

**3Q14**

**Results Conference Call**

**November 7, 2014**

*Minerva Foods*

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## Operating Performance

- Net Revenue: R\$1.8 billion, +21% yoy
- EM Revenue: +12 yoy | DM Revenue: +41% yoy
- EBITDA: R\$177.8 million, +9% yoy | EBITDA Margin: 9.8%
- ROIC: 19.8%, 0.8 p.p. up on 3Q13
- Operating Cash Flow: R\$162.9 million
- Free Cash flow: R\$10.3 million
- Utilization Rate: 72% (including the plants in Mato Grosso state: 68.4%)
- Gross Revenue Breakdown: EM: 64% | DM: 36%

## Debt Management

- Issue of US\$200 million through the Reopening of 2023 Notes (yield: 6.879% p.a.)
- Reduction of short-term debt to 9.5% of total
- Cash Position: R\$2.0 billion | R\$1.7 billion excluding buyback Bonds
- Net Debt/EBITDA: stable at 3.47x despite the 11% exchange rate devaluation
- Excluding Perpetual Bonds, Net Debt/EBITDA: 2.47x

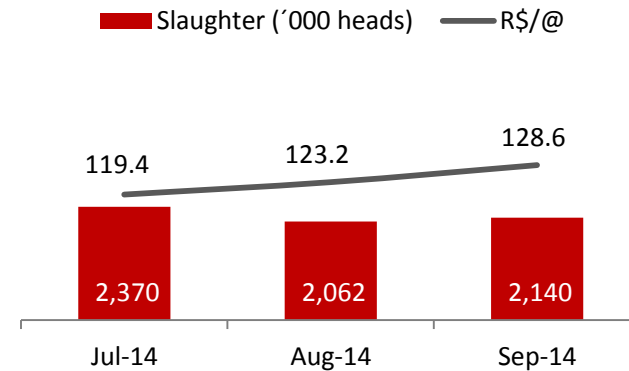
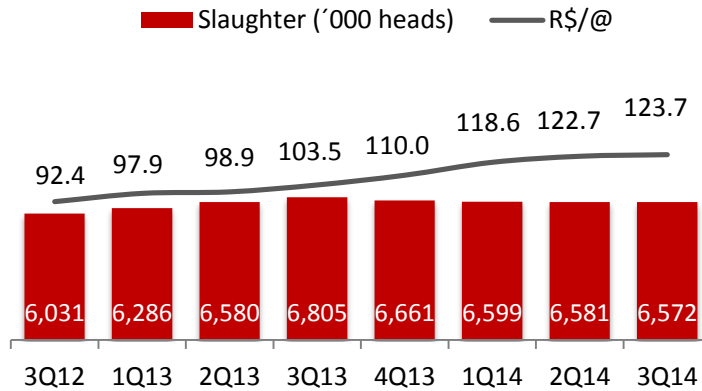
## Other Highlights

- CADE approved the acquisition of BRF's plants in Mato Grosso state
- Operational start-up of the Janaúba plant, in Minas Gerais (last week of September/14)

## Subsequent Events

- Oct 1<sup>st</sup>: Extraordinary Shareholders' Meeting approved the merger of the plants in Mato Grosso state
- BRF and VDQ: signature of the Shareholders' Agreement
- Board of Directors is now composed of ten members

## Cattle Slaughter and Average Price



Source: Ministry of Agriculture, Livestock and Supply, CEPEA/ESALQ

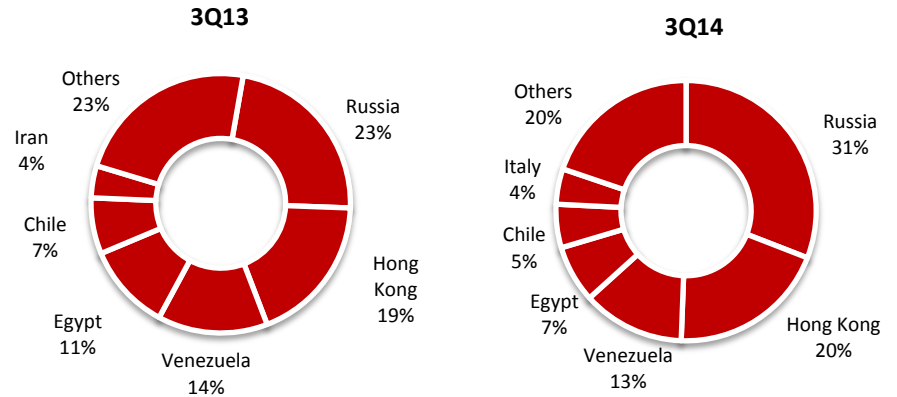
## Highlights

- 3Q14 Slaughter: -3.4% down on 3Q13
  - ▶ Cattle supply impacted by seasonality (offseason)
  - ▶ Rainfall reduction and decline in grain prices: cattle retained in feedlots
  - ▶ Average cattle prices slightly higher than in 2Q14

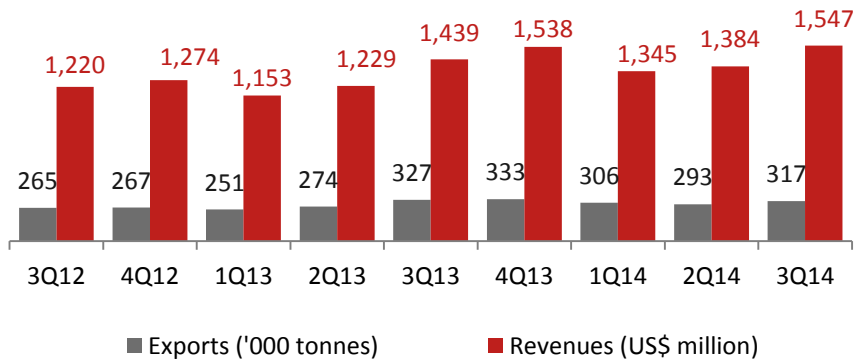
## Highlights

- Record exports revenue: US\$1.5 billion in 3Q14, +7.5% yoy
- Substantial increase in Brazilian beef prices in the export market: +11.4% yoy
- Resumption of exports to Russia, with the authorization of new plants
- Hong Kong remained as 2<sup>nd</sup> main destination of Brazilian exports

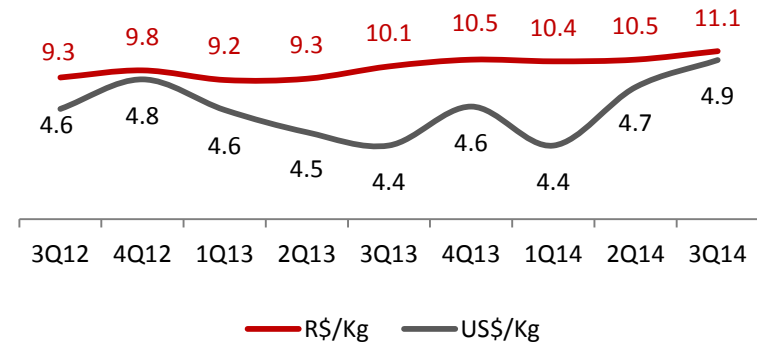
## Destination of Brazilian Exports (% revenue)



## Fresh Beef Exports (US\$ million)



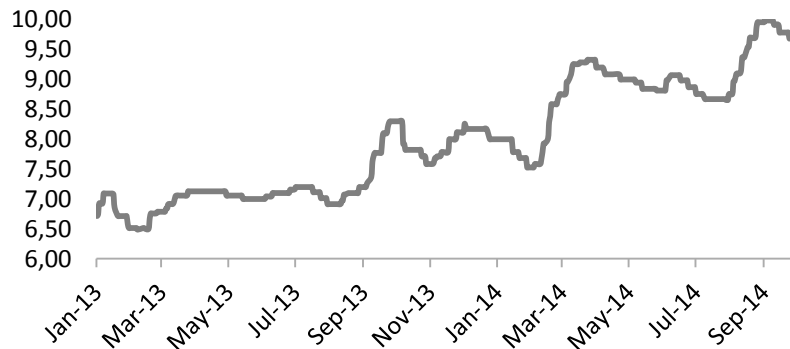
## Average Fresh Beef Price - Exports



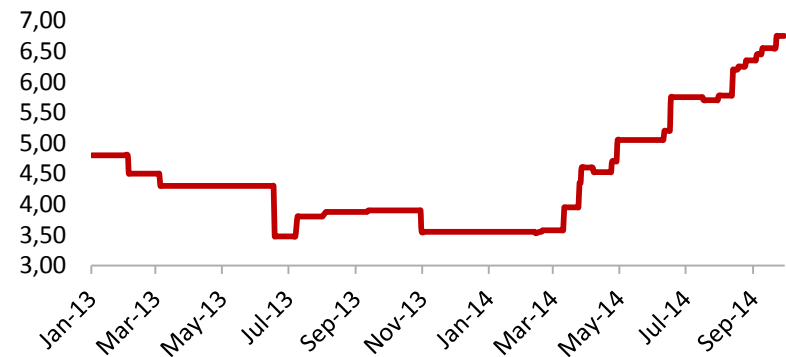
## Highlights

- Strong sales volume, mainly in July (seasonality)
- Upward trend in beef prices:
  - ▶ Upturn in cattle prices
  - ▶ Lower availability of cuts allocated to exports had an influence on the price increase

## Average Price- Forequarter (R\$/kg)



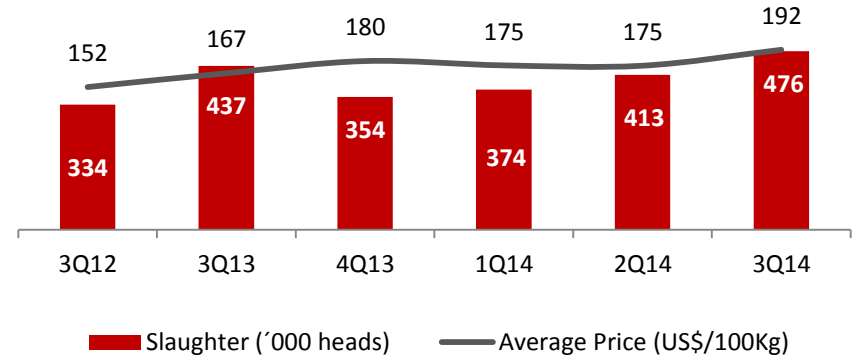
## Average Price – Trimmings (R\$/kg)



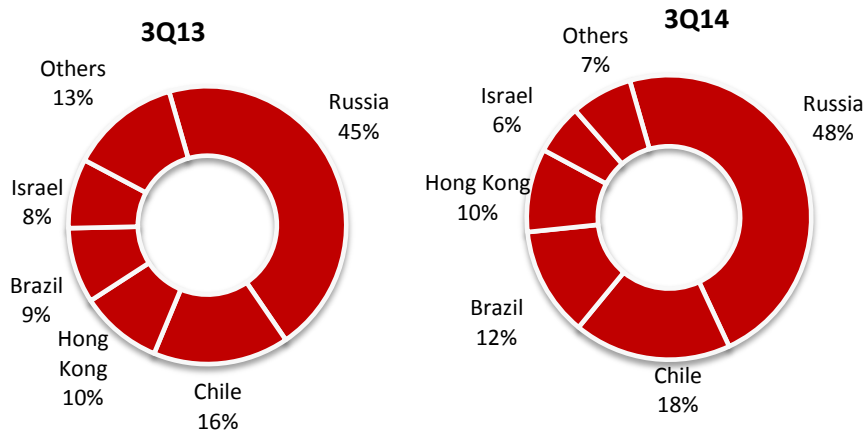
## Highlights

- Positive performance of Paraguayan exports
- Export revenue: +33 yoy
- 3Q14 slaughter: +9% yoy
- Cattle prices slightly higher: favorable export scenario and increase in slaughtering
- Main destinations: Russia and Chile

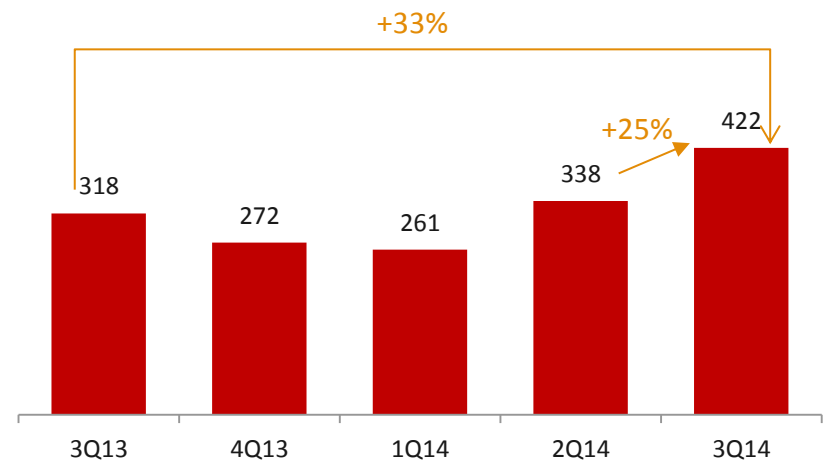
## Cattle Slaughter and Average Cattle Price Trends



## Paraguayan Export Destinations (% revenue)



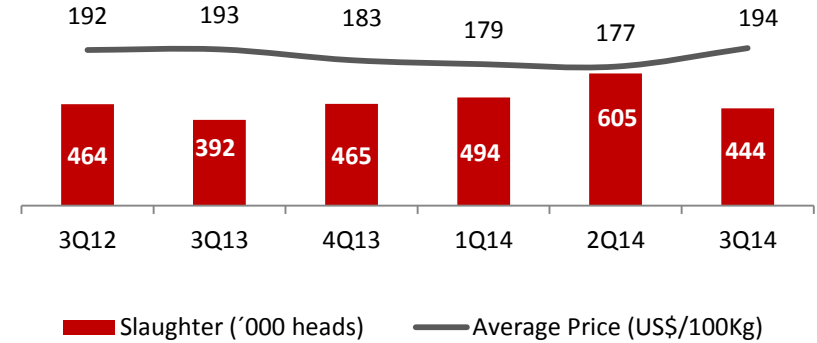
## Fresh Beef Exports (US\$ million)



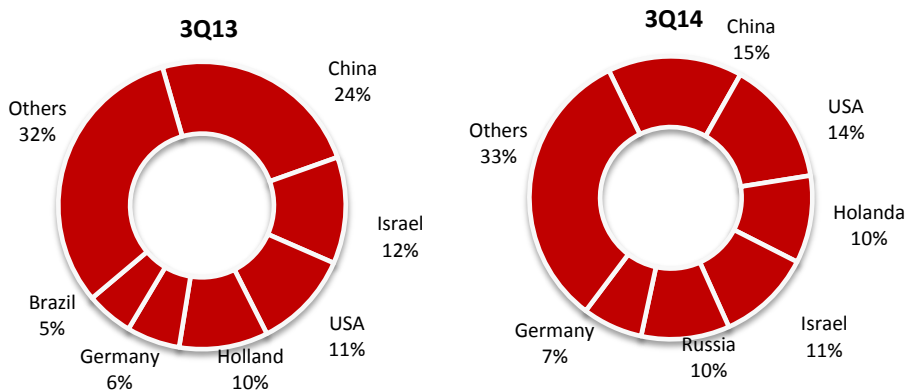
## Highlights

- Exceptionally good performance of the sector throughout the production chain:
  - ▶ High cattle availability
  - ▶ Excellent Uruguayan beef prices in the export market
  - ▶ Industry maturity
- Export revenue: +22 yoy
- Cattle prices impacted by the offseason and the favorable export scenario

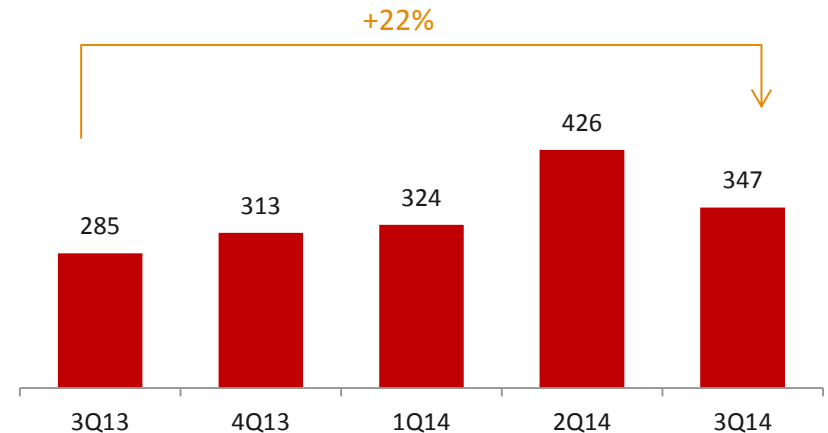
## Cattle Slaughter and Average Cattle Price Trends



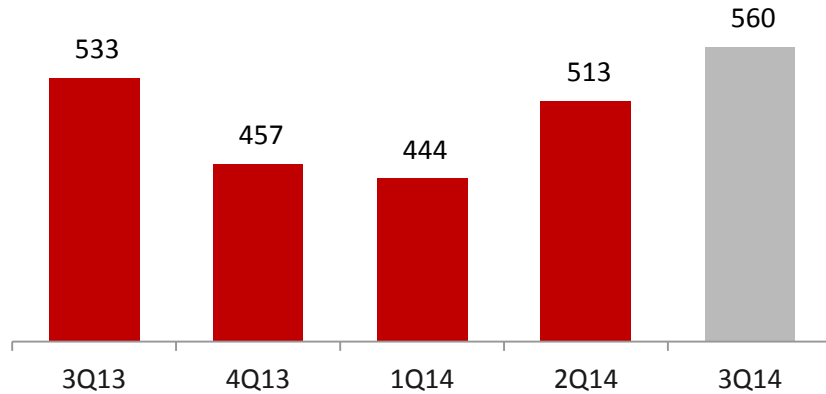
## Uruguay Export Destinations (% revenue)



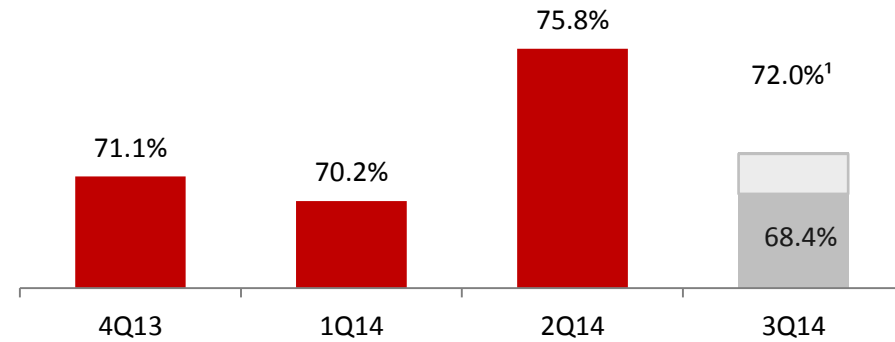
## Fresh Beef Exports (US\$ million)



## Slaughter Volume ('000 heads)

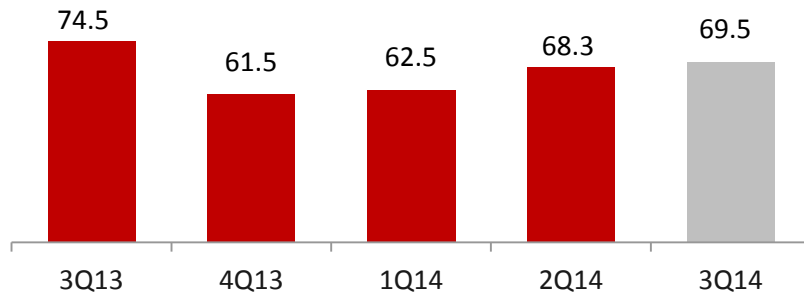


## Capacity Utilization Rate

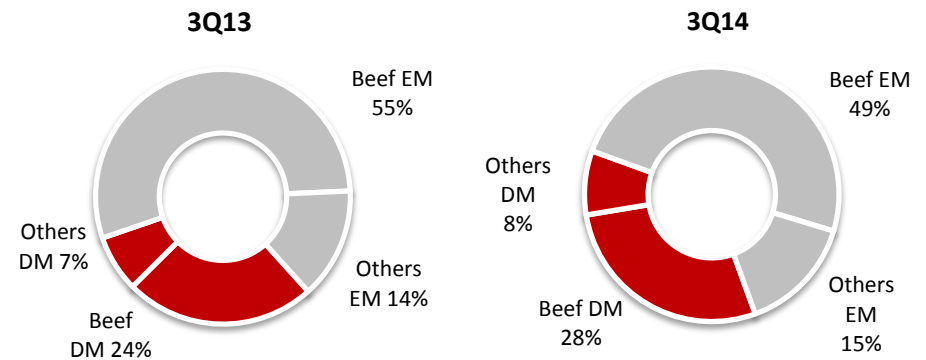


<sup>1</sup> Excluding Várzea Grande and Mirassol D'Oeste plants

## Fresh Beef Exports (thousand tonnes)



## Consolidated Gross Revenue Breakdown



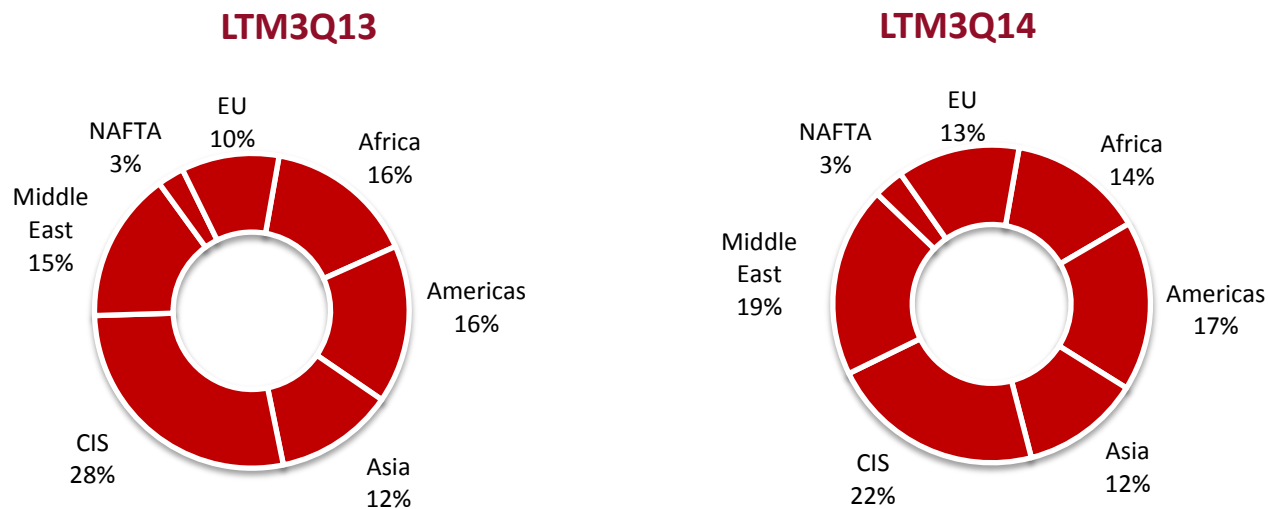
## Market Share LTM 3Q14 (% of revenue by country)



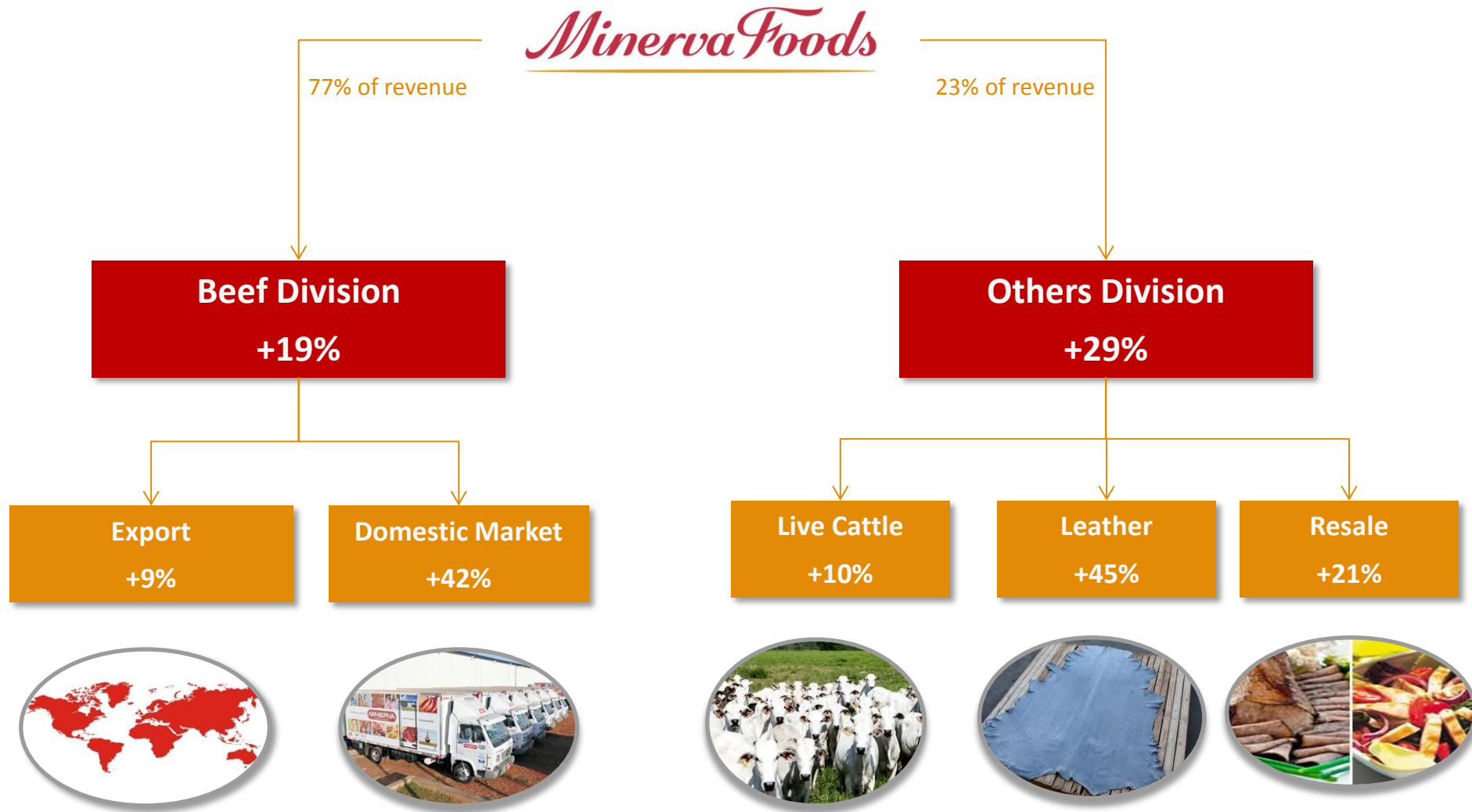
Source: Minerva, Secex, SENACSA and INAC

\*considering Carrasco's pro-forma share in the last 12 months

## Breakdown of Exports – Minerva Consolidated

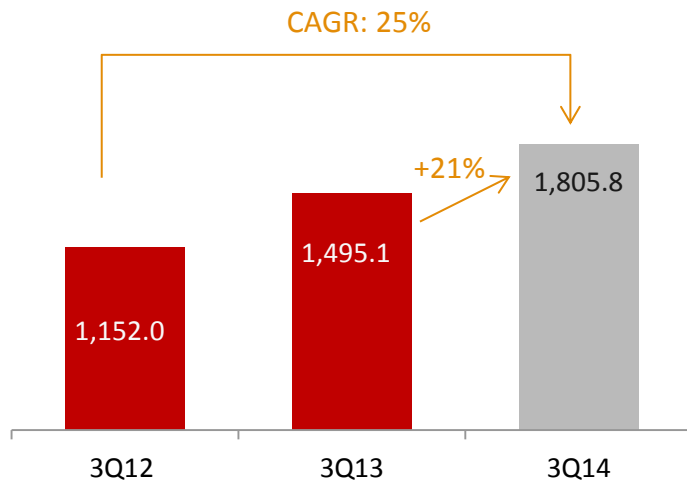


# Gross Revenue Increase by Segment 3Q14 x 3Q13

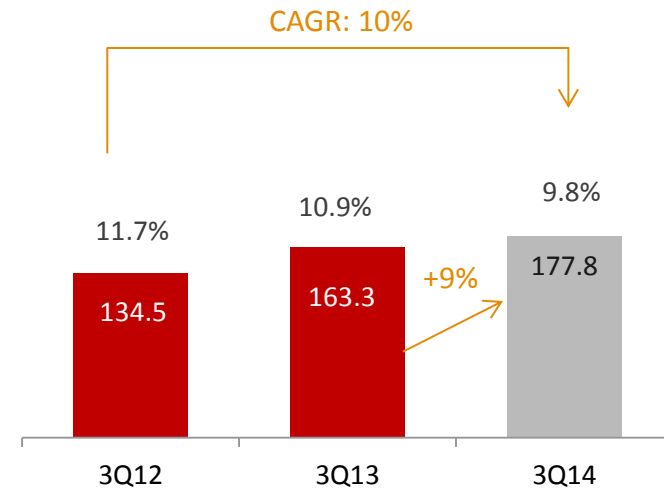


# 3Q14 Financial Highlights

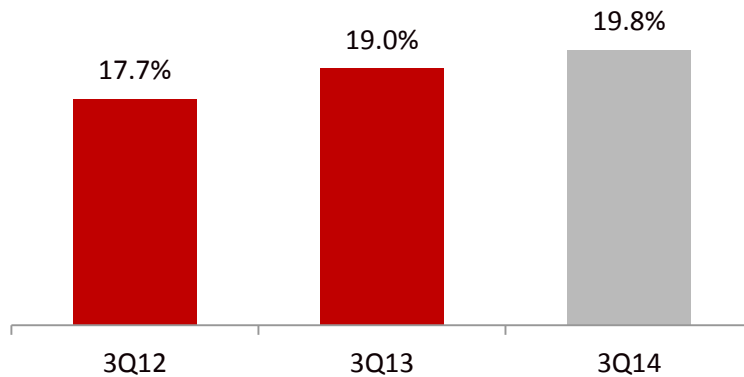
## Net revenue (R\$ million)



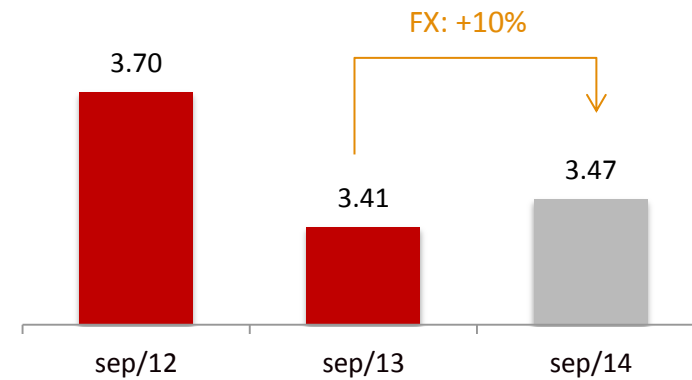
## EBITDA (R\$ million) and EBITDA Margin (%)



## ROIC\* (%)



## Net Debt/ EBITDA (x)



\* ROIC: LTM EBITDA / (Total Assets - Cash - (Current Liabilities - Short-Term Debt))

# Adjusted Net Result

R\$ Million	3Q14	3Q13	Chg.%	2Q14	Chg.%	LTM3Q14	LTM3Q13	Chg.%
Net (Loss ) Income	-193.8	1.4	n.m.	18.5	n.m.	-230.8	-211.5	9.1%
Impairment	0.0	0.0	n.m.	0.0	n.m.	-34.2	0.0	n.a.
Exchange Variation	289.9	35.3	722.3%	-13.9	n.m.	346.0	251.5	37.6%
Income and Social Contribution Taxes	11.8	0.9	n.m.	-0.6	n.m.	17.0	50.0	-66.1%
<b>Adjusted Income/Loss</b>	<b>107.9</b>	<b>37.6</b>	<b>187.1%</b>	<b>4.0</b>	<b>2,566.5%</b>	<b>98.0</b>	<b>90.0</b>	<b>8.8%</b>

R\$ Million	3Q14	3Q13	2Q14	LTM3Q14
Net (Loss) Income	-193.8	1.4	18.5	-230.8
Net income adjustments	414.3	136.1	86.8	820.2
(+/-) Variation in working capital needs	-57.6	-37.6	-4.1	-225.1
<b>Operating cash flow</b>	<b>162.9</b>	<b>99.9</b>	<b>101.3</b>	<b>364.3</b>

## Changes in Working Capital – Highlights:


- **Receivables/Other accounts payable**

- The increase in account receivables was partially offset by higher Advances from clients (Other accounts payable) – exports growth

- **Inventories**

- Company's strategy of benefitting from higher prices, accumulating inventories in Sep/14 for selling in Oct/14 and Nov/14 (R\$84 million)

R\$ Million	3Q14
EBITDA	177.8
Capex (cash basis)	-44.0 <sup>(1)</sup>
Financial expense (cash basis)	-66.0
(+/-) Working capital variation	-57.6
<b>Free cash flow</b>	<b>10.3</b>

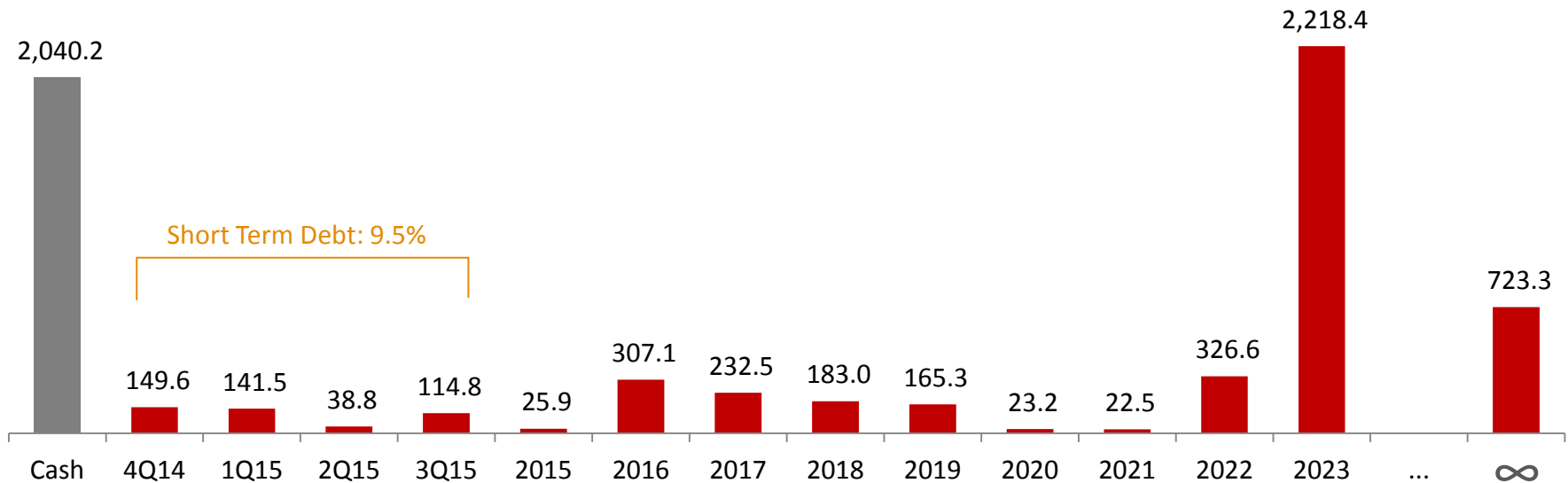


Inventories: -R\$84 million

(1) Total Capex: R\$63.4 million, which R\$44 million refers to maintenance and R\$19.4 million refers to FX variation of fixed assets out of Brazil (Carrasco, Pul, Frigomerc e Friasa)

- Net Debt/EBITDA: 3.47x
- Cash position: R\$2.0 bn | R\$1.7 bn excluding buyback Bonds
- Short-term debt: 9.5% of total debt
- At the close of 3Q14, approximately 74% of total debt was exposed to the dollar variation
- Issue of US\$200 million through the reopening of 2023 Notes at a yield of 6.879% p.a.

**Debt Amortization Chart (R\$ million) – Sep/2014**

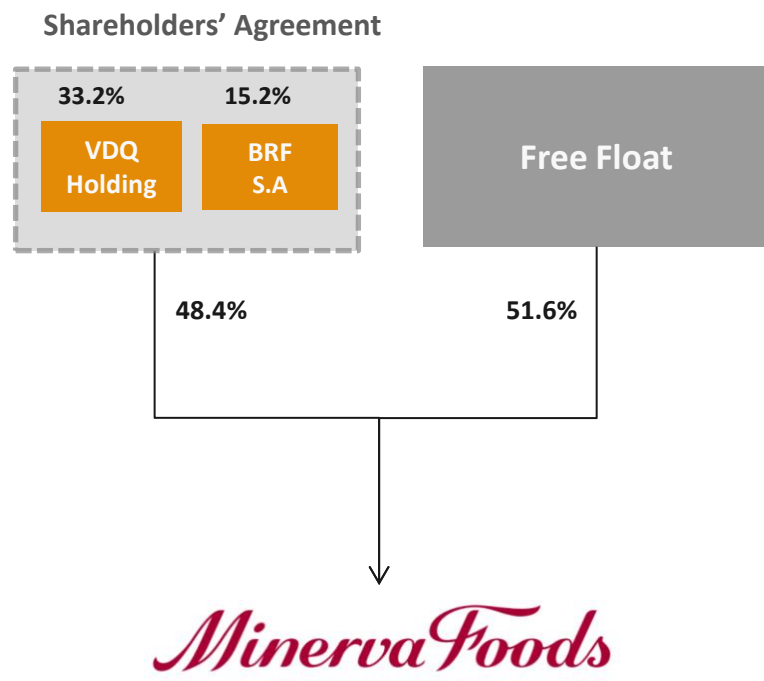


## Debt Excluding Perpetual Bonds

R\$ Million	3Q14
Net debt <sup>(1)</sup>	2,569.7
LTM EBITDA	739.8
Net debt/LTM EBITDA (x)	3.47
LTM Adjusted EBITDA	724.8
Net debt/LTM Adjusted EBITDA (x)	3.55
Net debt excluding Perpetual Bond	1,830.5
LTM EBITDA	739.8
Net debt excluding Perpetual Bond/LTM EBITDA (x)	2.47
LTM Adjusted EBITDA	724.8
Net debt excluding Perpetual Bond/LTM Adjusted EBITDA (x)	2.53

(1) Includes FDIC subordinated quotas and excludes the payment of Janaúba plant

## Shareholding structure after the merger of BRF's plants



### Outstanding shares

Total of shares issued on 06/30/2014	149,000,090
Shares issued to BRF S.A. on 10/01/2014	29,000,000
Total of open convertible debentures	93,507
Approximate number of shares to be converted (maximum price R\$ 7.6064)	12,293,265
<b>Total Shares (fully diluted)</b>	<b>190,293,355</b>

## Board of Directors

Board of Directors	Title
Edivar Vilela de Queiroz	Chairman <sup>(1)</sup>
Antonio Vilela de Queiroz	Vice-Chairman <sup>(1)</sup>
Ibar Vilela de Queiroz	Member <sup>(1)</sup>
Norberto Lanzara Giangrande Jr.	Member <sup>(1)</sup>
Dorival Antonio Bianchi	Member <sup>(1)</sup>
José Luiz Rêgo Glaser	Member <sup>(3)</sup>
Alexandre Lahoz Mendonça de Barros	Member <sup>(3)</sup>
Roberto Rodrigues	Member <sup>(3)</sup> (4)
Pedro Henrique A. Pinto de Oliveira	Member <sup>(2)</sup> (3)
Vasco Carvalho Neto	Member <sup>(2)</sup> (3)

### New composition of the Board of Directors:

- 10 members:
  - 5 members appointed by VDO
  - 2 members appointed by BRF
  - 50% of which are independent (Novo Mercado: 20%)

(1) Appointed by VDO; (2) Appointed by BRF; (3) Independent member;  
 (4) Appointed by minority shareholders

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