

1Q18 Industry Overview

Minerva Foods

Barretos, May 9, 2018 – Minerva Foods is the South American leader in beef export and it also operates in the processing segment, selling its products to over 100 countries. Currently, the Company has a daily slaughtering capacity of 26,380 head of cattle and daily beef deboning capacity equivalent to 27,966 head of cattle. Present in Brazil, Paraguay, Argentina, Uruguay and Colombia, Minerva operates 26 slaughter and deboning plants and 3 processing plants. In the 12 months ended March 31, 2018, the Company recorded gross sales revenue of R\$14.4 billion, 43% more than in the same period in 2017.



Highlights by Country

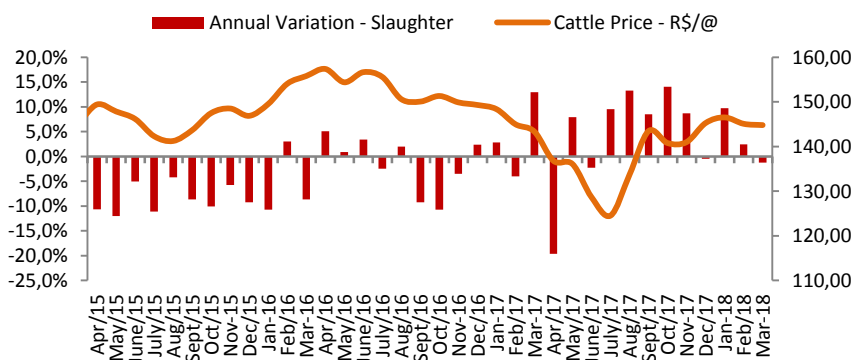
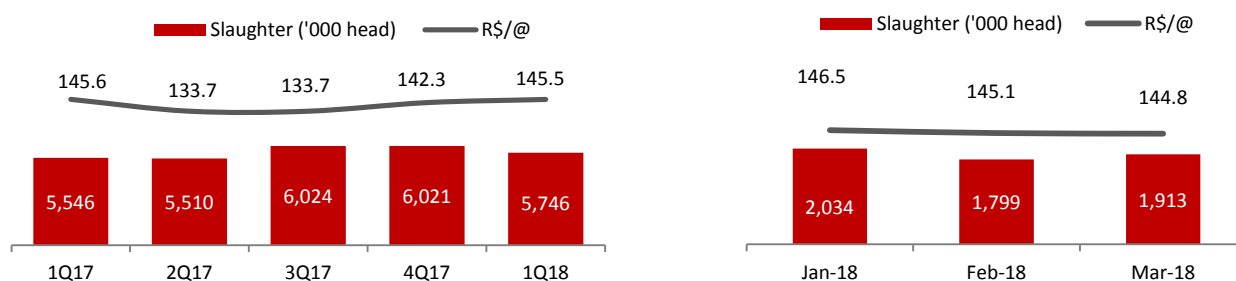
BRAZIL

Cattle Supply

Slaughter volume totaled 5,400 head of cattle in the first quarter of 2018, 4% more than in 1Q17 and 5% less than in 4Q17. In the first half of 1Q18, slaughter kept up the fast pace observed in the last quarter of 2017, with a plentiful supply of animals and buoyant demand both in the export and the domestic market. However, as of the second half of February, domestic demand slowed down, in line with period seasonality. This slowdown drove certain small and mid-sized meatpacking plants to reduce capacity utilization in February.

On the other hand, exports performed well in the first quarter of 2018. Although the arroba price (reference: Finished cattle Esalq/BM&F – state of São Paulo) averaged R\$145.5 in 1Q18, around 2% higher than in the previous quarter and in line with the same period in 2017, the monthly arroba price fell during the first quarter, in line with the usual downward-sloping curve observed in the harvest period.

Figures 1, 2 and 3 – Cattle Slaughter and Average Cattle Price



Source: Ministry of Agriculture, Livestock and Supply, CEPEA/ESALQ | 1Q18 Preliminary slaughter figures

Export Market

Brazilian beef exports reached 319,000 tons in 1Q18, 21% higher than in the first quarter of 2017 (down 7% from 4Q17).

The first-quarter performance was mainly driven by demand from China and Hong Kong, which together accounted for approximately half of Brazilian export revenue, followed by demand from the MENA (Middle East and North Africa) region. Also, in 1Q18, a larger share of exports went to Chile, which temporarily suspended beef imports from certain Paraguayan units.

In this scenario, export revenue came to US\$1.3 billion in 1Q18, 20% higher than in 1Q17 (-11% vs. 4Q17).

Figures 4 and 5 – Fresh Beef Exports

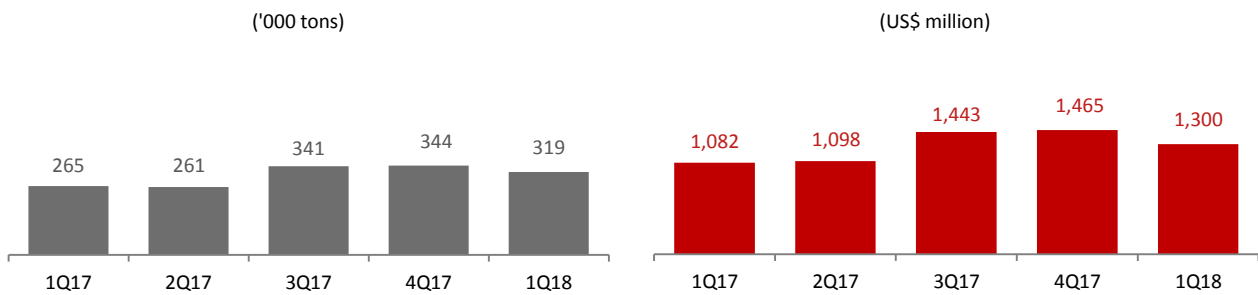


Figure 6 - Average Price of Fresh Beef

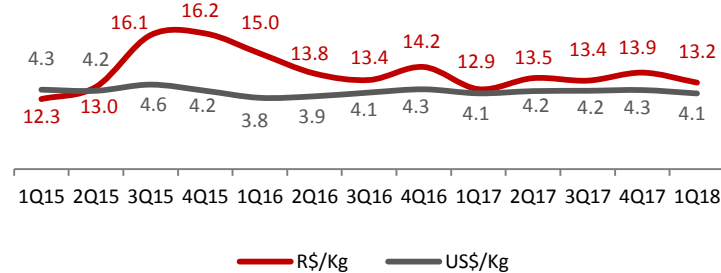
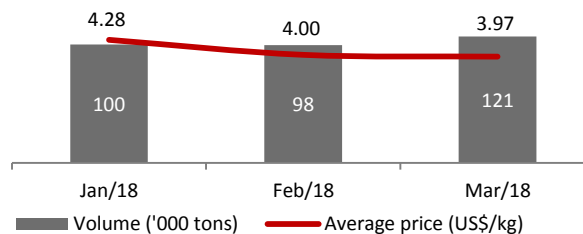


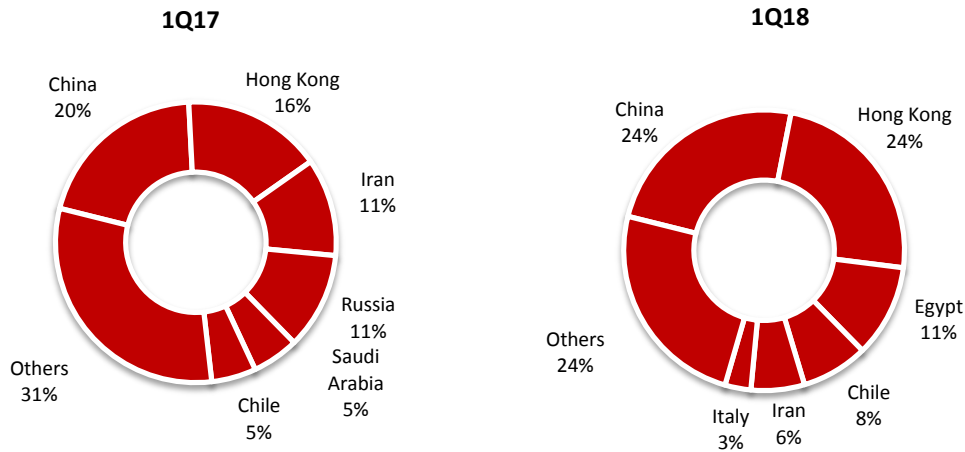
Figure 7 - Brazilian Fresh Beef Exports



Source: Ministry of Trade, Industry and Development

In 1Q18, the price of beef in dollars averaged US\$4.1/kg, in line with the same period last year. As previously mentioned, the main destinations of Brazilian beef exports this quarter were Hong Kong and China, which together accounted for 48% of the total. Egypt was the third main export destination, with 11% of the total, followed by Chile, whose share of total exports increased 3 p.p. over 1Q17.

Figures 8 and 9 – Export Destinations (% of Revenue)

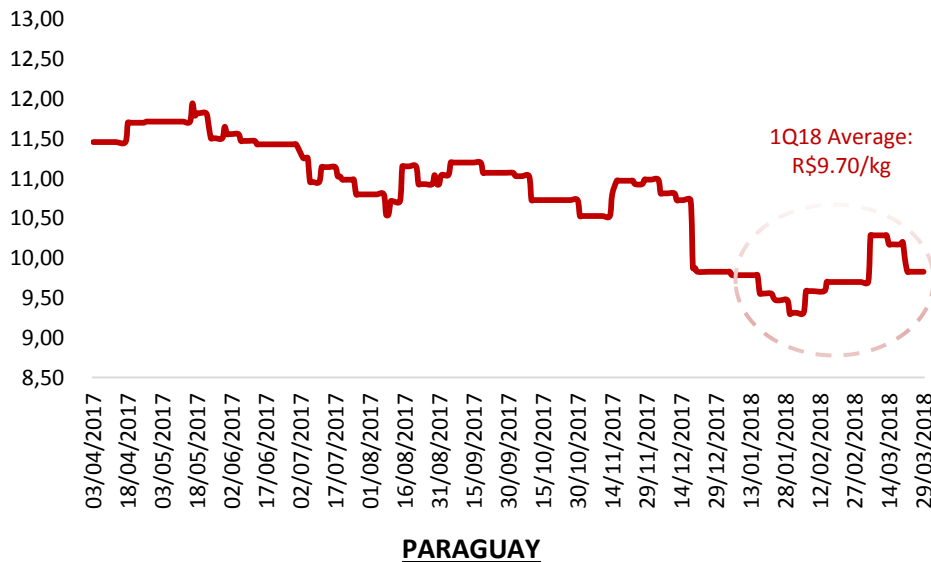


Source: Ministry of Trade, Industry and Development

Domestic Market

Domestic beef consumption in Brazil followed the seasonal trend for the period, with weaker demand and lower prices of both hindquarter and forequarter cuts, as shown in the table below. The natural decline in consumption in the period was coupled with an abundant supply of substitute proteins (chicken and pork), boosting consumption of beef substitutes. Finally, the fact that the Carnival was celebrated in early February also had a negative impact on consumption between the second half of February and the end of March, during Lent.

Figure 10 – Price of Forequarter Cuts (R\$/kg)



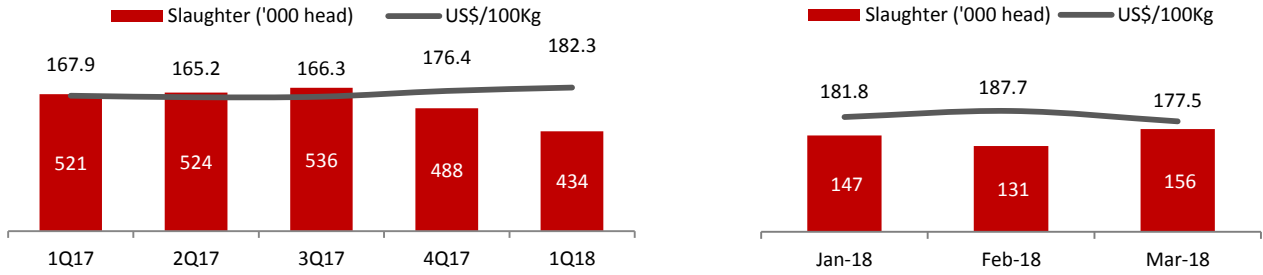
PARAGUAY

Cattle Supply

Slaughter volume totaled 434,000 head of cattle in the first quarter of 2018, down 11% from 4Q17 and 17% lower than in 1Q17. This result was impacted by the fact that cattle producers began the heifer retention period for reproduction purposes.

Although slaughter volume fell, cattle prices averaged US\$182.3/100Kg, 9% more than in 1Q17 and up 3% on 4Q17. This result was due to increased rainfall in the period, which delayed the transport of animals to the plants, combined with vaccination against foot and mouth disease, which reduced the availability of animals for slaughter. Cattle prices only fell in March, when the availability of animals ready for slaughter reached normal levels.

Figures 11 and 12 – Cattle Slaughter and Average Cattle Price

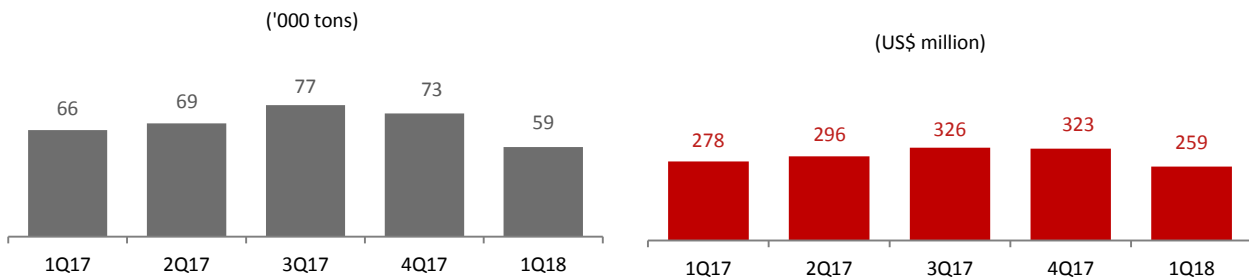


Source: SENACSA

Export Market

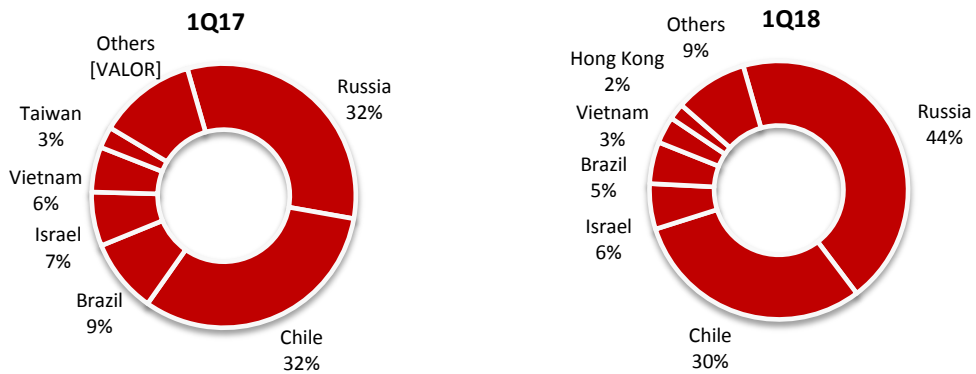
Paraguayan export volume came to 59,000 tons in 1Q18, down 20% from the previous quarter and 11% lower than in the same period in 2017, due to lower production. Russia was the main destination of Paraguayan exports, accounting for 44% of total exports, 12 p.p. more than in the same period last year, driven by the ban on Brazilian beef exports to Russia. Chile was the second main export destination, accounting for 30% of the total, followed by Israel and Brazil, with 6% and 5%, respectively.

Figures 13 and 14 – Fresh Beef Exports



Source: SENACSA

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



Source: SENACSA

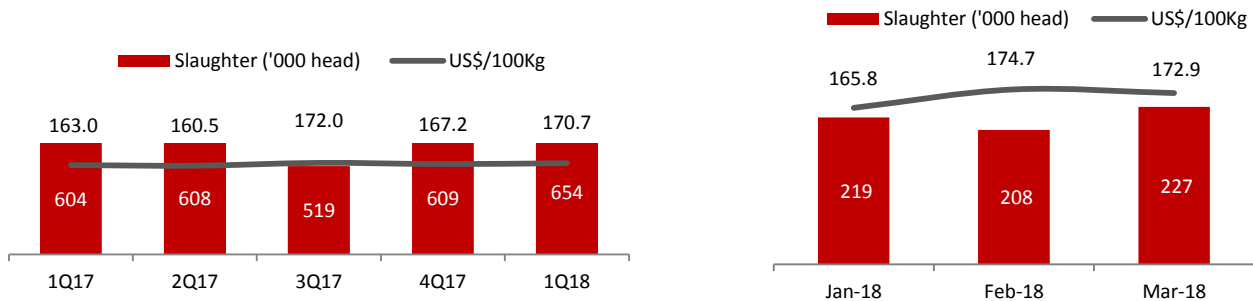
URUGUAY

Cattle Supply

Slaughter volume remained high in the first quarter of 2018, at 654,000 head of cattle, 7% more than in 4Q17 and up 8% on the first quarter of 2017. The higher slaughter volume was due to the drought in the country caused by *La niña*, which encouraged cattle producers to bring forward slaughter.

In this scenario, the average cattle price moved up 2% over 4Q17 and 5% over 1Q17, to US\$170.7/100kg.

Figures 17 and 18 – Cattle Slaughter and Average Cattle Price

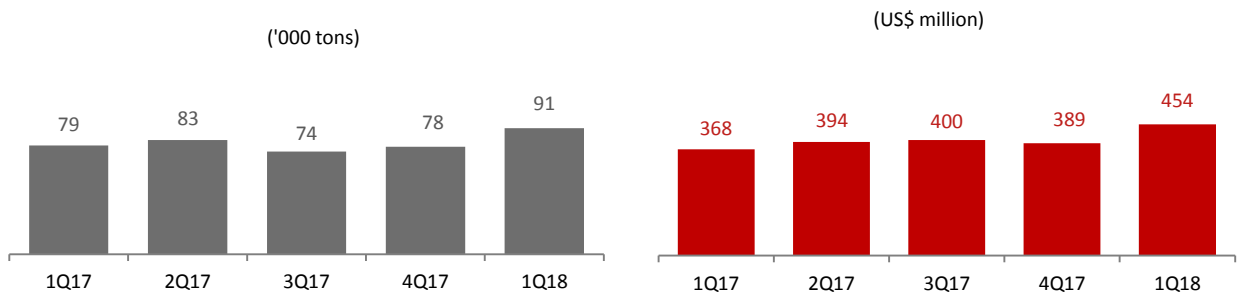


Source: INAC

Export Market

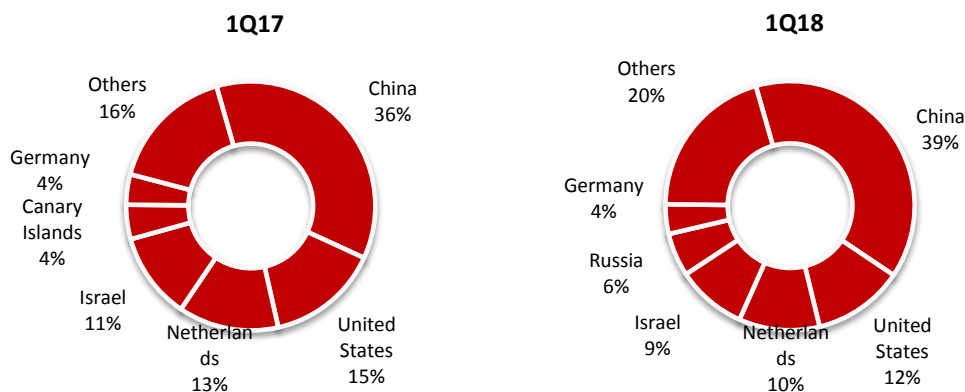
Uruguayan exports totaled 91,000 tons in 1Q18 (up 16% and 17% on 1Q17 and 4Q17, respectively), generating revenue of US\$454 million, 17% more than in 4Q17 and up 23% on 1Q17. The excellent export result was mostly due to Russia, which increased its share of Uruguayan exports by 19% compared with the same period last year.

Figures 19 and 20 – Fresh Beef Exports



Source: INAC | Preliminary data

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



Source: INAC

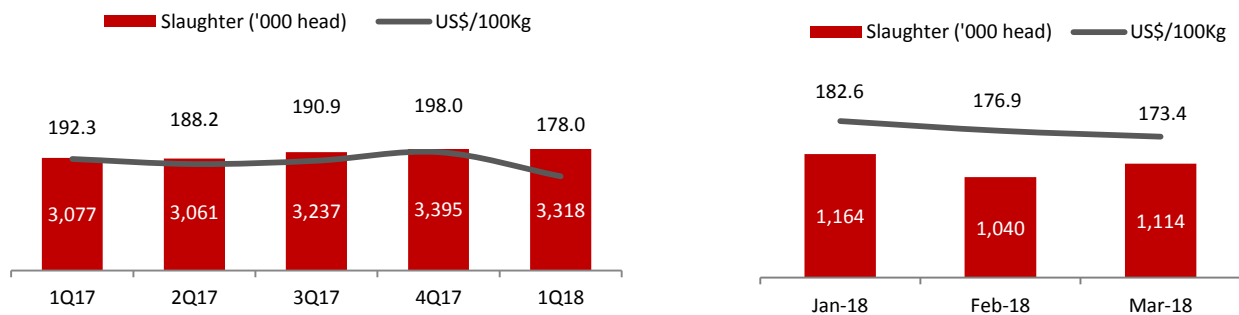
ARGENTINA

Cattle Supply

Slaughter volume reached 3.3 million head of cattle in 1Q18, 2% lower than in the fourth quarter of 2017, but 8% higher than in the same period last year. It is worth noting that, like Uruguay, Argentina also went through a drought caused by *La niña*, encouraging cattle producers to bring forward slaughter.

In 1Q18, the increase in slaughter volume had a direct impact on cattle prices in Argentina, which stood at US\$178.0/100kg, 10% and 7% lower than in 4Q17 and 1Q17, respectively, due to the higher supply of animals coupled with currency depreciation in the period.

Figures 23 and 24 – Cattle Slaughter and Average Cattle Price

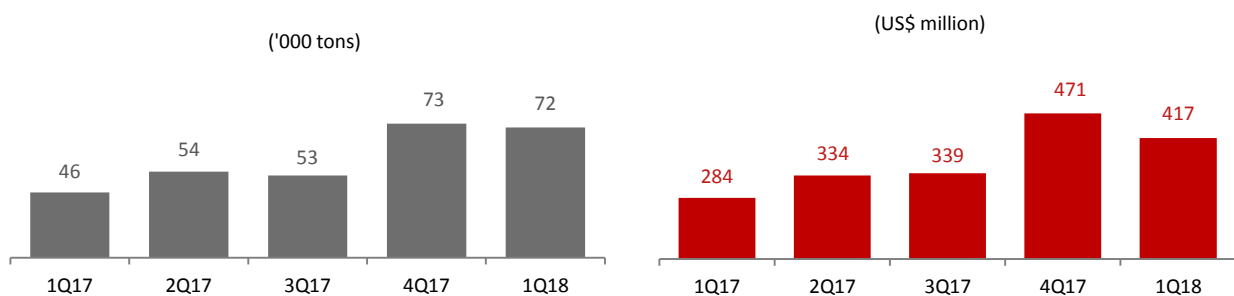


Source: SENACSA | E: Estimate

Export Market

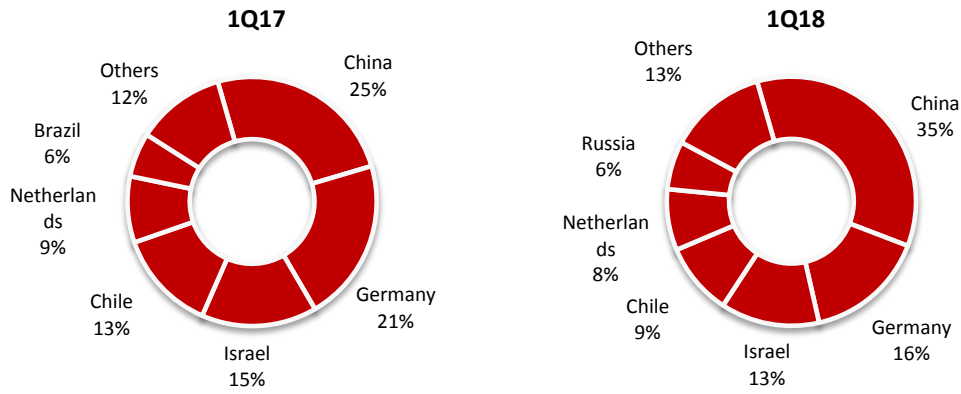
In the first quarter of 2018, Argentine exports reached 72,000 tons, 56% more than in the same period last year. Export revenue came to US\$417 million in the period, up 47% on 1Q17. The excellent result in the period was mostly due to the fact that Argentine exports were directed to Russia, China and Chile.

Figures 25, 26, 27 and 28 – Fresh Beef Exports



Source: ABC Consórcio

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

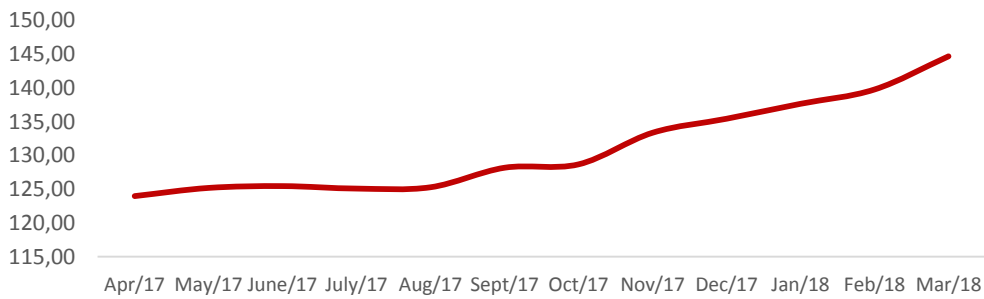


Source: ABC Consórcio | * Preliminary Data

Domestic Market

The recovery in per capita beef consumption in Argentina in the last few months extended to the first quarter of 2018 and had a positive impact on prices, especially *Asado* (the most popular cut in the domestic market) prices, as shown in the graph below. As a result, we did not see the typical first-quarter seasonal trend, marked by weaker demand.

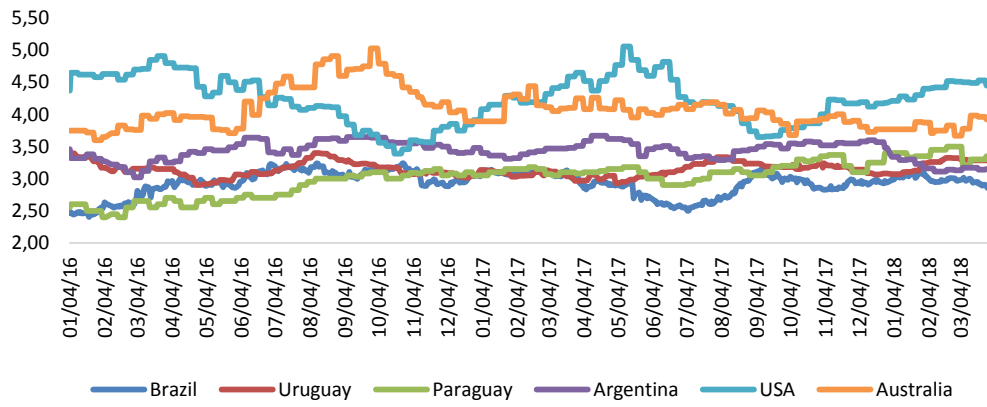
Figure 31 – *Asado* consumer prices (Argentinian pesos/Kg)



BENCHMARK BETWEEN MAIN PLAYERS

The difference between the cattle prices of the main beef exporters players such as Brazil, Paraguay, Uruguay, Argentina, United States and Australia has been one of the competitive advantages of the South American players. The graphic below shows that, there is an advantage in the acquisition of the raw material in South America’s countries, compared with United States and Australia:

Figure 31 – Cattle Price Between Main Exporters (USD/kg)



Sources: Secex, World Beef Report, SENCASA, IPCVA, SENASA and INAC