

INDUSTRY OVERVIEW

4Q19 and 2019

Barretos, February 13, 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. Present in Brazil, Paraguay, Argentina, Uruguay and Colombia, Minerva operates 24 slaughter and deboning plants, 3 processing plants and 12 distribution centers.

HIGHLIGHTS BY COUNTRY

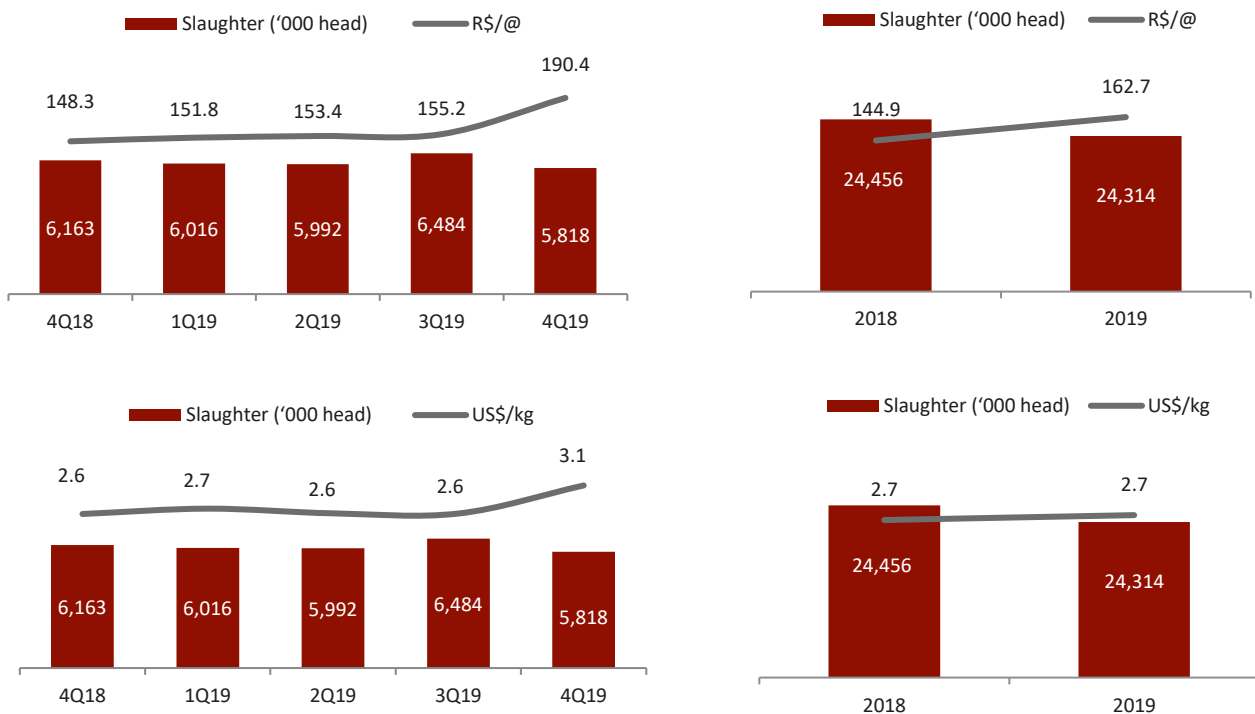
Brazil

Cattle Supply

Slaughter volume totaled around 24.3 million head of cattle in 2019, flat over 2018. In 4Q19, according to preliminary data, slaughter volume came to 5.8 million head of cattle, a reduction of 10% over 3Q19 and 6% lower than in 4Q18. Slaughter volume decreased in the period due to a slaughter anticipation.

The cattle price (*arroba* price- indicator: finished cattle Esalq/BM&F – state of São Paulo) averaged R\$162.7 in 2019, 12% higher than in 2018. In 4Q19, the average price of cattle was R\$190.4/@, up 23% over 3Q19 and 28% higher than in 4Q18. It is worth noting that the fourth quarter is usually characterized by the off-season period, with a shortage of animals ready for slaughter, increasing prices. In 2019, the average dollar price of cattle remained in line with 2018, at US\$2.7/kg.

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 | 4Q19 preliminary slaughter data

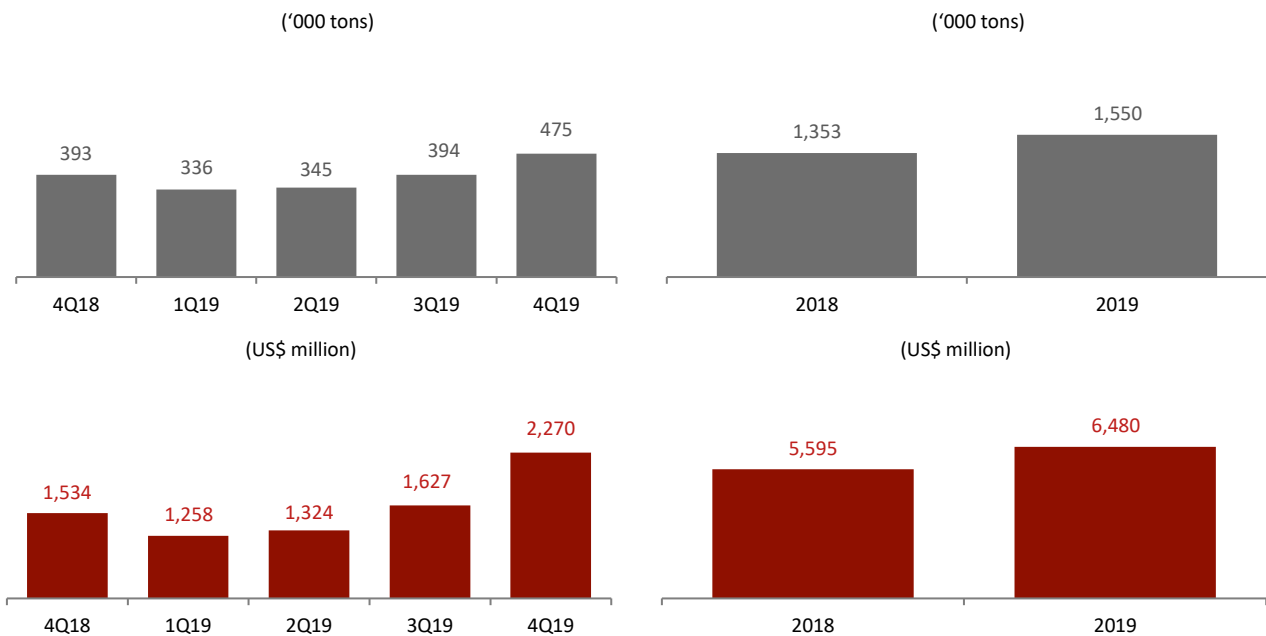
Export Market

Brazilian beef exports reached an all-time high of 1,550,000 tons in 2019, 15% more than in 2018. In 4Q19, exports reached 475,000 tons, 21% more than in 3Q19 and 4Q18, explained mainly fueled by strong demand in Asia, especially in China.

China continued to record substantial growth in beef consumption, mainly due to changes in eating habits (westernization) and higher income levels, together with the social ascension of a large share of the Chinese population. The African swine fever outbreak is acting as a catalyst for beef consumption growth in China, reinforcing the growing consumption scenario materialized in recent years.

In 4Q19, beef export revenue reached US\$2,270 million, 40% more than in 3Q19 and 48% higher than in 4Q18. In 2019, Brazilian export revenue totaled US\$6,480 million, a record for the industry and 16% more than in 2018.

Figures 5, 6, 7 and 8 – Fresh Beef Exports



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

Beef prices in dollars averaged US\$4.8/kg, approximately 17% higher than in 3Q19 and up 23% over 4Q18. Beef prices in reais stood at R\$19.7/kg in 4Q19, up 20% over 3Q19 and 33% higher than in 4Q18.

Figures 9 – Average Fresh Beef Price

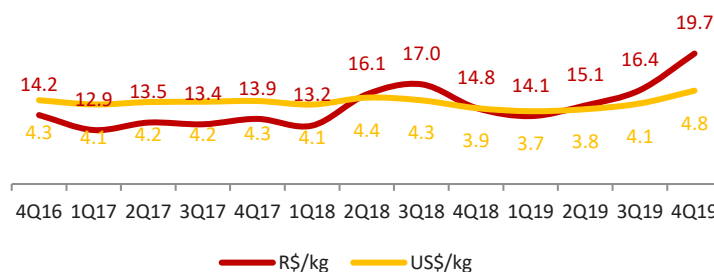
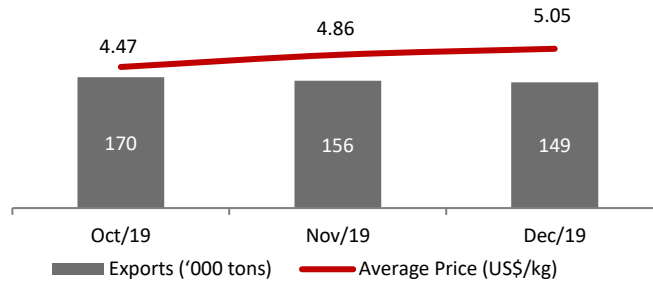


Figure 10 – Brazilian Fresh Beef Exports

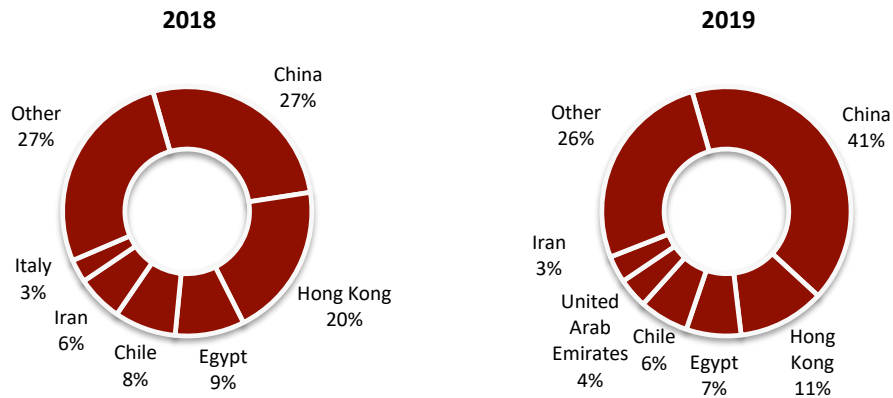


Source: Ministry of Development, Industry and Foreign Trade

China and Hong Kong accounted for more than half (52%) of Brazilian beef export revenue in 2019, led by growth in China (+14 p.p. 2019 vs. 2018). The third main destination of Brazilian exports was Egypt, with 7% of total beef exports, followed by Chile, with 6%.

In 2019, Brazil was authorized to export beef to Indonesia, one of the largest consumers of halal beef, in addition to receiving new authorizations in China.

Figures 11 and 12 – Export Destinations (% of Revenue)



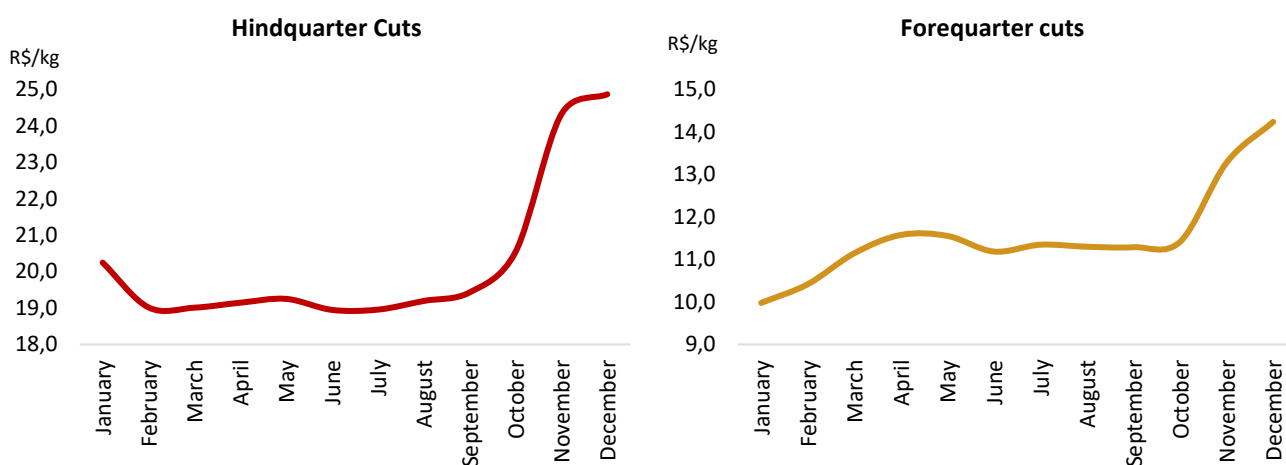
Source: Ministry of Development, Industry and Foreign Trade

Domestic Market

In 2019, the Brazilian domestic beef market remained virtually stable compared to 2018, due to a still modest economic recovery.

In the second half of the year there was an evolution on beef cuts prices, which is seasonally characterized with a higher beef consumption due to holidays, as follow below.

Figures 13 and 14 – Beef Price (Hindquarter and Forequarter Cuts)



Source: Scot Consultoria

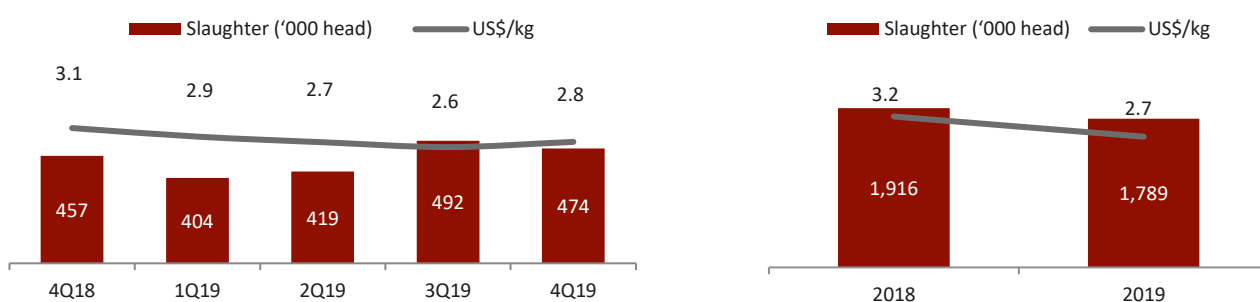
Paraguay

Cattle Supply

In 2019, 1,8 million head of cattle were slaughtered in Paraguay, a decline of around 7% from 2018. Slaughter volume stood at 474,000 head in 4Q19, 4% lower than in 3Q19, but 3% higher than in 4Q18. In 2019, the decline in slaughter volume in Paraguay was mainly due to adverse weather conditions during a considerable portion of the first semester, preventing the transportation of animals to the slaughter plants.

Cattle prices averaged US\$2.7/kg in 2019, down 16% from 2018. In 4Q19, the average cattle price was US\$2.8/kg, up 8% over 3Q19 and down 10% from 4Q18.

Figures 15 and 16 – Cattle Slaughter and Average Cattle Price



Source: OCIT – Oficina Consultiva y de Investigación Técnica | 4Q19 Preliminary Data

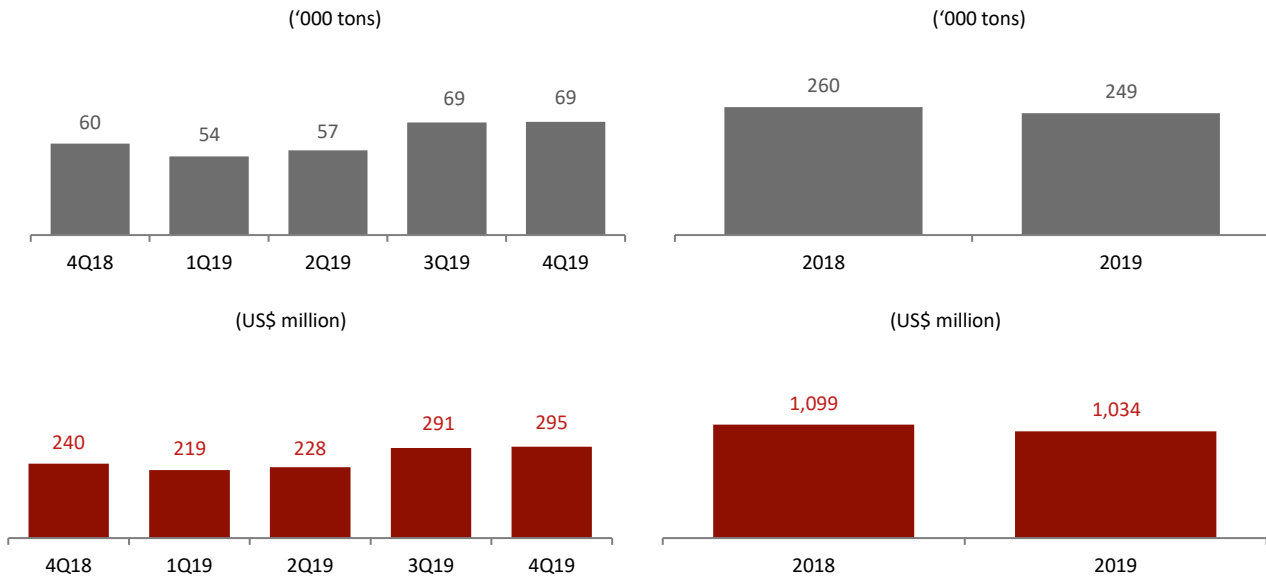
Export Market

Paraguayan beef export volume came to around 249,000 tons in 2019, down 4% from 2018. In 4Q19, Paraguay exported approximately 69,000 tons of beef, in line with 3Q19 and 15% higher than in 4Q18. Beef export revenue reached US\$1,034 million in 2019, 6% lower than in 2018. In 4Q19, Paraguayan beef exports reached US\$295 million, 14% more than in 3Q19 and up 23% over 4Q18.

Chile maintained its position as the main destination of Paraguayan exports (+5 p.p. 2019 vs. 2018), with 36% of the total, while Russia was the second main destination, with 27% of the total. It is also worth mentioning the growth in

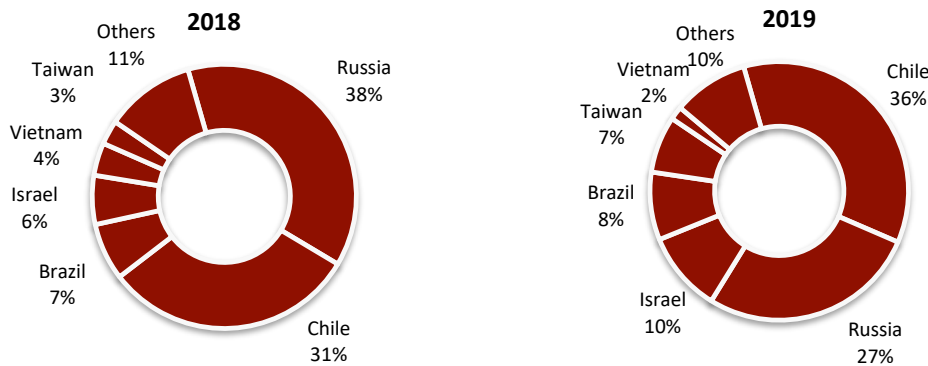
exports destinations such as Israel, representing 10% of Paraguayan exports, and Taiwan, two countries that traditionally demand higher value-added products.

Figures 17, 18, 19 and 20 – Fresh Beef Exports



Source: OCIT – Oficina Consultiva y de Investigación Técnica

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



Source: OCIT – Oficina Consultiva y de Investigación Técnica

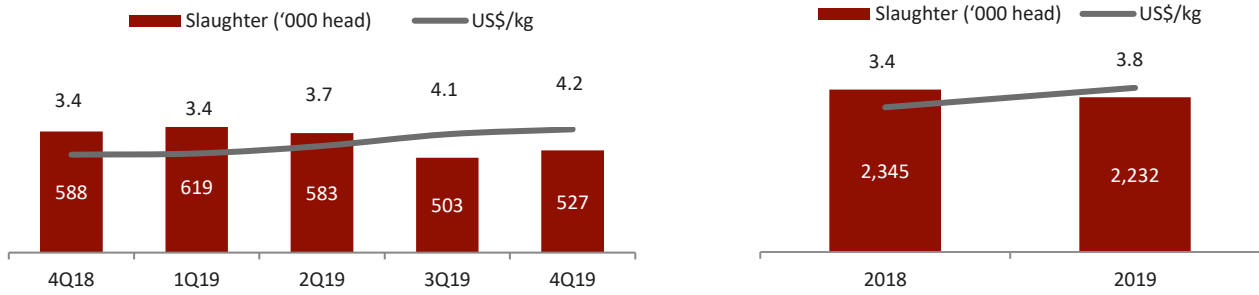
Uruguay

Cattle Supply

Uruguayan slaughter volume totaled 2.2 million head of cattle in 2019, down 5% from 2018. In 4Q19, slaughter volume came to 527,000 head of cattle, 5% higher than in 3Q19, but 10% lower than in 4Q18.

In view of lower supply of animals ready for slaughter and strong demand for beef exports, cattle prices rose sharply throughout 2019, reaching US\$3.8/kg, 12% higher than in 2018. In 4Q19, cattle prices averaged US\$4.2/kg, up 2% over 3Q19 and 24% higher than in 4Q18.

Figures 23 and 24 – Cattle Slaughter and Average Cattle Price



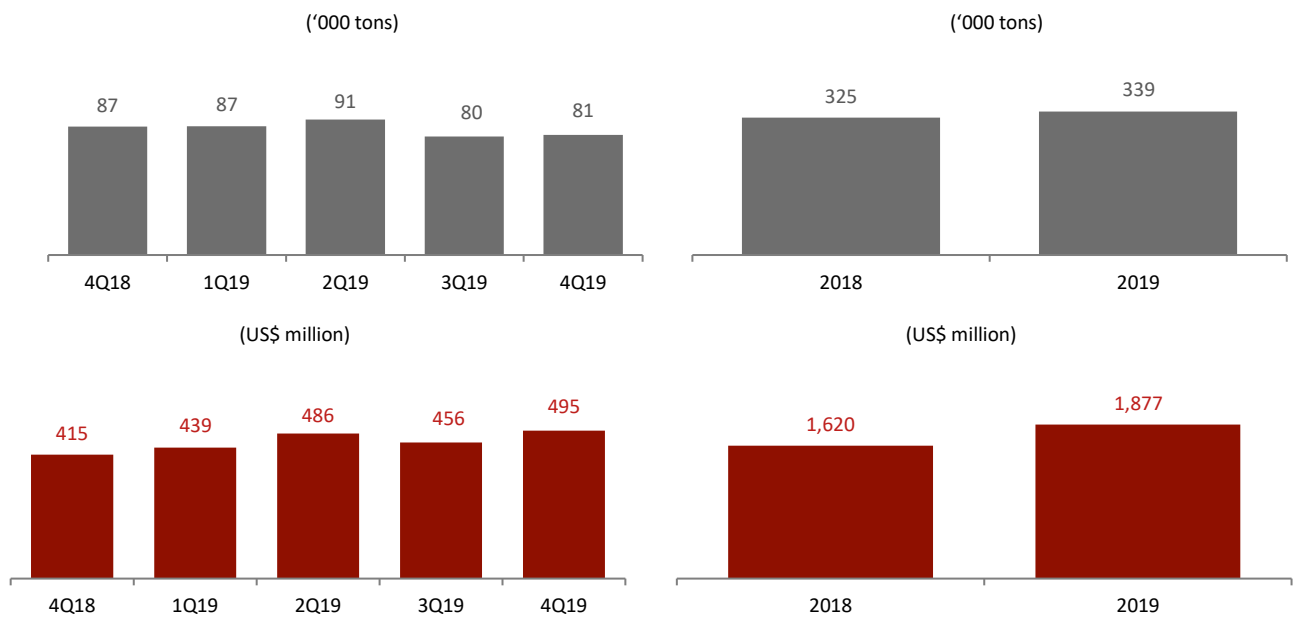
Source: INAC

Export Market

Uruguay exported 339,000 tons of beef in 2019, up 4% from 2018. Uruguayan export revenue totaled US\$1,877 million in 2019, 16% more than in 2018. In 4Q19, export revenue moved up 9% over 3Q19 and 19% over 4Q18, reaching US\$495 million.

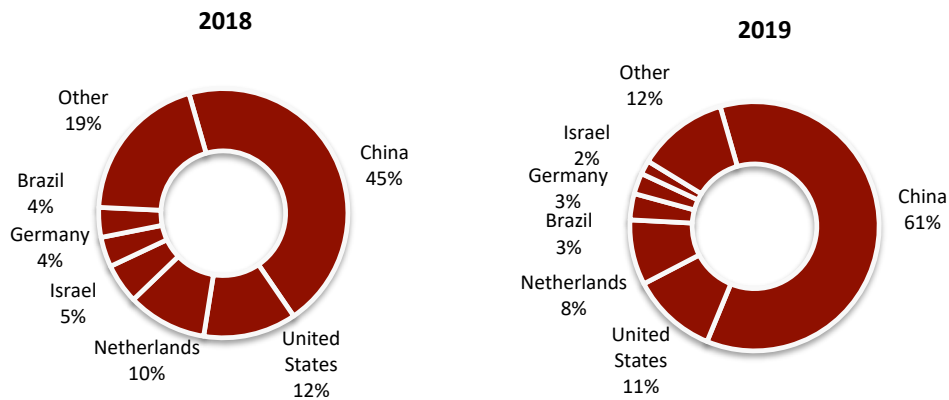
China continued to be the main destination of Uruguayan exports in 2019, with 61% of the total, 16 p.p. more than in 2018. The United States and Netherlands were the second and third main destinations of Uruguayan exports with 11% and 8% of the total, respectively.

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



Source: Penta-transaction

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



Source: Penta-transaction

Argentina

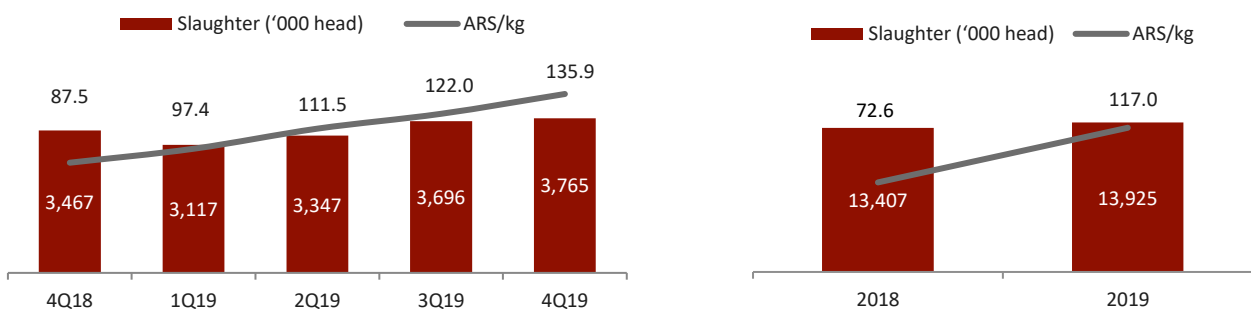
Cattle Supply

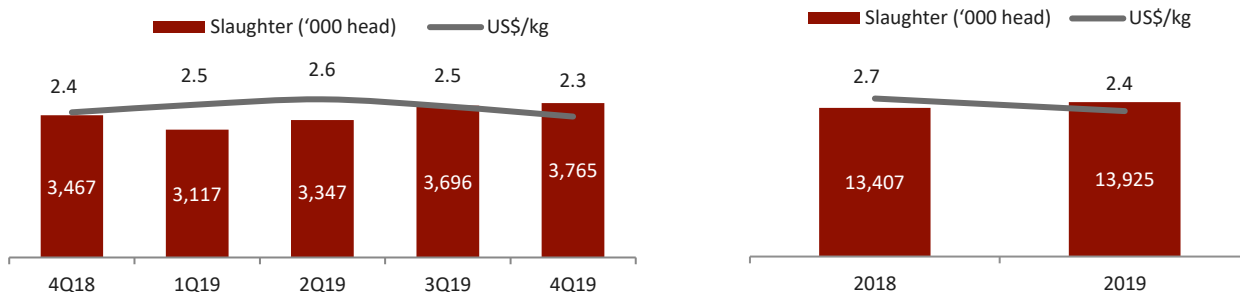
Argentina slaughtered 13.9 million head of cattle in 2019, 4% more than in 2018. In 4Q19, slaughter volume in Argentina totaled 3.8 million head of cattle, up 2% over 3Q19 and 9% higher than in 4Q18. The increase in slaughter volume in Argentina was due to the excellent moment of cattle cycle and is explained mainly due to the improved export performance, largely driven by strong Chinese demand for beef.

The average price of cattle in Argentina reached ARS117.0/kg in 2019, up 61% over 2018. In 4Q19, cattle prices averaged ARS135.9/kg, up 11% over 3Q19 and 55% higher than in 4Q18, largely driven by domestic inflation, which reached 54% in 2019, according to the Central Bank of Argentina.

On the other hand, as the Argentinean peso depreciated by around 60% in the year, the average dollar price of cattle stood at US\$2.4/kg in 2019, falling 11% from 2018. In 4Q19, the average dollar price of cattle reached US\$2.3/kg, down 8% from 3Q19 and 4% lower than in 4Q18. In this context, due to its efficient cost structure, Argentina continues to be one of the most competitive beef producers in the world.

Figures 31, 32, 33 and 34 – Cattle Slaughter and Average Cattle Price – ARS/kg and US\$/kg





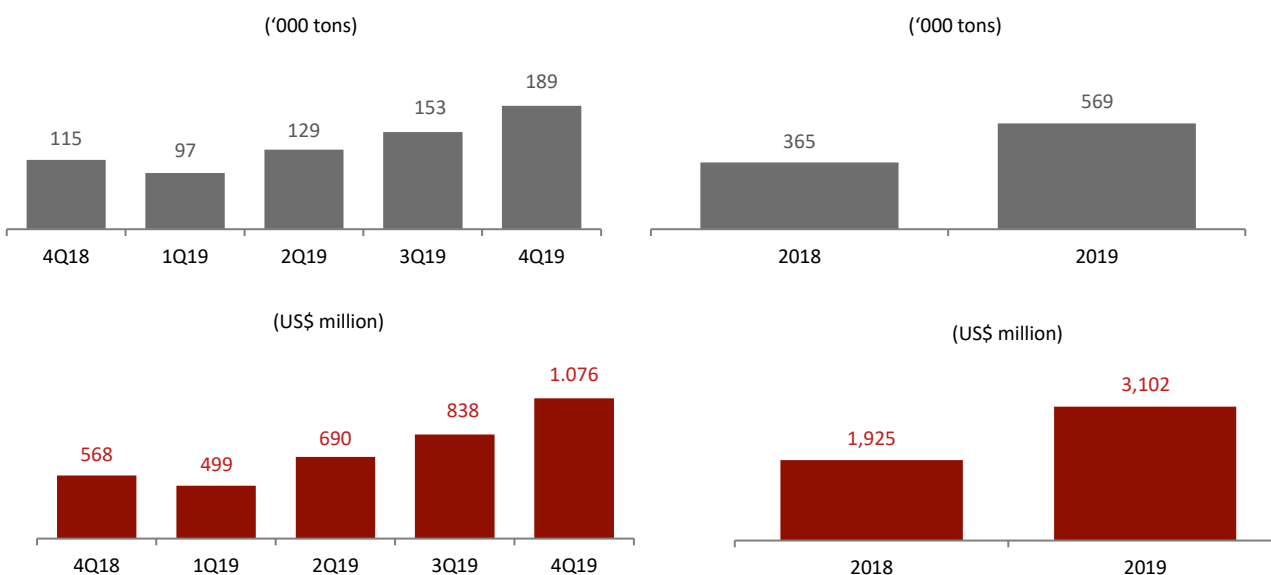
Source: ABC Consortium | 4Q19 Preliminary Data

Export Market

Argentina exported 569,000 tons of beef in 2019, 56% more than in 2018. In 4Q19, beef exports grew 24% over the 3Q19, and totaled 189,000 tons.

Export revenue reached an all-time high of US\$3,102 million in 2019, up 61% over 2018. In 4Q19, Argentinean export revenue came to US\$1,076 million, an increase of 28% over 3Q19 and 89% over 4Q18. The substantial growth in exports (in terms of both volume and revenue) was due to strong Chinese demand for beef, as mentioned earlier.

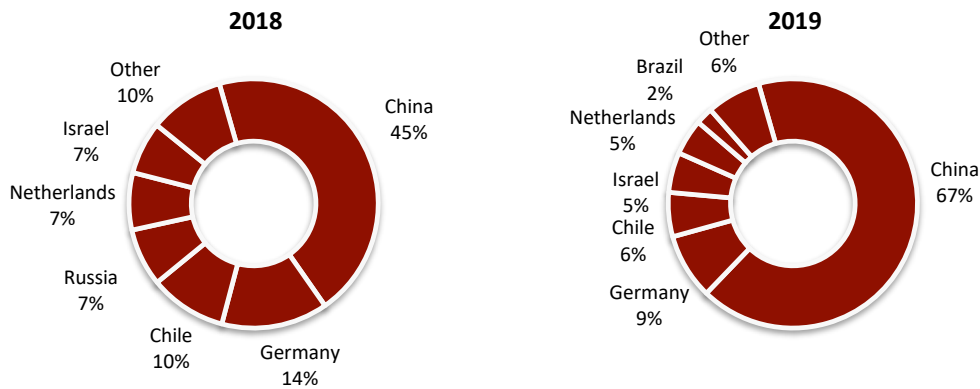
Figures 35, 36, 37 and 38 – Fresh Beef Exports



Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina | 4Q19 Preliminary Data

Around 70% of Argentinean beef exports went to China (+22 p.p. YoY), consolidating China's position as the main destination of Argentinean beef exports, followed by Germany and Chile, with 9% and 6% of the total, respectively.

Figures 39 and 40 – Export Destinations (% of Revenue)



Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina | 4Q19 Preliminary Data

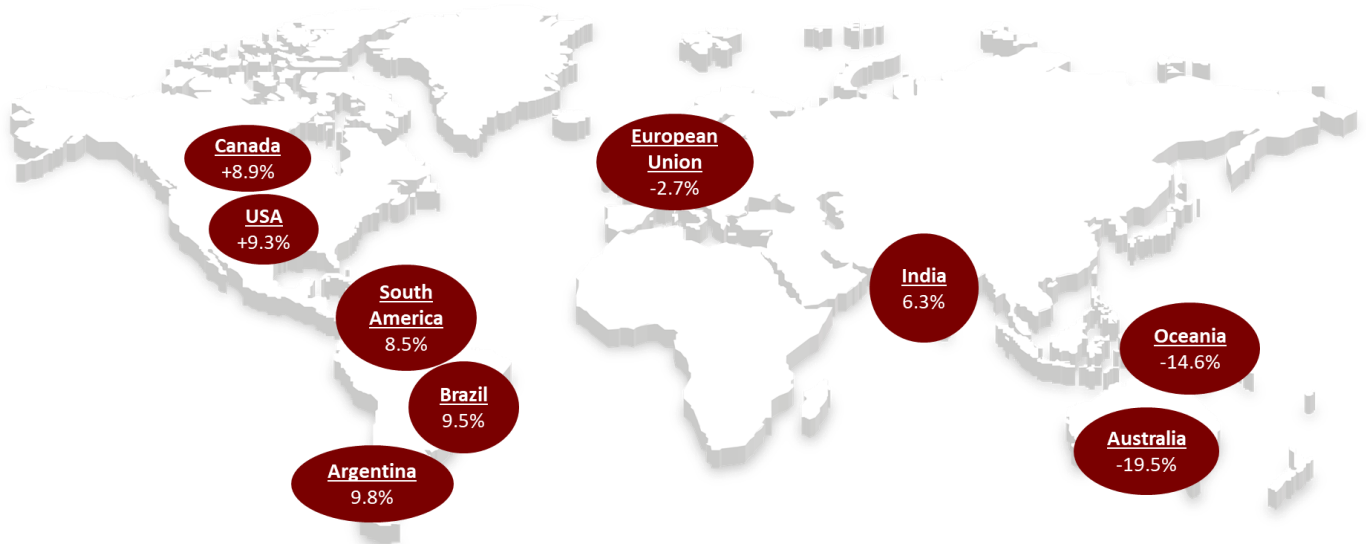
Domestic Market

In 2019, the domestic beef market in Argentina was once again affected by the economic crisis the country is facing, with an impact on the purchasing power of the local population and a consequent reduction in beef consumption in the domestic market.

Beef Global Market – Expectations 2020

The trend remains positive for the global beef trade, as a result of growing Asian demand and a supply shock in the production of animal protein, such as African Swine Fever. According to the USDA, global exports will grow by 2.5% in 2020, with emphasis on the South American export platform. Brazil is expected to expand by 9.5% over the volume recorded in 2019, and Argentina up 9.8%. This scenario consolidates South America, which is expected to growth 8.5% in exports, as the main supplier market to fulfill the growing world demand for beef. More details are given below:

Figure 41 – USDA – Export Estimates (2020E x 2019)



African Swine Fever

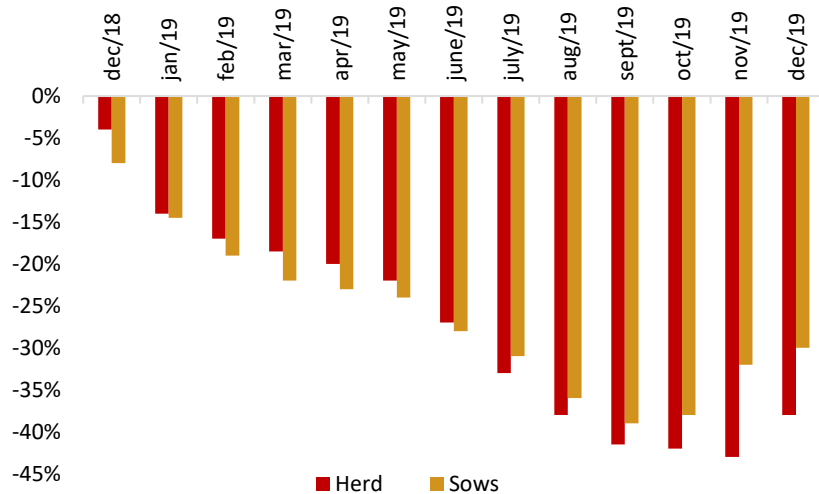
The outbreak of African swine fever observed in China since mid-2018 has hugely affected the size of the swine herd, especially in China, with a major impact on pork production and consumption in the region in 2019. According to data from the Chinese Ministry of Agriculture, the country’s swine herd decreased approximately 50% compared to 2018.

The market and industry experts believe that the effects of African swine fever will last for years, reducing global pork production, with a direct effect on demand for other proteins, such as beef.

It is worth noting that, even with a high mortality rate, a vaccine for the disease has not yet been developed, and the illness continues to spread throughout Asia and Eastern Europe and, more recently, has been advancing toward Western Europe, with case reports in Poland and the Czech Republic, in regions close to the border with Germany, the world's third largest pork producer.

An important effect of the ASF outbreak, and the resulting increase in beef imports and consumption in China, is the impact on the global beef protein trade. The increase in the volume of imports from China, coupled with the low elasticity of supply, ends up putting pressure on the entire global beef chain, with the direct result of a higher average price for the product.

Figure 42 – Reduction in the Chinese Swine Herd



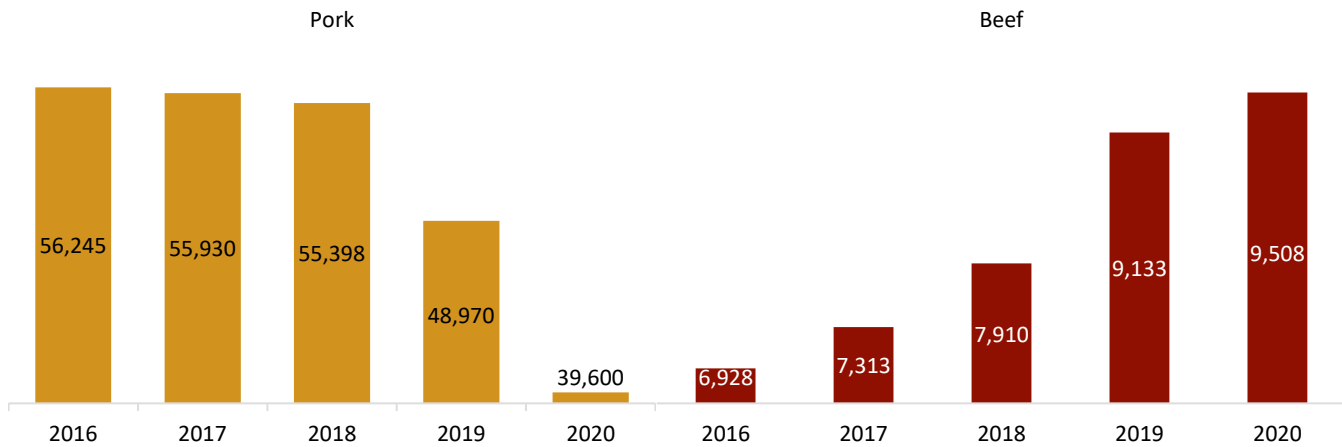
Source: Chinese Ministry of Agriculture and Rural Affairs

As we have mentioned earlier, the African swine fever has been acting as a catalyst for higher demand for beef in Asian countries, particularly in China, reducing pork production and consumption, and boosting demand for substitute proteins, such as beef.

Chinese beef imports peaked in 2019, and South America was the origin of a large share of these imports, with Brazil, Argentina and Uruguay accounting for 63% of the total.

According to the USDA, Chinese pork consumption should fall further in 2020, by approximately 24%, while beef consumption is estimated to grow by around 5%.

Figures 43 and 44 – Chinese Domestic Pork and Beef Consumption (000' tons cwe)



Source: USDA

Australia

In the past few years, Australia has been experiencing severe weather problems, which severely damaged the beef production chain. Given this context, the cattle herd is expected to decrease by approximately 18% in 2020, with a consequent decline of 15% in beef production, according to the MLA (Meat & Livestock Australia). It is worth noting that Australia is the second largest beef exporter, with a 16% share of the global market.

In view of lower beef production in Australia, a relevant player in global exports, combined with high global demand, South America figures as the main production market with capacity to fill the supply gap left by Australia in the global market.

As a reaction to this scenario, some market movements have already occurred in 2019 and are expected to pick up speed in the coming years. In 2019, Brazil received new authorizations in China and was authorized to export beef to Indonesia, one of the largest consumers of halal cuts, which has been historically supplied by Australia. There are also important opportunities for Argentina and Uruguay, with the recent opening of markets, such as Japan and South Korea, traditional consumers of Australian beef.