



## **MINERVA S.A.**

Publicly-held company  
CNPJ/MF No. 67.620.377/0001-14  
NIRE 35.300.344.022

## **MATERIAL FACT**

Minerva S.A. ("Minerva" or "Company"), one of the leaders in South America in the production and sale of fresh beef, live cattle and cattle byproducts, with operations also in the beef processing segment, pursuant to the provisions of article 157, paragraph 4, of Law no. 6,404 of December 15, 1976, as amended ("Corporations Law"), and in accordance with CVM Instruction 358 of January 3, 2002, as amended ("ICVM 358/02"), following the material fact disclosed on December 22, 2015, at 5:53 pm, hereby informs its shareholders and the market in general that:

The Board of Directors, in a meeting held on December 22, 2015, resolved, among other matters, (i) to approve the execution, by the Company, of an investment agreement with Salic (UK) Ltd ("SALIC UK"), a company controlled by the Saudi Agricultural and Livestock Investment Company ("SALIC") and with VDQ Holdings S.A. ("VDQ"), by means of which, subject to certain conditions, SALIC UK undertook to subscribe and pay in new common shares to be issued by the Company ("Investment Agreement"); and (ii) submit to the extraordinary shareholders meeting a proposal of a capital increase, in the amount of up to R\$ 1,555,882,473.60 (one billion, five hundred fifty-five million, eight hundred eighty-two thousand, four hundred seventy-three Brazilian Reais and sixty cents), with private subscription of up to 99.736.056 (ninety-nine million, seven hundred thirty-six thousand, fifty-six) new common shares, nominative and with no par value, at an issue price of RS 15.60 (fifteen Brazilian Reais and sixty cents) per share, stipulated in accordance with article 170, paragraph 1, item III, of the Corporations Law, to be paid in with Brazilian national currency ("Capital Increase").

### **I. Investment Agreement**

Pursuant to the Investment Agreement, the Company, subject to certain conditions, undertook, among other obligations, to perform the Capital Increase in order to make SALIC UK's investment possible.

At the same time, SALIC UK, subject to certain conditions, undertook, among other obligations, to subscribe and pay in an amount of new common shares, nominative, book-entry and with no par value, to be issued by the Company, representing 19.95% (nineteen point ninety-five percent) of the Company's capital stock after the ratification of the Capital Increase.

As a mean to ensure the investment of SALIC UK, VDQ undertook, subject to certain conditions, to assign and transfer to SALIC UK, for free, the totality of its preemptive right for the subscription of shares in connection with the Capital Increase.

Additionally, BRF S.A. undertook to assign and transfer to SALIC UK, for free, the totality of its preemptive right for the subscription of shares in connection with the Capital Increase.

The execution of the Investment Agreement is in line with the Company's investments plan, which is based upon the strategy of geographical diversification of its areas of operation, with focus on creating value for the shareholder, financial discipline and continuity of the process of reducing its leverage. In this perspective, with the investment to be injected by SALIC UK, the Company will obtain a significant reduction of its net debt, the bolstering of its working capital and financing for its capital expenditures.

Within the negotiations of the Investment Agreement, in line with the common practice in transactions of this type, the Company, in consideration for the obligation of subscription and payment undertaken by SALIC UK, made representations to SALIC UK regarding its businesses and operations, contingencies and liabilities, and undertook to indemnify SALIC UK for certain losses originated before the closing of the Investment Agreement.

Still in the context of the Investment Agreement, VDQ and SALIC UK also entered into a shareholders agreement to regulate their relations as shareholders of the Company.

## **II. Capital Increase**

The proposed Capital Increase sets forth an increase in the Company's capital stock of up to R\$ 1,555,882,473.60 (one billion, five hundred fifty-five million, eight hundred eighty-two thousand, four hundred seventy-three Brazilian Reais and sixty cents), with private subscription of up to 99,736,056 (ninety-nine million, seven hundred thirty-six thousand, fifty-six) new common shares, book-entry, nominative and with no par value, at an issue price of RS 15.60 (fifteen Brazilian Reais and sixty cents) per share, stipulated in accordance with article 170, paragraph 1, item III, of the Corporations Law, to be paid in with Brazilian national currency.

The ratification of the Capital Increase partially subscribed shall take place, as long as, at least, 47,848,524 (forty-seven million, eight hundred forty-eight thousand, five hundred twenty-four) shares are subscribed, which correspond to an increase of at least R\$ 746,436,974.40 (seven hundred forty-six million, four hundred thirty-six thousand, nine hundred seventy-four Brazilian Reais and forty cents) ("Minimum Subscription").

Considering the Capital Increase to be decided by the Shareholders Meeting, the Company's capital stock may increase from the current R\$ 950,598,047.54 (nine hundred fifty million, five hundred ninety-eight thousand, forty-seven Brazilian Reais and fifty-four cents) to, at least, R\$ 1,697,035,021.94 (one billion, six hundred ninety-seven million, thirty-five thousand, twenty-one Brazilian Reais and ninety-four cents) and, at maximum, up to R\$ 2,506,480,521.14 (two billion, five

hundred six million, four hundred thousand, five hundred twenty-one Brazilian Reais and fourteen cents).

If approved, the Capital Increase shall be effected by means of private subscription of, at least, 47,848,524 (forty-seven million, eight hundred forty-eight thousand, five hundred twenty-four) and, at maximum, 99,736,056 (ninety-nine million, seven hundred thirty-six thousand, fifty-six) new common shares, nominative and with no par value, at an issue price of RS 15.60 (fifteen Brazilian Reais and sixty cents) per share.

The issue price of the Capital Increase shares was freely negotiated between the Company, VDQ and SALIC UK during the negotiations of the Investment Agreement, with the purpose of maximizing value for the shareholders, stipulated without unjustified dilution of the interests of current shareholders, pursuant to article 170, paragraph 1, item III, of the Corporations Law, based upon the weighted average price of the Company shares in the last 60 (sixty) trade sessions of BM&FBOVESPA prior to December 22, 2015, plus a premium of approximately 24.84% (twenty-four point eighty-four percent) compared to the average price weighted by the volume in the period.

The shares to be issued in connection with the Capital Increase shall be entitled to full dividends and/or interest on net equity, as well as any other rights that the Company may declare after the shareholders' meeting, under the same conditions of the currently existing shares.

Pursuant to article 171 of the Corporations Law, and subject to compliance with the proceedings to be further detailed by the Company by means of a Notice to Shareholders (*Aviso aos Acionistas*), shareholders are entitled to preemptive right for the subscription of the new shares to be issued in connection with the Capital Increase, in the proportion of their interests in the Company's capital stock as of the date the shareholders' general meeting which approves the Capital Increase is held.

Considering that the shareholders are entitled to preemptive right for the subscription of the new common shares, nominative and with no par value, should they exercise the totality of their respective preemptive rights, there will be no dilution of the shareholders.

The preemptive right for the subscription of shares in connection with the Capital Increase can be freely assigned, pursuant to article 171, paragraph 6, of the Corporations Law.

Upon the expiration of the period for the exercise of preemptive right, if there is any number of unsubscribed shares, a proceeding for the subscription and apportionment of the remaining unsubscribed shares shall be conducted.

Once the period for the exercise of the preemptive right is expired, in the event that there are remaining unsubscribed shares (even if the Minimum Subscription is reached), the subscribers who have requested remaining unsubscribed shares shall have five days, counted as of the publication of a Notice to Shareholders (*Aviso aos Acionistas*) addressing this issue, to subscribe the remaining unsubscribed shares that they are entitled to.

Regardless of whether the subscription of the remaining unsubscribed shares is conducted through Itaú Corretora or the other custody agents, the subscriber may subscribe the remaining unsubscribed shares in the same proportion of the preemptive right for the subscription of shares (both his/her own or acquired from third parties) that he/she has effectively and timely performed, in accordance with article 171, paragraph 7, letter "b" of the Corporations Law.

It is worth noting that the subscription right of the remaining unsubscribed shares cannot be traded, sold or assigned.

In the act of subscription of the remaining unsubscribed shares to which he/she is entitled to, in the proportion of the number of shares subscribed during the period for the exercise of the preemptive right, the subscriber may request an additional amount of remaining unsubscribed shares, limited to total amount of remaining unsubscribed shares.

It should be stressed that the five-day term for the subscription of the remaining unsubscribed shares shall be initiated even if the Minimum Subscription is reached in the end of the period for the exercise of the preemptive right. In this sense, should there be any amount of unsubscribed shares during the period for the exercise of the preemptive right, the subscription of the remaining unsubscribed shares shall be conducted, irrespective of the verification of whether the Minimum Subscription was reached or not.

It means that the ratification of the Capital Increase partially subscribed shall only be permitted after the end of, at least, one round of subscription of remaining unsubscribed shares by the subscribers who have requested remaining unsubscribed shares upon the act of subscription.

In view of the possibility of ratification of the Capital Increase partially subscribed, when executing the subscription list, the subscribers may condition their investment decision upon the final conditions of the Capital Increase, in the way to be further detailed by means of a Notice to Shareholders.

Considering that the proposed Capital Increase is beyond the limits of the authorized capital, the extraordinary shareholders' meeting that will ratify the Capital Increase shall amend the article 5 of the Company's bylaws, in order to adapt said article to the final value of the Company's capital stock and the total number of shares representing the Company's capital stock after the implementation of the Capital Increase.

In this sense, with the financial resources to be received in connection with the Capital Increase, the Company shall obtain a significant reduction of its net debt, the bolstering of its working capital and financing for its capital expenditures. Thereby, the Company shall strengthen its cash availability, its capital structure and its position *vis-à-vis* the opportunities of its field of business.

Banco Itaú BBA. S.A. is the financial advisor and Stocche Forbes Advogados is the legal advisor of the Company in this transaction. UBS Investment Bank is the financial advisor and Pinheiro Neto Advogados and Norton Rose Fulbright are the legal advisors and PricewaterhouseCoopers as the accounting advisor of SALIC UK in this transaction.

The Company reaffirms its commitment to keep the shareholders and the market in general informed about any developments of this matter, as well as any other matters that are relevant to the market.

Barretos, December 22, 2015.

**Minerva S.A.**  
**Eduardo Pirani Puzziello**  
**Investor Relations Officer**