# 3Q20 Results
# November 4, 2020

**Fernando Queiroz:**

Good morning, Everyone, and thank you for joining us for Minerva's third-quarter 2020 earnings conference call.

Like previous quarters, we will start by talking a bit about the times in which we find ourselves and our new reality brought about by the coronavirus. Since the emergence of the pandemic, Minerva has followed all official guidelines and taken preventive and protective measures to safeguard our primary and most important asset: our team, our people, our employees. And we have expanded safety protocols and reinforced distancing measures in our plants / operations and offices.

We also continue to pursue social responsibility by offering financial support, donating food, medication, personal-hygiene products, and protective gear. To date, we have made over R$42 million in charitable contributions throughout the continent. Social responsibility is part of our DNA and a priority for all of us at Minerva Foods. All of our charity and support initiatives reinforce our commitment to society at large, to our workers, partners, customers, and the communities where we operate.

Now let us move on to earnings, starting with third-quarter highlights on slide 2:

Let's begin with cash flow, one of our priorities.

In 3Q20, free cash flow was positive for the 11th quarter running, totaling R$595 million. We generated approximately R$2 billion in free cash flow in the last 12 months, a reflection of the company's solid operating and financial performance in recent quarters.

Minerva's consolidated gross revenue came to R$5.4 billion in 3Q20 and R$19.7 billion in the last 12 months, a company record. To give a bit of context, Minerva's exports accounted for 70% of gross revenue in the last 12 months, which reflects high worldwide demand and Minerva's focus on beef exports.

And while on the topic of earnings, our EBITDA came to R$554 million in 3Q20, a notable 22% increase over 3Q19. EBITDA margin was 10.8%. In the last 12 months, Minerva's EBITDA totaled a record R$2.1 billion. EBITDA margin was 11.5%.

Consequently, we posted a net profit of R$58 million this past quarter, adding to a sweeping total of R$583 million the first nine months of the year.

Another highlight of this quarter was the strong financial position. As of the close of the quarter, our leverage ratio, that is the net debt to EBITDA ratio over the previous 12 months, was 2.2x, the lowest since 2008, and right in line with our strategy to reduce leverage and improve capital structure.

Minerva ended the quarter with a comfortable cash position of R$7.3 billion, which gives us breathing room amidst the challenges of the times and is perfectly aligned with our conservative cash management strategy.

Another 3Q20 highlight is related to the operations in our second plant in Colombia, the Vijagual plant, which can slaughter 700 heads a day. It is in the ramp-up phase and we expect to double operations volume in Colombia through 2021, contributing to Athena Foods performance.

I would also like to take the opportunity to highlight other recent achievements. The first one is our investment in Clara Foods. Clara Foods is a new innovative startup in Silicon Valley, and a pioneer developing animal free protein through fermentation. A US$4 million investment in Clara Foods, following the guidelines of our venture capital fund to invest in startups and technology companies. This brings new opportunities to Minerva.

More good news: two of the largest international credit rating agencies upgraded our ratings this past quarter. Fitch and Standard & Poor's. This is a clear reflection of a reliable financial management for many years running, leading to a reduction of debt and improved capital structure.

Another very important achievement, and as a result of Minerva's excellent performance in 2020, the Board of Directors has voted on advanced dividend payments to shareholders, representing 25% of the accumulated net profit year to date, R$138 million. This movement, as well as the recently approved share buyback programs, underpins management's commitment to generate value for the Company's shareholders.

Lastly, I would like to point out that on this conference call today we have Mr. Taciano Custódio, Director of Sustainability of Minerva Foods. He will be discussing some of the Company's initiatives and achievements in terms of sustainability, one of the pillars of our business model and our main competitive advantages.

Let us move on to the next slide to talk a bit more about Minerva's operational performance this past quarter, starting with exports.

Slide three. In this 3Q20, we strengthened our position as the largest beef exporters in South America, with a market share of approximately 80%. These numbers reflect our geographic diversification through the continent, which, together with the help of our 16 international offices, gives us a competitive advantage and favorable position in global beef exports.

Now, let us dive down into regional export performance. For the Brazil Division, Asia accounted for 56% of export revenues over the 12 months, a tremendous increase of 31 p.p. over the same quarter last year. Asia was also the primary destination for Athena Foods exports this quarter, accounting for 38% of the division’s total exports.

The export performance has made it abundantly clear that there is growing demand for beef in Asia, especially in China, but also for other markets such as Singapore and Philippines, and Malaysia. We expect heavy growth in these markets in the forthcoming quarters.

Finally, I believe it is important to stress that market forecasts continue to be quite positive. We expect a number of very encouraging economic and market factors to positively affect our business.

The first is African swine fever virus, which continues to impact Chinese pork. Bear in mind that the outbreak is not limited to China and has spread throughout Asia and parts of Europe, recently hitting Germany, the second largest pork producer.

Additionally, we are witnessing changes in eating habits in the Southeast Asia as a result of growing urbanization and higher incomes.

And also, we have persistent problems in some relevant suppliers in the world's biggest beef suppliers, which is Australia. This opens more doors for South American beef producers in markets in Asia and the Middle East.

In light of this promising outlook, Minerva's strategy is to continue maximizing our competitive advantages, to invest in innovative niche opportunities, risk management and market intelligence to ensure increasingly more efficient and profitable commercial and logistic solutions.

We have aspired and pursued all this while honoring our commitment to sustainability. This sets us apart for the competition and increase business opportunity.

I would now like to turn the floor over to Edison Ticle.

**Edison Ticle:**

Thank you, Fernando. I would like to start on slide four. Starting with the operating performance and the breakdown of the Company's gross revenue by division in 3Q20, the Brazil Division accounted for 48% of the Company's gross revenue, Athena Food accounted for 44%, and Trading Division for the remaining 8%.

This quarter, we noticed a slight improvement in the Brazil plants, and thus operating capacity increased approximately 5 p.p. over the last quarter, nearly 68%, the best rate thus far this year.

Now, in Athena Foods, we operated approximately with 77% capacity, higher than the previous quarter, and a reflection of growing export volumes to China in our plants in Argentina and Uruguay. As a whole, the Company's plants operated at 73% capacity this quarter.

As mentioned earlier, these rates are still below our historic operating rate of about 80%, and are expected to remain below par for the duration of the pandemic.

Finally, on the right hand side of the slide, we have included consolidated exports by region in this 3Q, as well as for the 12 month period ended in September. As Fernando already mentioned, Asia is leading export destination, it accounted for 42% of our consolidated exports, and China alone, 31% of total exports. In the last 12 months, the Asian continent accounted for 47% of Minerva’s exports.

Moving on to slide five, there was the net revenue of R$5.1 billion in the 3Q, 14% over the 2Q. And in LTM, 3Q net revenue totaled R$18.6 billion, a 10% increase year on year.

And speaking of profitability, Minerva posted an EBITDA in 3Q20 of R$554 million, a solid 22% increase year on year. EBITDA margin was 10.8%. In the last 12 months, EBITDA totaled approximately R$2.1 billion, a company record. EBITDA margin was 11.5%.

Let us now talk about leverage. This is measured by the net debt to the EBITDA ratio over the previous 12 months, it was 2.2x, the lowest ratio since 2008, despite nearly 40% depreciation of the USD over a year to date basis. In USD, our leverage ratio at the close of the quarter was 1.9x.

Minerva’s leverage ratio today reflects management's commitment to a more efficient balance, less burdensome and lower risk capital structure. This is an issue that we have been discussing and communicating since our follow on in January, and that we have done very well, and we have been able to show a level of deleverage way above market expectations.

I would also like to take this opportunity to point out that this quarter there was an important warrant exercise, including those held by SALIC, adding R$397 million to our cash balance this quarter. We still have R$381 million that must be exercised by year 2021. Once exercised, this will enter our cash flow, and thus helping in leverage, adjusting the leverage of Minerva, so it will be reduced to two digits.

Let us talk about net earnings and operating cash flow. On slide seven, net revenue came to R$58 million after calculating to income and social taxes. Net revenue totaled R$583 million in the first three quarters.

As Fernando mentioned, the Board of Directors approved an advanced dividend payment that we have accumulated. The legal reserve of 5%, and the amount to be paid as dividends will be of R$0.26 per share, excluding treasury shares.

I would like to point out that following our dividend policy guidelines approved earlier this year, the Company will complement the dividend payout considering of the anticipation made in November.

So the dividend policy, which states that every time our leverage level measured by the net debt to EBITDA LTM and the fiscal year is at a level equal or below 2.5x, the minimum dividend payment will increase 50%, from which 25% of mandatory dividends and 25% are complementary. Therefore, Minerva is anticipating part of the dividend, and by year's end, with 2020 financial results, the Company will announce the total dividend for the year, discounting the anticipated amount.

Minerva will trade ex-dividend since November 9, and the advance dividend payment will be concluded in November 13. This reflects not only the excellent performance, but also our solid risk management model, which has been key in reducing leverage and building a solid capital structure, and this generates value to our shareholders.

Let us move to our cash position. Cash flow from operations into R$955 million this quarter, and working capital came to R$491 million in 3Q due to a positive supply line variation of R$796 million. So the operating cash flow for the last 12 months stands at a positive R$3.6 billion.

On slide eight, we will now talk about free cash flow.  It was positive for the 11th quarter, totaling R$595 million in this 3Q20, building up EBITDA this quarter, not adjusted for nonrecurring items, totaling R$540 million, and investments came to R$131 million.

Keep in mind that Fernando mentioned that we acquired Vijagual meatpacking plants in Colombia, for a total of approximately R$75 million, which is included in R$101 million account. Cash basis income came to a R$-319 million, and especially impacted our bonds interest, considering a depreciated FX rate.

Working capital expenses totaled R$491 million. Excluding non-recurring items, totaling approximately R$14 million, designed to address the novel coronavirus, from R$2.1 million for the total of CAPEX over the last 12 months. Cash basis came to R$226 million, and a variance of cash flow came to a positive R$450 million.

And if we add these to the R$39 million for nonrecurring items, we reach a free cash flow of R$2 billion in the last 12 months, a reflection of Minerva's solid economic performance.

If we compare this to the EBITDA in the same period, the cash flow came to R$2.2 billion. So the cash conversion ratio comes to 95%. This means that Minerva can safely use EBITDA as a proxy for free cash flow.

I think it is difficult to find in this industry another company that has a conversion cash rate so high as the one that we were able to obtain in Minerva in the last 12 months, which was 95%.

I will now talk about the bridge of the net debt. It was R$5.4 billion in the last quarter. In this 3Q, free cash flow stood at R$595 million, R$14 million for nonrecurring items, R$397 million from exercise of warrants, R$18 million from hedging, and the forex variation bringing our debt to R$291 million this quarter.

So our debt would have gone up R$291 million this quarter. When we add everything up and say that is a bridge, we end up with the debt that went from R$5.5 billion to R$4.7 billion by the quarter's end, even in spite of forex depreciation totaling approximately R$0.16 reais over the previous quarter.

So we continue to improve the capital structure. Our hedge policy will continue to protect at least 50% of our long-term forex exposure. So we continue very well protected in our balance sheet. This will ensure that we continue delivering solid operational and financial performance.

On the next slide, we will talk a little bit more about capital structure. As we always said, the leverage ratio, that is net debt ratio over the previous 12 months, ended the 3Q with 2.2x, its lowest since 2008. The Company's cash position was R$77.3 billion on September 30, the highest ever recorded for Minerva. This is due to a hedge policy that requires that we keep a significant part of our cash in USD. So this is a protection when there is high volatility.

Speaking about the profile, 79% of debt is exposed to exchange rate variation, and it will come due in approximately five years. We have to remember that our hedging policy requires to protect 50% of our long term FX exposure.

Finally, I would like to highlight the recent rating upgrades from both agencies, Fitch and Standard & Poor's. The upgrade reflects Minerva's efforts to improve its capital structure, solid liquidity position, decrease of our leverage level and consistent free cash flow generation, thus notably reducing Minerva's risk perception.

This, of course, shows a better perspective for the risk agency.

I would now like to give the floor to Taciano, our Sustainability Director. He will talk about Minerva's ESG initiatives. Taciano, you have the floor.

**Taciano Custódio:**

Good morning and thank you for joining us on this earnings call. This is an excellent opportunity to review Minerva Foods ESG agenda, and how we address sustainability in South America.

The sustainability of Minerva Foods is based on three main pillars: dedication to the planet. This is reflected on the ground actions to combat climate change, monitoring the supply chain for social-environmental impact, and pursue operational efficiency like energy management, waste management, greenhouse gas emissions, and water consumption.

Benefiting our people. Our presence can be felt beyond the consumption of our products, and prosperity for all is essential to our Company. This pillar represents the dedication and commitment of the more than 18,000 families who make up our labor force, whether it is providing jobs and income over 36 cities throughout the continent, or whether it is supporting communities during the pandemic. Minerva Foods actively contributes to local and community development everywhere we operate.

And finally, product quality and respect for life, a pillar that addresses the safety of the food we produce and export to over 100 countries. This, and care for the animals we handle.

Before we go into the challenges facing our industry, I would like to provide a little bit more context on agricultural production in Brazil. Brazil is an agricultural powerhouse and has a modern conservationist forest law. More than 65% of the country consists of native flora, with more than 30% protected conservation area or indigenous, and more than 20% consisting of private property, according to the Embrapa data.

Minerva Foods has committed publicly to not employing slave or child labor and not contributing to deforestation. We have invested heavily in a social environmental monitoring platform in cooperation with Niceplanet, and we rank top in Brazil and South America in terms of supply chain monitoring. In fact, recently corroborated in an audit by the federal prospector office.

Our monitoring platform consists of over 10,000 farms in Brazil and Paraguay, that together come to over 9 million hectares monitored in the Amazon, Brazil's region called Cerrado, and Paraguay's semiarid region call Chaco.

Through technology and monitoring, we review 100% of our purchases in Brazil for environmental restrictions and illegal deforestation against the Ibama list and off-limit areas. We also check all of our purchases against the slave-labor list.

And you can see a sample image of our monitoring system, and we can see the maps of Minerva's suppliers in blue, red are the occurrences of deforestation according to the National Institute for Space Research and Greenhouse Theories of Environmental Conservation, and in yellow, the indigenous land. Minerva does not buy animals from suppliers farms that overlaps with indigenous plants, conservation units, nor does it buy animals from suppliers whose properties are related to deforestation.

By zooming in on our monitoring platform, we can identify a property that does not meet Minerva Food's sustainability criteria, because you can see where the suppliers property identified by blue has restrictions related to deforestation, which means this is a supplier which is blocked by the Minerva Food's system.

The integration of our cattle acquisition with the geographic monitoring ensures greater security and transparency to this process.

On slide six, we have an example of a report generated by Minerva's system containing the information that disables and blocks the purchase of animals from the mentioned suppliers.

The supplier property that does not meet the sustainability criteria is automatically blocked in Minerva's system until the presentation of official documents that prove the property is regular again.

In this sense, we work proactively with our own field team, guiding suppliers to regularize this property with the authorities support. The use of the best geographic monitoring tool combined with the systems integration and the commitment of our team provides safety and transparency in our cattle acquisition process.

Slide seven, we have Minerva Food's commitment to society reflected in the recent audit report produced by the Pará's Federal Prosecutors Office. Pará is one of the regions most impacted by cattle production. I would like to stress that this is the state government that provides the database for the audit, which ensures the transparency and assertiveness of audits and findings, and corporate commitment to know deforestation. Minerva Foods then receives the best board of all large scale companies, 100 % compliance, following an audit of 100% of company purchases. In the first review, a 99.7% compliance, following the audit of 97% of Company's purchase purchases in the second review.

The NGO Friends of the Earth recently published a status report on the occasion of ten years since the signing of the consent decrees in the state of Pará, publication included, and we are seeing the excellent results of Minerva's outstanding performance. There is no doubt that sustainability is a force for our corporate business model.

One of the biggest challenges in our industry is monitoring our suppliers, especially those who make up the first links of the supply chain. In other words, those who supply the animals to our direct suppliers.

I would like to give you a bit more context and show how this affects the Company's food chain in general Minerva Foods, so its business model is geared towards the export market.

And according to a study by Niceplanet Geotechnology, 90% of deforestation occurs on farms no larger more than 500 hectares, and 65% of the deforestation is actually limited to farms no bigger than 100 hectares.

If we look at yields in Brazil, the cattle production in farms no bigger than 100 hectares is quite small. These farmers deliver just 36 heads per a year, which directly limits the operational profitability and their ability to invest in technology to improve production systems on their farms.

So, the very small farmers who have farms no larger than 100 hectares, they cannot qualify and cannot supply a significant scale of livestock to meet the quality and safety requirements of international markets.

Characteristics like maximum age, weight, pH levels and marbling can only be ensured with investments in field, health, nutrition, animal welfare, pasturing and intensification systems. Those that do not have enough profitability cannot get into the export market.

When it comes to indirect suppliers, Minerva once again has proved itself a pioneer in sustainability as it pursues alternative solutions to this problem. We were the first company to pick a tool for tracing indirect suppliers, and one that focuses risk assessment.

The preliminary results of the test applied in the states of Mato Grosso and Rondônia are very positive, with 99.9% meeting the criteria established by the indirect suppliers workgroup. 3,314 farms were tested and listed as potential indirect suppliers to the three plants considering our test sample.

The test using the VISIPEC tool is yet another way in which Minerva Foods, together with various players in the Brazilian beef supply chain, aims for greater transparency and safety in cattle sourcing.

In the savannah region called Cerrado, each one of the 2020 suppliers has been included in a monitoring system for the Barretos and José Bonifácio plants, in the state of São Paulo, and inner routes have being made with supply chains for the Palmeiras de Goiás and Janaúba plants in Minas Gerais. Our target is to have every one of the 2020 suppliers registered in the monitoring platform by December of this year. Yet another, example of important advances in Minerva Foods supply chain management.

Which is beyond Brazil as well. More than half of the suppliers in the semiarid region of Paraguay, the Chaco, are now monitored for compliance with sustainability criteria. You can read the results of an independent audit of our monitoring process on our website.

Minerva Food's commitment to sustainability is backed by concrete actions and results, not empty promises of magical results in some distant future. We are working in the present with the best tools available, bringing everyone on board to confront the challenges to our value chain.

As a final point, I would like to stress our commitment to social responsibility and to highlight our recent activities in response to the coronavirus.

Minerva Foods has donated over R$42 million to a variety of initiatives to help cities and towns throughout Brazil since the beginning of the pandemic. This includes hundreds of tons of beef, thousands of PPE items, personal hygiene products, thousands of medications and hospital equipment, and leasing mobile ICU to the cities, towns and communities in which we operate. We have also set a R$32 million support fund to help our customers in these difficult times.

Animal welfare is a key pillar in the food supply chain. We treat this very seriously, and we heavily invest in training our employees, updating our plans and maintaining proactive certification.

Proper animal management ensures higher quality products and more profitable suppliers. Our plants are certified, and our team is trained by top quality instructors like Dr. Temple Grandin, an internationally renowned expert in animal welfare.

As I mentioned in the beginning of this presentation, Minerva Foods is an example of sustainability in the South American cattle industry. Our pioneering spirit and leadership, in addition to serving as one of the pillars of our business model, is supported by important partners, like the IFC, which is recognized the world over for pushing sustainability, governance and social responsibility and for demanding such of the companies in which it invests. Minerva Foods is the only cattle company in Latin America that is partnered with and receives investments from the IFC.

Finally, wrapping up, I would like to encourage all of you to visit our sustainability website, which includes all of the Company's commitments to sustainability, as well as audit reports of our Brazil and Paraguay supply chain, our greenhouse gas inventories, the only independently audited greenhouse gas inventory is the industry, and social responsibility policies and programs that guide company operations, and of course, our sustainability report, which we have been publishing annually since 2012.

We at Minerva Foods are committed to the agribusiness and are proud to produce beef, a dietary staple, in a way that is ethical, sustainable and socially responsible so that we can supply high quality, safe foods for our customers worldwide.

Thank you for your attention, and I turn back to Edison.

**Edison Ticle:**

Thank you for your presentation, Taciano. This concludes our presentation, and I will now give the floor to the operator to start the Q&A session.

**Luciana Carvalho, Banco do Brasil:**

Good morning everyone. Fernando and Edison, thanks for the opportunity and congratulations on the results. I wanted to talk a little bit about China. You have been advancing exports to the country, which has become your main destination.

I would like to understand the dynamics a little, as you believe it will be now for the end of the year. Mainly because, in normal times, it would be the period when they would make that stock for the festivities at the beginning of the year. So, what are you waiting for this 4Q with China?

And even if you can update how your JV is doing in the country, if it has helped you in this advance in exports, I would also like to thank you. Thanks.

**Fernando Queiroz:**

Luciana, thanks for the question.

If you are following the data, China is the country with the fastest recovery in the economy. Among these resumes, the food service has a highlight. We are seeing the food service already at 90% of what it was before the pandemic. So, it is a solid and consistent recovery.

An interesting data is that China has broken the record of movement in bus stations, train stations and airports internally. So, there is economic activity, there is travel and there is recovery in all sectors.

And China's seasonality is the same. Last year, it suffered a little and, this year, we see the seasonality with December being the great month of preparation for the holidays for the Chinese New Year, which is in January. So, we see a normal cycle and the normal seasonal cycle that comes from China.

JV is part of Minerva's downstream strategy, to be present closer to the consumer edge. In some countries, we are making this move. Given the importance that China has and the heterogeneous characteristics that each region has, it is essential that we take this step.
For now, we have a non-binding MOU, which we are working on, and we intend to announce the structure of the JV soon. The objective is not only to have more profitability going downstream, but also to improve our information system, so that we have even more assertiveness within our risk management policies.

So, we are very optimistic about China. In a statement by the Chinese ambassador to Brazil, he expects that from today until 2027, beef imports into China will double, so that shows the potential that China has.

Thank you, Luciana.

**Luciana Carvalho:**

Thank you, Fernando. It was quite clear.

If I can ask a second question, more related to the domestic market, how you are seeing prices that have helped a lot in margins, especially in this quarter of price escalation, so much so that later on, prices ended up following the market a little domestic.

So, I would like to hear from you about this upward trend. Do you believe that this holds? What can the extension of emergency aid help in this regard? And, as you mentioned, China is returning at a faster speed perhaps, resuming the food service. So, what is the expectation for food service here in Brazil too?

Thanks.

**Fernando Queiroz:**

Luciana, the internal market has always been very important, but especially at this time. We had a reduction in the average slaughter in Brazil in the year and we had an increase in exports. If we look at the recent SECEX data for October, we had an increase of 5% year over year in exports and, in price, an increase of almost 4% in relation to the previous month. So, we see a very demanding market in exports.

This, obviously, reflects on the domestic market, leaving the domestic market warmer and more of a seller's market. This is what we are seeing. A market that is breaking records and, especially, in the 4Q, which is seasonally the strongest period in the domestic market.

So, we are also very optimistic about the domestic market, especially due to the production platform we have in other countries in South America, where Brazil becomes not only a producer, but also an importer from neighboring countries. Edison will complete.

**Edison Ticle:**

Let me just complete and add a little more color. The domestic market, for example, in the food service, had a very substantial improvement in the 3Q. We estimate that it is already operating between 80% and 85% of what was normal values last year.

So, we remain very optimistic, as Fernando said, with the performance of the domestic market in Brazil for the 4Q. But, for the first half of next year, depending on what happens to the stimulus in the economy and the restrictions on fiscal policy, we may have a slowdown in demand. With that, we will have a price drop. But the positive side of this is the impact it has on the price of the “arroba do boi”.

Recalling that the correlation of the price of the arroba do boi in the Brazilian domestic market is very high with the performance of meat sales also in the domestic market. If we have less heated demand and meat prices drop, we will most likely have a drop in the price of the at sign, which ends up benefiting us a lot, remembering that today, almost 70% or 75% of our production goes for export. Just to give that additional color.

**Fernando Queiroz:**

I'll just add one more thing, Luciana. We are seeing our platform in the domestic market very solid. If you remember, at the beginning of the 3Q, we launched a fund to support our customers, especially small and medium sized ones in the domestic market.

The loyalty index was very strong and we anticipated this movement, believing in customers and supporting these customers.

So, our distribution model of being close to the edge, of being with customers and of supporting in difficult times is proving to be very positive and very rewarding for all parties.

Thanks.

**Luciana Carvalho:**

It's great. Thank you, Fernando and Edison.

**Ricardo Alves, Morgan Stanley**

Good morning, Fernando and Edison. Thanks for the call.

I have two questions about profitability. The first is in Athena. This 11% EBITDA margin really surprised positively.

How sustainable are you seeing this level of profitability in the division? If you can give a little more color in terms of costs in this division, it would help us. For example, give a little perspective on the cost of cattle in Argentina or any additional color to try to understand the sustainability of this result.

And the second is also in the same line, but thinking a little more about the consolidated. Taking into account some of the points that have already been raised, such as the issue of cattle at very high levels here in Brazil, taking into account that demand in China should continue to be strong now in the 4Q and also taking into account that food service in Brazil has improved, all together, how are you thinking about your consolidated profitability for the 4Q?

You had this 11% now, which was very solid, but putting all this in the account, all these variables, some positive and others a little less, how are you seeing profitability for the end of the year?

Thank you.

**Edison Ticle:**

Speaking a little about Athena, we released a sector overview a week before the results. You talked a little about costs and there we open, for example, the average price of cattle in all the countries where we operate.

If you compare the average price in USD, for example, you will see that, in Paraguay, the average for the last quarter was US $ 2.50 per kilo. If we look, for example, Uruguay, which is the most expensive country in South America today, was US $ 3.50. Argentina was also in the range of US $ 2.50 per kilo.

This means that these countries in South America, especially Argentina, which basically has the same markets as Brazil, end up being more competitive due to cost issues and, therefore, end up with margins even slightly better than margins. that we are seeing in Brazil.

If we look at Athena Foods, and open the history on page 22 of the release, in the last two quarters, it operated close to 12%. In the 2Q, it operated at 11.7% and in the 3Q, at 12.1%. If we look at 3Q19, when the conditions for selling prices in USD were much worse, even so it operated at a margin close to 10%.

If you look at the presentation we released on the website, talking a little about our expectations for Athena Foods going forward, we already had an expectation for this 3Q around 12%. We managed to get very close and even slightly exceed the initial expectation that we had in the business plan.

For the 4Q, the expectation is around 11% in that presentation and, given the numbers we are seeing in this 4Q, we see margin prospects, not only in Athena, but in Minerva as a whole, so we will be very close to the situation we saw in the 3Q.

So Athena Foods has a very high competitiveness due to the cost and the price of the cattle because at the point of sale, the market is very similar to Brazil, and they pay a higher price for the product.

**Fernando Queiroz:**

Ricardo, I would like to add to what said. We can also talk about diversification in South America. This strategy makes it possible for us to have an arbitration and always be present with competitiveness, and Athena Foods shows this. Athena with Brazil shows this even stronger.

This represents more than 40% of world exports, and with competitors that have a price gap significantly higher.

If you take into account the large majority of competing markets has the grain as the base of cost, with the prices of grains increasing, and the way we produce here in semi confinement, in feedlots, this gives a competitiveness which is not comparable.

So it shows that the Athena model and the diversification of Minerva are extremely sustainable in a more sustainable world, and more competitive.

**Ricardo Alves, Morgan Stanley:**

Thank you, Edison and Fernando.

**Isabella Simonato, Bank of America:**

I have two questions, the first one is exploring a little bit of the cattle cycle here in Brazil. I understand that the demand has been very important to pull the price of the arroba. We also see the price of the calf. Going forward, how do you see the availability in the cycle? This is my first question.

The second one has to do with working capital. There was a very good improvement coming from suppliers. Can you tell me a little bit more about the quarter? And looking at the 4Q, how this should behave?

**Edison Ticle:**

We have been talking about this for a long time. We see this cycle in Brazil since 2020 and the beginning of 2021, it is very well aligned with what we expected, with our forecast, and the price of the 15 kilo, called arroba, has felt a high. So it is very aligned to what we expected.

This change in cycle, we have to focus less on the price of the cattle and more on the spread. And I always repeat this in all the calls, because independently of where the price of the arroba is, this can be passed to the sales price and maintain the spread and the margin.

We have shown that the situation of the unbalance of demand, of supply of beef in the world, has given us a bargaining power, which is very important. And we have been able to keep the margins above two digits.

If we look at our data quarterly, our average in the last 12 months was above 9.5%, above 10%, at least in the last eight quarters. This shows that we have had a good bargaining power with our clients, and although the arroba is R$115, and gone up to R$200, we have kept our margins in a very healthy level in free cash flow.

So looking forward, there is no reason to be concerned about this scenario. There is a less favorable cycle here in Brazil, with some pressure, but this has all been anticipated. In this 2H in the price of cattle, there is no reason why we should not believe that we have the bargaining power, and therefore we can repass the prices and keep our revenue in the level of two digits.

Talking about free cash flow. In the line of the suppliers, this came through a financial tool that we set up, in which we have the financial institutions paying down payment with a discount up to 2%, and using up to 90 days charging between 0,30 to 0,40 a month.

So we have a 2% discount, and we pay 1.2 or 1.5 of cost, and we have positive effects, because it helps us in our margins, because the financial cost of this goes directly to the CMV, and the second benefit is the money that was in working capital that helps us reduce our indebtedness, and therefore reduces the margin plus the financial expense.

So when the accounting is very profitable from the financial point of view, we have a smaller gap, and with the possibility of free cash flow.

**Isabella Simonato:**

That is very, very clear. And the idea is to keep things going ahead, or is this only for this quarter?

**Edison Ticle:**

No, it is ongoing. This is a program that we have in place with several institutions, and I do not think this is going to grow. Because, you know, there is a limit to how to purchase at sight a with a discount of this magnitude. So probably we have come to our limit, but there is no reason why we should go back. So we do have this thing in the 3Q, and it will continue to be ongoing in the coming quarters.

**Isabella Simonato:**

Thank you very much. I understood your answer.

**João Soares, Citibank:**

Good morning. I would like to understand about the long term growth of the Company. I would like to understand the situation in Australia. I would like to understand if you are giving financing to finance the growth in Australia.

**Edison Ticle:**

This is part of the average medium and long term plans of the Company. We have proof here that with a strong operational free cash flow, we can meet the metrics of deleverage suggested, and in fact, we are doing this earlier than the market expected, than our business plan was pointing out.

So if we can keep the cash generation operational, as we have done in the last 11 quarters, we can reduce the leverage to a more comfortable level below 2x, and in a short period of time we will be able to comply with a dividend policy, which is to distribute 52% of the profits at the end of the year, and we will have a business plan, nothing transactional.

It is something like we did in Colombia, we used R$75 million to buy this plant, and we have a R$600 million positive cash flow. So this is how we are going to be managing the capital.

Besides the business plan, we have an estimate, which is Iain. Iain is very knowledgeable in Australia, so we are going to use all his knowhow at the right moment without committing the capital price of the Company.

**Fernando Queiroz:**

One of the fundamental points that we have a difference is also the risk management that we have. With more geographical diversity, we can have more efficiency.

So what we are seeing is this DNA of Minerva for diversification and risk management, the geographic diversification. I can tell you that all the plans that we already had shown the consistency in our plans.

**João Soares:**

Thank you very much. I would like to add on the working capital, something Isabella brought up. Could you tell me how much does this represent in financial expenses? The cash in this structure, looking at the annualized cash flow.

**Edison Ticle:**

The structure is, we have the gain of the on sight discounts, and also the financial expense of increasing the terms. Since that is reducing my CMV, I only use 2% minus the cost of the financial product. This is an operational offer, and this is considered in the CMV.

**João Soares:**

Thank you, that was very clear. Thank you very much, and congratulations for your excellent results.

**Rafael Sommer (via webcast):**

Could you talk about the R$-64 million with a BRL that was depreciated? Could you talk about the working capital of the supply?

**Edison Ticle:**

The second part of the question has been answered.

About the foreign trade hedge, when the exchange went beyond the closing of the 2Q, we had to protect cash that was more than R$1 billion. It was a hedging policy, transforming this into a *call.*

How could we do this? We had USD up, we bought the put, and we have bought put between R$5.20 and R$5.40, and the exchange rate was R$5.54, so we lost the premium. The result of the hedge was negative, and it gives a hedge of R$0.16 cents plus the carryover price, which is 1% to 2% per quarter. So it is easy to do the accountability. And you eliminate the cost of the options if we are not exercising, and we come to this small negative result in the quarter.

Although we have lost a little bit, I think the strategy was right because it brought an enormous symmetry to our position of hedging, especially after the movement of the exchange from going from R$4 to R$5.2 at the end of the 2Q. This is an impact of R$1.4 billion in this period.

So that was it. Total transparency, and we are very happy we have made NDF in a call, and these are options one, and the hedge policy continues the same way.

**Operator:**

We are now going to close the Q&A session, and I will give the floor to Mr. Fernando Kittles for his final comments.

**Fernando Queiroz:**

I would like to close this teleconference. I would like to thank everyone in the Minerva's team for their performance and their dedication in this quarter. I would like to highlight the resilience and the dedication of what we are facing this year. I am very happy to see that our team has new working habits in home office, keeping the same level of dedication and commitment, focused in disciplined. During this period, it was fundamental for us to transform adversity into an opportunity.

We are going to continue watching and being the leaders, and with the ethical and sustainable, because we believe this is the best way for value generation in the long term.

Thank you very much for your interest in Minerva, and we are available for any questions or any comments, with transparency, clarity and inclusion, always generating more value for the shareholders. Thank you very much.

**Operator:**

Minerva's teleconference is now closed. We would like to thank all of you for your participation, and have a wonderful day.