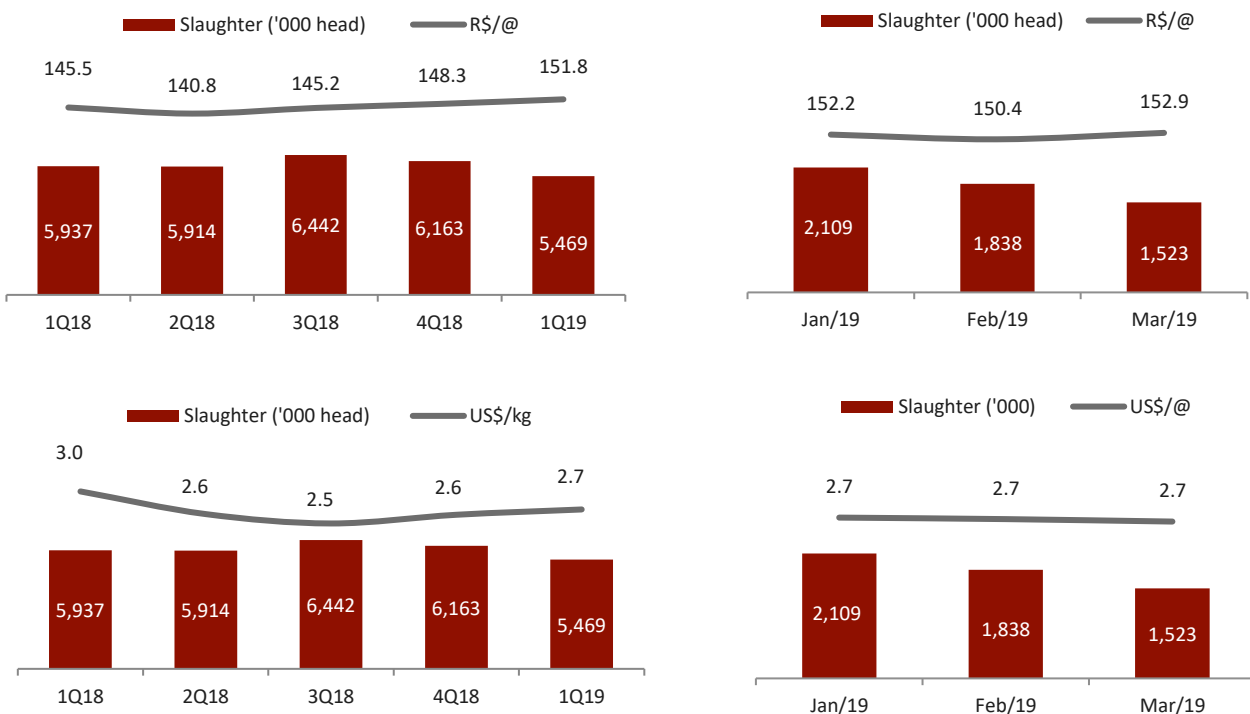
Brazil

Cattle Supply

Slaughter volume totaled 5,500 head of cattle in 1Q19, down 8% from 1Q18 and 11% lower than in 4Q18, due to more intense rainfall at the beginning of the year, encouraging cattle producers to maintain the animals in the pasture for a longer period, reducing the supply of cattle.

In this scenario, the *arroba* price (Indicator: Finished cattle Esalq/BM&F – state of São Paulo) averaged R\$151.8 in 1Q19, 2% more than in 4Q18 and up 4% over 1Q18. However, the average dollar price of cattle was US\$2.69/kg in 1Q19, in line with 4Q18, but 10% lower than in 1Q18.

Figures 1, 2, 3 and 4 – Cattle Slaughter and Average Cattle Price – R\$/@ and US\$/kg



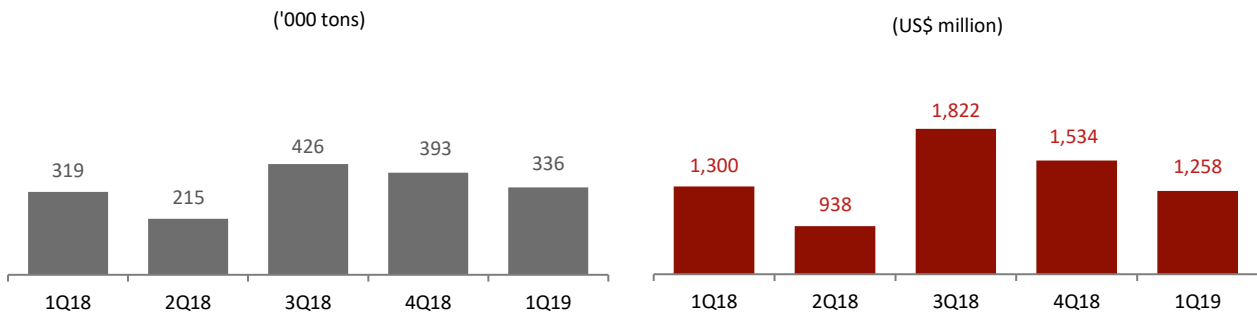
Source: Ministry of Agriculture, Livestock and Supply, CEPEA/ESALQ | 1Q19 preliminary slaughter data

Export Market

Brazilian beef exports reached 336,000 tons in 1Q19, 5% higher than in the first quarter of 2018, mainly driven by Asia. It is important to note that Chinese consumption of beef usually falls at the beginning of the year, due to the inventory built up prior to the Chinese New Year; however, the country increased its imports from Brazil by 6.2% compared to the same period in 2018.

In the first three months of 2019, export revenue totaled US\$1.3 billion, falling 18% from 4Q18 and 3% from 1Q18.

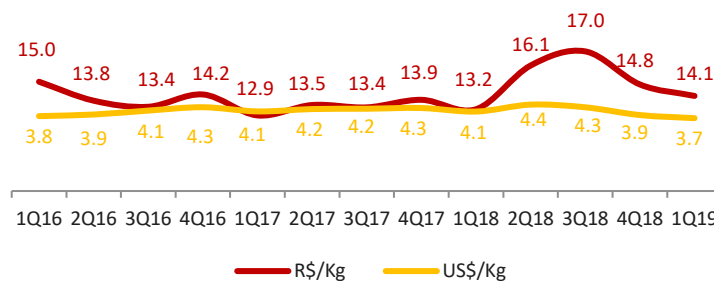
Figures 5 and 6 – Fresh Beef Exports



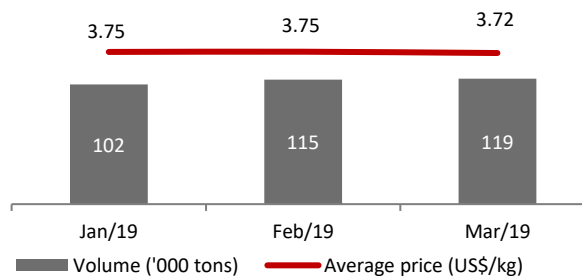
Source: Ministry of Development, Industry and Foreign Trade | Preliminary export data

In 1Q19, beef prices in dollars fell 8.4% from 1Q18, averaging US\$3.7/kg. The average beef price in reais reached R\$14.1/kg, around 7% higher than in 1Q18, but 5% lower than in 4Q18, influenced by the mix of products with a lower average price (such as forequarter cuts).

Figures 7 – Average Fresh Beef Price



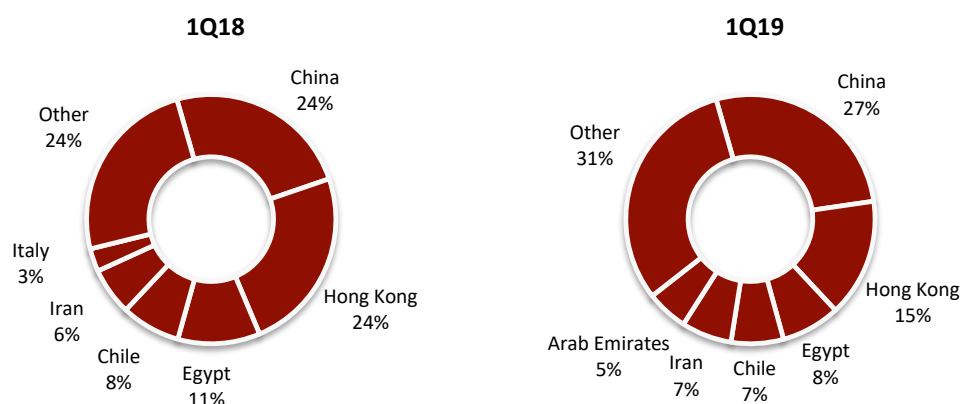
Figures 8 – Brazilian Fresh Beef Exports



Source: Ministry of Development, Industry and Foreign Trade

China and Hong Kong accounted for 42% of exports, remaining as the main importer of Brazilian beef. The third main destination of Brazilian exports was Egypt, with 8% of total exports, followed by Chile (7%).

Figures 9 and 10 – Export Destinations (% of Revenue)



Source: Ministry of Development, Industry and Foreign Trade

Domestic market

Although the first-quarter performance is usually lower, beef prices this quarter were slightly higher than in 1Q18. This performance reflected a decline in the local availability of beef, as Brazilian production has been focused on exports.

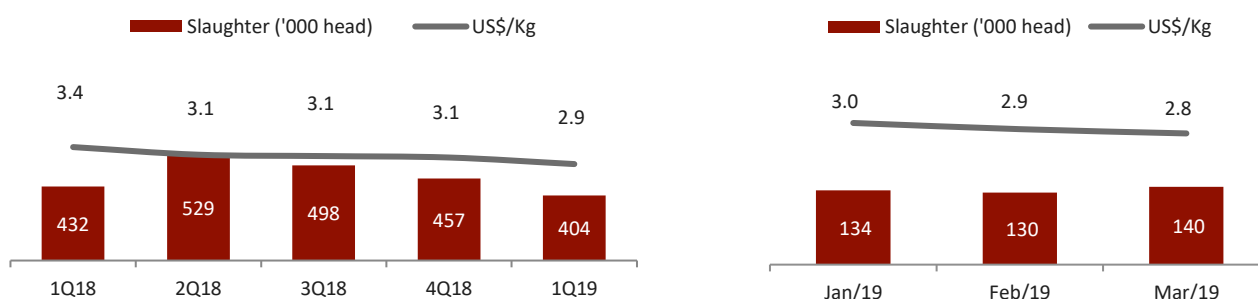
In this scenario, the price of hindquarter cuts without bone¹ reached R\$14.75 in 1Q19 (+4.6% yoy), while forequarter cuts stood at R\$10.15 (+5.2% yoy).

Paraguay

Cattle Supply

Slaughter volume totaled 404,000 head of cattle in 1Q19, down 12% from 4Q18 and 7% lower than in 1Q18. In the first three months of 2019, there was an adjustment in slaughter volumes made by the industry, slowing down production. As a result, the average beef price was US\$2.9/kg in 1Q19, 6% lower than in the previous quarter and down 15% from the first quarter of 2018.

Figures 11 and 12 – Cattle Slaughter and Average Cattle Price



Source: SENACSA | 1Q19 preliminary data

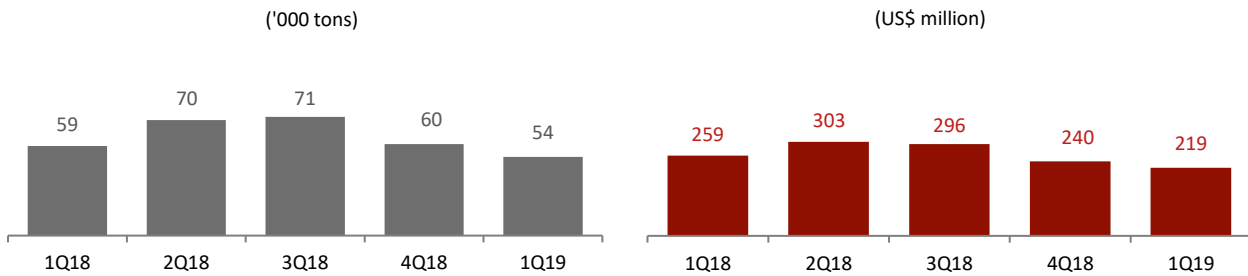
Export Market

In 1Q19, Paraguay exported around 54,000 tons, down 9% from 4Q18 and 8% lower than in 1Q18. Export revenue reached US\$219 million in 1Q19, down 15% from 1Q18 and 9% lower than in 4Q18, respectively. This decline in exports was followed by a reduction in slaughter volume in Paraguay.

¹ Source: Intercarnes

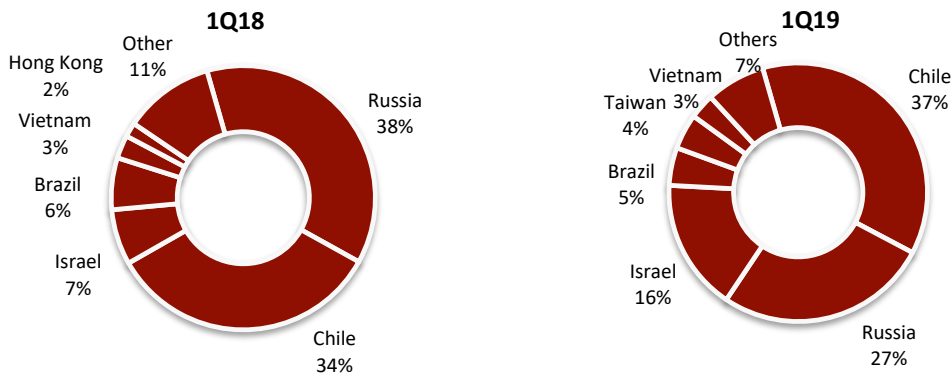
Chile was the main destination of Paraguayan exports in 1Q19, accounting for 37% of total volume, 3 p.p. more than in 1Q18, followed by Russia and Brazil, with 27% and 16% of exports, respectively.

Figures 13 and 14 – Fresh Beef Exports



Source: SENACSA

Figures 15 and 16 – Export Destinations (% of Revenue)

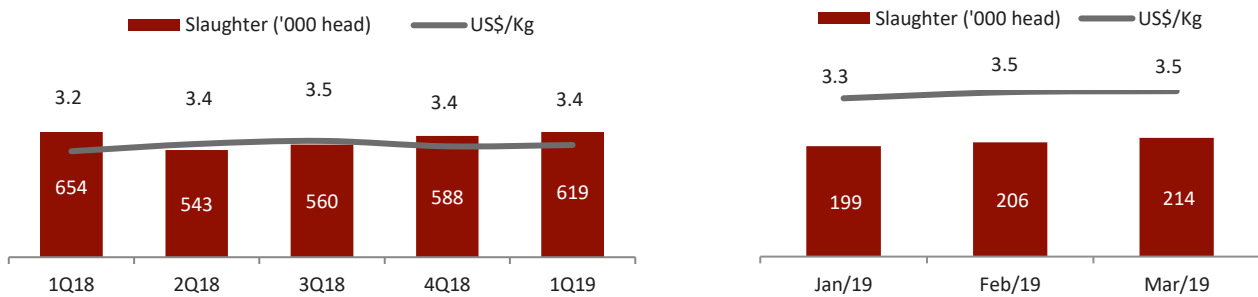


Uruguay

Cattle Supply

Uruguayan slaughter volume totaled 619,000 head of cattle in 1Q19, 5% more than in 4Q18 and down 5% from 1Q18. In this scenario, cattle prices averaged US\$3.4/kg, 6% higher than in 1Q18 and virtually in line with 4Q18.

Figures 17 and 18 – Cattle Slaughter and Average Cattle Price



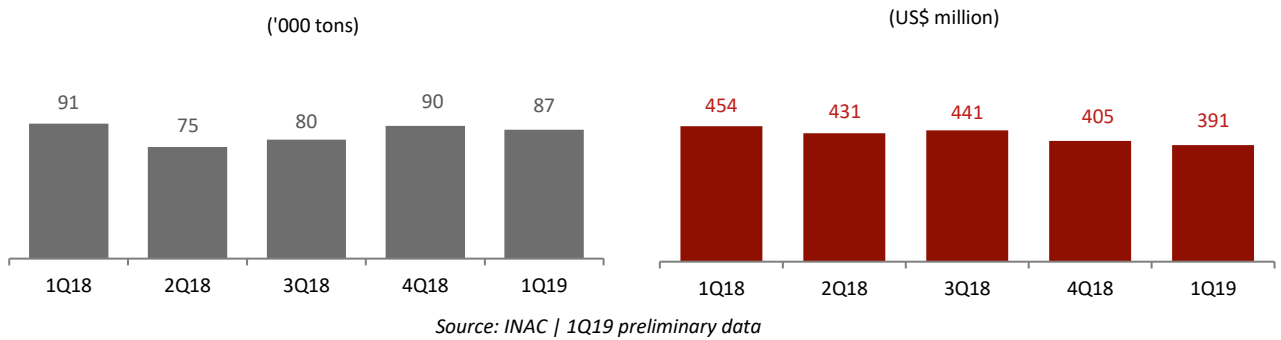
Source: INAC

Export Market

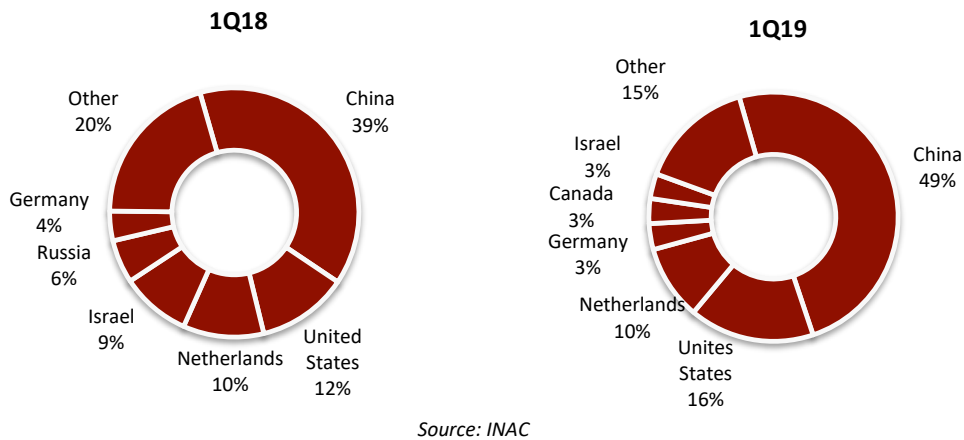
Uruguayan exports totaled 87,000 tons in 1Q19, a decline of 5% from 1Q18 and 3% from 4Q18. Export revenue totaled US\$391 million in 1Q19, down 4% from 4Q18 and 14% lower than in 1Q18.

China was the main destination of Uruguayan exports in 1Q19, accounting for 49% of the total, 10 p.p. more than in 1Q18, followed by the United States and the Netherlands, which accounted for 16% and 10% of exports, respectively, in the period.

Figures 19 and 20 – Fresh Beef Exports



Figures 21 and 22 – Export Destinations (% of Revenue)

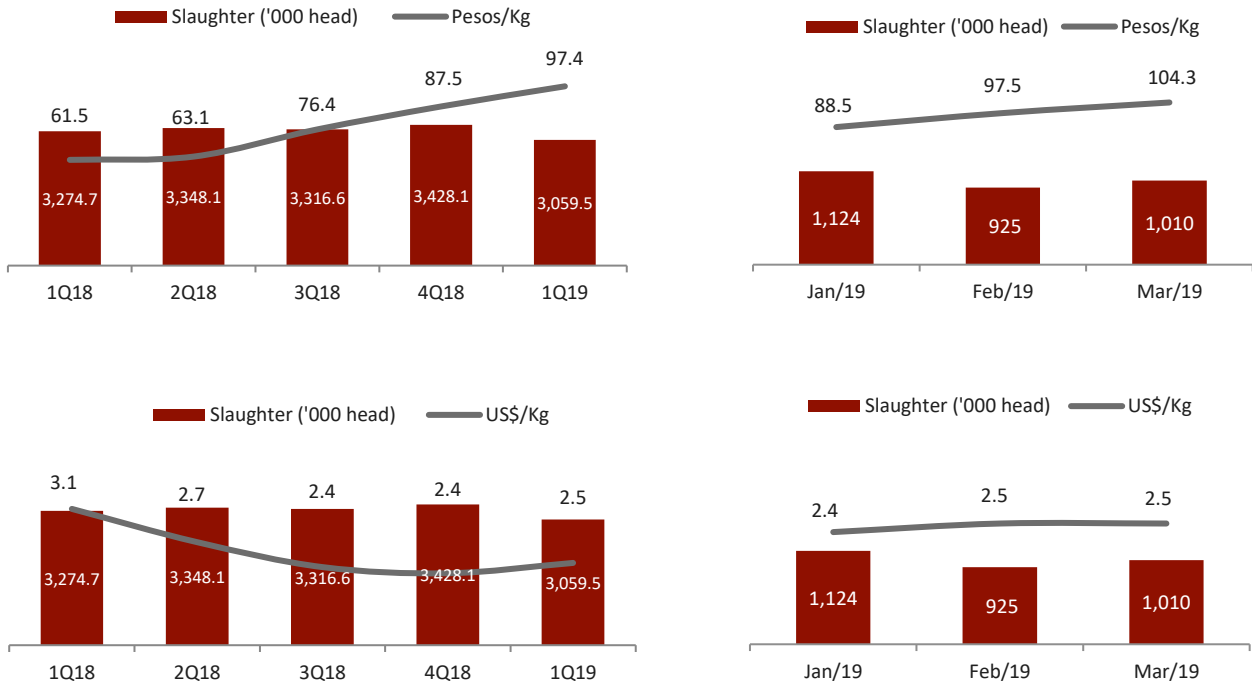


Argentina

Cattle Supply

In 1Q19, slaughter volume reached 3.0 million head in Argentina, falling 11% from 4Q18 and 7% from 1Q18. Cattle prices reached an average of ARS97.4 per kilo in 1Q19, moving up 11% over 4Q18 and 56% over 1Q18, mainly impacted by inflation in the period. On the other hand, the average dollar price of cattle stood at US\$2.5/kg in 1Q19, significant reduction of 21% from 1Q18 and up 5% over 4Q18.

Figures 23, 24, 25 and 26 – Cattle Slaughter and Average Cattle Price – ARS/kg and US\$/kg

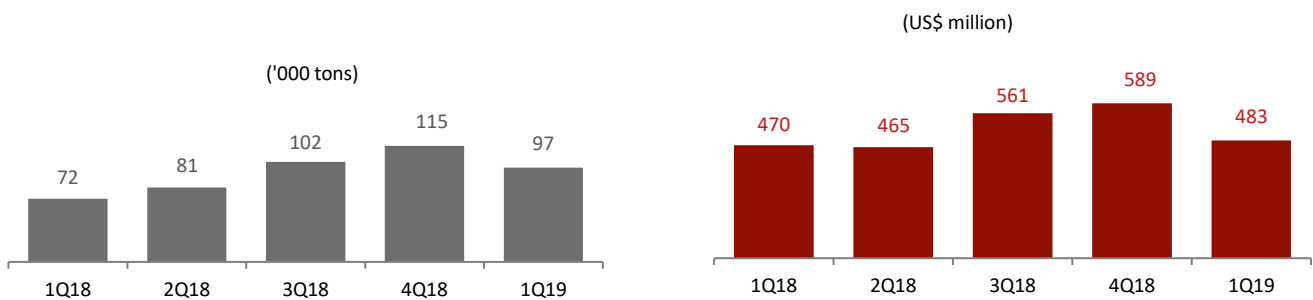


Source: SENACSA | 1Q19 preliminary data

Export Market

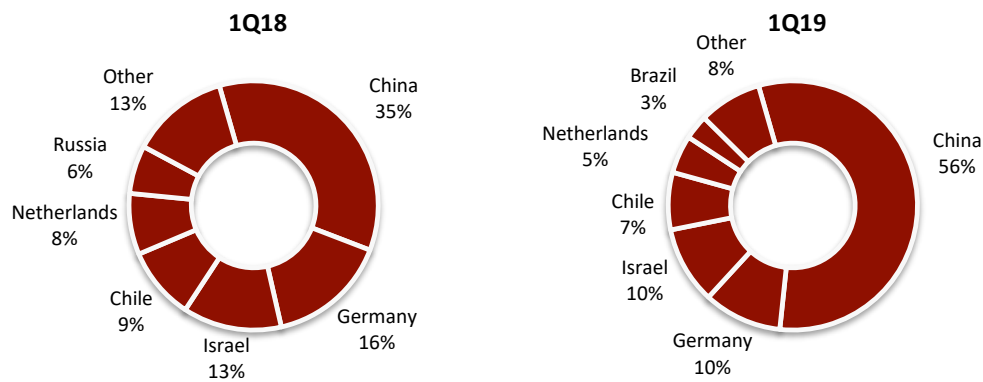
Argentinian exports reached 97,000 tons in 1Q19, up 36% over 1Q18 and down 16% from 4Q18. Export revenue totaled US\$483.1 million, 2.7% more than in 1Q18. The main export destinations were China (+21 p.p yoy), Germany and Israel, which together accounted for around 76% of total export revenue. Argentinian exports continued to perform well, fueled by the depreciation of the country’s currency and the positive scenario for beef production in the country, which increased the profitability of exports.

27 and 28 – Fresh Beef Exports



Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina – PRELIMINARY DATA

Figures 29 and 30 – Export Destinations (% of Revenue)



Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina – PRELIMINARY DATA

Domestic market

The domestic market in Argentina was mainly impacted by (1) the effect of the macroeconomic crisis and the consequent reduction in the purchasing power of the population, which is replacing beef with other proteins, such as chicken and pork, and processed foods and (2) the seasonal effect of the first quarter, characterized by lower consumption.

African Swine Fever Outbreak (ASF)

African swine fever, a viral disease that affects domestic animals (swine) domestic and wild, remains a cause for great concern in the global protein market. The recent spread of the disease to other Asian regions, such as Vietnam, Mongolia and Cambodia, is a sign that we are still far from controlling and solving this issue.

Recent reports show that a large share of the Chinese herd – China is the world’s largest pork producer and consumer – has needed to be culled since July 2018, experts are pointing out a strong restriction of pork’s supply in the coming months and years. According to the U.S. Department of Agriculture (USDA), for the first time in 20 years, total animal protein production will decline in 2019 compared to 2018, as a direct consequence of the swine fever outbreak.

The reduction of pork’s supply in the global market should make room for the consumption of other proteins, such as beef, especially in Asia, providing a wide range of opportunities for South American exports, which is currently the production platform that is best prepared to redress the imbalance between global supply and demand.

