

INDUSTRY OVERVIEW

2Q19

Barretos, July 25, 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

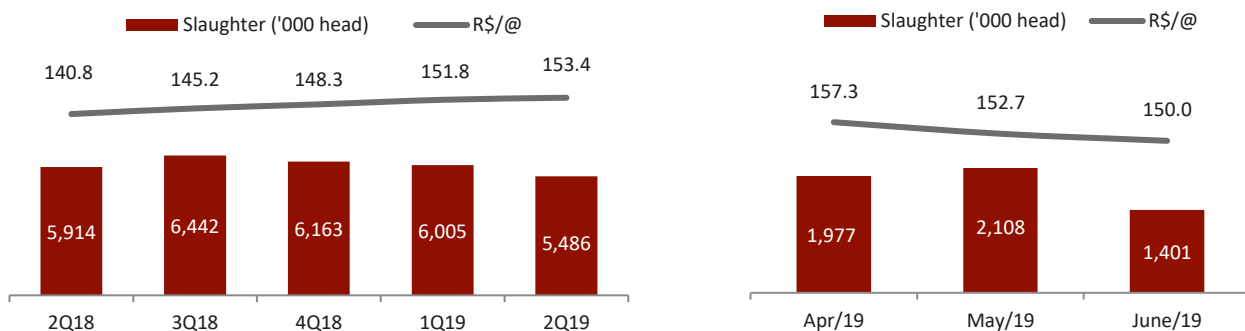
Cattle Supply

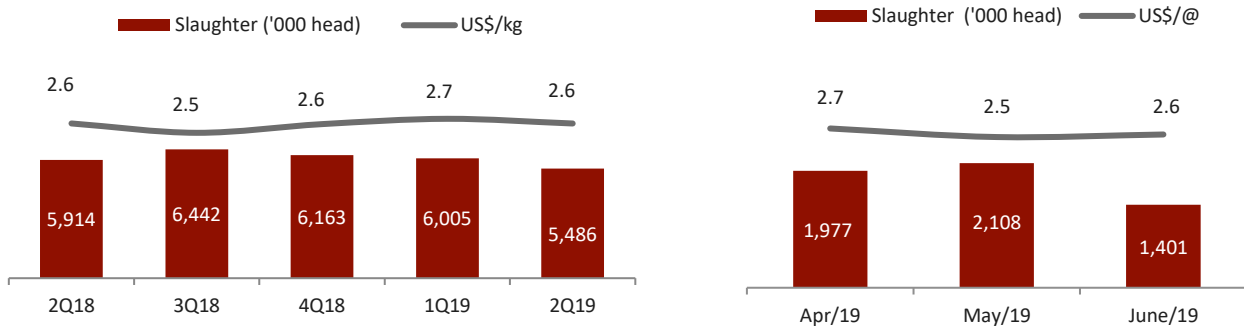
According to the Federal Inspection Service, slaughter volume totaled 5.5 million head of cattle in 2Q19, down 4.5% from 1Q19 and 3% lower than in 2Q18. It is worth noting that, in 2Q19, the industry was impacted by the suspension of shipments to China between June 3 and June 13, due to an atypical case of bovine spongiform encephalopathy in the state of Mato Grosso.

We also began to see the first signs of a lower share of cows in slaughter in the first half of 2019. According to quarterly data published by the Brazilian Institute of Geography and Statistics (IBGE), cows represented 46% of slaughter volume in 1Q19 (the latest data issued by the IBGE), down 1.0 p.p. from 1Q18, which may be an early sign of change in the industry cycle, with the retention of beef cows and a shortage of calves.

The *arroba* price (Indicator: Finished cattle Esalq/BM&F – state of São Paulo) averaged R\$153.4 in 2Q19, virtually in line with 1Q19, but 9% higher than in 2Q18. Meanwhile, the average dollar price of cattle was US\$2.61/kg in 2Q19, in line with 2Q18, but 3% lower than in 1Q19. It is worth noting that, in 2Q18, average cattle prices were impacted by the truck drivers’ strike that brought the industry to a halt for a period of around 10 days.

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 | 2Q19 preliminary slaughter data

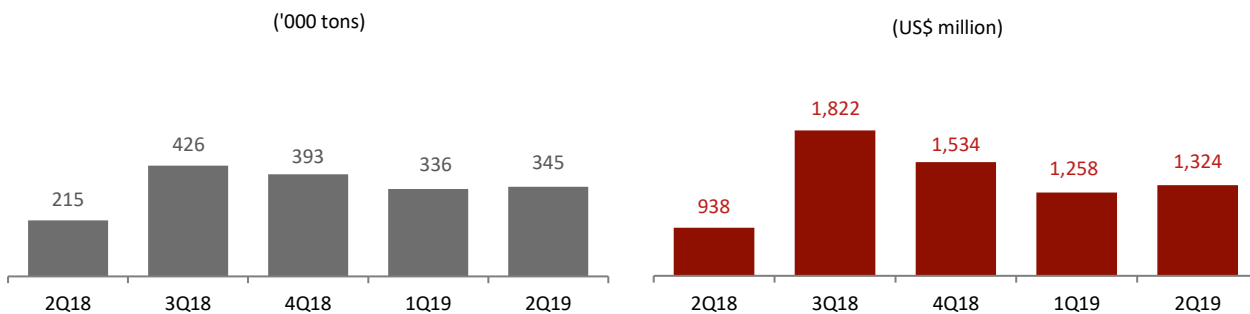
Export Market

Brazilian beef exports reached 345,000 tons in the second quarter of 2019, 2% more than in 1Q19 and 60% up over 2Q18. It is worth noting that, in 2Q18, the Ministry of Development, Industry and Foreign Trade changed its methodology for the input and calculation of data, which led to a distortion of data in that quarter.

Exports were mainly driven by demand from Asian countries. China and Hong Kong together accounted for approximately 36% of Brazilian export volume in the period, despite the above-mentioned temporary suspension of exports to China.

Export revenue totaled US\$1.3 billion in 2Q19, an increase of 5% over 1Q19 and 41% over 2Q18.

Figures 5 and 6 – Fresh Beef Exports



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

In 2Q19, beef prices in dollars averaged US\$3.8/kg, up 2.7% over 1Q19 and down 13.4% from 2Q18, influenced by the export mix (such as forequarter cuts).

The average beef price in reais reached R\$15.1/kg, around 7% higher than in 1Q19, but 6% lower than in 2Q18.

Figure 7 – Average Fresh Beef Price

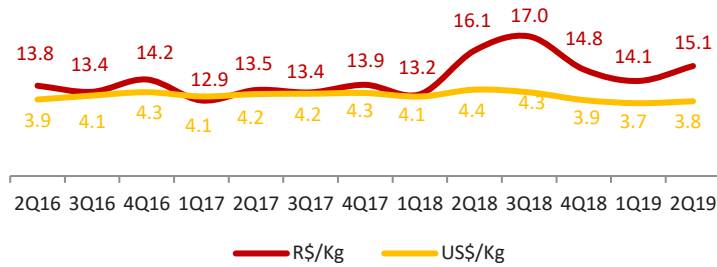
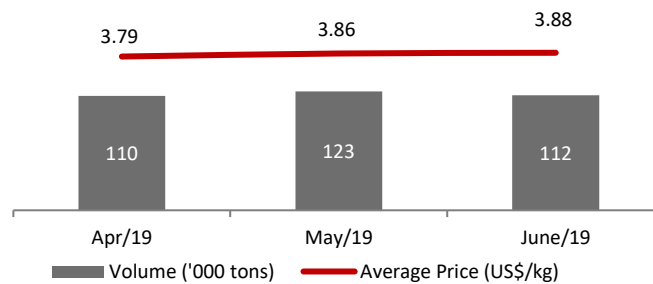


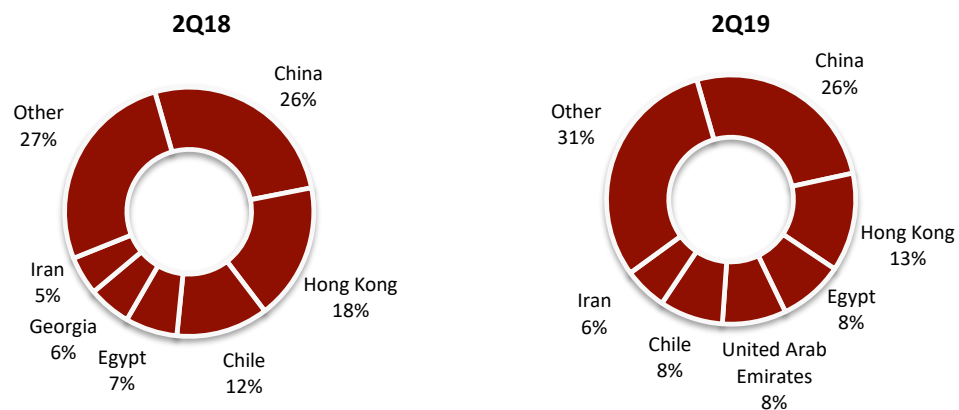
Figure 8 – Brazilian Fresh Beef Exports



Source: Ministry of Development, Industry and Foreign Trade

China and Hong Kong accounted for 39% of export revenue in 2Q19 and remained the main importers of Brazilian beef. Egypt was the third main destination, with 8% of total exports, followed by the Arab Emirates, also with 8%.

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

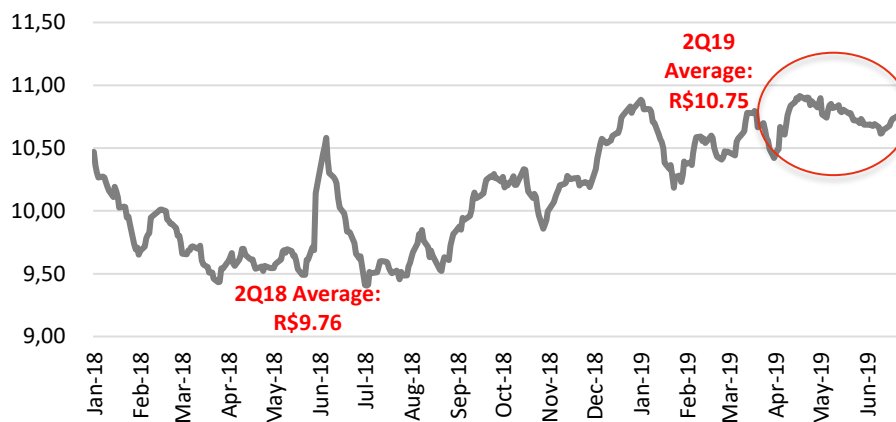


Source: Ministry of Development, Industry and Foreign Trade

Domestic market

In 2Q19, beef prices in the domestic market improved slightly compared to the previous quarter, particularly due to the seasonal impact of Mother’s Day (especially on hindquarter cuts). In this scenario, the price of carcass-weight equivalent (weight of forequarter cuts + hindquarter cuts + flank converted to an equivalent weight of a dressed carcass) reached R\$10.75 in 2Q19, 10.1% higher than in 2Q18.

Figure 11 – Daily Price of the Carcass-Weight Equivalent



Source: Bloomberg

We believe the outlook for domestic demand in the second half of 2019 is positive. In addition to seasonal trends (domestic consumption usually improves as of July), Brazil’s economic activity is expected to improve in the period.

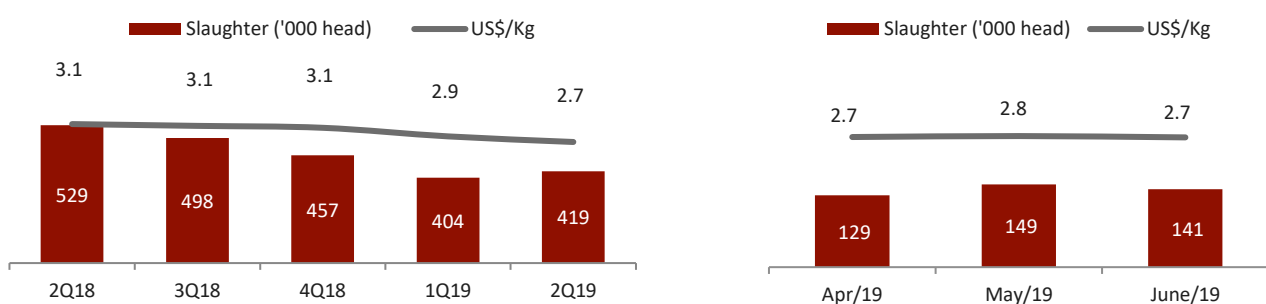
Paraguay

Cattle Supply

Slaughter volume totaled 419,000 head of cattle in the second quarter of 2019, up 4% over 1Q19 and down 21% from 2Q18. The year-on-year decline in slaughter volume was due to the continuation of a more intense rainy season, especially in April and May and (ii) adjustments to slaughter volume made by the industry as a result of the herd vaccination period, which reduced the availability of animals.

Despite this scenario, cattle prices averaged US\$2.7/kg in 2Q19, a decline of 5% from 1Q19 and 13% from 2Q18.

Figures 12 and 13 – Cattle Slaughter and Average Cattle Price



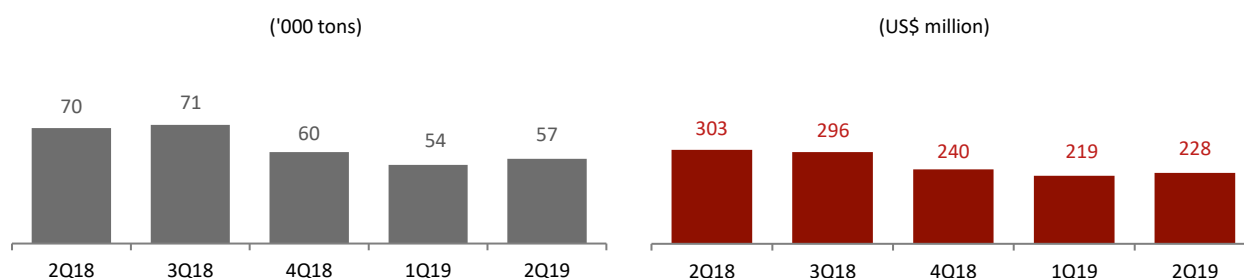
Source: OCIT – Oficina Consultiva y de Investigación Técnica | 2Q19 Preliminary Data

Export Market

Paraguay exported around 57,000 tons in 2Q19, 5% higher than in 1Q19. From April to June, export revenue reached US\$228 million in Paraguay, 4% more than in the previous quarter, but 25% less than in the same period last year, in line with the decline in slaughter volume, as explained earlier.

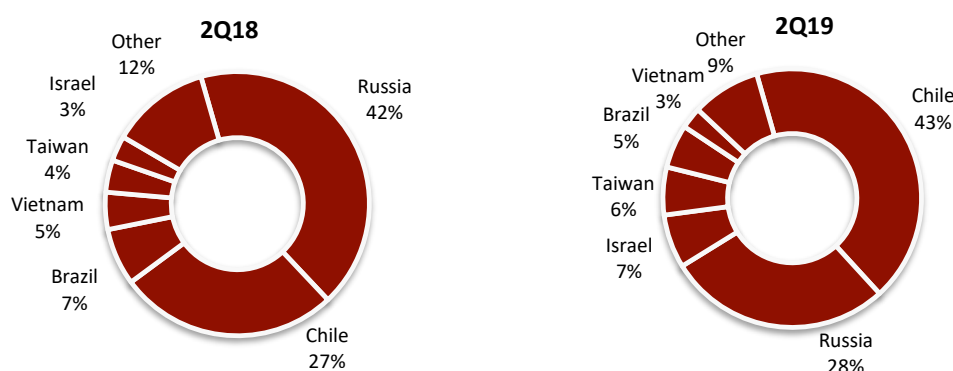
Chile resumed its position as the main destination of Paraguayan exports, with 43% of the total, 16 p.p. more than in 2Q18, while Russia was the second main destination, with 28% of the total, followed by Israel and Taiwan.

Figures 14 and 15 – Fresh Beef Exports



Source: OCIT – Oficina Consultiva y de Investigación Técnica

Figures 16 and 17 – Export Destinations (% of Revenue)



Source: OCIT – Oficina Consultiva y de Investigación Técnica

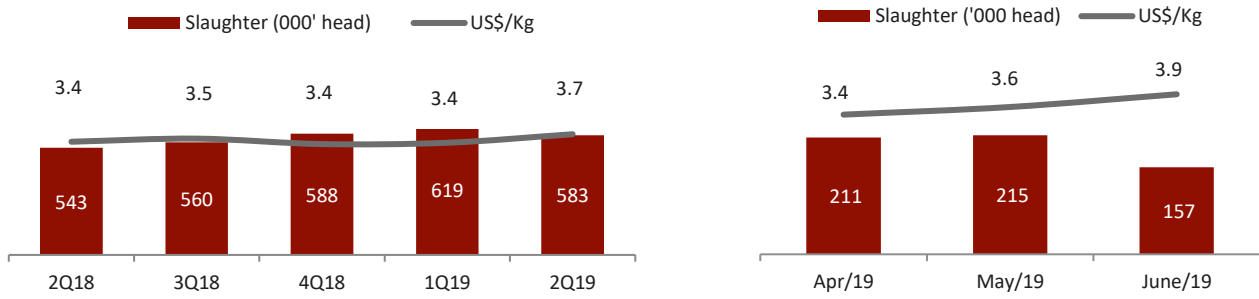
Uruguay

Cattle Supply

Slaughter volume totaled 583,000 head of cattle in Uruguay in the second quarter of 2019, up 7% on 2Q18, but 6% lower than in 1Q19. The quarter was marked by a reduction in slaughter volume in several plants, due to an increase in cattle prices, which reached US\$4.0/kg at the end of June, the highest price among South American exporters. This effect can be seen in slaughter volume in June, which was 27% lower than in the previous month.

In 2Q19, cattle prices averaged US\$3.7/kg, 8% higher than in 1Q19 and up 7% over 2Q18.

Figures 18 and 19 – Cattle Slaughter and Average Cattle Price



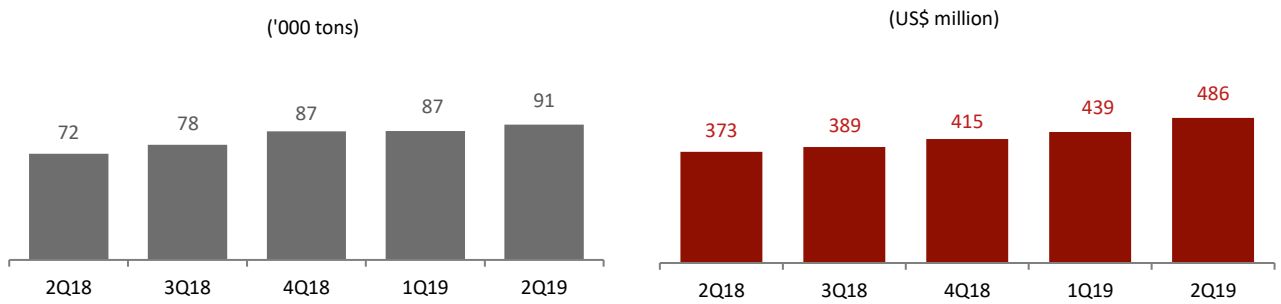
Source: INAC

Export Market

Uruguayan exports totaled 91,000 tons in 2Q19, moving up 5% over 1Q19 and 27% over 2Q18. Export revenue reached US\$486 million in 2Q19, 11% higher than in 1Q19 and up 30% over 2Q18.

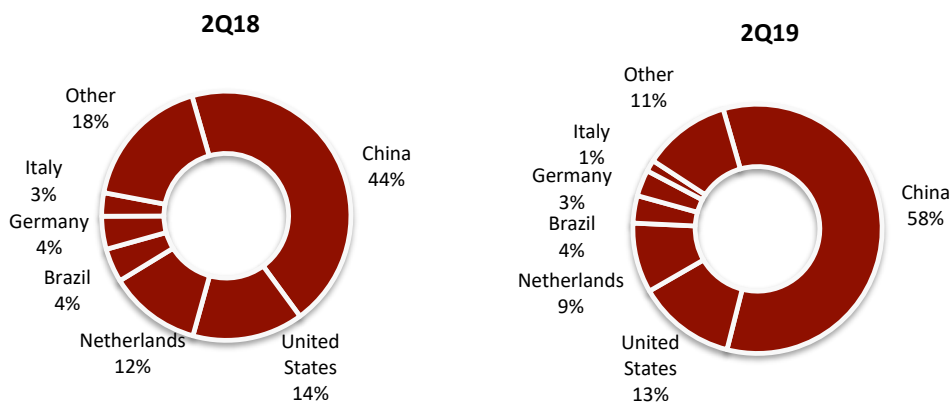
China increased its volume of imports from Uruguay by 54% compared to 2Q18, remaining as the main destination of the country’s exports in 2Q19, with 58% of the total (a significant increase of 14 p.p. over 2Q18), followed by the United States and the Netherlands, which accounted for 13% and 9% of the total, respectively.

Figures 20 and 21 – Fresh Beef Exports



Source: Penta-transaction

Figures 22 and 23 – Export Destinations (% of Revenue)



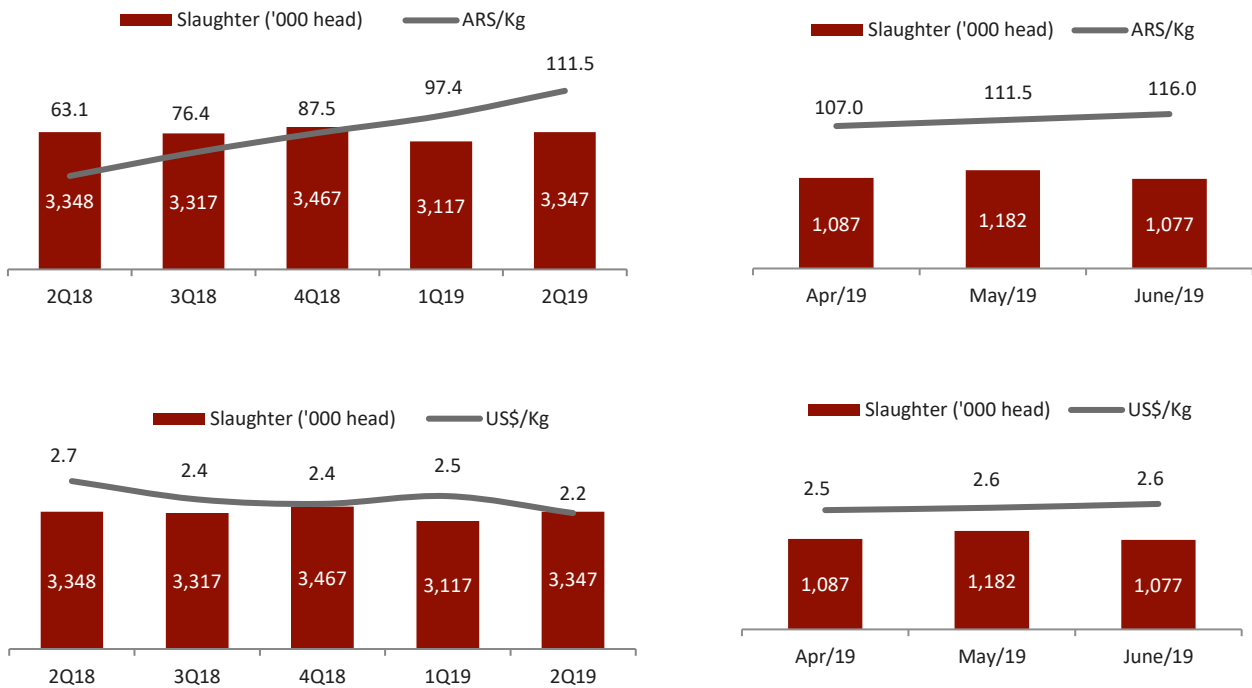
Source: Penta-transaction

Argentina

Cattle Supply

In 2Q19, slaughter volume reached 3.3 million head in Argentina, 7% more than in 1Q19 and in line with 2Q18. The average price of cattle in Argentina reached ARS111.5/kg, 15% more than in 1Q19 and 75% more than in 2Q18, mainly impacted by inflation. On the other hand, the average dollar price of cattle stood at US\$2.6/kg in 2Q19, falling 6% from 2Q18, but increasing 3% over 1Q19.

Figures 24, 25, 26 and 27 – Cattle Slaughter and Average Cattle Price – ARS/kg and US\$/kg



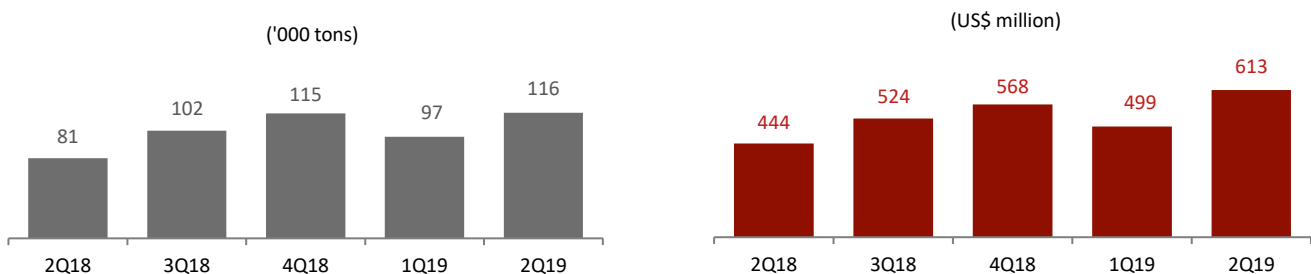
Source: ABC Consortium | 2Q19 Preliminary Data

Export Market

Argentinian exports reached 116,000 tons in 2Q19, up 19% over 1Q19 and 43% higher than in 2Q18. Export revenue totaled US\$612 million in 2Q19, 23% more than in 1Q19 and up 38% over 2Q18. Argentinean exports were mainly boosted by strong demand from China, whose import volume jumped 96% in the annual comparison.

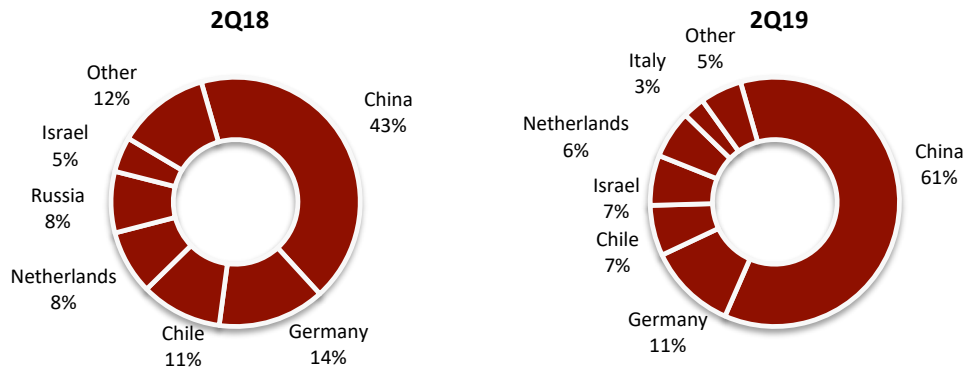
China was once again the main destination of Argentinean exports, accounting for 61% of the total (+18 p.p. vs. 2Q18), followed by Germany and Chile, with 11% and 7% of total export revenue, respectively.

Figures 28 and 29 – Fresh Beef Exports



Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina | 2Q19 Preliminary Data

Figures 30 and 31 – Export Destinations (% of Revenue)



Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina | 2Q19 Preliminary Data

Domestic market

Due to the macroeconomic crisis, beef consumption in Argentina has been negatively affected in recent years. Given high prices and a reduced purchasing power, the population is replacing beef with other proteins, such as chicken, pork and other processed foods.

In this scenario, per capita consumption of beef in Argentina, which has historically remained close to 55 kilos, reached approximately 50 kilos in May 2019 (according to the latest data of *Instituto de la Promoción de la Carne Vacuna Argentina* – IPCVA and the Argentinean Ministry of Agroindustry), while per capita consumption of chicken, which stood at 38 kilos until February 2018, reached 45 kilos in May 2019.