

Minerva S.A.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor's report on the individual and consolidated financial statements

As of December 31, 2019



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(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note 30 to the financial statements.)

Independent auditor's report on the individual and consolidated financial statements

**Grant Thornton Auditores
Independentes**

Av. Eng. Luís Carlos Berrini, 105
12º andar Itaim Bibi, São Paulo (SP)
Brasil

T +55 11 3886-5100

To the Management, Directors and Shareholders of
Minerva S.A.
Barretos – SP

Opinion

We have audited the accompanying individual and consolidated financial statements of Minerva S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and the corresponding explanatory notes, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the individual and consolidated financial position of Minerva S.A. as of December 31, 2019, and its individual and consolidated financial performance and respective individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) .

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters (KAM) are those matters that, in our judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole and in forming our opinion on such individual and consolidated financial statements, and, therefore, we do not provide a separate opinion on these matters.

1. Recognition of revenue from sale of products – Note 4(V)

The Company's revenues primarily derive from sales of products, are recognized when the performance obligation is satisfied and involve amounts that are material, distributed and decentralized. Goods are sold to domestic and foreign customers.

The revenues recognized in the domestic and foreign markets are subject to evaluations and judgments by the Company's management in determining their recognition by the Company.

Considering the volume of transactions conducted with foreign customers that involve judgment by the Company's Management in determining the controls to identify and measure bill-and-hold sales at year-end, we considered recognition of sales revenue as a key audit matter.

How the matter was addressed in our audit

Our auditing procedures included, among others, gaining an understanding of the process used to recognize revenue from sales of products and the design of the significant internal controls relating to the revenue measurement process as well as conducting an analysis of the assumptions used by the Company's Management for revenue recognition and verifying if the policies are in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). To evaluate the judgments used by Management, we mailed confirmation letters to customers to confirm the balances of trade notes that were outstanding as of December 31, 2019, on a sampling basis; we checked if such trade notes were subsequently settled, and analyzed the days sales outstanding informed by the Company's Management in estimating the calculation of sales recorded in the cut-off period at yearend which were billed but not yet delivered to foreign customers. Additionally, we evaluated the adequacy of the Company's disclosures, specifically in relation to the accounting policies adopted to recognize revenue. Based on the audit approach and procedures performed, we considered appropriate the procedure adopted by the Company's Management to recognize revenue from sales of products, in the context of the individual and consolidated financial statements taken as a whole.

2. Use of derivative financial instruments – Note 4 (I)

The Company has derivative instruments that are intended to hedge its assets against business risks, which results in significant balances of revenues and expenses being recorded.

The Company's Management, by means of its Risk Management Committee, values, at least at the end of each quarter, the fair value of financial assets and financial liabilities based on information of each transaction contracted with prime financial institutions and respective market inputs available on the financial reporting date, and the fair value hierarchy used is linked to Levels 1 and, based on prices quoted in an active market and other information available in the financial instruments market that requires the Company's Management to use assumptions in their valuation, including: exchange rate, interest rate and fluctuations in the price of the cattle arroba existing in the assets. The use of different market inputs and/or valuation methodologies may have a significant impact on the estimated fair value and, consequently, on the Company's individual and consolidated financial statements.

How the matter was addressed in our audit

Our auditing procedures included, among others, an evaluation of the internal controls implemented by the Company's Management to confirm and reconcile derivative instruments, showing the completeness and accuracy of the records; an evaluation of the appropriate and sufficient documentation, on a sampling basis, to validate the monitoring of the transactions conducted during 2019; an evaluation of the estimates and criteria used to value and measure derivative instruments; matching transactions and checking if they are properly covered by the Financial Risk Management Policy adopted by Management, and an evaluation of the sufficient and appropriate accounting practices relating to the disclosure in notes to the individual and consolidated financial statements. To perform the abovementioned auditing procedures, we involved our internal specialists in financial instruments, and, based on the results of the auditing procedures described above, we considered that the carrying amount of derivatives receivable and payable as well as the disclosures made in explanatory notes are appropriate in the context of the individual and consolidated financial statements taken as a whole, in all material respects.

3. Valuation of impairment of non-cash items, including intangible assets with finite useful life (goodwill) – Notes 11, 12 and 18

The Company accounted for goodwill on acquisitions of companies based on expected future profitability whose recoverable value must be appraised on an annual basis, as required by Technical Pronouncement CPC 01(R-1) / IAS 36 – Impairment of Assets.

The determination of the recoverable value of these noncurrent assets involves significant judgment in defining the assumptions used to prepare cash flow projections, which involves a high degree of subjectivity by the Company's Management, calculated based on the discounted cash flow method, which considers assumptions such as: discount rate, economic growth, inflation forecast, among others which may result in a material impact on the individual and consolidated financial statements. The Company's Management engaged external specialists to assist it in determining the recoverable value and meet the requirements of the financial reporting standard. For these reasons, this matter was considered a key audit matter.

How the matter was addressed in our audit

Our auditing procedures included involving our internal specialists to evaluate the assumptions used and inquiries about the expected future cash flows from the Cash-Generating Units (CGUs), including a comparison to the strategic business plan approved by the Company's Board of Directors. We evaluated key assumptions such as: long-term rates used in the projections by means of a comparison with economic forecast for the meat packing industry and the discount rate used in the study. Additionally, we evaluated the disclosures on impairment of the goodwill arising from business combinations and other nonfinancial assets contained in the individual and consolidated financial statements taken as a whole. Based on the auditing procedures performed, we considered that the methodologies and assumptions used by the Company to test such assets for impairment are reasonable, and the information presented in the individual and consolidated financial statements is appropriate in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's Management and presented as supplemental information for IFRS purposes, have been subject to auditing procedures which were performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Information other than the individual and consolidated financial statements and auditor's report thereon

The Company's Management is responsible for this other information that is included in the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in Management Report, we are required to report this fact. We have nothing to report in this regard.

Responsibility of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative to avoid doing so.

Those charged with the Company's and its subsidiaries' governance are those responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

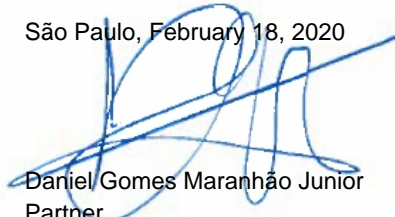
- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements for the current year and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 18, 2020



Daniel Gomes Maranhão Junior
Partner

Grant Thornton Auditores Independentes

Minerva S.A.

Balance sheets as at December 31, 2019 and 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

ASSETS

	Notes	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current assets					
Cash and cash equivalents	5	4,024,060	4,053,825	4,469,687	4,396,985
Trade receivables	6	538,470	788,055	1,778,214	1,783,355
Inventories	7	430,545	411,349	714,565	692,459
Biological assets	8	203,173	129,794	235,773	156,698
Recoverable assets	9	537,657	616,313	763,227	858,843
Other receivables	-	146,701	114,720	307,818	253,995
Total current assets		<u>5,880,606</u>	<u>6,114,056</u>	<u>8,269,284</u>	<u>8,142,335</u>
Noncurrent assets					
Other receivables	-	9,023	7,634	13,348	11,971
Related parties	10	2,134,408	1,656,095	-	-
Recoverable assets	9	179,387	179,390	179,387	183,428
Deferred taxes	18	425,587	180,758	426,386	181,333
Judicial deposits	-	23,553	23,217	24,550	23,998
Investments	11	2,683,039	2,457,610	-	-
Property, plant and equipment	12	1,888,703	1,798,497	3,632,800	3,580,563
Intangible assets	13	281,957	294,810	687,982	700,793
Total noncurrent assets		<u>7,625,657</u>	<u>6,598,011</u>	<u>4,964,453</u>	<u>4,682,086</u>
Total assets		<u>13,506,263</u>	<u>12,712,067</u>	<u>13,233,737</u>	<u>12,824,421</u>

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Balance sheets as at December 31, 2019 and 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

LIABILITIES

		Parent		Consolidated	
	Notes	12/31/2019	12/31/2018	12/31/2019	12/31/2018
LIABILITIES					
Borrowings and financing	14	2,646,524	3,302,978	2,867,602	3,644,273
Leases	12.b	6,516	-	6,990	-
Trade payables	15	914,428	492,873	1,362,369	872,508
Taxes payable and payroll and related taxes	16	109,933	78,822	330,265	234,634
Other payables	17	971,755	1,128,475	1,060,774	1,237,204
Total current liabilities		4,649,156	5,003,148	5,628,000	5,988,619
Noncurrent liabilities					
Borrowings and financing	14	5,345,936	4,372,503	7,610,124	6,823,301
Leases	12.b	33,428	-	39,457	-
Taxes payable and payroll and related taxes	16	54,967	59,896	64,776	72,750
Provisions for tax, labor and civil risks	19	27,302	30,898	38,272	42,774
Allowances for investment losses	11	2,093,336	1,773,349	-	-
Related parties	10	1,583,800	1,773,387	-	-
Other payables	17	-	-	1,753	732
Deferred taxes	18	-	-	133,017	197,359
Total noncurrent liabilities		9,138,769	8,010,033	7,887,399	7,136,916
Equity					
	20				
Capital		282,017	1,109,259	282,017	1,109,259
Capital reserves		118,271	120,182	118,271	120,182
Revaluation reserves		50,614	52,162	50,614	52,162
Earnings reserve		-	-	-	-
Accumulated losses		(380,210)	(1,397,915)	(380,210)	(1,397,915)
Treasury shares		(32,695)	(36,846)	(32,695)	(36,846)
Other comprehensive loss		(319,659)	(147,956)	(319,659)	(147,956)
Total equity attributable to Company's owners (equity deficiency)		(281,662)	(301,114)	(281,662)	(301,114)
Noncontrolling interests					
		-	-	-	-
Total equity (equity deficiency)		(281,662)	(301,114)	(281,662)	(301,114)
Total liabilities and equity					
		13,506,263	12,712,067	13,233,737	12,824,421

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Statements of profit and loss for the years ended December 31, 2019 and 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

	Notes	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Net operating revenue	22	8,662,116	7,880,360	17,122,825	16,214,909
Cost of sales	-	(6,699,770)	(5,885,168)	(13,830,264)	(13,366,616)
Gross profit		1,962,346	1,995,192	3,292,561	2,848,293
Operating income (expenses):					
Selling expenses	23	(693,350)	(604,254)	(1,201,107)	(1,020,459)
General and administrative expenses	23	(377,346)	(397,543)	(625,050)	(611,366)
Other operating income	23	(2,604)	(626,084)	(4,322)	(523,118)
Share of profit (loss) of investees	11	72,555	(60,743)	-	-
Impairment of assets		-	(18,838)	-	(18,838)
Profit from operations before finance income (costs) and taxes		961,601	287,730	1,462,082	674,512
Finance costs	24	(887,805)	(914,768)	(1,195,744)	(1,311,478)
Finance income	24	47,971	66,814	64,385	85,958
Inflation adjustment	24	-	-	(173,058)	(24,701)
Exchange rate changes, net	24	(312,563)	(1,230,268)	(290,275)	(1,233,306)
Finance income (costs), net		(1,152,397)	(2,078,222)	(1,594,692)	(2,483,527)
Loss before taxes		(190,796)	(1,790,492)	(132,610)	(1,809,015)
Income tax and social contribution - current	18	(29,059)	-	(153,037)	(18,490)
Income tax and social contribution - deferred	18	236,012	525,710	301,804	562,723
Profit (loss) for the year before noncontrolling interests		16,157	(1,264,782)	16,157	(1,264,782)
Equity attributable to:					
Company's owners		16,157	(1,264,782)	16,157	(1,264,782)
Noncontrolling interests		-	-	-	-
Profit/loss for the years		16,157	(1,264,782)	16,157	(1,264,782)
Earnings (loss) per share					
Weighted average number of shares - basic		400,447	373,137	400,447	373,137
Earnings/ (Loss) per share - basic	25	0.04035	(3.38959)	0.04035	(3.38959)
Weighted average number of shares - diluted		400,447	373,137	400,447	373,137
Earnings/ (Loss) per share - diluted	25	0.04035	(3.38959)	0.04035	(3.38959)

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Statements of comprehensive loss for the years ended December 31, 2019 and 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit (loss) for the period	16,157	(1,264,782)	16,157	(1,264,782)
Other comprehensive income (loss) to be reclassified to profit (loss) for the period in subsequent periods:				
Translation adjustment	(171,703)	(83,325)	(171,703)	(83,325)
Other comprehensive income (loss), net of income tax and social contribution	(171,703)	(83,325)	(171,703)	(83,325)
Total comprehensive loss	<u>(155,546)</u>	<u>(1,348,107)</u>	<u>(155,546)</u>	<u>(1,348,107)</u>
Comprehensive income (loss) attributable to:				
Company's owners	(155,546)	(1,348,107)	(155,546)	(1,348,107)
Noncontrolling interests	-	-	-	-
Total comprehensive loss	<u>(155,546)</u>	<u>(1,348,107)</u>	<u>(155,546)</u>	<u>(1,348,107)</u>

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Statements of changes in equity - Parent and consolidated for the year ended December 31, 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

	Capital	Capital reserve	Revaluation reserve	Accumulated losses/ (Retained earnings)	Treasury shares	Other comprehensive loss	Total equity attributable to Company's owners	Noncontrolling interests	Total do Total
Balances at December 31, 2018	1,109,259	120,182	52,162	(1,397,915)	(36,846)	(147,956)	(301,114)	-	(301,114)
Profit for the year	-	-	-	16,157	-	-	16,157	-	16,157
Cumulative translation adjustments	-	-	-	-	-	(171,703)	(171,703)	-	(171,703)
Total comprehensive loss, net of taxes	-	-	-	16,157	-	(171,703)	(155,546)	-	(155,546)
Capital increase	172,758	-	-	-	-	-	172,758	-	172,758
Absorption of accumulated losses from capital	(1,000,000)	-	-	1,000,000	-	-	-	-	-
(-) Treasury shares	-	(1,911)	-	-	4,151	-	2,240	-	2,240
Realization of revaluation reserve	-	-	(1,548)	1,548	-	-	-	-	-
Balances at December 31, 2019	<u>282,017</u>	<u>118,271</u>	<u>50,614</u>	<u>(380,210)</u>	<u>(32,695)</u>	<u>(319,659)</u>	<u>(281,662)</u>	<u>-</u>	<u>(281,662)</u>

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Statements of changes in equity - Parent and consolidated for the year ended December 31, 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

	Capital	Capital reserve	Revaluation reserve	Accumulated losses/ (Retained earnings)	Treasury shares	Other comprehensive loss	Total equity attributable to Company's owners	Noncontrolling interests	Total equity
Balances at December 31, 2017	128,854	187,504	53,712	(134,683)	(99,679)	(64,631)	71,077	-	71,077
Loss for the year	-	-	-	(1,264,782)	-	-	(1,264,782)	-	(1,264,782)
Cumulative translation adjustments	-	-	-	-	-	(83,325)	(83,325)	-	(83,325)
Total comprehensive loss, net of taxes	-	-	-	(1,264,782)	-	(83,325)	(1,348,107)	-	(1,348,107)
Capital increase	980,405	-	-	-	-	-	980,405	-	980,405
Advance for future capital increase	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	(67,322)	-	-	67,322	-	-	-	-
(-) Treasury shares	-	-	-	-	(4,489)	-	(4,489)	-	(4,489)
Realization of revaluation reserve	-	-	(1,550)	1,550	-	-	-	-	-
Balances at December 31, 2018	<u>1,109,259</u>	<u>120,182</u>	<u>52,162</u>	<u>(1,397,915)</u>	<u>(36,846)</u>	<u>(147,956)</u>	<u>(301,114)</u>	<u>-</u>	<u>(301,114)</u>

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Statements of cash flows for the years ended December 31, 2019 and 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flows from operating activities				
Loss for the period	16,157	(1,264,782)	16,157	(1,264,782)
Adjustments to reconcile profit/loss to operating activities				
Depreciation and amortization	125,688	98,549	263,994	221,732
Allowance for expected credit losses	3,856	(5,260)	7,935	(5,236)
Gains on sale of fixed assets	1,614	2,516	1,772	3,742
Fair value of biological assets	(28,836)	17,274	(28,836)	17,274
Realization of deferred taxes	(236,012)	(525,710)	(301,804)	(562,723)
Impairment of assets	-	18,838	-	18,838
Share of profit (loss) of investees	(72,555)	60,743	-	-
Finance charges	542,709	729,813	951,676	989,123
Unrealized exchange rate changes	325,396	888,875	307,567	1,202,879
Inflation adjustment	-	-	173,058	-
Provision for risks	(3,596)	(4,038)	(4,502)	(104,569)
Trade and other receivables	212,359	(235,881)	(57,994)	(288,703)
Inventories	(19,196)	(24,272)	(22,106)	30,350
Biological assets	(44,543)	23,999	(50,239)	40,345
Recoverable taxes	78,659	69,480	99,657	21,991
Deferred taxes	-	440,100	-	443,466
Judicial deposits	(336)	(1,841)	(552)	(2,206)
Trade payables	421,555	(14,771)	510,014	(175,891)
Taxes and payroll charges payable	26,182	6,296	67,504	63,965
Other payables	(156,720)	755,633	(175,409)	680,288
Cash flow provided by operating activities	1,192,381	1,035,561	1,757,892	1,329,883
Cash flow from investing activities				
Acquisition of investments	(2,692)	(63,700)	-	-
Acquisition of intangible assets, net	(5,726)	(5,303)	(4,797)	(8,053)
Acquisition of property, plant and equipment, net	(154,524)	(74,990)	(242,266)	(181,037)
Cash flow from investing activities	(162,942)	(143,993)	(247,063)	(189,090)
Cash flow from financing activities				
Borrowings and financing	3,505,770	1,506,305	3,723,696	2,150,743
Borrowings and financing settled	(4,044,218)	(1,788,305)	(5,145,845)	(3,732,765)
Leases	(15,176)	-	(21,674)	-
Related parties	(667,900)	(302,092)	-	-
Capital payment in cash	172,758	980,405	172,758	980,405
Treasury shares	2,240	(4,489)	2,240	(4,489)
Cash used in financing activities	(1,046,526)	391,824	(1,268,825)	(606,106)
Exchange rate changes on cash and cash equivalents	(12,678)	216,390	(169,302)	54,956
Decrease/increase in cash and cash equivalents, net	(29,765)	1,499,782	72,702	589,643
Cash and cash equivalents				
At the beginning of year	4,053,825	2,554,043	4,396,985	3,807,342
At the end of year	4,024,060	4,053,825	4,469,687	4,396,985
Decrease/increase in cash and cash equivalents, net	(29,765)	1,499,782	72,702	589,643

The accompanying notes are an integral part of these individual and consolidated financial statements.

Minerva S.A.

Statements of value added for the years ended December 31, 2019 and 2018

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenues	8,681,216	7,804,259	17,483,942	16,058,321
Sales of goods, products and services	8,642,113	7,693,390	17,440,792	15,830,193
Other	39,103	110,869	43,150	228,128
Inputs acquired from third parties	(8,051,510)	(7,833,299)	(15,402,295)	(15,802,523)
(includes taxes - ICMS, IPI, PIS, and Cofins)				
Cost of sales and services	(7,183,795)	(6,319,946)	(13,586,665)	(12,700,138)
Materials, electric power, outside services and other	(867,715)	(1,513,353)	(1,815,630)	(3,102,385)
Gross value added	629,706	(29,040)	2,081,647	255,798
Depreciation, amortization and depletion	(125,688)	(98,549)	(263,994)	(221,732)
Wealth created by the entity, net	504,018	(127,589)	1,817,653	34,066
Wealth received in transfer	120,526	6,071	64,385	85,958
Share of profit (loss) of investees	72,555	(60,743)	-	-
Finance income	47,971	66,814	64,385	85,958
Total wealth for distribution (5+6)	<u>624,544</u>	<u>(121,518)</u>	<u>1,882,038</u>	<u>120,024</u>
Wealth distributed	<u>624,544</u>	<u>(121,518)</u>	<u>1,882,038</u>	<u>120,024</u>
Personnel	189,047	205,691	762,242	368,965
Taxes and contributions	(198,980)	(485,930)	11,231	(472,881)
Lenders and lessors	618,320	1,423,503	1,092,408	1,488,722
Interest	606,312	1,411,353	1,075,876	1,466,029
Rentals	12,008	12,150	16,532	22,693
Shareholders	16,157	(1,264,782)	16,157	(1,264,782)
Profit / loss for the years	16,157	(1,264,782)	16,157	(1,264,782)
Noncontrolling interests in retained earnings (consolidation only)		-	-	-

The accompanying notes are an integral part of these individual and consolidated financial statements.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Notes to the individual and consolidated financial statements for the year ended December 31, 2019 and 2018 (In thousands of reais - R\$, unless otherwise stated)

1. General information

Minerva S.A. (Company) is a publicly-held company listed at the “Novo Mercado” corporate governance segment with shares are traded on B3 - Bolsa, Brasil, Balcão. The Company's main activities include the slaughtering of livestock and processing of meat, sale of fresh chilled, frozen and processed meat and the exporting of live cattle.

The Company's shares are traded on B3 – Bolsa, Brasil, Balcão, under the ticker symbol “BEEF3” and its Level 1 American Depositary Receipts (ADRs) are traded on the OTC market OTCQX International Premier, a segment of the electronic trading platform operated by the OTC Markets Group Inc., in the United States.

Parent

The Company is headquartered in Barretos (SP) and has manufacturing units located in José Bonifácio (SP), Palmeiras de Goiás (GO), Araguaína (TO), Goianésia (GO), Barretos (SP), Campina Verde (MG), Janaúba (MG), Paranatinga (MT), Mirassol D'Oeste (MT), and Rolim de Moura (RO). The distribution centers for the domestic market are located in the cities of Aparecida de Goiânia (GO), Brasília (DF), Cariacica (ES), São Paulo (SP), Araraquara (SP), Taboão da Serra (SP), Cubatão (SP), Santos (SP), Belo Horizonte (MG), Maracanaú (CE), Uberlândia (MG), Cabo de Santo Agostinho (PE), and Itajaí (SC).

As of December 31, 2019, the Company's consolidated industrial complex had a daily slaughtering capacity of 26,380 heads and a deboning capacity of 4,656 tons, taking into account subsidiaries Athena Foods S.A – in Uruguay (Pulsa S/A and Frigorífico Carrasco S/A), in Colombia (Red. Cárnica S.A.), Paraguay (Frigomerc S/A) and Argentina (Pul Argentina S.A., which is the parent of Swift Argentina S.A). All plants are compliant with sanitary requirements applicable to exports to countries across the five continents. The Barretos manufacturing unit (SP) has a beef processing line (cubed beef and roastbeef) which is mainly intended for exports.

Direct and indirect subsidiaries

Direct subsidiaries located in Brazil:

- **Minerva Dawn Farms S.A (Minerva Fine Foods):** located in Barretos (SP), this unit started operations in 2009. to produce, in varying scales, and sell beef, pork and poultry products meeting domestic and foreign demand in the “Food Services” segment;
- **CSAP – Companhia Sul Americana de Pecuária S.A.:** located in Barretos (SP), this unit started operations in 2014 to mainly engage in livestock and farming, by breeding and selling live cattle, lambs, pigs and other live animals;
- **Minerva Foods Asia Assessoria Ltda. (formerly Intermeat – Assessoria e Comércio Ltda):** acquired in the first quarter of 2016, its main activity is the provision of consulting and advisory services in the foreign trade area, for all lines of business in the food industry. No In the first quarter of 2019, the company was closed down; and
- **Minerva Comercializadora de Energia Ltda.:** located in São Paulo (SP), this unit started operations in 2016 and is mainly engaged in trading and selling electric power.

Direct foreign subsidiaries:

- **Athena Foods S.A.:** Based in Santiago, Chile (UY), Athenas Foods S.A. started operations in 2018 primarily to consolidate the management of equity interests and own assets in Mercosur. The company has the following direct subsidiaries: Pulsa S.A. (UY), Frigorífico Carrasco S.A. (UY), Frigomerc S.A. (PY), Pul Argentina S.A (AR), Red Cárnica S.A.S. (CO), Red Industrial Colombiana S.A.S. (CO), and Minerva Foods Chile SPA (CL);
- **Lytmer S.A:** located in Montevideo, Uruguay (UY), engaged in selling live cattle to the foreign market and trading food products.
- **Friasa S.A:** located in Asunción, Paraguay (PY);
- **Minerva Middle East:** office located in Lebanon to market and sell the Company's products;
- **Minerva Colombia SAS:** Based in Ciénaga de Oro, next to Montería, in the Córdoba region, Colombia, mainly engaged in the sale of livestock to the foreign market;
- **Minerva Live Cattle Export SPA:** Located in Santiago, Chile, primarily engaged in selling live cattle to the foreign market;
- **Minerva Meats USA.:** located in Chicago (USA), this unit started operations in 2015 and is mainly engaged in trading food products.
- **Minerva Australia Holdings PTY Ltd.:** Located in Brisbane (Australia), this unit started operations in 2016 and has Minerva Ásia Foods PTY Ltd. as its direct subsidiary; and
- **Minerva Europe Ltd.:** Located in London, England, this unit started operations in 2017 and is mainly engaged in trading food products.

Indirect foreign subsidiaries:

- **Pulsa S.A.:** meatpacking company acquired in January 2011, located in the Province of Cerro Largo, near the capital Melo, in Uruguay (UY). Engaged in slaughtering and deboning activities, with 85% of its sales intended for the foreign market, primarily the North American and the European markets.
- **Frigorífico Canelones S.A.,** meatpacking acquired in July 2017 by the indirect subsidiary Pulsa S.A, located in Canelones in Uruguay (UY). Engaged in the cattle slaughtering and deboning and processing of meat, especially fresh chilled and frozen meat for exports.
- **Frigorífico Carrasco S.A.:** meatpacking company acquired in April 2014, located in Montevideo, Uruguay (UY). Engaged in slaughtering, deboning and processing beef and sheep meat, with approximately 68% of its sales intended for the foreign market;
- **Frigomerc S.A.:** Meatpacking company acquired in October 2012, located in Asunción, Paraguay (PY), engaged in slaughtering, deboning and processing activities, operating in the domestic and foreign markets.
- **JBS Paraguay S.A.,** meatpacking acquired in July 2017 by the indirect subsidiary Frigomerc S.A., located in Assuncion, Paraguay (PY), to engage in cattle slaughtering and deboning and processing of meat;
- **Indústria Paraguaya Frigorífica S.A.,** meatpacking acquired in July 2017 by the indirect subsidiary Frigomerc S.A., located in Assuncion, Paraguay (PY), to engage in cattle slaughtering and deboning and processing of meat.
- **Pul Argentina S.A.** Based in Buenos Aires, Argentina, the company started activities 2016 and has Swift Argentina S.A. as its direct subsidiary;
- **Swift Argentina S.A.,** meatpacking acquired in July 2017 by the indirect subsidiary Pul Argentina S.A. located in Buenos Aires (AR) to process and produce meat and sell own and third parties' brands, especially Swift products;
- **Red. Cárnica SAS:** Meatpacking company acquired in July 2015, located in Ciénaga de Oro, near Montería, Córdoba region, in Colombia (CO) to engage in slaughtering, deboning and processing activities, operating in the domestic and foreign markets;
- **Red. Industrial Colombiana SAS:** plant acquired in July 2015, located in Ciénaga de Oro, near Montería, in the Córdoba region, Colombia (CO), whose main purpose is the preparation of products for animals, specifically, meat/bone meal, blood and tallow;
- **Minerva Foods Chile SPA:** Located in Santiago, Chile, primarily engaged in trading and selling the Company's products;
- **Minerva Ásia Foods PTY Ltd.:** this unit is mainly engaged in trading food products.

Cargo transportation

- **Transminerva Ltda.:** located in Barretos (SP), it is engaged in cargo transportation to support the Company, reducing its freight expenses in Brazil.

Special Purpose Entities (SPE) for fundraising

- **Minerva Overseas I:** located in the Cayman Islands, it was incorporated in 2006 to issue Bonds and receive the respective financial resources, totaling US\$200 million, in January 2007;
- **Minerva Overseas II:** Located in the Cayman Islands, it was incorporated in 2010 to issue Bonds and receive the respective financial resources, totaling US\$250 million, on that date;
- **Minerva Luxembourg S.A:** located in Luxembourg, it was incorporated in 2011 for the specific purpose of issuing Bonds and receiving the respective financial resources, totaling US\$350 million, and the subsequent re-tap of US\$100 million, occurred in February and March 2012, respectively. Also in the first quarter of 2013, the company conducted the “offer to buyback debt notes” using the proceeds from the issue of 2023 Notes in the amount of US\$850 million bearing interest of 7.75% per year. In the third quarter of 2014, the company carried out the re-tap of the 2023 Notes in the amount of US\$200 million. During the third quarter of 2016, the company carried out an offering of US\$1 billion bearing interest of 6.50% per annum, buying back the 2023 Notes in the amount of US\$617,874. In the second quarter of 2017, the company carried out a re-tap operation for its 2026 Notes, in the amount of US\$350 million. During the fourth quarter of 2017, the company carried out an offering of US\$500 million bearing interest of 5.875% per year, buying back the 2023 notes in the amount of US\$198,042.

Other subsidiaries in pre-operational stage

- **Minerva Log S.A (Logística)**

The direct and indirect subsidiaries mentioned above are included in the Company's individual and consolidated financial statements. The equity interest in each subsidiary is as shown below:

	12/31/2019	12/31/2018
Direct subsidiaries		
Minerva Dawn Farms S/A	100.00%	100.00%
Friasa S/A	99.99%	99.99%
Minerva Overseas I	100.00%	100.00%
Minerva Overseas II	100.00%	100.00%
Minerva Middle East	100.00%	100.00%
Transminerva Ltda.	100.00%	100.00%
Minerva Log	100.00%	100.00%
Minerva Colômbia S.A.S	100.00%	100.00%
Lytmer S.A	100.00%	100.00%
Minerva Luxembourg S.A	100.00%	100.00%
Minerva Live Cattle Export Spa	100.00%	100.00%
CSAP - Companhia Sul Americana de Pecuária S.A.	100.00%	100.00%
Minerva Meats USA Inc.	100.00%	100.00%
Minerva Foods Ásia Assessoria Ltda	-	100.00%
Minerva Comercializadora de Energia Ltda	100.00%	100.00%
Minerva Australia Holdings PTY Ltd	100.00%	100.00%
Minerva Europe Ltd.	100.00%	100.00%
Athena Foods S.A.	100.00%	100.00%

	12/31/2019	12/31/2018
Indirect subsidiaries		
Frigorífico Carrasco S.A.	100.00%	100.00%
Minerva Foods Chile Spa	100.00%	100.00%
Red Cárnica S.A.S	100.00%	100.00%
Red Industrial Colombiana S.A.S	100.00%	100.00%
Pulsa S.A.	100.00%	100.00%
Frigorífico Canelones S.A	100.00%	100.00%
Frigomerc S/A	100.00%	100.00%
JBS Paraguay S.A	99.99%	99.99%
Industria Paraguaya Frigorífica S.A	99.99%	99.99%
Pul Argentina S.A	100.00%	100.00%
Swift Argentina S.A	99.99%	99.99%
Minerva Ásia Foods PTY Ltd	100.00%	100.00%

Hyperinflationary economy - Argentina

On June 30, 2018, according to an evaluation conducted by different market players, Argentina's economy was considered hyperinflationary beginning July 01, 2018. The Argentinian peso devaluation and an increase in the overall price level in recent periods resulted in inflation indices exceeding 100% on a three-year cumulative basis.

In accordance with IAS 29, non-monetary assets and liabilities, equity and the income statement of subsidiaries operating in a highly inflationary economy must be restated for the changes in the pricing power of the functional currency by applying a general price index.

We concluded that the effects of this hyperinflationary impact, certainly not relevant, arising from our Argentinian subsidiaries, were determined on a consistent basis and accounted for in our individual and consolidated interim financial information for the period ended December 31, 2018.

2. Business combination

On January 24, 2019, the Company announced to the market that it conducted an asset barter transaction whereby Marfrig Global Foods S.A. ("Marfrig") would transfer to the Company an asset called "Paranatinga plant", whose primary corporate purpose is the processing of cattle and poultry by-products, located in Paranatinga, and the Company would transfer to Marfrig an asset called Várzea Grande plant, with the difference amount being paid by Marfrig on behalf of the Company, under the Agreement for Barter of Assets and Other Covenants ("Barter of Assets Agreement"), entered into between the Company and Marfrig, as parties, and BRF SA, as the intervening party of the transaction.

On February 19, 2019, the Brazilian Antitrust Authority (CADE) resolved for the final approval of the Barter of Assets between the Company and Marfrig.

Marfrig paid a supplemental amount of forty-six million reais (R\$46,000) to the Company for the Barter of Várzea Grande Plant, as follows:

- The first installment in the amount of twenty million, five hundred thousand reais (R\$20,500) on February 20, 2019; and
- The second installment in the amount of twenty-five million, five hundred thousand reais (R\$25,500) on April 16, 2019.

The objective of the transaction was to increase the financial liquidity by receiving cash and cash equivalents from the transaction while maintaining the current average production level in the State of Mato Grosso, with the acquisition of the Paranatinga plant, through increased use of this manufacturing unit's operating capacity.

The carrying amount of the Várzea Grande plant as of that base date, before the transfer to Marfrig, was measured at fair value under the discounted cash flow (DCF) method, in the Company's accounting information, as required by CPC 15 (R1), paragraph 37. The estimated fair value of Várzea Grande was R\$317,322, and the residual value of net assets transferred was R\$287,342. Considering the value of Paranatinga's net assets, R\$153,478, and the amount received of R\$46,000, a goodwill of R\$87,864 was recorded on the transaction.

Under the agreement entered into between the parties, in addition to the transfer of assets from Várzea Grande unit to Marfrig, the respective employees allocated to that unit, except the Company's key personnel, were also assigned.

Below is the (summarized) balance sheet of Paranating unit on April 01, 2019, under CPC 15 (R1) – Business combinations at the fair value of the identifiable assets acquired and liabilities assumed:

Balance sheet - Paranatinga unit			
In thousands of reais			
ASSETS		LIABILITIES	
	Fair value 01/04/2019		Fair value 01/04/2019
Current assets		Current liabilities	
		Payroll and related taxes	4.308
Noncurrent assets		Noncurrent liabilities	
Property, plant and equipment	157.786	Equity	
		Equity	153.478
Total Assets	157.786	Total Liabilities and Equity	157.786

For the purpose of this business combination, only fixed assets and payroll and related taxes were considered. Inventories, inputs, storeroom, other assets, liabilities, contingencies and obligations.

Below is the balance sheet of Várzea Grande and the assets and liabilities that were not part of the transaction:

Balance sheet - Várzea Grande unit

In thousands of reais

Balance sheet - carrying amount and fair value

ASSETS		LIABILITIES	
	Fair Value		Fair Value
	04/01/2019		04/01/2019
Current assets		Current liabilities	
Cash and cash equivalents	52.763	Trade payables	28.149
Trade receivables	59.848	Taxes payable	928
Inventories	6.108	Payroll and related taxes	10.942
Recoverable taxes	346	Other payables	4.156
Other receivables	9	Total Current Liabilities	44.175
Total Current Assets	119.074		
Noncurrent Assets		Noncurrent liabilities	
Escrow deposits	3.875	Provisions for risks	4.075
Related parties	3.637	Deferred tax liability	10.716
Other receivables	5	Total Noncurrent Liabilities	14.791
Property, plant and equipment	121.579	Equity	
Intangible assets	128	Equity	189.332
Total Noncurrent Assets	129.224	Total Equity	189.332
Total Assets	248.298	Total Liabilities and Equity	248.298

Assets that were not part of the business

In thousands of reais

04/01/2019

Equity	189,332
(-) Cash and cash equivalents	(52,763)
(i) Equity – Net Cash	136,569
Assets that were part of the business combination:	
Property, plant and equipment	121,579
Payroll and related taxes	(4,274)
Deferred tax liabilities	(10,716)
(ii) Net assets in the business combination.	106,589
(i–ii) Net assets that were not part of the business combination.	29,980

Goodwill determination

Considering that the fair value of the consideration transferred exceeded the fair value of the identifiable net assets acquired, as shown in the table below, the acquisition of control of Paranatinga unit resulted in goodwill recognition by the Company, as follows:

Goodwill determination

In thousands of reais

04/01/2019

Acquisition price (Várzea Grande business unit)	317,322
(-) Net assets that are not part of the combination	(29,980)
(i) Consideration transferred	287,342
Less:	
Fair value of the acquiree's equity	153,478
Supplemental amount	46,000
(i) Equity at fair value	199,478
(i–ii) Goodwill	87,864

The goodwill amount of R\$87,864 was recorded in the balance sheet as "Intangible assets" in the company's financial statements.

Approval of financial statements

The issuance of the individual and consolidated financial statements for the year ended December 31, 2019 was authorized by the Board of Executive Officers and Board of Directors on February 18, 2020.

3. Basis of preparation

Statement of compliance (with IFRSs and CPC standards)

The individual and consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, including the provisions of Brazilian Corporate Law and the standards and procedures issued by the Brazilian Securities and Exchange Commission (CVM) and the Accounting Pronouncements Committee (CPC), which are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Company's individual and consolidated financial statements are presented in accordance with Technical Instruction OCPC 07, which addresses the basic preparation and disclosure requirements to be observed in financial reporting, in particular explanatory information. Management asserts that all the relevant information reported in the financial statements is being disclosed and corresponds to that used in managing the Company.

The presentation of the Statement of Value Added (DVA), individual and consolidated, is required by Brazilian Corporate Law and the accounting practices adopted in Brazil applicable to publicly-held companies. IFRS does not require the presentation of such statement. Consequently, the presentation of the Statement of Value Added is considered by IFRS as supplemental information, without any prejudice to the set of financial statements.

The individual and consolidated financial statements are presented in Brazilian reais (R\$), which also is the Company's functional currency.

The significant accounting policies adopted in preparing the individual and consolidated financial statements are summarized below. These accounting policies were applied consistently to all periods reported, unless stated otherwise.

4. Summary of significant accounting policies

a) Basis of measurement

The individual and consolidated financial statements have been prepared based on the historical cost, except for the measurement of certain assets and liabilities such as financial instruments and biological assets, which are measured at fair value.

b) Functional and reporting currency

The financial statements of each subsidiary included in the Company's consolidation and those used as a basis for measuring investments under the equity method have been prepared based on each entity's functional currency. The functional currency of an entity is the currency of the primary economic environment where it operates.

In defining the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of its products and services rendered, and the currency in which most of the cost of its inputs production is paid or incurred.

The financial statements are presented in Brazilian reais (R\$), which is the Company's functional and reporting currency.

c) Foreign operations

The foreign direct and indirect subsidiaries adopted the following functional currencies for the financial statements as of December 31, 2019:

- **Guarani (Paraguai-PY)** – Friasa S.A.;
- **US Dollar (US\$)** – Athena Foods S.A, Frigomerc S.A., Pulsa S.A, Frigorífico Carasco S.A, Lytmer S.A.; Minerva Overseas I, Minerva Overseas II, Minerva Meat USA, Minerva USA LLC, and Minerva Luxembourg;
- **Sterling pound (GBP)** – Minerva Europe Ltd.;
- **Chilean Peso** – Minerva Foods Chile SpA and Minerva Live Cattle Export SPA;
- **Colombian Peso** – Minerva Colombia S.A.S, Red Cárnica S.A.S, and Red Industrial Colombiana S.A.S.;
- **Australian Dollar** – Minerva Australia Holdings PTY Ltd.; Minerva Asia Foods PTY Ltd.;
- **Argentinean Peso** – Pul Argentina S.A.

These financial statements, when applicable, are adjusted to conform to the accounting practices adopted in Brazil and translated into Brazilian reais (R\$) by applying the following procedures:

- Monetary assets and liabilities are translated using the closing rate of the respective currency for the Brazilian real (R\$) at the end of the respective balance sheets;
- In the last balance sheet corresponding to equity translated at the historical exchange rate prevailing at that time and the changes in equity for the current period/year are translated at the historical exchange rates on the dates of the transactions, and the profit earned or loss incurred is translated and accumulated at an average historical monthly exchange rate, as indicated in the topic below;
- Revenues, costs and expenses for the current period/year are translated and accrued at an average historical monthly exchange rate;

- The changes in foreign exchange balances arising from the items above are recognized in a specific equity account, under “Other comprehensive income”:
- The balances of investments, assets and liabilities, revenues and expenses from transactions between “Minerva Group” companies included in the consolidated financial statements are eliminated.

d) Foreign currency-denominated transactions and balances

Foreign currency-denominated transactions and balances, i.e., all transactions conducted in a currency other than the functional currency, are translated at the exchange rate prevailing on the respective trade date, as required by CPC 02 (R2) – Effects of Changes in Exchange Rates and Translation of Financial Statements.

Assets and liabilities subject to currency fluctuations are adjusted using the exchange rates prevailing on the last business day of each year or reporting periods. Gains and losses arising from changes in foreign investments are recognized directly in equity, under “Other comprehensive income”, and recognized in the statement of profit or loss when these investments are fully or partially sold.

Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rates prevailing on the transaction date.

e) Use of estimates and judgment

The preparation of the parent company and consolidated financial statements in conformity with IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are revised on an ongoing basis. Revisions related to accounting estimates are recognized in the period in which estimates are revised and in any affected future periods.

f) Basis of consolidation

Business combinations

Acquisitions completed on or after January 1, 2009

For acquisitions made as of or after January 01, 2009, the Company measured goodwill as the fair value of the consideration transferred, including the recognized amount of any noncontrolling interest in the acquired company, less the net recognized value of the identifiable assets and liabilities assumed at fair value, all measured as of the acquisition date.

For each business combination, the Company assesses if it will measure the non-controlling interests at their fair value or based on the proportionate equity interest of the noncontrolling interests on the identifiable net assets determined on the acquisition date.

Transaction costs, whether or not associated to the issuance of debt securities or equity securities, incurred by the Company and its subsidiaries on a business combination, are recognized as expenses as they are incurred.

Subsidiaries and jointly controlled subsidiaries

The subsidiaries' financial statements are included in the consolidated financial statements as from the date control starts to be exercised through the date it ceases to exist.

Transactions eliminated in consolidation

All intragroup transactions, and any intragroup revenue and expenses are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investees and recorded under the equity method are eliminated against the investment proportionately to the Company's equity interest in the investees. Unrealized losses, if any, are not eliminated the same way as unrealized gains, but only to the extent that there is no indication of impairment.

g) Revenue and expense recognition

Results from operations (revenue, costs and expenses) are recognized on the accrual basis for the years and periods. Revenue from sales of products is recognized when its amount can be reliably measured and all risks and rewards are transferred to the buyer.

h) Cash and cash equivalents and securities

Cash and cash equivalents include cash on hand, bank deposits and highly liquid short-term investments. See Note 5 for details on the Company's and its subsidiaries' cash and cash equivalents.

i) Financial instruments

The Company's and its subsidiaries' financial instruments are in accordance with the accounting pronouncement CPC 48, effective beginning January 01, 2018, and were recorded under this standard.

Financial assets

Financial assets are classified into the following specific categories: assets measured at amortized cost; fair value through profit or loss and fair value through other comprehensive income. Assets are classified based on the Company's business model and the cash flow characteristics of the financial asset.

Recognition and Measurement

The Company classifies its financial assets at initial recognition into three categories; **i)** assets measured at amortization cost, **ii)** fair value through profit or loss, or **iii)** fair value through other comprehensive income.

- **Amortization cost:** Assets should be measured at amortized cost if both of the following conditions are met: **i)** the financial asset is held within the business model whose objective is to hold assets in order to collect contractual cash flow, **ii)** the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the Company should recognize interest income, exchange gains and losses and impairment directly in profit or loss.
- **Fair value through profit or loss:** Financial assets should be measured at fair value through profit or loss only if they may not be classified as assets measured at amortized cost or fair value through other comprehensive income. The Company should recognize its interest income, exchange gains and losses, and impairment together with other net profit or loss, directly in profit or loss;
- **Fair value through other comprehensive income:** Financial assets should be measured at fair value through comprehensive income only if the following conditions are met: **i)** the financial asset is held within a business model whose objective is achieved by both collecting contractual cash when contractual cash flows are collected from the sale of financial assets , **ii)** the contractual terms of the financial asset give rise on specified dates to [cash flows that are solely payments of principal and] interest on the principal amount outstanding. Assets measured at fair value through other comprehensive income are classified into two categories: **i)** debt instruments: interest income calculated under the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized directly in the Company's equity, in "other comprehensive income". In the derecognition, the cumulative gains or losses in other comprehensive income is reclassified to profit or loss; **ii)** equity instrument: these assets are measured subsequently at the fair value. Dividends are recognized as gains in profit or loss, unless the dividend clearly represents a recovery of a portion of the investment cost. Other net gains and losses are recognized directly in the Company's equity, in "other comprehensive income" and are never classified to profit or loss.

Fair values of investments quoted in a public market are based on current purchase prices. If the market of a financial asset (and bonds not listed on the stock exchange) is not active, the Company establishes the fair value through valuation techniques.

These techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, the analysis of discounted cash flows, and option pricing models that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Regular-way purchases and sales of financial assets are recognized on a trade date basis, i.e., the date on which the Company agrees to buy or sell the asset.

- **Derecognition of financial assets:** Financial assets are written off when the rights to receive cash flows from the investments expire or are transferred; in the latter case, provided that the Company has significantly transferred all the risks and rewards of the ownership. If the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company should continue to recognize the financial asset.

Financial liabilities

Financial assets are classified into the following categories: financial liabilities at amortized cost or fair value through profit or loss. Management determines the classification of its financial liabilities at the time of initial recognition.

- **Financial liability at amortized cost:** The Company should classify all of its financial liabilities as amortized cost, except financial liabilities classified at fair value through profit or loss, derivative liabilities warranty agreement. Other financial liabilities are measured at amortized cost under the effective interest method. Interest expense, exchange gains and losses are recognized in profit or loss. The Company has the following non-derivative financial liabilities: borrowings, financing and debentures and trade payables. The Company has the following non-derivative financial liabilities: borrowings, financing and debentures and trade payables.
- **Financial liabilities at fair value through profit or loss:** Financial liabilities classified into the fair value through profit or loss category are financial liabilities held for trading or those designated at initial recognition. Derivatives are also classified as trading securities, unless they have been designated as effective hedging instruments. Gains and losses on financial liabilities classified at fair value through profit or loss are recognized in profit or loss.
- **Derecognition of financial liabilities:** Financial liabilities are derecognized only when the obligation specified in the relevant contract is discharged, cancelled or expires. The Company also derecognizes a financial liability when the terms are modified and the liability cash flow are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

Offset of financial instruments

Financial assets and financial liabilities are offset and the net amount is disclosed in the balance sheet when there is a legally enforceable right to set off recognized amounts and the intention to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The fair value of derivative financial instruments is calculated by the Company's treasury department based on information on each transaction and related market inputs at the end of the reporting period, such as interest rates and exchange coupon. When applicable, this information is compared to the positions informed by the trading desks of each financial institution involved.

Transactions involving derivative financial instruments that were contracted by the Company and its subsidiaries can be summarized as cattle futures contracts, options on cattle contracts and Non Deliverable Forward (NDF), all aiming exclusively to minimize the impact of price fluctuations per "arroba" of cattle in the statement of profit or loss, and to hedge against exchange risks related to statement of financial position accounts plus cash flows projected in foreign currency.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at their fair values at the commencement of the derivative agreement and are subsequently remeasured at fair value, whose changes in fair value are recorded in profit or loss.

Although the Company uses derivatives for hedging purposes, it did not choose the hedge accounting method. This accounting method is optional and, therefore, not mandatory.

j) Trade receivables

Trade receivables are carried at their present and realizable values. Trade receivables from foreign customers are adjusted based on exchange rates prevailing at the end of the reporting period. An allowance for expected credit losses is recognized in an amount considered sufficient by Management, based on monitoring of past-due receivables and trade notes and the risk of not collecting installment sales.

k) Inventories

Inventories are stated at the lower of cost and net realizable value, adjusted to market value and for any losses, when applicable. The inventory cost includes expenditures incurred on purchase of inventories, manufacturing and transformation costs and other costs incurred in bringing the inventories to their present location and condition.

l) Biological assets

Biological assets are measured at fair value. Changes in fair value are recognized in profit or loss. Agricultural activities, such as cattle herd growth, arising from confinement of cattle or grazing cattle, and growth of different crops, are subject to fair value measurement based on the mark to market (MtM) concept.

m) Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are measured at the historical purchase or construction cost, less accumulated depreciation and, where applicable, accumulated impairment losses. The cost of certain property, plant and equipment items was determined by reference to the revaluation carried out prior to the enactment of Law No. 11.638/2007, effective January 1, 2008, thus not requiring the appraisal of the deemed cost at that time.

Cost includes expenses that are directly attributable to the purchase of an asset. The cost of assets constructed by the Company and its subsidiaries includes the cost of materials and direct labor, as well as any costs incurred to bring the asset to the location and condition necessary for them to be able to operate in the manner intended by Management. Borrowings costs on qualifying assets have been capitalized since January 1, 2009.

Rights on tangible assets intended for the maintenance of the Company's and its subsidiaries' activities, arising from finance lease transactions, are recognized as if they were a financed purchase. At the start of each transaction, a property, plant and equipment item and a financing liability are recognized, with assets being subject to depreciation calculated in accordance with the estimated useful lives of the respective assets or over the lease agreement.

Gains and losses on the disposal of a property, plant and equipment item are calculated by comparing the disposal proceeds with the carrying amount of the item, and are recognized in other operating income (expenses), in profit or loss.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis, based on the estimated useful lives of each part of a property, plant and equipment item, as this method is more representative of the time pattern in which economic benefits from the asset are consumed.

The average useful lives estimated by the Company's Management, based on technical studies for the current and comparative periods, are as follows:

	Parent Annual rates - %	Consolidated Annual rates - %
Buildings	2.84%	2.37%
Machinery and equipment	9.12%	8.79%
Furniture and fixtures	10.95%	9.49%
Vehicles	7.43%	7.20%
Computer hardware	18.56%	18.31%

The depreciation methods, the estimated useful lives and the residual values are revised at each yearend, and possible adjustments are recognized as accounting estimates are changed.

As permitted by Law No. 11638/07 and mentioned in Note 20, the revaluation reserve balance will be held until its 100% amortization, either by full depreciation or sale of the assets.

n) Leases

Agreements are considered as leases when the following both conditions are satisfied:

- An identifiable asset explicitly or implicitly specified. In this case, the supplier does not have the practical ability to substitute the asset, or, the supplier would not benefit economically from exercising its right to substitute the asset;
- The right of use of the asset over the term of the agreement. In this case, the Company should have authority to make decisions on the use of the asset and the ability to obtain substantially all economic benefits from the use of the asset.

The right of use is initially measured at cost and includes the initial amount of the lease liability adjusted by any payments made on or before the effective date of the agreement, plus any initial direct costs and estimated costs on the disassembly, removal, and restoration of the asset at the place it is located, less any incentive received.

The right-of-use asset is depreciated subsequently using the straight-line method from the start to the end of the useful life of the right of use or the termination of the lease term.

The lease liability is initially measured at the present value of the payments yet to be made, discounting the lessee's incremental borrowing rate. The lease liability is measured subsequently at the amortized cost using the effective interest method.

o) Intangible assets

Intangible assets acquired separately are measured upon initial recognition, at acquisition cost, subsequently, deducted from accumulated amortization and impairment losses, where applicable.

Intangible assets with finite useful lives are amortized over their estimated economic useful lives and, when there are indications of impairment, are tested for impairment. Intangible assets with finite useful life are not amortized and are annually tested for impairment.

Goodwill on acquisition of subsidiaries

Goodwill arising on the acquisition of subsidiaries is carried in intangible assets in the consolidated financial statements.

p) Impairment test

Financial assets

The Company annually analyzes if there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered as unrecoverable when there is indication of loss of the asset's economic value.

Nonfinancial assets

Management annually tests the carrying amount of assets for impairment to determine whether events or changes in economic, operating or technological circumstances indicate that they might be impaired. Whenever an evidence of impairment is identified and the carrying amount exceeds the recoverable value, an allowance for impairment is recognized to adjust the carrying amount of the asset to its recoverable value.

The recoverable amount of an asset or cash-generating unit is the higher of the value in use and net sales price.

In estimating the value in use of an asset, estimated future cash flows are discounted to their present values, using a pretax discount rate that reflects the weighted average cost of capital in the industry where the cash-generating unit operates. Whenever possible, the net sales price is determined based on a binding sale agreement conducted on an arm's length basis between the parties, adjusted by expenses attributable to the asset sale. If there is no such binding agreement, it should be based on the market price defined in an active market, or in the most recent transaction price with similar assets.

The following criterion is also applied for determining impairment losses on specific assets:

Goodwill based on expected future earnings

Goodwill is tested for impairment at least annually, or when circumstances indicate a loss due to impairment of the carrying amount.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment at least annually, individually or at the level of the cash-generating unit, as the case may be or when circumstances indicate a loss due to impairment of the carrying amount.

q) Other current and noncurrent assets and liabilities

An asset is recognized in the balance sheet when it is probable that future economic benefits will be generated in favor of the Company and its subsidiaries, and its cost or value can be reliably estimated.

A liability is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle it. Liabilities include charges, inflation adjustments or exchange rate changes incurred and adjustments to present value. Provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months. Otherwise, they are stated as noncurrent.

r) Adjustment to present value of assets and liabilities

Noncurrent monetary assets and liabilities are adjusted, when material, to their present value, and current assets and liabilities are adjusted when the effect is considered material in relation to the individual and consolidated interim financial information.

To calculate the discount to present value, the Company and its subsidiaries consider the amount to be discounted, the realization and settlement dates, according to discount rates that reflect the Company's and its subsidiaries' value of money in time, which was approximately 8.8% per year, calculated according to the Company's and its subsidiaries' weighted average cost of capital, as well as the specific risks related to the expected cash flows for the respective financial flows.

The receipt and payment terms of accounts receivables and payables arising from the Company's and its subsidiaries' operating activities are short, thus resulting in a discount amount considered immaterial for recording and disclosure, since the cost of generating information exceeds its benefit. Noncurrent assets and liabilities are calculated and recorded, when applicable and material.

Calculations and analyses are revised on a quarterly basis.

s) Income tax and social contribution

The current and deferred income tax and social contribution for the current year or period of the Company and its subsidiaries located in Brazil are calculated at the rates of 15%, plus a 10% surtax on taxable income exceeding R\$240 for income tax and 9% on taxable income for social contribution, considering the offset of tax loss carryforwards limited to 30% of the annual taxable income.

Income tax and social contribution expenses comprise current and deferred income taxes. Current and deferred taxes are recognized in profit or loss unless they are related to business combinations or items recognized directly in equity or other comprehensive income.

The deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for tax purposes. Deferred taxes are not accounted for on the following temporary differences: the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences related to investments in subsidiaries and controlled entities when it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

Deferred income and social contribution tax assets are recognized on tax losses, tax credits, differences in accounting practices (IFRS) and deductible temporary differences that were not utilized, when future taxable profits will be available and against which they can be utilized.

Deferred income tax and social contribution assets are revised at the end of each reporting period and reduced to the extent that their realization is no longer probable.

t) Contingent assets and contingent liabilities, and legal obligations

The accounting policies adopted to record and disclose contingent assets and contingent liabilities and legal obligations are as follows: **(i)** contingent assets are recognized only when there are collaterals or favorable, unappealable court decisions. Contingent assets assessed as probable gain are only disclosed in an explanatory note; **(ii)** a provision for risks on contingent liabilities is recorded when losses are assessed as probable and the involved amounts can be reliably measured.

Contingent liabilities assessed as possible losses are only disclosed in a note to the financial statements and contingent liabilities assessed as remote losses are neither provided for nor disclosed; and **(iii)** legal obligations are recorded as liabilities, regardless of the evaluation of the probabilities of success, for proceedings whereby the Company has challenged the constitutionality of taxes.

u) Employee benefits

The Company does not have post-employment benefits, such as defined benefit and/or contribution plans. All short-term benefits and paid leaves, as well as profit sharing and bonuses, are in accordance with the respective IFRS requirements.

v) Revenue recognition

Sales revenue is recognized net of related taxes and discounts. Taxes on sales are recognized when sales are billed and discounts are recognized when granted.

Revenues from sales of products are recognized at the amount of the consideration to which the Company expects to have right, less returns, discounts and rebates and other deductions, if applicable, and are recognized as the Company fulfills its performance obligations.

The breakdown of sales revenue is shown in Note 22.

w) Earnings per share

Basic earnings per share are calculated by means of the profit for the period attributable to owners of the Company and the weighted average number of common shares outstanding in the related period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding by instruments potentially convertible into shares with dilutive effect, during the reporting periods.

x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Executive Officers, which is responsible for allocating funds and evaluating the performance by operating segment and strategic decision-making.

y) New standards adopted

The following new standards were approved and issued by IASB and CPC effective beginning January 01, 2019. Management adopted the following standards:

IFRS 16 – Leases

This new standard defines the principles for recognition, measurement, presentation and disclosure of leases and introduces a single model to account for leases in the balance sheet for lessees. A lessee recognizes a right-of-use asset that represents their right to use the leased asset and a lease liability that represents their obligation to make lease payments. Optional exemptions are available for short-term leases and low value assets. For lessors, the accounting treatment remains unchanged; leases continue to be classified either as operating or finance leases. IFRS 16 replaces the current amendments, including IAS 17 / CPC 06 (RI) – Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) – Additional Aspects of Leases.

Management evaluated and disclosed the impacts of the new standard in Note 12.1).

The effects of adopting the new standards on the balance sheet as of January 01, 2019 and December 31, 2019 are shown below.

Effects of IFRS 16 on the balance sheet:

	Assets			
	Parent		Consolidated	
	01/01/19	12/31/19	01/01/19	12/31/19
Noncurrent assets				
Right of use of assets	55,120	38,452	68,121	44,720
Total	55,120	38,452	68,121	44,720
	Liabilities			
	Parent		Consolidated	
	01/01/19	12/31/19	01/01/19	12/31/19
Current liabilities				
Lease liabilities	6,001	6,516	6,928	6,990
Noncurrent liabilities				
Lease liabilities	49,119	33,428	61,193	39,457
Total	55,120	39,944	68,121	46,447
NEquity				
Profit (loss) for the period	-	(1,492)	-	(1,727)

IFRIC 23/ ICPC 22 - Uncertainty over income tax treatments

This standard defines how the CPC32 recognition and measurement requirements should be applied when there is uncertainty over income tax treatments.

The Company should recognize and measure its current or deferred asset or liability by applying the requirements of CPC 32 based on the taxable income (tax loss), tax bases, unused tax losses, unused tax credits, and determined tax rates, by applying this Interpretation. Such Interpretation was approved on December 31, 2018 and became effective on January 01, 2019. The Company did not identify significant impacts from the adoption of this Interpretation, since all procedures adopted for determining and paying taxes on income are covered by the legislation and supported by court precedents at the administrative and judicial levels.

z) Statements of value added

The Company prepared the individual and consolidated statements of value added (DVA) in accordance with CPC 09 – Statement of Value Added, which are presented as an integral part of the financial statements according to the accounting practices adopted in Brazil applicable to publicly-held companies, whereas they are considered by IFRS as supplemental financial information, required as part of the financial statements taken as a whole.

The objective of a statement of value added is to show the wealth created by the Company and its subsidiaries, its distribution to those that contributed to generate such wealth, such as employees, financial institutions, shareholders, government, as well as the undistributed portion of wealth.

5. Cash and cash equivalents

The financial assets of the Company and its subsidiaries are comprised of the following:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Cash	392	394	878	9,043
Banks - checking account	2,726	3,393	181,951	177,214
Cash and cash equivalents in foreign currencies	3,012,863	2,846,114	3,036,988	2,847,615
	3,015,981	2,849,901	3,219,817	3,033,872
Short-term investments				
In local currency				
Bank Certificates of Deposit (CDBs)	403,867	900,530	411,124	929,841
Debentures	604,212	301,394	667,841	335,737
Capitalization bonds	-	2,000	-	2,000
Other financial assets	-	-	170,905	95,535
	1,008,079	1,203,924	1,249,870	1,363,113
	4,024,060	4,053,825	4,469,687	4,396,985

The short-term investments of the Company and its subsidiaries were classified according to their characteristics and purposes, as measured: (i) at fair value through profit or loss or (ii) amortized cost are stated as follows:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Measured at fair value through profit or loss	1,008,079	1,201,924	1,249,870	1,361,113
Amortized cost	-	2,000	-	2,000
	1,008,079	1,203,924	1,249,870	1,363,113

6. Trade receivables

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Trade notes - domestic market	148,953	131,617	553,362	404,489
Trade notes - foreign market	392,330	634,410	1,252,731	1,399,221
Receivables - related parties	17,631	38,841	-	-
	558,914	804,868	1,806,093	1,803,710
(-) Allowance for expected credit losses	(20,444)	(16,813)	(27,879)	(20,355)
	538,470	788,055	1,778,214	1,783,355

The aging list of trade receivables is as follows:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Current:	292,807	389,609	1,421,671	1,268,235
Past due:				
Up to 30 days	73,337	207,573	155,023	274,622
31 to 60 days	26,408	94,217	33,659	116,078
61 to 90 days	11,957	38,471	13,006	51,185
Over 91 days	154,405	74,998	182,734	93,590
	558,914	804,868	1,806,093	1,803,710

Changes in expected credit losses for the years ended December 31, 2019 and 2018 are as follows:

	Parent	Consolidated
Balances at December 31, 2017	(20,072)	(23,429)
Allowance recognized	(3,959)	(5,980)
Recovered receivables	9,219	11,216
Exchange gain (loss)	(2,001)	(2,162)
Balances at December 31, 2018	(16,813)	(20,355)
Allowance recognized	(3,856)	(7,935)
Recovered receivables	336	663
Exchange gain (loss)	(111)	(252)
Balances at December 31, 2019	(20,444)	(27,879)

The Company has a Receivables Investment Fund (FIDC) for sale of part of its receivables from domestic customers in the amount of R\$167,122 (R\$165,498 as of December 31, 2018), without co-obligation or right of recourse, of which R\$9,017 (R\$7,593 as of December 31, 2018) is comprised of subordinated units.

The percentage of equity interest and the number of FIDC shares refer to the guarantee and risk limit under the Company's responsibility, which correspond to the entirety of the subordinated shares paid in and held by the Company with FIDC.

According to CVM Circular Letter No. 01/2017, for the purpose of presentation of definitive sale of receivables, the transferor cannot have control, involvement or future settlement regarding the overdue FIDC notes and, consequently, exposure to the risks arising from it. Accordingly, the Company is exposed to default risk limited to its subordinated shares.

The Company follows a very strict credit granting policy, which results in low levels of default, which may be evidenced by the low amounts recorded, when compared to the Company's and its subsidiaries' sales revenue.

The Company has no collaterals for past-due trade notes receivable.

7. Inventories

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Finished products	402,069	381,235	613,864	602,474
Storeroom supplies and secondary materials	28,476	30,114	100,701	89,985
	430,545	411,349	714,565	692,459

8. Biological assets

The Company and its subsidiaries that have cattle activities, such as cattle herd growth arising from the confinement of cattle or grazing cattle operations, are subject to revaluation of its assets, in order to determine their fair value based on the mark to market (MtM) concept, less estimated selling expenses, at least on a quarterly basis, recognizing the effects of such revaluations directly in profit or loss for the periods and years.

Operations related to the Company's biological assets are represented by grazing cattle (extensive) and short-term confinement cattle (intensive). The operation is conducted through the acquisition of biological assets for resale, whose mark to market is reliably measured due to the existence of active markets, and are represented as follows:

	Herd	
	Parent	Consolidated
Balance as of December 31, 2017	171,067	214,317
Increase due to acquisitions	286,140	423,806
Decrease due to sales	(306,302)	(462,852)
Net (decrease)/Increase due to births (deaths)	(3,837)	(4,500)
Changes in fair value less estimated costs to sell	(17,274)	(14,073)
Balance as of December 31, 2018	129,794	156,698
Increase due to acquisitions	241,884	317,706
Decrease due to sales	(194,560)	(264,666)
Net (decrease)/Increase due to births (deaths)	(2,782)	(3,274)
Changes in fair value less estimated costs to sell	28,837	29,309
Balance as of December 31, 2019	203,173	235,773

As of December 31, 2019, farm cattle held for sale was comprised of 52,332 heads (45,102 as of December 31, 2018), while confined cattle totaled 12,537 heads (9,961 as of December 31, 2018).

As of December 31, 2019 e 2018, the Company did not have any type of biological assets with restricted ownership or pledged as collateral of liabilities, and there were no other risks (financial, commitments, and weather-related) that would impact the Company's biological assets.

9. Recoverable taxes

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
PIS (tax on revenue)	90,697	104,671	90,805	105,135
Social Security Financing Contribution (Cofins)	259,550	329,761	260,061	331,900
Reintegra (special tax for exporting companies)	1,381	1,650	12,981	25,253
State VAT (ICMS)	73,675	86,652	87,716	99,896
Income tax and social contribution (CSLL)	272,309	253,542	290,060	294,218
IPI deemed credit	-	3	-	3
VAT	-	-	148,830	145,593
Other	19,432	19,424	52,161	40,273
	717,044	795,703	942,614	1,042,271
Current	537,657	616,313	763,227	858,843
Noncurrent	179,387	179,390	179,387	183,428

PIS and Cofins (taxes on revenue)

PIS and Cofins credits arise from the change in tax legislation, according to Law No. 10.637/02 and Law No. 10.833/03, which established non-cumulativeness for these taxes, thus generating credits for exporting companies. On May 30, 2018, the Federal Revenue Service (RFB) issued Law No. 13.670, which permitted entities to offset these credits to pay social security debts, thus significantly reducing cumulative credits.

Currently, the Brazilian Federal Revenue Service (RFB) completed its inspection of the Company and its subsidiaries, with most of the requests for reimbursement of credits being authorized by the RFB, which has resulted in a significant amount arising from the refund of those credits during 2020 and 2021.

Based on studies carried out by the Company's Management regarding the expectation of refund of these tax credits, a portion of these credits was segregated from current assets to noncurrent assets, which as of December 31, 2019 totaled R\$104,905, Parent and consolidated. The estimates of realization of the Company's and its subsidiaries' tax credits are revised on a quarterly basis.

State VAT (ICMS)

ICMS credits result from the fact that the Company's exports are greater than its domestic sales, thus generating credits which, after ratified by State Finance Department, are used to purchase inputs for production, which may also be sold to third parties, as provided for in current legislation.

Out of the aforementioned credit balance, a substantial portion is under an inspection and ratification process by São Paulo State's Finance Department. The Company's Management expects to recover a significant portion of said credits throughout 2020 and 2021. Based on studies conducted by Management, an amount deemed sufficient to cover slower lawsuits was transferred from current assets to noncurrent assets, totaling R\$55,096, Parent and consolidated. The estimates of realization of the Company's and its subsidiaries' tax credits are revised on a quarterly basis.

10. Related parties

Related-party transactions, conducted under the following conditions, are summarized in the table below and comprise:

Intragroup loans	Parent	
	12/31/19	12/31/18
Minerva Dawn Farms S.A. (Minerva Fine Foods) (a)	54,335	54,181
Transminerva Ltda. (b)	26,588	26,288
CSAP - Companhia Sul Americana de Pecuária S.A. (c)	-	21,744
Minerva Overseas Ltd (d)	536,773	390,060
Minerva Luxemburg S.A. (e)	468,886	156,374
Athena S.A. (f)	1,047,826	1,007,448
	2,134,408	1,656,095

(a) Working capital loan to Minerva Dawn Farms S.A (currently Minerva Fine Foods);

(b) Transminerva expenses and working capital to be reimbursement;

(c) Working capital loan to CSAP - Companhia Sul Americana de Pecuária S.A.;

(d) Loan granted to Minerva Overseas Ltda. to be reimbursed;

(e) Loan granted to Minerva Luxemburgo S.A. to be reimbursed; and,

(f) Loan granted to Atena S.A., to be reimbursed.

Intragroup borrowings	Parent	
	12/31/19	12/31/18
Minerva Overseas II (a)	1,583,798	1,773,385
Minerva Log S.A (b)	2	2
	1,583,800	1,773,387

- (a) Loan from Minerva Overseas II to the Parent company;
(b) Loan from Minerva Luxemburgo to the Parent company.

The Company, understanding the full integration of its operations with its subsidiaries, transfers cash as part of Minerva Group's business plan, always seeking to minimize the cost of its borrowings.

The other balances and transactions with related parties are as follows:

Payables - Suppliers	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Minerva Dawn Farms S/A	13,638	6,118	-	-
Transminerva Ltda.	8	11	-	-
CSAP - Companhia Sul Americana de Pecuária S.A.	21,479	13,749	-	-
Athena S.A.	10,833	9,913	-	-
Lytmer S.A.	17	-	-	-
Purchases from other related parties	12,028	16,929	15,330	19,171
	58,003	46,720	15,330	19,171

Trade receivables	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Minerva Dawn Farms S/A	218	74	-	-
CSAP - Companhia Sul Americana de Pecuária S.A.	6,982	6,308	-	-
Athena S.A.	10,431	32,459	-	-
	17,631	38,841	-	-

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Sales revenue				
Minerva Dawn Farms S.A.	76	21,565	-	-
Pulsa S.A.	-	17,988	-	-
Frigorífico Carrasco S.A.	-	8,725	-	-
Minerva Comercializadora de Energia Ltda.	915	25,152	-	-
CSAP - Companhia Sul Americana de Pecuária S.A..	1,451	10,398	-	-
Minerva Foods Chile Spa	-	1,657	-	-
Lytmer S.A.	1,422	-	-	-
Athena S.A.	68,390	10,199	-	-
	72,254	95,684	-	-
Purchases				
Minerva Dawn Farms S.A.	72,056	43,455	-	-
CSAP - Companhia Sul Americana de Pecuária S.A.	91,801	121,513	-	-
Pulsa S.A.	-	6,982	-	-
Frigomerc S.A.	-	70,917	-	-
Frigorífico Carrasco S.A.	-	6,302	-	-
Pul Argentina S.A.	-	18,032	-	-
Minerva Comercializadora de Energia Ltda.	11,821	14,212	-	-
Lytmer S.A.	594	-	-	-
Athena S.A.	169,584	49,721	-	-
	345,856	331,134	-	-
Purchases of cattle:				
Purchases from other related parties (a)	97,949	130,199	102,273	133,165
Total Purchases from other related parties	97,949	130,199	102,273	133,165

(a) Balance payable to other related parties for purchases of cattle from companies belonging to the Company's shareholders, conducted at usual market prices and conditions.

The Company and its direct and indirect subsidiaries conduct intercompany commercial transactions, mainly purchases, sales and loans, under the terms and conditions that are usually adopted in agreements in an arm's length, at market conditions, as if the transactions were contracted with unrelated parties.

During the years ended December 31, 2019 and 2018, no allowances for expected credit losses were recorded and no expenses on uncollectible debts relating to related-party transactions were recognized.

Management compensation

As of December 31, 2019, the Company recorded expenses on key management personnel compensation (members of the Company's Board of Directors and Supervisory Board and Statutory Executive Officers) in the amount of R\$30,326 (R\$14,396 as of December 31, 2018). All compensation is short term, as shown below:

	Members 2019	12/31/19	12/31/18
Board of Executive Officers, Board of Directors and Supervisory Board	18	30,326	14,396
	18	30,326	14,396

The alternate members of the Board of Directors and Supervisory Board are compensated for each day they attend a Board of Directors' meeting.

The Company does not offer post-employment benefits in case of termination of employment contract. The Company's key management personnel counts on a share-based payment under a Stock Option Plan, as detailed in Note 20 (j). Below are changes in this Plan relating to key management personnel:

	12/31/2019		12/31/2018	
	Number of stock options	Weighted average price	Number of stock options	Weighted average price
Free float shares at the beginning of the period	400,000	5.60	-	-
Granted during the period	-	-	2,970,000	5.60
Exercised during the period	(400,000)	5.60	(2,570,000)	5.60
Forfeited during the period	-	-	-	-
Free float shares at the end of the period	-	-	400,000	5.60

Costs on stock option plan are recognized in profit (loss) during the grace period to exercise the option, or the vesting period, until shares granted are converted into benefit to their holders, whichever is higher. The total cost of the plan as of the grant date, corresponding to the fair value of the options, was R\$8,392 (R\$6,990 relating to the 1st program under the Plan and R\$1,402 relating to the 2nd program under the Plan).

11. Investments

Changes in investments in Minerva S.A.'s subsidiaries are as follows:

	Equity interest - %	Balance at 12/31/18	Transfers	Translation adjustments	Capital payment	Write-off due to merger	Share of profit of investees	Balance at 12/31/19
Goodwill based on expected future profitability		133,667	-	-	-	-	-	133,667
Minerva Overseas Ltd	100.00%	190,226	-	7,652	-	-	(10)	197,868
Minerva Overseas Ltd II	100.00%	467,112	-	(132,560)	-	-	(24)	334,528
Minerva Middle East	100.00%	37	-	-	-	-	-	37
Minerva Log S.A	100.00%	22	-	-	-	-	-	22
Minerva Dawn Farms S.A.	100.00%	64,883	-	-	-	-	(5,177)	59,706
Minerva Colombia SAS	100.00%	5,838	-	138	-	-	(980)	4,996
Lytmer S.A.	100.00%	47,070	-	1,693	-	-	(13,655)	35,108
CSAP - Companhia Sul Americana de Pecuária S.A.	100.00%	737	(737)	-	-	-	-	-
Minerva Live Cattle Export S.A.	100.00%	8,859	-	(178)	-	-	86	8,767
Minerva Meats USA LLC	100.00%	523	-	-	-	-	-	523
Minerva Foods Asia Assessoria Ltda.	100.00%	521	-	-	-	(406)	(115)	-
Minerva Comercializadora de Energia Ltda.	100.00%	80,543	-	-	-	-	146,325	226,868
Minerva Australia Holdings PTY Ltd. (*)	100.00%	38,102	-	1,589	3,099	-	3,027	45,817
Minerva Europe Ltd	100.00%	332	-	41	-	-	-	373
Athena Foods S.A. (*)	100.00%	1,419,138	-	28,142	-	-	187,479	1,634,759
Investments		2,457,610	(737)	(93,483)	3,099	(406)	316,956	2,683,039
Transminerva	100.00%	(26,859)	-	-	-	-	365	(26,494)
Minerva Luxemburg	100.00%	(1,746,490)	-	(76,323)	-	-	(241,536)	(2,064,349)
CSAP - Companhia Sul Americana de Pecuária S.A.	100.00%	-	737	-	-	-	(3,230)	(2,493)
Allowance for investment losses		(1,773,349)	737	(76,323)	-	-	(244,401)	(2,093,336)
Investments, net		684,261	-	(169,806)	3,099	(406)	72,555	589,703

(*) Consolidated information on the following companies (see Note1):

- **Pulsa S.A.:** consolidates subsidiary Frigorífico Canelones S.A.;
- **Frigomerc S/A.** - consolidates subsidiaries JBS Paraguay S.A. and Industria Paraguaya Frigorífica S.A.;
- **Minerva Australia Holdings PTY Ltd.:** consolidates subsidiary Minerva Ásia Foods PTY Ltd.
- **Pul Argentina S.A.:** consolidates subsidiary Swift Argentina S.A.;
- **Athena Foods S.A.:** consolidates subsidiaries Pulsa S.A, Frigorífico Carrasco S.A, Frigomerc S.A, Pul Argentina S.A, Red Cárnica S.A.S, Red Industrial Colombiana S.A.S., and Minerva Foods Chile SPA.

In July 2018, Athena Foods S.A, a Company's direct subsidiary, based in Santiago, Chile, was created and, at the end of September, a capital increase was made through the equity interests of the following companies: Pulsa S.A (UY), Frigorífico Carrasco S.A (UY), Frigomerc S.A (PY), Pul Argentina S.A (AR), Red Cárnica S.A.S (CO), Red Industrial Colombiana S.A.S (CO), and Minerva Foods Chile SPA (CL), which became indirect subsidiaries of the Company.

Summary of the subsidiaries' financial statements as of December 31, 2019:

	Equity interest - %	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity/ (equity deficiency)
Minerva Overseas Ltd.	100.00%	2	734,640	-	536,773	197,869
Minerva Overseas II Ltd.	100.00%	100	1,583,798	-	1,249,370	334,528
Minerva Middle East Ltd.	100.00%	37	-	-	-	37
Minerva Dawn Farms S.A.	100.00%	26,757	96,226	7,659	55,618	59,706
Minerva Luxemburg S.A.	100.00%	152,561	5,594,353	147,353	7,663,911	(2,064,349)
Friasa S.A.	99.99%	-	-	-	-	-
Transminerva Ltda.	100.00%	40	256	-	26,789	(26,494)
Minerva Log S.A.	100.00%	20	2	-	-	22
Lytmer S.A.	100.00%	40,720	8,647	14,259	-	35,108
Minerva Colombia SAS	100.00%	4,989	43	35	1	4,996
CSAP - Companhia Sul Americana de Pecuária S.A.	100.00%	66,896	8,245	61,667	15,967	(2,493)
Minerva Live Cattle Export Spa	100.00%	9,967	9,045	10,245	-	8,767
Minerva Meats USA LLC	100.00%	524	-	-	-	524
Minerva Foods Asia Assessoria Ltda	100.00%	-	-	-	-	-
Minerva Comercializadora de Energia Ltda.	100.00%	231,561	-	4,694	-	226,867
Minerva Australia Holdings PTY Ltd.	100.00%	62,244	14,091	20,416	10,101	45,818
Minerva Europe Ltd	100.00%	373	-	-	-	373
Athena Foods S.A (*)	100.00%	1,855,493	1,953,208	924,908	1,249,034	1,634,759
Total		2,452,284	10,002,554	1,191,236	10,807,564	456,038

(*) Consolidated information on the following companies (see Note1):

Athena Foods S.A.: consolidates subsidiaries Pulsa S.A, Frigorífico Carrasco S.A, Frigomerc S.A, Pul Argentina S.A, Red Cárnica S.A.S, Red Industrial Colombiana S.A.S., and Minerva Foods Chile SPA.

Changes in subsidiaries' profit (loss) in the years ended December 31, 2019 and 2018 are as follows:

	12/31/19		12/31/18	
	Net revenue	Profit (loss) for the year	Net revenue	Profit (loss) for the year
Frigorífico Matadero Carrasco S.A.	-	-	464,458	(7,523)
Minerva Overseas Ltd	-	(10)	-	(56)
Minerva Overseas II Ltd	-	(24)	-	(6)
Red Cárnica SAS	-	-	369,213	19,431
Minerva Dawn Farms S.A.	60,277	(5,177)	43,999	(18,506)
Red Industrial Colombiana SAS	-	-	8,122	(516)
Minerva Luxemburg S.A.	-	(241,536)	-	(297,331)
Friasa S.A.	-	-	-	(1,096)
Transminerva Ltda.	-	365	3	(1,129)
Minerva Log S.A.	-	-	-	-
Lytmer S.A.	143,510	(13,655)	208,762	(7,501)
Pulsa S.A.	-	-	742,228	(2,423)
Frigomerc S.A.	-	-	1,736,860	56,615
Minerva Foods Chile Spa	-	-	113,199	(8,026)
Minerva Colombia SAS	-	(980)	5,020	488
CSAP - Companhia Sul Americana de Pecuária S.A.	104,742	(3,230)	138,145	(19)
Minerva Live Cattle Spa	-	86	-	161
Minerva Foods Asia Assessoria Ltda	-	(115)	-	(4,348)
Minerva Comercializadora de Energia Ltda.	986,860	146,324	1,451,547	(23,674)
Minerva Australia Holdings PTY Ltd.	368,565	3,028	201,115	2,566
PUL Argentina S.A	-	-	1,486,058	182,695
Minerva Europe Ltd	1,390	-	1,075	-
Athena S.A.	7,262,735	187,479	1,993,623	49,458
	8,928,079	72,555	8,963,427	(60,740)

All amounts are stated as 100% of the subsidiaries' profit (loss).

12. Property, plant and equipment

a) Breakdown of property, plant and equipment as of 12/31/2019 and 12/31/2018:

Parent					
Description	Depreciation rate - %	Historical cost	Accumulated depreciation	12/31/19 Net	12/31/18 Net
Buildings	2.84%	1,059,533	(199,607)	859,926	821,390
Machinery and equipment	9.12%	1,093,051	(353,901)	739,150	686,732
Furniture and fixtures	10.95%	11,560	(5,353)	6,207	5,425
Vehicles	7.43%	32,831	(8,643)	24,188	5,462
Computer hardware	18.56%	15,261	(8,504)	6,757	4,723
Land	-	84,031	-	84,031	76,120
Reforestation	-	3,193	(3,193)	-	1,464
Construction in progress	-	151,510	-	151,510	218,699
Allowance for impairment of assets	-	(21,518)	-	(21,518)	(21,518)
		2,429,452	(579,201)	1,850,251	1,798,497

Consolidated					
Description	Depreciation rate - %	Historical cost	Accumulated depreciation	12/31/19 Net	12/31/18 Net
Buildings	2.37%	2,194,024	(445,888)	1,748,136	1,718,192
Machinery and equipment	8.79%	2,136,331	(873,600)	1,262,731	1,273,720
Furniture and fixtures	9.49%	34,632	(10,933)	23,699	15,998
Vehicles	7.20%	54,690	(26,926)	27,764	7,825
Computer hardware	18.31%	29,158	(18,801)	10,357	8,671
Land	-	303,739	-	303,739	302,306
Reforestation	-	3,193	(3,193)	-	1,464
Construction in progress	-	233,172	-	233,172	273,905
Allowance for impairment of assets	-	(21,518)	-	(21,518)	(21,518)
		4,967,421	(1,379,341)	3,588,080	3,580,563

b) Summary of changes in property, plant and equipment from 01/01/2019 to 12/31/2019:

Parent	Buildings	Machinery and equipment	Furniture and fixtures	Vehicles	Computer hardware	Land	Reforestation	Construction in progress	Allowance for impairment of assets	Total
Balance at December 31, 2018	821,390	686,732	5,425	5,462	4,723	76,120	1,464	218,699	(21,518)	1,798,497
Additions	583	2,102	-	-	8	1,093	-	126,966	-	130,752
Business combinations (Note 2)	27,811	7,517	11	(92)	40	920	-	-	-	36,207
Transfers	36,689	125,188	1,671	20,615	3,839	5,898	-	(193,900)	-	-
Disposals	(519)	(468)	(28)	(323)	(18)	-	-	(255)	-	(1,611)
Depreciation	(26,028)	(81,921)	(872)	(1,474)	(1,835)	-	(1,464)	-	-	(113,594)
Balance at December 31, 2019	859,926	739,150	6,207	24,188	6,757	84,031	-	151,510	(21,518)	1,850,251

Consolidated	Buildings	Machinery and equipment	Furniture and fixtures	Vehicles	Computer hardware	Land	Reforestation	Construction in progress	Allowance for impairment of assets	Total
Balance at December 31, 2018	1,718,192	1,273,720	15,998	7,825	8,671	302,306	1,464	273,905	(21,518)	3,580,563
Additions	10,080	15,001	654	1,660	534	1,101	-	204,366	-	233,396
Business combinations (Note 2)	27,811	7,517	11	(92)	40	920	-	-	-	36,207
Transfers	63,049	147,614	2,035	20,607	4,130	5,898	-	(243,333)	-	-
Disposals	(519)	(530)	(28)	(377)	(41)	-	-	(255)	-	(1,750)
Depreciation	(61,298)	(177,662)	(2,328)	(2,576)	(3,219)	-	(1,464)	-	-	(248,547)
Translation adjustments	(85,262)	(91,947)	5,874	721	242	(42,117)	-	(298)	-	(212,787)
Monetary restatement of the balance sheet	76,083	89,018	1,483	(4)	-	35,631	-	(1,213)	-	200,998
Balance at December 31, 2019	1,748,136	1,262,731	23,699	27,764	10,357	303,739	-	233,172	(21,518)	3,588,080

c) Works and construction in progress

As of December 31, 2019, works and construction in progress refer to the following main projects: Compliance with regulatory standards (NR's), structuring and expansion of distribution centers.

d) Allowance for impairment of assets

As required by the accounting practices adopted in Brazil and international financial reporting standards (IFRS), the Company annually evaluates whether there is evidence of impairment of its assets. In this regard, the industrial plant of Goianésia (GO) has been underutilized for strategic reasons since 2013. Therefore, the analysis of the value of the plant based on cash generation was impaired; thus, the Company decided to evaluate the net sale value of the selling expenses. Based on an appraisal conducted by an independent firm, such plant's value is higher than its realization value, of R\$34,175, of which R\$21,518 corresponds to property, plant and equipment and R\$12,657, to expected future profitability, which generated the need to recognize an allowance for impairment.

e) Amounts pledged as collateral

Property, plant and equipment items pledged as collateral for borrowings and financing totaled R\$73,514 as of December 31, 2019 (R\$78,919 at December 31, 2018).

12.1. Right-of-use assets and lease liabilities

Since January 01, 2019, the Company has adopted CPC 06 (R2) / IFRS 16 Leases, which introduced a single lease model that replaced the concept of classification between operating and finance leases. IFRS 16 replaced the existing standards applicable to leases, including CPC 06 / IAS 17 - Leases and ICPC 03 / IFRIC 4, SIC 15 and SIC 27 - Additional Aspects of Leases. The main objective is to define if the agreement contains a lease or the agreement relates to service provision.

The Company's and its subsidiaries' Management evaluated the impacts of the new standard and elected to use the modified simplified approach of the retrospective transition effect, without restating comparative periods. The following criteria were adopted in the initial recognition and measurement of assets and liabilities:

- Recognition of the lease liability on the initial application date for leases formerly classified as operating leases. The lease liability was measured at the present value of the remaining lease payments;
- Recognition of the right-of-use asset on the initial application date to leases formerly classified as operating leases.
Measurement of the right-of-use asset at the value equivalent to the lease liability, adjusted by the value of any early or accumulated lease payments relating to this lease that has been recognized in the balance sheet immediately before the date of the initial application.

CPC 06 (R2) / IFRS 16 includes two recognition exemptions for lessees which were applied by the Company and its subsidiaries on the initial application date, January 01, 2019:

- i. Agreements whose remaining term on the first-time adoption date was equal or lower than 12 months: the Company continued to recognize lease payments associated to these leases as expenses on a straight-line basis, over the lease term;
- ii. Agreements for which underlying assets were low-value: the Company continued to recognize lease payments associated to these leases as expenses on a straight-line basis, over the lease term.

The impacts of the transition and changes in the year ended December 31, 2019 are summarized below:

a) Right of use - Lease

Parent	Buildings	Land	Vehicles	Computer hardware	Total
Initial adoption - January 01, 2019	39,026	2,312	11,318	2,464	55,120
Additions	1,296	-	1,922	-	3,218
Write-offs	(11,789)	-	-	-	(11,789)
Depreciation	(4,078)	(231)	(2,763)	(1,025)	(8,097)
Balance at December 31, 2019	24,455	2,081	10,477	1,439	38,452

Consolidated	Buildings	Land	Vehicles	Computer hardware	Total
Initial adoption - January 01, 2019	39,026	15,313	11,318	2,464	68,121
Additions	1,296	1,733	1,922	8	4,959
Write-offs	(11,789)	(7,826)	-	-	(19,615)
Depreciation	(4,078)	(879)	(2,763)	(1,025)	(8,745)
Balance at December 31, 2019	24,455	8,341	10,477	1,447	44,720

b) Lease liability

Parent	Buildings	Land	Vehicles	Computer hardware	Total
Initial adoption - January 01, 2019	39,026	2,312	11,318	2,464	55,120
Additions	1,296	-	1,922	-	3,218
Write-offs	(12,277)	-	-	-	(12,277)
Interest recognized in the period (profit and loss)	3,653	215	1,004	195	5,067
Write-offs due to payment	(6,307)	(361)	(3,364)	(1,152)	(11,184)
Balance at December 31, 2019	25,391	2,166	10,880	1,507	39,944

Current	2,187	160	3,117	1,052	6,516
Noncurrent liabilities	23,204	2,006	7,763	455	33,428
Total liabilities	25,391	2,166	10,880	1,507	39,944

Consolidated	Buildings	Land	Vehicles	Computer hardware	Total
Initial adoption - January 01, 2019	39,026	15,313	11,318	2,464	68,121
Additions	1,297	1,733	1,922	-	4,952
Write-offs	(12,277)	(7,680)	-	-	(19,957)
Interest recognized in the period (profit and loss)	3,653	1,003	1,004	195	5,855
Write-offs due to payment	(6,307)	(1,701)	(3,364)	(1,156)	(12,528)
Balance at December 31, 2019	25,392	8,668	10,880	1,507	46,447
Current	2,187	634	3,117	1,052	6,990
Noncurrent	23,205	8,034	7,763	455	39,457
Total liabilities	25,392	8,668	10,880	1,507	46,447

13. Intangible assets

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Goodwill paid on acquisitions	259,691	272,372	585,388	590,705
Right of use - Aircraft	1,793	1,793	1,793	1,793
Assignment of right of way	250	250	250	250
Trademarks and patents	-	-	78,131	85,416
Software	20,223	20,395	22,420	22,629
	281,957	294,810	687,982	700,793

Changes in intangible assets during the year ended December 31, 2019 are as follows:

	Parent				
	Goodwill paid on acquisitions	Right of use - aircraft	Assignment of right of way	Software acquired	Total
Balance at December 31, 2018	272,372	1,793	250	20,395	294,810
Acquisition	-	-	-	3,828	3,828
Sale	-	-	-	(3)	(3)
Amortization	-	-	-	(3,997)	(3,997)
Business combinations (Note 2)	(12,681)	-	-	-	(12,681)
Transfer	-	-	-	-	-
Balance at December 31, 2019	259,691	1,793	250	20,223	281,957

	Consolidated					
	Goodwill paid on acquisitions	Right of use - aircraft	Assignment of right of way	Trademarks	Software acquired	Total
Balance at December 31, 2018	590,705	1,793	250	85,416	22,629	700,793
Acquisition	14	-	-	-	4,783	4,797
Sale	-	-	-	-	(22)	(22)
Business combinations (Note 2)	(12,681)	-	-	-	-	(12,681)
Amortization	-	-	-	(1,681)	(5,021)	(6,702)
Transfer	-	-	-	-	-	-
Translation adjustments	7,350	-	-	(29,659)	51	(22,258)
Monetary restatement of the balance sheet	-	-	-	24,055	-	24,055
Balance at December 31, 2019	585,388	1,793	250	78,131	22,420	687,982

The Company records the amortization of its software, the only intangible asset that can be amortized, according to the contractual license period, when purchased from third parties, or for the period estimated by the Company for software internally developed. The average amortization rates were 22.34% and 19.9% as of December 31, 2019 and 2018, respectively.

Goodwill based on expected future profitability

	Consolidated	
	12/31/19	12/31/18
In Direct Subsidiaries:		
Minerva Dawn Farms (MDF) - (I)	147,649	147,649
Brascasing Industria e Comércio Ltda. - (ii)	74,596	74,596
Athena S.A. - (iii)	179,837	172,881
Mato Grosso Bovinos S/A - (iv)	73,734	174,278
Other (v)	97,379	9,515
In Indirect Subsidiaries:		
Other (vi)	12,193	11,786
	585,388	590,705

- (i) As required by CVM Resolution No. 580/09 – CPC 15 (R1), the Company revised the calculations of identifiable assets acquired and liabilities assumed upon recognition at fair value of the acquisition of an additional 30% of the shares representing the capital stock of Minerva Dawn Farms (MDF), which was classified as a “business combination in stages”. Therefore, segregating the appreciation (goodwill) calculated at initial (provisional) recognition at fair value of the Company’s interest in such transaction, in the amount of R\$188,391 (R\$188,391 at December 31, 2012), was necessary. As described above, during the fourth quarter of 2012, the Company acquired the residual interest of 20% in MDF shares that were held by Dawn Farms, becoming the holder of 100% of MDF. As of December 31, 2015, an allowance for impairment in the amount of R\$21,904 was recognized. As of December 31, 2018, an allowance for impairment in the amount of R\$8,838 was recognized;
- (ii) In December 2011, the Company acquired 5% of the capital stock of the jointly-owned subsidiary Brascasing Comercial Ltda., and now holds 55% of that company, and consequently, its control. As this transaction is considered as a “business combination in stages”, the Company recorded its equity interest and non-controlling interest at their fair value, and recorded goodwill for expected future profitability of R\$93,185. After the full acquisition of the Company, goodwill totaled R\$98,094. As of December 31, 2015, the Company recorded an allowance for impairment totaling R\$23,498, arising from overproduction/oversupply, due to the reduction of worldwide consumption, mainly from the slowdown in China and the decrease in oil prices, directly impacting markets like Russia, one of the main markets for the Company’s business;

- (iii) During the year ended December 31, 2011, the Company acquired 100% of the voting shares of Frigorífico Pulsa S.A., which occurred on March 22, 2011 and resulted in a goodwill on expected future profitability of R\$61,643 being recognized. Such amount was transferred to subsidiary Athena S.A on September 30, 2018. During the fourth quarter of 2012, the Company acquired 100% of the shares in Frigomerc S.A., recording goodwill on expected future profitability of R\$58,380. On March 16, 2013, the purchase and sale agreement of Frigomerc S.A. was amended, which established a supplemental working capital of R\$3,746 (USD1,830 thousand), totaling R\$62,126 as of December 31, 2012. Such amount was transferred to subsidiary Athena S.A on September 30, 2018. During the period ended June 30, 2014, the Company acquired 100% of the voting shares in Frigorífico Matadero Carrasco S.A. (Frigorífico Carrasco S.A.), occurred on April 30, 2014, which resulted in a goodwill of R\$34,700 on expected future profitability being recorded. According to the acquisition agreement, there was an increase in goodwill on expected future profitability of R\$13,073, totaling R\$47,773. Such amount was transferred to subsidiary Athena S.A on September 30, 2018. On July 31, 2017, subsidiary Frigomerc S.A acquired 100% of the common shares of JBS Paraguay S.A., which resulted in a goodwill of R\$5,766 on expected future profitability being recorded. Such amount was transferred to subsidiary Athena S.A. on September 30, 2018.
- (iv) During the year ended December 31, 2014, the Company merged 100% of the voting shares in Mato Grosso Bovinos S.A. through the exchange of 29 million common shares issued by the Company (BEEF3), occurred on October 01, 2014, through the Extraordinary Shareholders' Meeting (ESM) of both companies, which resulted in the recording of goodwill on expected future profitability of R\$174,278. During the second quarter of 2019, the Company written off R\$100,545 of (goodwill) relating to the write-off of Várzea Grande, as part of the business combination for acquisition of Paranatinga plant (MT), and a remaining balance of R\$73,734 was recorded as of December 31, 2019;
- (v) During the second quarter of 2013, the Company acquired the remaining 8% of the shares in Friasa S.A., which resulted in the recording of goodwill on expected future profitability of R\$7,233, totaling R\$9,298 on June 30, 2013. During the first quarter of 2016, the Company acquired 100% of the capital stock in its subsidiary Minerva Foods Asia Assessoria Ltda., occurred on February 05, 2016, resulting in goodwill on expected future profitability of R\$217 thousand. During the second quarter of 2019, the Company acquired through a business combination the plant located in Paranatinga/MT, which resulted in a goodwill of R\$87,864 on expected future profitability being recorded.
- (vi) During the second quarter of 2016, through its subsidiary Minerva Australia Holdings Pty Ltd acquired 100% of the capital stock of its indirect subsidiary IMTP PTY Ltd., occurred on July 22, 2016, resulting in a goodwill on expected future profitability of R\$10,061 (R\$12,193 as of December 31, 2010) being recorded.

As required by the accounting practices adopted in Brazil and international financial reporting standards (IFRS), the Company annually evaluates whether there is evidence of impairment of its assets. As a result of impairment tests, as of December 31, 2019, no losses were identified for the Company's cash-generating units (CGU). However, for 2018, losses were identified for the Company's cash-generating units relating to its subsidiary Minerva Dawn Farms S.A (MFF). (MFF).

The Company used the value in use method to perform the impairment test. For all CGUs, a five-year projection, with no growth in perpetuity, in addition to financial budgets prepared by Management for the start of the cash flow projections (2019) were considered. The discount rate applied was 10%.

In prior years, the Company recognized impairment losses for some CGUs. In this regard, the Goianésia (GO) plant, formerly "Lord Meat", for strategic reasons, has been under-utilized and recorded impairment loss, as mentioned in Note 12. As of December 31, 2016 and 2018, the Company recorded an allowance for impairment losses for CGU MFF in the amounts of R\$21,904 and R\$18,838, respectively.

14. Borrowings and financing

Type	Finance charges	Parent		Consolidated	
		12/31/19	12/31/18	12/31/19	12/31/18
5 th issue debentures	105.50% of CDI	353,074	352,002	353,074	352,002
6 th issue debentures	1.8% p.a. + CDI	398,474	-	398,474	-
7 th issue debentures	IPCA + 4.5% p.a.	487,074	-	487,074	-
Leases (3)	TJLP + 3.5% p.a.	-	18	-	18
Bank Credit Note (5)	8.35% p.a.	50,787	-	73,750	21,095
NCE (1/5)	CDI + spread	881,740	215,398	881,740	215,398
NCE (1/5)	Fixed rate	-	815,726	-	815,726
IFC (2/4/6)	CDI + spread	61,222	78,901	61,222	78,901
Subtotal		2,232,371	1,462,045	2,255,334	1,483,140
Hedging instruments - derivatives	CDI + spread	(69,825)	(2,114)	(69,825)	(2,114)
		2,162,546	1,459,931	2,185,509	1,481,026
Foreign currency (US dollar)					
ACCs (5)	Interest from 3.0% to 5.5% p.a.+ Forex	1,120,710	1,726,670	1,120,710	1,726,670
NCE (5)	Interest from 4.420% p.a.+ Forex	-	295,672	-	295,672
Senior Unsecured Notes - (5)	Forex + interest	3,241,551	3,116,174	6,669,004	6,329,078
PPE	Forex + interest	1,164,699	1,074,019	-	277,908
PPE (5)	Interest of 2.0% p.a. + Libor	708,682	215,043	708,682	215,043
CCE (5)	Forex + interest	253,958	413,551	253,958	413,551
Secured Loan Agreement(2)	Forex + interest	12,292	-	12,292	-
Other Types (5/7)	Forex + interest	-	-	199,549	354,205
Subtotal		6,501,892	6,841,129	8,964,195	9,612,127
Hedging instruments - Derivatives		(671,978)	(625,579)	(671,978)	(625,579)
		5,829,914	6,215,550	8,292,217	8,986,548
Total borrowings		7,992,460	7,675,481	10,477,726	10,467,574
Current		2,646,524	3,302,978	2,867,602	3,644,273
Noncurrent		5,345,936	4,372,503	7,610,124	6,823,301

The Company provided the following collaterals to borrowings and financing:

1. Surety/letter of guarantee from the parent company VDQ Holdings S.A.
2. Mortgage;
3. Financed assets;
4. Promissory notes signed by subsidiaries Minerva Alimentos, Pulsa and Frigomerc;
5. Surety or letter of guarantee by the Company;
6. Letter of guarantee from subsidiaries Minerva Alimentos, Pulsa and Frigomerc;
7. STLC (Stand-by Letter of Credit) or Corporate Guarantee.

As of December 31, 2019, the noncurrent portion of the Company's (Parent) borrowings and financing matures as follows:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
CCB	50,000	-	-	-	-	-	-	-	-	50,000
Debentures	-	395,426	-	487,074	-	-	-	-	-	882,500
IFC	17,215	17,215	8,607	-	-	-	-	-	-	43,037
NCE	102,667	-	-	-	-	-	-	-	-	102,667
Pre-shipment	453,453	860,555	-	1,093,363	-	2,555,464	-	-	-	4,962,835
Secured Loan Agreement	993	1,069	1,152	1,134	1,085	1,585	1,751	1,773	797	11,339
Hedging instruments - Derivatives	1,980	6,442	8,894	(202,635)	(158,255)	-	(109,470)	-	(253,398)	(706,442)
	626,308	1,280,707	18,653	1,378,936	(157,170)	2,557,049	(107,719)	1,773	(252,601)	5,345,936

As of December 31, 2019, the noncurrent portion of consolidated borrowings and financing matures as follows:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
CCB	50,000	-	-	-	-	-	-	-	-	50,000
Debentures	-	395,426	-	487,074	-	-	-	-	-	882,500
IFC	17,215	17,215	8,607	-	-	-	-	-	-	43,037
NCE	102,667	-	-	-	-	-	-	-	-	102,667
Pre-shipment	453,454	251,919	-	-	-	-	-	-	-	705,373
Secured Loan Agreement	993	1,069	1,152	1,134	1,085	1,585	1,751	1,773	797	11,339
Senior Unsecured Notes	-	-	-	-	-	4,751,215	-	1,770,435	-	6,521,650
Hedging instruments - Derivatives	1,980	6,442	8,894	(202,635)	(158,255)	-	(109,470)	-	(253,398)	(706,442)
	626,309	672,071	18,653	285,573	(157,170)	4,752,800	(107,719)	1,772,208	(252,601)	7,610,124

Below are the Company's and its subsidiaries' main borrowing and financing as of December 31, 2019. On that date, the Company was compliant with all covenants established for each type of borrowing and financing:

International Finance Corporation (IFC)

In September 2013, IFC and the Company entered into a 10-year financing agreement, in the amount of R\$137,718, which was paid on October 24, 2013. The debt balance came to R\$61,222 as of December 31, 2019, and interest is calculated based on CDI + spread, which are paid semi-annually. The debt matures on April 15, 2023.

Debt notes/ bonds abroad

On September 20, 2016, the Company completed the "offer to buyback bonds" issued abroad by its subsidiary Minerva Luxembourg S.A., maturing in 2023. By means of an "early buyback offer", US\$617,874 were bought back (R\$2,010,562 on that date) of the principal amount of the 2023 Notes, equivalent to approximately 71% of the outstanding 2023 Notes.

The early buyback offer of debt notes was carried out using the proceeds from the issue of the 2026 Notes (which will bear annual interest of 6.50%) and is part of a clear strategy to manage liabilities, aiming at the constant improvement of the Company's debt cost.

Part of this offer consisted of the payment of a premium to the holders of the notes, embedded and implicit in the transaction and in the proposed exchange relations, amounting to US\$40,143 thousand, as well as transaction costs in the amount of US\$28,859 totaling US\$69,002 that will be amortized in 'Finance costs' during the effective term of the 2026 Notes.

On February 10, 2017, the Company exercised the early option to purchase its debt securities bearing annual interest of 12.250% and maturing in 2022 (2022 Notes). The total debt was US\$105,508 (R\$328,710 on that date). The price paid was US\$ 106,125 of the face value, plus interest accrued until that date.

In June 2017, the Company completed the re-tap of the notes maturing in September 2026, totaling US\$ 350,000 thousand, which bear interest of 6.50% p.a. (2026 Notes).

On December 19, 2017, the Company completed the "offer to buyback bonds" issued abroad by its subsidiary Minerva Luxembourg S.A., maturing in 2023. By means of an "early buyback offer", US\$198,042 were bought back (R\$605,103 on that date) of the principal amount of the 2023 Notes, equivalent to approximately 79% of the outstanding 2023 Notes.

The early buyback offer of debt notes was carried out using the proceeds from the issue of the 2028 Notes (which will bear annual interest of 5.875%) and is part of a clear strategy to manage liabilities, aiming at the constant improvement of the Company's debt cost.

Part of this offer consisted of the payment of a premium to the holders of the notes, embedded and implicit in the transaction and in the proposed exchange relations, amounting to US\$9,209 thousand, as well as transaction costs in the amount of US\$20,271 totaling US\$29,480 that will be amortized in 'Finance costs' during the effective term of the 2028 Notes.

On January 31, 2018, the Company exercised the early option to purchase its debt securities bearing annual interest of 7.75% and maturing in 2023 (2023 Notes). The total debt was US\$52,099 (R\$164,919 on that date). The price paid was 103.875% of the face value, plus interest accrued until that date. The liability related to Notes, as of December 31, 2019, in the consolidated financial statements, is R\$6,669 (R\$6,329 as of December 31, 2018).

The Notes and the debentures are expected to maintain a financial covenant which measures the ability to cover debt in relation to EBITDA (earnings before interest, taxes, depreciation and amortization).

The contractual ratio of both financial instruments indicates that the debt coverage level may not exceed 3.5 times the EBITDA in the last 12 months. For these purposes, the following definitions are considered:

(I) "Net debt" means the sum of the balance of loans and financing, without considering exchange rate changes occurred in the period since the contracting of the debt, less the sum of: **(i)** available cash (as defined below) and **(ii)** "inflation adjustment losses" (as defined below); **(ii)** "Cash and cash equivalents" - means the sum of the balances of the following Company's balance sheet accounts: "Cash and cash equivalents" and "Securities"; **(iii)** "inflation adjustment losses" - means a number of exceptions, including but not limited to exchange rate changes since the issue of the Note and/or allowed debts, related to specific operating transactions, totaling US\$308,000 thousand. **(IV)** "EBITDA" means the amount calculated on the accrual basis over the last 12 months, equal to the sum of net revenue, less: **(i)** the cost of services rendered, **(ii)** administrative expenses, plus: **(a)** depreciation and amortization expenses, **(b)** finance income (expenses), net, **(c)** equity in the earnings (losses) of subsidiaries, and **(d)** direct taxes.

The financial covenants refer to authorization or not to incur new debts, by executing all new refinancing-related debts, in addition to a predefined amount for credit facilities of working capital and investments. Covenants are calculated based on the consolidated financial statements.

Perpetual notes

On March 27, 2014, the Company completed the issue of perpetual bonds abroad totaling US\$300,000 thousand, with semi-annual payments at an annual rate of 8.75%, by means of its wholly-owned subsidiary Minerva Luxembourg S.A. The issue of the notes aimed to extend the average maturity of the Company's debt and improve its capital structure through the use of a different fundraising instrument, diversifying even more the investors' base. The transaction was settled on April 03, 2014. The Company shall guarantee all the obligations of the Issuer regarding the issue referred to above. During the fourth quarter of 2018, the early buyback offer of perpetual notes representing debt issued abroad by the Company's subsidiary Minerva Luxembourg S.A. at an interest rate of 8.75% was settled. The total principal amount of notes settled under the offer was US\$216,970,000.00, or 75.48% of the outstanding notes, except those held by the Company. On April 03, 2019, the Company exercised its option to redeem the total perpetual bonds (debt) issued abroad by its subsidiary Minerva Luxembourg S.A. The aggregate principal amount of the settled bonds was US\$70,483,000.00, and the total amount paid by Minerva was US\$72,024,815.63, which includes accrued interest.

i) Level of subordination

As of December 31, 2019, 0.70% of the Company's and its subsidiaries total debt has collaterals (0.75% at December 31, 2018).

- ii)** Possible restrictions imposed on the Issuer, particularly with respect to setting indebtedness limits and taking out new debts, the distribution of dividends, the disposal of assets, the issuance of new securities and the sale of shareholding control
- The Notes also have clauses that limit the Company with respect to: **(i)** new debts if the Net Debt/EBITDA ratio is higher than 3.75/1.00 and 3.50/1.00, respectively; **(ii)** the distribution of dividends. Accordingly, Minerva undertakes not to pay and not allow its subsidiaries to pay any dividends or interest on invested capital held by others than its subsidiaries (except: **(a)** dividends or distributions paid on qualified interests of Minerva, and **(b)** dividends or distributions payable by a subsidiary, on a pro rata basis, or more favorable to Minerva); **(iii)** the change of shareholding control; and **(iv)** the disposal of assets, which can only be achieved by complying with the requirements, among which, in the case of sale of assets, it is necessary that the sale value be the market value.

5th issue of nonconvertible debentures

On October 02, 2017, the Company offered debentures not convertible into shares, in the amount of R\$350,487, maturing on October 02, 2020. Such debentures are pegged to Agribusiness Receivables Certificate (CRAs), which are the subject of the 2nd series of the 1st issue of CIBRASEC – Companhia Brasileira de Securitização, distributed through an offering, under CVM Instruction No. 400. The proceeds were used to finance the Company's activities relating to livestock production and industrialization and sale of meat. In the process of issuing such debentures, the Company incurred transaction costs in the amount of R\$6,806, recorded in its financial statements as a reduction of liabilities, to be amortized for the effective term of these debentures. Balance as of December 31, 2019 is R\$353,074 (R\$352,002 as of December 31, 2018).

6th issue of nonconvertible debentures

On May 15, 2019, the Company offered debentures not convertible into shares, in the amount of R\$400,000, maturing on May 15, 2022. The total principal amount is R\$400,000 yielding the equivalent to the cumulative variation (effective rate) of 100% of the daily average rates of the Interbank Deposits (DI) plus a rate of 1.80% p.a. calculated using the bookbuilding procedure. The proceeds from such issue will be used to extend the debt profile and improve the Company's capital structure. In the process of issuing such debentures, the Company incurred transaction costs in the amount of R\$5,110, recorded in its financial statements as a reduction of liabilities, to be amortized for the effective term of these debentures. As of December 31, 2019, the amount is R\$398,474.

7th issue of nonconvertible debentures

On November 19, 2019, the Company offered debentures not convertible into shares, in the amount of R\$500,000, maturing on August 15, 2024. The total principal amount is R\$500,000 yielding the equivalent to IPCA plus a rate of 4.50% p.a. The proceeds from such issue will be used to extend the debt profile and improve the Company's capital structure. In the process of issuing such debentures, the Company incurred transaction costs in the amount of R\$12,926, recorded in its financial statements as a reduction of liabilities, to be amortized for the effective term of these debentures. As of December 31, 2019, the amount is R\$487,074.

15. Trade payables

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Domestic suppliers	820.292	392.989	1.252.804	733.789
Foreign suppliers	36.133	53.164	94.235	119.548
Related parties	58.003	46.720	15.330	19.171
	914.428	492.873	1.362.369	872.508

Aging list of trade payables:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Current:	893.444	485.297	1.302.623	815.869
Past due:				
Up to 30 days	6.941	3.583	37.660	34.530
31 to 60 days	6.214	800	8.538	3.776
61 to 90 days	77	806	1.346	2.033
Over 91 days	7.752	2.387	12.202	16.300
	914.428	492.873	1.362.369	872.508

16. Payroll and related charges and taxes payable

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Payroll				
Salaries and management fees	511	432	20.835	16.944
Payroll taxes – FGTS and INSS (employees and third parties)	13.291	12.662	14.117	13.509
Accrued vacation/13 th salary and related taxes	44.277	38.391	85.627	77.439
Other wages and charges	6.487	5.430	17.694	15.190
Total payroll	64.566	56.915	138.273	123.082
Tax				
State VAT (ICMS)	5.220	7.461	5.220	7.461
Federal tax installment plans	60.770	65.699	71.401	80.188
State tax installment plans	5.656	-	7.965	3.878
Corporate Income Tax (IRPJ)	7.301	-	105.811	42.069
Social contribution on profit	7.832	-	7.832	-
Value-added tax (VAT)	-	-	14.337	16.460
Funrural	2.006	3.452	2.041	3.499
Other taxes and fees	11.549	5.191	42.161	30.747
Total taxes payable	100.334	81.803	256.768	184.302
Total	164.900	138.718	395.041	307.384
Current	109.933	78.822	330.265	234.634
Noncurrent	54.967	59.896	64.776	72.750

Adhesion to PERT (Special Tax Debt Settlement Program)

Provisional Act No. 783, dated May 31, 2017, and regulated by PGFN Administrative Ruling No. 690, dated June 29, 2017, allows to settle National Treasury Attorney General's Office (PGFN) debts, of a tax nature or not, that have matured through April 30, 2017 and have been included in the Debts to the Federal Government Register through the date taxpayers join the program, which is called Special Tax Debt Settlement Program (PERT).

In joining the program, the taxpayer undertakes to pay regularly the debts past due after April 30, 2017, included or not in the Debts to the Federal Government Register, and remain compliant with the Severance Pay Fund (FGTS) obligations. Adhesion to the Program implies irrevocable and irreversible acknowledgement of the debts included in the PERT. The subsequent inclusion of debts under any installment payment scheme is prohibited, except for ordinary request for tax payment in installments. As of December 31, 2019, the outstanding balance, Parent and consolidated, is R\$19,887 and R\$25,644, respectively.

The Company adhered to the following payment terms:

- I. Payment cash and in kind of, at least, 20% of the total consolidated debt, without reduction, in five monthly consecutive installments, maturing from August to December 2017, and the remaining amount by using social contribution tax loss carryforwards or other credits relating to taxes administered by the Federal Revenue Service (the payment scheme Minerva S.A adhered to under the Federal Revenue Service program);
- ii. Down payment of 7.5% or 20% of the debt amount under the program, in up to five months, and payment of the debt balance, beginning January 2018, in a lump sum or in up to 145 months. In 2017, the taxpayer should make a down payment, calculated at 7.5% or 20% of the debt amount, with no discounts. The down payment is payable in up to five months. For 2018, the debt balance of the installment program, after discounts are applied, may be paid in a lump sum (art. 3, II, 'a', of Provisional Act No. 783/2017) or in up to 145 months (art. 3, II, 'b', of Provisional Act No. 783/2017); (the payment scheme Minerva S.A. adhered to under the PGFN program).

Adhesion to PRR (Rural tax debt refinancing program)

On April 18, 2018, the Rural tax Debt Refinancing Program (PRR), established by Law No. 13.606, of January 09, 2018, was changed after the vetos overturned by the Congress were published. The change was regulated by Normative Instruction No. 1.804, of April 25, 2018, which amended Normative Instruction No. 1.784, of January 19, 2018.

On May 30, 2018, the Company joined the refinancing program under the conditions below:

The consolidated debt with the National Treasury Attorney General (PGFN) and the Federal Revenue Service (RFB) on the date of adhesion amounted to R\$1,016,630. A cash payment and in kind of 2.5% of the consolidated debt amount was made (R\$25,416), without reduction, in 02 monthly consecutive installments maturing in May and June 2018. After the down payment was made, a reduction of R\$470,162 was obtained and, with the Federal Revenue Service, the remaining debt, by using social contribution tax loss carryforwards in the amount of R\$470,346. As of December 31, 2019, the debt balance is R\$40,884 and R\$45,758, Parent and consolidated, respectively.

17. Other payables

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Advances received (a)	945,835	1,090,491	1,008,498	1,153,056
Fair value - share swap (b)	-	3,253	-	3,253
Payables - acquisitions (c)	4,000	4,750	4,000	4,750
Other operating provisions	21,920	29,981	50,029	76,877
Total	971,755	1,128,475	1,062,527	1,237,936
Current	971,755	1,128,475	1,060,774	1,237,204
Noncurrent	-	-	1,753	732

- (a) Advances from the Company's customers according to the credit policy defined by Management;
- (b) The Company entered into swap contracts with Credit Suisse under which future financial flows are exchanged for the fluctuation in the price of its shares. Such transaction does not change the percentage of the Company's outstanding shares and did not result in cash disbursement, since it is an adjustment to fair value of the transaction with future realization.
- (c) Amounts payable relating to acquisitions by the plant in the city of Campina Verde, State of Minas Gerais.

18. Deferred income tax and social contribution

Assets	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Tax losses - IRPJ	377,589	208,676	403,756	231,471
Tax loss carryforwards - CPLL	135,933	75,124	135,933	75,124
Total	513,522	283,800	539,689	306,595
Temporary differences - assets				
Provisions for tax, civil and labor risks	8,131	9,354	13,331	12,520
Allowance for impairment of assets	7,316	7,316	7,534	7,316
Allowance for expected credit losses	6,951	5,716	7,060	5,716
Other	2,394	-	21,173	712
Total temporary differences - assets	538,314	306,186	588,787	332,859
Liabilities				
Temporary differences - liabilities				
Unrealized gains on the fair value of biological assets	(30,238)	(20,434)	(30,238)	(20,434)
Business combination	(33,096)	(33,096)	(33,096)	(33,096)
Revaluation reserve	(24,252)	(25,049)	(24,252)	(25,049)
Appreciation in subsidiaries	-	(6,424)	(162,840)	(215,931)
Other temporary deductions	(25,141)	(40,425)	(44,992)	(54,375)
Total temporary differences - liabilities	(112,727)	(125,428)	(295,418)	(348,885)
Total deferred taxes	425,587	180,758	293,369	(16,026)
Total assets	425,587	180,758	426,386	181,333
Total liabilities	-	-	(133,017)	(197,359)
	425,587	180,758	293,369	(16,026)

18.1. Breakdown of deferred income tax and social contribution

Changes in tax loss carryforwards were as follows:

	Parent		
	Balance as of December 31, 2018	Recognized in profit or loss	Realization of deferred taxes
Deferred income tax and social contribution on tax loss carryforwards	283,800	229,722	-
Total deferred tax assets	283,800	229,722	-

	Consolidated			
	Balance as of December 31, 2018	Recognized in profit or loss	Realization of deferred taxes	Cumulative translation adjustments
Deferred income tax and social contribution on tax loss carryforwards	306,595	238,471	(6,550)	1,173
Total deferred tax assets	306,595	238,471	(6,550)	1,173

The Company joined the Rural Tax Debt Settlement Program (PRR) whereby taxpayers may settle National Treasury Attorney General (PGFN) debts, of a tax nature or not, that have matured through April 30, 2017 and have been included in the Debts to the Federal Government Register through the date taxpayers join the program. The Company opted to make a down payment in cash of at least 2.50% of the consolidated debt amount, without reduction, in two monthly consecutive installments maturing in May and June 2018, and the remaining amount, by using social contribution tax loss carryforwards, in the amount of R\$470,346.

The deferred tax asset from tax loss carryforwards was recognized for the period from December 31, 2010 to December 31, 2019, in the consolidated financial statements. The amount accrued as of December 31, 2019 is R\$539,689 (R\$306,595 as of December 31, 2018). The decision of the Company's and its subsidiaries' Management to record such deferred tax assets, on social contribution tax loss carryforwards, was based on the business plan and financial and budget projections prepared internally and by independent consultants and revised at least annually.

These deferred income tax and social contribution assets are expected to be realized as follows:

	12/31/19 Parent	12/31/19 Consolidated
2020	58,563	61,547
2021	61,271	64,393
2022	59,918	62,971
2023	66,379	69,761
2024 onwards	267,391	281,017
	513,522	539,689

The Company expects to realize temporary income tax and social contribution differences in up to 10 years.

The technical studies that supported the decision to recognize or maintain deferred tax assets and tax loss carryforwards were properly revised and approved at the Board of Directors' Meetings.

The effects of changes in deferred taxes on profit (loss) for the years are as follows:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Temporary additions				
Sundry provisions	69,526	87,167	263,032	111,423
Fair value of biological assets	721,666	926,711	721,666	926,711
Temporary deductions				
Sundry provisions	(4,131)	(92,121)	(4,131)	(92,120)
Depreciation - tax base differences	(18,061)	(18,574)	(18,061)	(33,869)
Fair value of biological assets	(750,501)	(909,437)	(750,501)	(909,437)
Deferred tax base	18,499	(6,254)	212,005	2,708
Deferred income tax and social contribution - temporary difference	6,290	(2,126)	72,082	921
Realization of deferred income tax and social contribution - temporary difference	-	-	-	-
Deferred income tax and social contribution on tax loss carryforwards	229,722	527,836	229,722	561,802
Total deferred income tax and social contribution	236,012	525,710	301,804	562,723

Changes in deferred tax liabilities related to tax losses and temporary differences are as follows:

	Parent				Balance as of December 31, 2019
	Balance as of January 1, 2019	Recognition of deferred taxes	Realization of deferred taxes	Cumulative translation adjustments	
Tax loss	283,800	229,722	-	-	513,522
Provisions for tax, civil and labor risks	9,354	20	(1,243)	-	8,131
Other temporary additions	-	2,394	-	-	2,394
Allowance for impairment of assets	7,316	-	-	-	7,316
Allowance for expected credit losses	5,716	1,310	(75)	-	6,951
Unrealized gains on the fair value of biological assets	(20,434)	(16,281)	6,477	-	(30,238)
Business combination	(33,096)	-	-	-	(33,096)
Revaluation reserve	(25,049)	-	797	-	(24,252)
Appreciation in subsidiaries	(6,424)	-	6,424	-	-
Other temporary deductions	(40,425)	(4,691)	19,975	-	(25,141)
Total deferred tax assets	180,758	212,474	32,355	-	425,587

	Consolidated				Balance as of December 31, 2019
	Balance as of January 1, 2019	Recognition of deferred taxes	Realization of deferred taxes	Cumulative translation adjustments	
Tax loss	306,595	238,471	(6,550)	1,173	539,689
Provisions for tax, civil and labor risks	12,520	4,732	(3,706)	(215)	13,331
Other temporary additions	712	12,158	-	8,303	21,173
Allowance for impairment of assets	7,316	129	-	89	7,534
Allowance for expected credit losses	5,716	1,310	(79)	113	7,060
Unrealized gains on the fair value of biological assets	(20,434)	(16,281)	6,477	-	(30,238)
Business combination	(33,096)	-	-	-	(33,096)
Revaluation reserve	(25,049)	-	797	-	(24,252)
Appreciation in subsidiaries	(215,931)	-	55,689	(2,598)	(162,840)
Other temporary deductions	(54,375)	(4,657)	19,975	(5,935)	(44,992)
Total deferred tax assets	(16,026)	235,862	72,603	930	293,369

a) Current – payable

Income tax and social contribution are calculated and recorded based on the taxable result, including tax incentives that are recognized as taxes are paid and taking into consideration the rates established by the prevailing tax legislation.

b) Reconciliation of income tax and social contribution balances and expenses

The accrued balance and the result of the taxes on profit are as follows:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Loss before taxes	(190,796)	(1,790,492)	(132,610)	(1,809,015)
Additions				
Temporary differences	6,512	87,167	6,512	87,167
Permanent differences	325,492	490,913	1,174,968	503,833
Realization of temporary differences	-	-	-	-
Realization of revaluation reserve	-	-	-	-
Effect of the first-time adoption of IFRS	3,576,332	3,201,146	3,586,983	3,210,976
Deductions				
Temporary differences	(4,131)	(92,119)	(4,131)	(92,119)
Permanent differences	(371,131)	(805,900)	(1,344,324)	(816,235)
Effect of the first-time adoption of IFRS	(3,740,593)	(3,551,882)	(3,751,637)	(3,564,778)
Tax base	(398,315)	(2,461,167)	(464,239)	(2,480,171)
Realization of tax losses	-	-	-	-
Offsets	(37,294)	-	(45,592)	-
Tax base after tax loss carryforwards	(435,609)	(2,461,167)	(509,831)	(2,480,171)
Income taxes				
Income tax payable	(21,227)	-	(143,462)	(18,490)
Social contribution payable	(7,832)	-	(9,575)	-
Current income tax and social contribution expense	(29,059)	-	(153,037)	(18,490)

Income tax and social contribution on profit were calculated in accordance with prevailing legislation (Law No. 12.973/2014).

Income tax and social contribution calculations and respective income tax returns, when requested, are open to review by tax authorities for varying periods and statutes of limitations in relation to the related payment date or tax return filing dates.

Based on studies and projections for the following years and considering the limits established by prevailing legislation, Management expects that the existing tax credits will be realized over a maximum term of 10 years.

The net carrying amounts has no direct relationship with the taxable profit for income tax and social contribution due to the differences between the accounting criteria and the pertinent tax legislation. Therefore, we recommend that the evolution of the realization of the tax credits resulting from tax loss carryforwards and temporary differences should not be taken as an indication of future taxable income.

19. Provisions for tax, labor and civil risks

Summary of contingent liabilities recognized

The Company and its subsidiaries are parties to several of lawsuits arising from the normal course of their businesses, for which provisions were recognized based on the assessment of their legal counsel and Management's best estimates. The main information on these lawsuits is shown below:

Lawsuits	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Provisions for tax risks	1,890	1,890	1,959	1,956
Provisions for labor lawsuits	23,916	27,512	33,829	38,512
Provision for civil risks	1,496	1,496	2,484	2,306
	27,302	30,898	38,272	42,774

	Parent			Total
	Labor lawsuits	Civil and tax lawsuits	Environmental lawsuits	
Balance as of December 31, 2017	31,550	3,386	-	34,936
Provisions reversed during the year	(4,038)	-	-	(4,038)
Balance as of December 31, 2018	27,512	3,386	-	30,898
Provisions recognized during the period	57	-	-	57
Provisions reversed in the period	(3,653)	-	-	(3,653)
Balance as of December 31, 2019	23,916	3,386	-	27,302

	Consolidated			
	Labor lawsuits	Civil and tax lawsuits	Environmental lawsuits	Total
Balance as of December 31, 2017	53,393	60,092	33,858	- 147,343
Provisions recognized in the period	11,330	516	-	11,846
Provisions reversed in the period	(15,979)	(59,064)	(34,588)	(109,631)
Translation adjustments for the period	(10,232)	2,718	730	(6,784)
Balance as of December 31, 2018	38,512	4,262	-	42,774
Provisions recognized during the period	1,403	231	-	1,634
Provisions reversed in the period	(6,517)	(77)	-	(6,594)
Translation adjustments for the period	431	27	-	458
Balance as of December 31, 2019	33,829	4,443	-	38,272

Civil and tax risks

These lawsuits refer to claims questioning the constitutionality of the use of reduced taxes on gross revenues and also to the discussion on the noncollection of taxes on export revenue. As of December 31, 2019, these risks were assessed as probable loss and involve the amounts of R\$3,386, Parent, and R\$4,443, consolidated (R\$3,386, Parent, and R\$4,262, consolidated, as of December 31, 2018).

Labor contingencies

Most of these labor claims involve overtime, commuting time, health hazard premium and mandatory thermal comfort breaks. Based on the opinion of the legal counsel that handles these lawsuits and Management's experience in similar cases, provisions were recognized for labor lawsuits assessed as probable loss which, as of December 31, 2019, amounted to R\$23,916, Parent, and R\$33,829, consolidated (R\$27,512, Parent, and R\$38,512, consolidated, as of December 31, 2018).

Environmental risks

Most of the lawsuits involve claims for the adequacy of some areas of the plants so that the technical standards required by the relevant agencies in each of the countries where the Company's meatpacking plants are located. As of December 31, 2019 and 2018, there were no environmental lawsuits.

Other lawsuits (assessed as possible loss)**Labor and social security**

As of December 31, 2019, the Company and its subsidiaries are parties to labor lawsuits (public civil actions) and social security lawsuits, in the total amount of approximately R\$4,353, whose likelihood of loss is considered possible, but not probable, and for which Management does not consider necessary to recognize a provision for possible loss.

SENAR

In March 2003, the Company filed for a writ of mandamus to suspend the withholding and transfer of SENAR. To avoid losing the right to require the contribution of Funrural and SENAR, the INSS (Social Security Authority) issued various tax assessment notices against the Company to date. The amount involved in these notices, whose likelihood of loss was assessed by the Company's legal counsel as possible, is approximately R\$63,296. Such lawsuits involve a significant uncertainty level on the likelihood of loss for certain matters being discussed at the judicial level.

State VAT (ICMS)

The Company was issued tax assessments relating to differences in the computation schedule for the base of ICMS and ICMS-ST by applying the reduction on its operations in the States of Minas Gerais, São Paulo and Goiás. As of December 31, 2019, the amount involved in these lawsuits, assessed as possible loss, is approximately R\$131,484.

Other tax, civil and environmental lawsuits

As of December 31, 2019, the Company and its subsidiaries are parties to other tax, civil and environmental lawsuits, in the total amount of approximately R\$35,193, R\$6,314 and R\$1,480, (R\$14,999, R\$2,281 and R\$542 as of December 31, 2018), respectively, whose likelihood of loss is considered possible, but not probable, in accordance with the Company's legal counsel, and for which Management does not consider necessary to recognize a provision for possible loss.

20. Equity

a. Capital

The Company's subscribed and paid-in capital as of December 31, 2019 is R\$287,915 (R\$1,115,157 as of December 31, 2018), represented by 403,596,575 (376,687,157 as of December 31, 2018) registered, book-entry, common shares with no par value, all of which are free and clear of any burden or encumbrance. During 2016, expenses on the issuance of new shares totaled R\$5,898. Accordingly, the capital balance in the financial statements is R\$282,017.

On March 05, 2018, the Board of Directors approved the cancellation of all 6,241,800 common shares issued by the Company, acquired under the 2017 buyback program and currently held in treasury.

The cancellation of shares will not imply any changes in the total capital amount. As a result of the cancellation of shares, the Company's capital remained at R\$134,752, represented by 223,618,459 common shares.

The Board of Directors, at the Extraordinary Shareholders Meeting of September 13, 2018, approved the Company's capital increase in the amount of R\$15,680, through the issue of 2,800,000 common shares. With the approval, capital increased from R\$134,752, representing 223,618,459 shares, to R\$150,432, representing 226,418,459 common shares.

On November 20, 2018, the Board of Directors' meeting approved a capital increase of R\$964,725, comprised of 150,268,698 book-entry registered common shares with no par value. With the approval, capital increased from R\$150,432, representing 226,418,459 shares, to R\$1,115,157, representing 376,687,157 common shares.

On January 11, 2019, the Board of Directors' meeting approved the increase of the Company's capital, representing five (05) book-entry registered common shares with no par value. With the approval, capital increased from R\$1,115,157, representing 376,687,157 shares, to R\$1,115,157, representing 376,687,162 common shares.

On February 11, 2019, the Board of Directors' meeting approved the increase of the Company's capital by one thousand reais (R\$1), representing two hundred forty-eight (248) book-entry registered common shares with no par value. With the approval, capital increased from R\$1,115,157, representing 376,687,162 shares, to R\$1,115,159, representing 376,687,410 common shares.

On March 13, 2019, the Board of Directors' meeting approved the increase of the Company's capital by sixty-four thousand reais (R\$64), representing ten thousand (10,000) book-entry registered common shares with no par value. With the approval, capital increased from R\$1,115,159, representing 376,687,410 shares, to R\$1,115,222, representing 376,697,410 common shares.

On April 12, 2019, the Board of Directors' meeting approved the increase of the Company's capital by ninety-four thousand reais (R\$94), representing fourteen thousand six hundred forty-seven (14,647) book-entry registered common shares with no par value. With the approval, capital increased from R\$1,115,222, representing 376,697,410 shares, to R\$1,115,317, representing 376,712,057 common shares.

On May 10, 2019, the Board of Directors and the Extraordinary Shareholders Meeting approved the reduction of the Company's capital by one billion reais (R\$1,000,000) for absorption of part of accumulated losses reported in the Company's financial statements for the year December 31, 2018, without cancellation of shares. With the approval, capital increased from R\$1,115,317, representing 376,712,057 shares, to R\$115,317, representing 376,712,057 common shares.

On May 13, 2019, the Board of Directors' meeting approved the increase of the Company's capital by ninety-five thousand reais (R\$95), representing fourteen thousand seven hundred thirty-nine (14,739) book-entry registered common shares with no par value. With the approval, capital increased from R\$115,317, representing 376,712,057 shares, to R\$115,411, representing 376,726,796 common shares.

On June 12, 2019, the Board of Directors' meeting approved the increase of the Company's capital by twenty thousand reais (R\$20), representing three thousand one hundred fifty-three (3,153) book-entry registered common shares with no par value. With the approval, capital increased from R\$115,411, representing 376,726,796 shares, to R\$115,432, representing 376,729,949 common shares.

On July 25, 2019, the Board of Directors' meeting approved the increase of the Company's capital by one thousand reais (R\$1), representing three hundred twelve (312) book-entry registered common shares with no par value. With the approval, capital increased from R\$115,432, representing 376,729,949 shares, to R\$115,433, representing 376,730,261 common shares.

On August 12, 2019, the Board of Directors' meeting approved the increase of the Company's capital by twelve thousand reais (R\$12), representing one thousand eight hundred twenty (1,820) book-entry registered common shares with no par value. With the approval, capital increased from R\$115,433, representing 376,730,261 shares, to R\$115,445, representing 376,732,081 common shares.

On September 26, 2019, the Board of Directors' meeting approved the increase of the Company's capital by four hundred and five (R\$405), representing sixty-three thousand and fifty (63,050) book-entry registered common shares with no par value. With the approval, capital increased from R\$115,445, representing 376,732,081 shares, to R\$115,850, representing 376,795,131 common shares.

On October 11, 2019, the Board of Directors' meeting approved the increase of the Company's capital by eight hundred and eight reais (R\$808), representing one hundred twenty-five thousand, nine hundred thirty-four (125,934) book-entry registered common shares with no par value. With the approval, capital increased from R\$115,850, representing 376,795,131 shares, to R\$116,658, representing 376,921,065 common shares.

On November 12, 2019, the Board of Directors' meeting approved the increase of the Company's capital by seven thousand eight hundred twenty-one reais (R\$7,821), representing one million, two hundred eighteen, two hundred and sixty (1,218,260) book-entry registered common shares with no par value. With the approval, capital increased from R\$116,658, representing 376,921,065 shares, to R\$124,479, representing 378,139,325 common shares.

On December 11, 2019, the Board of Directors' meeting approved the increase of the Company's capital by one hundred sixty three thousand, four hundred thirty-five (R\$163,435), representing twenty-five million, four hundred fifty-seven, two hundred fifty (25,457,250) book-entry registered common shares with no par value. With the approval, capital increased from R\$124,479, representing 378,139,325 shares, to R\$287,915, representing 403,596,575 common shares.

b. Capital reserve

The capital reserve consists of amounts received by the Company and that are not recorded in profit or loss as revenues, since they are intended to reinforce capital; the Company is not required to make any efforts, such as delivering goods or providing services, in connection with these amounts. As of December 31, 2019, the Company's capital reserve is R\$118,271 (R\$120,182 as of December 31, 2018).

c. Revaluation reserve

The Company appraised its fixed assets in 2003 and 2006. The remaining balance totaled R\$50,614 as of December 31, 2019 (R\$52,162 as of December 31, 2018), net of taxes.

As mentioned above and in compliance with Law No. 11.638/2007, the Company elected to maintain the revaluation reserve through December 31, 2007, until its full realization, which should occur through depreciation or disposal of revalued assets.

d. Legal reserve

Calculated at 5% of profit for the year as provided for in article 193 of Law No. 6.404/76, up to the limit of 20% of capital. In the year when the balance of the legal reserve, plus the amounts of capital reserves addressed by paragraph 1 of article 182 of Law No. 6.404/76, exceeds 30% of the capital, the allocation of a portion of the profit for the year to the legal reserve will not be mandatory. As of December 31, 2017, the amount of R\$9,744 was absorbed by the loss for the year, according to art. 189 of Law No. 6.404/76. .

e. Earnings reserve

The earnings reserve was recorded based on the remaining balance of the profit for the year, after the allocations to the legal reserve and the distribution of minimum mandatory dividends, and will be used to finance the Company's operations. As of December 31, 2017, the amount corresponding to "Statutory Reserve", in the amount of R\$107,802, plus R\$9,744 relating to the "Legal reserve" and R\$26,950 relating to "Earnings retention Art. 196" was absorbed by loss for the year, according to Art. 189 of Law No. 6.404/76.

f. Earnings retention – art. 196 196

The earnings retention reserve refers to the retention of the remaining balance of 2016 retained earnings, in the amount of R\$26,950, in order to meet the business growth project established in its investment plan, according to the capital budget approved and proposed by the Company's Management.

The balance of this reserve will be used "ad referendum" of the Annual Shareholders' Meeting, pursuant to article 196 of the Brazilian Corporate Law. As of December 31, 2017, the amount was absorbed by loss for the year, according to art. 189 of Law No. 6.404/76.

g. Treasury shares

On March 20, 2017, pursuant to paragraph 1 of article 30 of Law No. 6404/76 and CVM Instruction No. 567, the Board of Directors approved the acquisition of up to nine million, two hundred and forty-seven thousand, one hundred and forty-nine (9,247,149) registered, book-entry common shares with no par value, representing 10% of the ninety-two million, four hundred and seventy-one thousand, four hundred and eighty-five (92,471,485) Company outstanding shares on that date, not including controlling shareholders. The Company's Board of Directors also approved the cancelation of shares issued by the Company and acquired within the scope of the 2016 buyback plan, totaling 9,984,400 registered, book-entry common shares with no par value, amounting to R\$107,346 treasury shares on that date.

On March 05, 2018, the Company's Board of Directors approved the cancelation of shares issued by the Company and acquired within the scope of the 2017 buyback plan, totaling 6,241,000 registered, book-entry common shares with no par value, amounting to R\$67,322, which were held in treasury on that date.

The table below shows the changes in treasury shares:

	Number	Amount (R\$)	Average cost (R\$)	Average market value
Balance as of December 31, 2018	3.550.000	36.847	10,38	4,99
Share buyback	-	-	-	-
Sale of shares	(400.000)	(4.152)	10,38	-
Balance as of December 31, 2019	3.150.000	32.695	10,38	12,8

h. Dividends and interest on capital

The Company's bylaws establish the payment of a minimum mandatory dividend of 25% of the profit for the year, adjusted pursuant to the law.

i. Valuation adjustment to equity

According to CPC 02 R2/IAS 21 - Effects of Changes in Foreign Exchange Rates and Translation of Interim Financial Statements, changes in financial instruments (direct and indirect) are recorded in foreign currency and accounted for under the equity method.

According to CPC 37 R1/IFRS 1 – First-time Adoption of International Financial Reporting Standards, as a result of the application of CPC 02 R2 prior to the date of first-time adoption, IFRS first-time adopters must zero the balances of exchange gains (losses) on investments recorded in equity (on the cumulative translation adjustments item) by transferring them to retained earnings/accumulated losses (on the profit reserve item), and disclose the profit distribution policy applicable to such balances. The Company does not calculate these adjustments for distribution of profit.

j. Stock option plan

Under the plan, the following individuals are eligible to be granted shares issued by the Company: executive, Board of Directors' members, statutory and non-statutory officers, managers, supervisors, and employees of the Company and its subsidiaries who are considered key people for the development of the Company's and its subsidiaries' businesses, as elected by the Company's Board of Directors or a special committee created to manage the Plan to be granted stock options ("Participants").

The Company's Board of Directors or committee, as the case may be, may create Stock Option Programs containing specific conditions applicable to Participants, the total number of Company's shares that may be granted, the stock option division into lots and the respective rules specific to each lot, including the strike price and vesting periods ("Programs").

The Programs and Stock Option Agreements provide for that, in case a Participant is terminated during the vesting period, the Company may, at its sole discretion, buy back all shares held by the Participant, subject to the vesting period, for R\$0.01 per share, under the Plan.

1st Stock Option Plan

On June 25, 2018, the Board of Directors approved the grant of 2,950,000 stock options to the Company's Management members and employees under the scope of the Company's 1st Stock Option Program. Out of this total, 2,800,000 stock options were actually granted. Management and employees were given 60 days as from the execution of the Stock Option Agreement to exercise such stock options at a strike price of R\$5.60, which corresponds to a 20% discount in relation to the weighted average for the last 10 trading sessions prior to the execution of the adherence agreement.

The stock option exercise by the Company's management members and employees was formalized through a capital increase made on September 13, 2018, as detailed in Note 20 a).

Vesting period: None of the stock options may be transferred before the total vesting period established for the 1st Program. At each anniversary of the grant date, a portion corresponding to 25% will be released for sale by the Participant.

2nd Stock Option Plan

On June 25, 2018, the Board of Directors approved the grant of 400,000 stock options to the Company's Management members under the scope of the Company's 2nd Stock Option Program. Management were given 60 days as from the vesting period of 12 months as from the execution of the Stock Option Agreement to exercise such stock options at a strike price of R\$5.60, which corresponds to a 20% discount in relation to the weighted average for the last 10 trading sessions prior to the execution of the adherence agreement.

The exercise of the options by Management members was formalized by the purchase of the shares held in Treasury, approved by the Company's Board of Directors on September 24, 2019.

Vesting period: None of the stock options may be transferred before the total vesting period established for the 2nd Program. At each anniversary of the grant date, an additional portion corresponding to 50% will be released to the Participant.

Stock option plan

	12/31/2019		12/31/2018	
	Number of stock options	Weighted average price	Number of stock options	Weighted average price
Free float shares at the beginning of the period	400.000	5,60	-	-
Granted during the period	-	-	3.200.000	5,60
Exercised during the period	(400.000)	5,60	(2.800.000)	5,60
Forfeited during the period	-	-	-	-
Free float shares at the end of the period	-	-	400.000	5,60

Fair value measurement criteria

The model used to specify the fair value of options under the 1st and 2nd Stock Option Programs was the Black & Scholes model.

In determining the fair value of the shares under the Stock Option Plan, the following assumptions were used:

	Grant 1st Program	Grant - 2nd Program
Number of shares	2,800,000	400,000
Average weighted stock price	6.99	6.99
Strike price	5.60	5.60
Stock price volatility	37.416%	32.219%
Life of the share	2 months	14 months
Vesting period	48 months	24 months
Expected dividends	-	-
Risk-free interest rate	7.268%	10.380%
Fair value	2.72	3.5040

The Stock Option Plan's expected volatility was calculated based on the annual average of the Company's share's volatility extracted from Bloomberg system.

Costs on stock option plan are recognized in profit (loss) during the grace period to exercise the option, or the vesting period, until shares granted are converted into benefit to their holders, whichever is higher. The total cost of the plan as of the grant date, corresponding to the fair value of the options, was R\$9,018 (R\$7,616 relating to the 1st program under the Plan and R\$1,402 relating to the 2nd program under the Plan).

21. Segment reporting

Business segments

	Livestock		Meat		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18
Net revenue	331.851	532.614	16.790.974	15.682.295	17.122.825	16.214.909
Cost of sales	(271.168)	(425.358)	(13.559.096)	(12.941.258)	(13.830.264)	(13.366.616)
Operating expenses	(48.861)	(67.385)	(1.781.618)	(2.087.558)	(1.830.479)	(2.154.943)
Impairment of assets	-	-	-	(18.838)	-	(18.838)
Finance income (costs), net	(9.505)	9.906	(1.585.187)	(2.493.433)	(1.594.692)	(2.483.527)
Profit (loss) before taxes	2.317	49.777	(134.927)	(1.858.792)	(132.610)	(1.809.015)

On a geographical basis, the segment revenue is based on the customer's location. Segment assets are based on the geographical location of the assets.

There are no revenues from transactions conducted with a single foreign customer that account for 10% of total revenues or more.

The main business segments of the Company and its subsidiaries are the production and sale of fresh beef, livestock and its by-products.

22. Net operating revenue

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Revenues from domestic sales	3,241,568	3,060,483	6,107,269	6,567,135
Revenues from foreign sales	6,083,945	5,462,918	12,090,151	10,658,504
Deductions from revenue - Taxes and other	(663,397)	(643,041)	(1,074,595)	(1,010,730)
Net operating revenue	8,662,116	7,880,360	17,122,825	16,214,909

23. Expenses by nature

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Classified as				
Selling expenses	(693,350)	(604,254)	(1,201,107)	(1,020,459)
General and administrative expenses	(377,346)	(397,543)	(625,050)	(611,366)
Other operating income	(2,604)	(626,084)	(4,322)	(523,118)
Total	(1,073,300)	(1,627,881)	(1,830,479)	(2,154,943)
Expenses by nature				
Variable selling expenses	(616,439)	(544,269)	(1,092,097)	(902,643)
General, administrative and selling expenses	(197,437)	(199,266)	(332,156)	(347,064)
Personnel and commercial expenses	(219,485)	(236,437)	(325,067)	(348,381)
Depreciation and amortization	(37,335)	(21,825)	(76,837)	(33,737)
Other operating income and expenses	(2,604)	(626,084)	(4,322)	(523,118)
Total	(1,073,300)	(1,627,881)	(1,830,479)	(2,154,943)

24. Finance income (costs), net

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Finance income				
Income from short-term investments	47,971	66,814	64,385	85,958
	47,971	66,814	64,385	85,958
Finance costs				
Interest expense	(654,651)	(660,636)	(951,676)	(990,198)
Other finance income (costs)	(233,154)	(254,132)	(244,068)	(321,280)
	(887,805)	(914,768)	(1,195,744)	(1,311,478)
Exchange rate changes, net	(312,563)	(1,230,268)	(290,275)	(1,233,306)
Monetary restatement of the balance sheet	-	-	(173,058)	(24,701)
Finance income (costs), net	(1,152,397)	(2,078,222)	(1,594,692)	(2,483,527)

25. Earnings (loss) per share

a) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to the Company's owners by the weighted average number of common shares issued during the period, excluding the common shares purchased by the Company and held in treasury.

Basic	12/31/19	12/31/18
Profit (loss) attributable to Company's owners	16.157	(1.264.782)
Weighted average number of common shares issued (thousands)	403.597	376.687
Weighted average number of treasury shares	(3.150)	(3.550)
Weighted average number of outstanding common shares (thousands)	400.447	373.137
Basic earnings (loss) per share - R\$	0,04035	(3,38959)

b) Diluted earnings (loss) per share - R\$

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of outstanding common shares, assuming the conversion of all potential common shares that would result in dilution. The Company has only one class of common shares that would potentially result in dilution: debentures mandatorily convertible into shares:

Diluted	12/31/19	12/31/18
Profit (loss) attributable to Company's owners	16.157	(1.264.782)
Weighted average number of outstanding common shares (thousands)	400.447	373.137
Weighted average number of common shares used to calculate basic earnings (loss) per share - thousands	400.447	373.137
Diluted earnings (loss) per share - R\$	0,04035	(3,38959)

26. Risk management and financial instruments

The Company's operations are exposed to market risks, especially foreign exchange and credit risks. The Company's investment management policy establishes the use of derivative financial instruments for hedging against these risk factors. Additionally, the Company may also contract derivative financial instruments to implement operating and financial strategies defined by the Board of Executive Officers and duly approved by the Board of Directors.

Market risk management is carried out through the use of two models: calculation of VaR (Value at Risk) and calculation of impacts by applying stress scenarios. In the case of VaR, Management uses two distinct models: Parametric VaR and Monte Carlo Simulation VaR. Risks are constantly monitored and calculated at least twice a day.

It is worth noting that the Company does not use exotic derivatives and does not have any such instrument in its portfolio.

a. Policy on the Treasury's hedging transactions

The Treasury Department is responsible for the implementation of the Company's hedging management policy and follows the decisions of the Risk Committee, which is composed of the Company's Board of Executive Officers and employees.

The Risk Management Board is responsible for overseeing and monitoring compliance with the guidelines designed by the hedging policy, and reports itself to the CEO and the Risk Committee.

The Company's hedging policy, approved by its Board of Directors, takes into consideration its two main risk factors: exchange rate and finished cattle.

Currency hedging policy

The currency hedging policy aims to hedge the Company against currency fluctuations and is divided into two segments:

i) Flow

Cash flow hedging strategies are daily discussed with the Market Committee.

The purpose of the cash flow hedging policy is to guarantee the Company's operating profit and hedge its flow of currencies, other than the Brazilian real, within a year.

Hedge operations may use financial instruments available in the market, such as: US dollar futures transactions on B3, NDFs, funds raised in foreign currency, options and inflow of funds in US dollars.

ii) Balance sheet

The balance sheet hedge is monthly discussed at Board of Directors' meetings.

The purpose of the balance sheet hedging policy is to hedge the Company against its long-term debt in foreign currency.

Balance sheet exposure is the flow of US dollar-denominated debt with maturity higher than one year.

Hedge operations may use financial instruments available in the market, such as: US dollar cash withholding, bond buyback, NDFs, futures contracts on the BM&F, swaps, and options.

II. Cattle hedging policy

The objective of the cattle hedging policy is to minimize the impacts of fluctuation in the cattler arroba price on the Company's profit (loss). The policy is divided into two topics:

i) Cattle forward contracts

In order to guarantee raw material, especially in the cattle offseason, the Company purchases cattle for future delivery and uses B3 to sell futures contracts, minimizing the risk of price fluctuations per arroba of cattle.

Hedge operations may use finished cattle instruments available in the market, such as: finished cattle futures contracts on B3 and options on finished cattle futures contracts on B3.

ii) Hedging of meat sold

In order to guarantee the cost of the raw material used in its meat production, the Company uses the BM&F to purchase futures contracts, minimizing the risk of price fluctuations per arroba of cattle and hedging its operating margins obtained when meat is sold.

Hedge operations may use finished cattle instruments available in the market, such as: finished cattle futures contracts on B3 and options on finished cattle futures contracts on B3.

Statement of derivative positions

The statement of derivative financial instrument positions was prepared to present the derivative financial instruments contracted by the Company in the years ended December 31, 2019 and 2018, according to their purpose (asset hedging and other purposes):

Asset Hedging Position

Description	/ thousand		Notional value in R\$ thousand		Cumulative effect in R\$ thousand Amount receivable / (received)	Amount payable / (paid)
	12/31/19	12/31/18	12/31/19	12/31/18		
Futures Contracts:	-	-	-	-	-	-
<u>Purchase commitments</u>	-	-	-	-	-	-
DOL (US\$)	3.750	9.250	15.084	35.853	528	-
Other	-	-	-	-	-	-
BGI (arrobas)	357	319	70.050	49.502	-	80.610
Corn (bags)	-	-	-	-	318	-
<u>Sales commitments</u>	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
DOL (US\$)	1.500	35.000	6.046	135.750	23	-
BGI (arrobas)	1.629	503	320.999	77.807	-	12.371
Corn (bags)	-	23	-	892	-	-
Options Contracts	-	-	-	-	-	-
<u>Bidding position - purchase</u>	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
Other	-	-	-	-	-	-
BGI (arrobas)	825	-	23.843	-	-	42.164
<u>Bidding position - sale</u>	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
DOL (US\$)	-	1.000.000	-	39.790	-	-
Other	-	-	-	-	-	-
BGI (arrobas)	330	-	4.488	-	-	1.485
<u>Long sale</u>	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
Other	-	-	-	-	-	-
BGI (arrobas)	825	-	899	-	46.365	-
<u>Short sale</u>	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
Other	-	-	-	-	-	-
BGI (arrobas)	2.145	-	15.307	-	2.129	-
Forward Contracts	-	-	-	-	-	-
<u>Long position</u>	-	-	-	-	-	-
NDF (dollar)	3.458.850	4.025.790	3.426.095	3.874.800	2.616	-
<u>Short position</u>	-	-	-	-	-	-
NDF (dollar)	-	111.058	-	110.975	-	-
NDF (euro)	2.344.571	1.297.020	2.360.983	1.131.829	-	58.132

The reference values represent the base value, i.e. the opening amount at which the derivative agreement is entered into in order to calculate the positions and market value.

The fair values were calculated as follows:

- **USD Futures Contracts:** US dollar futures contracts traded on B3 total fifty thousand US dollars (US\$50,000) per notional contract and are adjusted on a daily basis. The fair value is calculated by multiplying the notional amount in US dollars by the reference US dollar for the contract disclosed by B3;
- **Finished Cattle Futures Contracts (BGI):** Finished cattle futures contracts (BGI) traded on B3 have the amount of 330 arrobas;
- **Short Position Forward Contracts - NDF (Euro):** The contracts are traded on OTC markets and, therefore, are not standardized neither adjusted on a daily basis. Their fair value is calculated by multiplying the traded notional amount and market rate prevailing on that date. If held through maturity, the PTAX EURO selling rate disclosed by the Central Bank of Brazil;
- **Short Position Forward Contracts - NDF (Dollar):** The contracts are traded on OTC markets and, therefore, are not standardized neither adjusted on a daily basis. Their fair value is calculated by multiplying the traded notional amount and market rate prevailing on that date. If held through maturity, the PTAX 800 selling rate disclosed by the Central Bank of Brazil;
- **Short Position Forward Contracts - NDF (ARS):** The contracts are traded on OTC markets and, therefore, are not standardized neither adjusted on a daily basis. Their fair value is calculated by multiplying the negotiated notional amount and market rate prevailing on that date. If held through maturity, the ARS/USD selling rate disclosed by MAE will be used.

The fair values were estimated on the date of the financial statements, based on relevant market inputs. Revisions in assumptions and changes in the financial market operations may significantly affect the estimates presented in the interim financial information.

The outstanding marked-to-market OTC NDF, swap and options transactions traded on B3 – Bolsa, Brasil, Balcão are recorded in the balance sheet accounts as of December 31, 2019 and December 31, 2018 under “NDF receivable/payable”, “swaps” and “options receivable”, as follows:

Derivative financial instruments	12/31/2019	12/31/2018
	Mark-to-market	Mark-to-market
Options	12,124	112,942
Swap	71,699	147,236
NDF (EUR+DOL+BOI)	657,979	364,262
Total	741,802	624,439

b. Currency and interest rate risks

The risk of fluctuations in exchange rate and interest rate on loans and financing, short-term investments, receivables in foreign currency arising from exports, investments in foreign currency, and other payables denominated in foreign currency may be managed by using derivative financial instruments traded on stock exchanges, or OTC transactions such as swap, NDFs (Non Deliverable Forwards), and options.

The table below shows the Company's consolidated position, specifically with respect to its financial assets and liabilities, divided by currency and exchange exposure, thus presenting a picture of the net position of assets and liabilities per currency, compared with the net position of derivative financial instruments intended for hedging and management of the exchange exposure risk:

	Consolidated 12/31/2019		
	Currencies		
	Local	Foreign	Total
Assets			
Cash	878	-	878
Banks - checking account	181,951	3,036,988	3,218,939
Short-term investments	1,078,965	170,905	1,249,870
Trade receivables	535,779	1,242,435	1,778,214
Total current	1,797,573	4,450,328	6,247,901
Total assets	1,797,573	4,450,328	6,247,901
Liabilities			
Financing - current	1,177,131	1,725,832	2,902,963
Trade payables	1,252,804	94,235	1,347,039
Total current	2,429,935	1,820,067	4,250,002
Financing - noncurrent	1,078,203	7,238,363	8,316,566
Total noncurrent	1,078,203	7,238,363	8,316,566
Total liabilities	3,508,138	9,058,430	12,566,568
Net financial debt	1,710,565	4,608,102	6,318,667
Hedging derivatives – Net position	(69,825)	(671,978)	(741,803)
Currency position, net	1,640,740	3,936,124	5,576,864

The net position of derivative financial instruments is broken down as follows:

Financial Instruments (net)	Long (short) position, net at 12/31/2019	Long (short) position, net at 12/31/2018
Futures contracts - DOL (Dollar)	9,038	(99,897)
Futures Contracts - BGI (Finished Cattle)	(250,949)	(28,305)
Options contracts (Dollar, Cattle, Corn and IDI)	12,124	39,790
Swap contracts	71,699	147,236
NDF (dollar + EURO + cattle + ARS)	1,065,112	2,631,996
Total, net	907,025	2,690,819

Financial assets and financial liabilities are restated in the financial statements as of December 31, 2019 and 2018, at amounts that approximate the market values. Their respective revenues and expenses are recognized and presented on these dates according to their expected realization or settlement.

Note that the amounts related to export orders (firm sale commitments) refer to orders from approved customers not invoiced yet (and therefore not accounted for), but which are already hedged against the risk of changes in foreign currency rates (US dollar or another foreign currency) through derivative financial instruments.

Below is a list of NDF agreements held by the Company and effective as of December 31, 2019:

Type	Position	Currency	Maturity	Notional value
NDF	SELLING	DOL	02/03/2020	(323,050)
NDF	SELLING	DOL	01/02/2020	(337,700)
NDF	SELLING	DOL	03/02/2020	(82,700)
NDF	BUYING	DOL	01/02/2020	157,700
NDF	BUYING	DOL	07/01/2020	800,000
NDF	BUYING	DOL	02/03/2020	50,000

Credit risks

The Company is potentially subject to credit risks related to trade receivables, which are minimized with the diversification of its customer portfolio, given that the Company does not have a customer or business group that accounts for more than 10% of its revenues and restricts the granting of credit to customers with good financial and operating ratios.

c. Cattle price risks

The Company's business is exposed to the volatility of cattle prices, its main raw material, whose variation results from factors outside Management's control, such as climate, volume of supply, transportation costs, agricultural policies and others. The Company, in accordance with its inventory policy, maintains its management strategy for this risk, working on physical control, which includes purchases in advance, confinement of cattle and the signing of contracts for future settlement (OTC and stock exchange), which ensure the realization of its inventories at a determined price level.

Over-the-counter (OTC) market	Fair value 12/31/2019
Forward contract purchased	
Notional value (@)	1,422,543
Futures Contract Price (R\$/@)	115
Total R\$/1000	163,370
BM&F Market	
Futures contracts - short	Fair value 12/31/2019
Notional value (@)	1,140,480
Futures Contract Price (R\$/@)	188
Total R\$/1000	214,880

d. Cash sensitivity analysis table

The purpose of the sensitivity analysis statements is to disclose separately the derivative financial instruments which, in the Company's opinion, are intended to hedge the exposure to risks. These financial instruments are grouped according to the risk factor that they intend to hedge (price risk, currency risk, credit risk etc.).

The scenarios were calculated based the following assumptions:

- **An upward movement:** represents an increase in prices or risk factors as of December 31, 2019;
- **A downward movement:** represents a decrease in prices or risk factors as of December 31, 2019;
- **Probable scenario:** 6% impact; 25% fluctuation; and 50% fluctuation.

The cash sensitivity statements were prepared in compliance with CVM Resolution No. 475/08 and take into consideration the positions in derivative financial instruments and their impacts on cash only:

Transaction	Movement	Risk	Probable scenario 6% fluctuation	Possible scenario 25% fluctuation	Remote scenario 50% fluctuation
Hedge derivatives	High	Cattle	(12,855)	(60,522)	(123,242)
Cattle	High	Cattle	9,802	40,843	81,685
Net			(3,053)	(19,679)	(41,557)
Hedge derivatives	High	US dollar	(127,451)	(531,045)	(1,062,089)
Invoices + Cash - in \$US	High	US dollar	97,473	406,139	812,278
Net			(29,977)	(124,906)	(249,812)
Hedge derivatives	High	Euro	-	-	-
Invoices - in \$EUR	High	Euro	831	3,461	6,922
Net			831	3,461	6,922
Hedge derivatives	High	US dollar	51,000	212,500	425,000
Borrowings in \$US	High	US dollar	(115,210)	(480,041)	(960,082)
Net			(64,210)	(267,541)	(535,082)

- **Exchange rate USD 4.0307** – Ptax selling (Source: The Central Bank of Brazil);
- **Exchange rate EUR 4.5303** – Ptax selling (Source: The Central Bank of Brazil).

Statement of gains (losses) on hedging instruments

- **Hedging derivatives x Cattle:** In the probable scenario with a 6% market fluctuation, the Company could lose R\$3,053; whereas in a 25% fluctuation scenario, the Company could lose R\$19,679, and R\$41,557 upon a fluctuation of 50%;
- **Hedge derivatives x Invoices + Cash in US\$:** In the probable scenario with a 6% market fluctuation, the Company could lose R\$29,977; whereas in a 25% fluctuation scenario, the Company could lose R\$124,906, and R\$249,812 upon a fluctuation of 50%;

- **Hedge derivatives x Invoices + Cash in EUR:** In the probable scenario with a 6% market fluctuation, the Company could gain R\$831; whereas in a 25% fluctuation scenario, said gain would come to R\$3,461, and R\$6,922 upon a fluctuation of 50%;
- **Hedge Derivatives and Fundraising:** In the probable scenario with a 6% market fluctuation, the Company could lose R\$64,210; whereas in a 25% fluctuation scenario, the Company could lose R\$267,541, and R\$535,082 upon a fluctuation of 50%;

e. Call margin

A margin requirement call is applied to exchange transactions, whereby in order to cover margin calls, the Company uses public and private fixed income bonds, such as CDBs (bank deposit certificates) held in its portfolio, thus mitigating impacts on its cash flow.

As of December 31, 2019, the amounts deposited for margin totaled R\$51,000.

27. Statements of comprehensive income

As required by CPC 26 (R1) (IAS 1) – Presentation of Financial Statements, the Company presents below the changes in comprehensive income (loss) for the years ended December 31, 2019 and 2018:

	Parent		Consolidated	
	12/31/19	12/31/18	12/31/19	12/31/18
Profit (loss) for the period	16,157	(1,264,782)	16,157	(1,264,782)
Valuation adjustment to equity	(171,703)	(83,325)	(171,703)	(83,325)
Total comprehensive loss	(155,546)	(1,348,107)	(155,546)	(1,348,107)
Comprehensive loss attributable to:				
Company's owners	(155,546)	(1,348,107)	(155,546)	(1,348,107)
Noncontrolling interests	-	-	-	-
Total comprehensive loss	(155,546)	(1,348,107)	(155,546)	(1,348,107)

28. Insurance

The Company and its subsidiaries have an insurance policy that mainly takes into consideration the concentration of risks, the significance and the replacement value of the assets. The main information on insurance coverage as of December 31, 2019 is as follows:

	Coverage	Insured amount
Buildings	Fire and sundry risks	651.508
Facilities, equipment and inventories	Fire and sundry risks	1.146.027
Company cars and aircraft	Fire and sundry risks	122.158
Overseas transportation	Fire and sundry risks	80.614
Civil liability	Operational risks	20.519
		2.020.826

The Company and its subsidiaries have coverage for all products transported in Brazil and abroad. The risk assumptions adopted, in view of their nature, are not part of the scope of the audit of the financial statements and, therefore, were not audited by the Company's independent auditors.

The Company contracted insurance policies for all plants and distribution centers.

29. Events after the reporting date

Capital increase on January 10, 2020

The Board of Directors' meeting held on January 10, 2020 approved the increase in the Company's capital, regardless of the articles of association being amended or not and within the limit of the authorized capital, pursuant to Article 6 of the Company's Bylaws, from the current two hundred and eighty-seven million, nine hundred and fifteen thousand, three hundred and twenty-eight reais and nine cents (R\$287,915,328.09), divided into four hundred and three million, five hundred and ninety-six thousand, five hundred and seventy-five (403,596,575) registered book-entry common shares with no par value, to two hundred and eighty-eight million, four hundred and ninety-two thousand, nine hundred and three reais and thirty-nine cents (R\$288,492,903.39), divided into four hundred and three million six hundred eighty six thousand five hundred and forty (403,686,540) registered book-entry common shares with no par value, resulting in an increase of five hundred and seventy seven thousand five hundred and seventy-five reais and thirty cents (R\$577,575.30), through the issuance of eighty nine thousand and nine hundred sixty five (89,965) new registered book-entry common shares with no par value, with an issue price of six reais and forty-two cents (R\$6.42), pursuant to the provisions of item 7.3.28.7 of the minutes of the Extraordinary Shareholders' Meeting held on October 15, 2018, per share, established pursuant to article 170, paragraph 1, item III of Law No. 6.404 ("Brazilian Corporate Law"), of December 15, 1976, as amended, as a result of the exercise of subscription bonuses.

Approval of public offering of shares with restricted placement efforts and capital increase on January 23, 2020

The Board of Directors' meeting held on January 15, 2020 approved the primary and secondary public offering of common shares issued by the Company, held by the Selling Shareholder, all registered and book-entry, with no par value, all of them free and unencumbered of any lien or encumbrance, as applicable, with restricted placement efforts, pursuant to CVM Instruction No. 476 ("Offering").

The price per share under the Offering was set at R\$13.00, for purposes of capital increase, within the limit of the authorized capital, pursuant to Article 6 of the Company's Bylaws, and for the ratification of the capital increase which were approved at the Company's Board of Directors held on January 23, 2020, whose minutes will be filed with São Paulo State's Division of Corporations and published on newspapers.

The Offering consisted of (i) the primary public distribution of 80,000,000 new common shares issued by the Company ("Primary Offering" and "Shares under the Primary Offering"); and (ii) the secondary public distribution of 15,000,000 common shares issued by the Company and held by VDAQ Holdings S.A. ("Selling Shareholder", "Secondary Offering" and "Shares under the Secondary Offering", respectively, and the Shares under the Secondary Offering, in conjunction with the Shares under the Primary Offering, the "Shares"), with restricted placement efforts, conducted in the Federative Republic of Brazil ("Brazil"), in an over-the-counter market, under the Agreement for the Underwriting, Placement and Firm Guarantee of Settlement of Common Shares issued by Minerva S.A.", entered into between the company, the Selling Shareholders and the Lead Underwriters. Simultaneously, under the Offering, efforts for placement abroad were also made by BTG Pactual US Capital LLC, J.P. Morgan Securities LLC, Bradesco Securities Inc., Banco do Brasil Securities LLC, and Itau BBA USA Securities, Inc.

Due to the increase in the Company's capital resulting from the Offering, capital increased from R\$288,492,903.39, divided into 403,686,540 common, registered, book-entry shares with no par value, to R\$1,328,492,903.39, divided into 483,686,540 common, registered, book-entry shares with no par value.

The net proceeds from the Primary Offering will be fully used to improve the Company's capital structure, which will be made by paying certain debts.

Commissions, expenses on taxes and other retentions, Offering registration with ANBIMA, legal and consulting fees, independent auditors, translation and publicity related to the offering, which totaled R\$52,430, were paid by the company and by the Selling Shareholder, to the proportion of the Shares offered by each one in the Offering, under the Placement Agreement and the International Placement Agreement.

The Shares under the Offering are traded on B3 S.A. – Brasil, Bolsa, Balcão ("B3") on January 27, 2020, and the physical and financial settlement of the Shares occurred on January 28, 2020.

Capital increase on February 10, 2020

The Board of Directors' meeting held on February 10, 2020 approved the increase in the Company's capital, regardless of the articles of association being amended or not and within the limit of the authorized capital, pursuant to Article 6 of the Company's Bylaws, from the current one billion, three hundred and twenty-eight million, four hundred and ninety-two thousand, nine hundred and three reais and thirty-nine cents (R\$1,328,492,903.39), divided into four hundred eight three million, six hundred and eighty-six thousand, five hundred and forty (483,686,540) registered book-entry common shares with no par value, to one billion, three hundred and forty million, five hundred and thirteen thousand, five hundred and thirteen thousand reais and fifty-seven cents (R\$1,340,513,576.57), divided into twelve million, twenty thousand, six hundred and seventy-three reais and eighteen cents (R\$12,020,673.18) registered book-entry common shares with no par value, through the issuance of one million eight hundred seventy-two thousand, three hundred seventy-nine (1,872,379) new registered book-entry common shares with no par value, with an issue price of six reais and forty-two cents (R\$6.42), pursuant to the provisions of item 7.3.28.7 of the minutes of the Extraordinary Shareholders' Meeting held on October 15, 2018, per share, established pursuant to article 170, paragraph 1, item III of Law No. 6.404 ("Brazilian Corporate Law"), of December 15, 1976, as amended, as a result of the exercise of subscription bonuses.

Through February 10, 2020, the changes in the Company's capital is as follows:

	12/31/2019	01/10/2020	01/28/2020	02/10/2020
Capital	287,915	288,493	1,328,493	1,340,514
(-) Issuance cost	(5,898)	(5,898)	(58,328)	(58,328)
Total	282,017	282,595	1,270,165	1,282,186

Absorption of accumulated losses with capital reduction

The Board of Directors' meeting held on February 18, 2020 approved Management's proposal for absorption of accumulated losses. Such proposal will be submitted to the Extraordinary Shareholders Meeting for a change in the heading of art. 5 of the Company's Bylaws to reduce capital in the amount of R\$380,210, for absorption of the accumulated losses reported in the Company's financial statements for the year ended December 31, 2019, without cancellation of shares, under article 173 of Law No. 6.404/1976 ("Brazilian Corporate Law" And the "Capital Reduction"), with such provision becoming effective with the following writing:

	12/31/2019	01/10/2020	01/28/2020	02/10/2020	02/18/2020
Capital	287,915	288,493	1,328,493	1,340,514	960,304
(-) Issuance costs	(5,898)	(5,898)	(58,328)	(58,328)	(58,328)
Capital reserve	118,271	118,271	118,271	118,271	118,271
Revaluation reserve	50,614	50,614	50,614	50,614	50,614
Accumulated losses	(380,210)	(380,210)	(380,210)	(380,210)	-
Treasury shares	(32,695)	(32,695)	(32,695)	(32,695)	(32,695)
Other comprehensive income (loss)	(319,659)	(319,659)	(319,659)	(319,659)	(319,659)
Total	(281,662)	(281,084)	706,486	718,507	718,507

30. Explanation added to the translation for the English version

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Entity that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

* * *

EARNINGS RELEASE

Barretos, February 18, 2020 – Minerva S.A. (BM&FBOVESPA: BEEF3 | OTC - Nasdaq International: MRVSY), the South American leader in the export of fresh beef and cattle byproducts, which also operates in the processed foods segment, announces today its results for the fourth quarter and full year of 2019. The financial and operational information herein is presented in BRGAAP and Brazilian reais (R\$), in accordance with International Financial Reporting Standards (IFRS).

4Q19 AND 2019 HIGHLIGHTS

Minerva (BEEF3)
Price on 02/17/2020:
R\$12.25
Market cap:
R\$5,948.1 million
485.558.919 shares
Free Float:
54.3%

Conference Call
February 18, 2019

Portuguese
10:00 a.m. (Brasília)
8:00 a.m. (US EST)
Phone: +55 (11) 2188 0155
Code: Minerva

English
10:00 a.m. (Brasília)
8:00 a.m. (US EST)
Phone: +1 (646) 843-6054
Code: Minerva

IR Contacts:
Edison Ticle
Danilo Cabrera
Kelly Barna
Matheus Oliveira
Luiza Puoli
Phone: (11) 3074-2444
ri@minervafafoods.com

- » Free cash flow after financial expenses, Capex and working capital was positive for the eighth consecutive quarter, totaling R\$92.0 million after non-recurring expenses in 4Q19. In 2019, free cash flow adjusted for non-recurring expenses totaled R\$787.0 million.
- » Financial leverage, measured by the net debt/LTM EBITDA ratio, including the net proceeds of the share offering completed in January 2020 (R\$999.6 million), reached 2.8x, the lowest level in the past few years.
- » Minerva's consolidated gross revenue reached a record of R\$18,197.4 million in 2019, 6% higher than in 2018. In 4Q19, Minerva's gross revenue totaled R\$5,162.6 million, 5% more than in 4Q18. The Brazilian Industry Division contributed R\$2.6 billion, or 51% of total gross revenue, while the Athena Foods Division brought in R\$2.1 billion, or 41% of the total, and the Trading Division generated the remaining R\$439.6 million, or 9% of the total, in 4Q19. In 2019, exports accounted for 66% of gross revenue, maintaining Minerva's position as the leading beef exporter in South America, with a market share of approximately 20% in the continent.
- » Net revenue reached R\$4.9 billion in 4Q19, up 5% year on year. In 2019, net revenue amounted to R\$17.1 billion, 6% higher than in 2018.
- » Adjusted EBITDA was at an all-time high of R\$603.3 million in 4Q19, soaring 30% over 4Q18 and 33% over 3Q19, with an EBITDA margin of 12.4% in 4Q19, 240 bps higher than in 4Q18. In 2019, adjusted EBITDA reached an all-time high of R\$1.7 billion, with a margin of 10.2%, 70 bps higher than in 2018.
- » Net income totaled R\$243.6 million in 4Q19, with a net margin of 5.0%, reversing the loss accumulated in the year. In 2019, net income totaled R\$16.2 million.
- » On January 23, 2020, the Company successfully completed the primary and secondary follow-on offering of 95 million shares (80 million shares in the primary offering and 15 million in the secondary offering), at R\$13.00 per share. The proceeds of the primary offering, in the amount of R\$1,040 million, will be fully allocated to debt repayments and improving Minerva's capital structure.
- » On February 18, the Board of Directors approved the Company's new Income Allocation Policy, which allows for the possibility of paying additional dividends whenever leverage, measured by the net debt/EBITDA ratio, closes the fiscal year at 2.5x or less.

MESSAGE FROM MANAGEMENT

2019 consolidates South American position as the main player on beef global market, and the 4Q19 results ratifies this prolific momentum for the continent producers. In the last quarter of 2019, Minerva's profitability reached an all-time high, with a record EBITDA margin of 12.4% and net income of R\$243.6 million. In 2019, net revenue totaled R\$17.1 billion and EBITDA reached a record of R\$1.7 billion.

Free cash flow generation, a priority for Minerva, was positive for the eighth consecutive quarter, reaching R\$787.0 million in 2019. It is worth noting that, in the 2018-2019 biennium, Minerva's free cash flow totaled R\$1.5 billion, which allowed the Company to achieve the lowest leverage level in recent years, a net debt/EBITDA ratio of 2.8x, in line with Company deleverage commitment.

Minerva's excellence in operating, financial and commercial management, gives the Company important competitive advantages. The mitigation of sanitary and commercial barriers through our operational excellence and geographic diversification, our risk management policy that seeks to reduce volatility, allied to our sustainability policy (ESG), sector benchmark and a notorious entry barrier in the industry, are important drivers which to distinguish the Company.

The expansion of opportunities to South American producers becomes evident on every opening of new market. Recently, we can highlight: the access to USA through Argentina, Japan opening its market to Uruguayan beef, Saudi Arabia certifying exports through Uruguay, Paraguay and Colombia. For Brazilian beef, recently the opening of Indonesia, one of the largest markets for *halal* cuts in the world, and also the new allowances to Chinese market, increasing our consolidated exposure by 54% (Brazilian Division and Athena): seven plants with a slaughter capacity of 9,940 head/day. This movement signalizes the consolidation of South America as the main beef supplier to the world, and benefits Minerva due to its geographic diversification and unique operation footprint.

Strong Chinese demand, driven by the African swine fever outbreak that decimated almost 50% of the local pig herd, played a major role in the market in 2019, especially in the fourth quarter. In 2019, 46% of Athena Foods' export revenue came from Asia, especially China, an increase of 10 percentage points over 2018. In the Brazilian Industry Division, Asia accounted for 39% of export revenue in 2019, 12 percentage points more than 2018, an immediate impact of the new authorizations to export beef to China.

In order to maximize the opportunities in the Asian continent, we announced in October a joint venture with Chinese partners designed to meet the growing demand in the region, expanding our distribution channels, developing new opportunities on brand, products and services, thus moving forward in the beef value chain. We believe that the JV, is a crucial step to position Minerva in a singular way on Asia fast-growing market.

The outlook for the coming quarters remains very positive: the effects of the African swine fever outbreak and the weather problems which have been impacting beef production in Australia, should continue to unlock opportunities and directly benefit South American beef producers. In this context, Minerva due to its geographic diversification stands out as one of the main global players and consolidate its position as the main South American beef exporter, with a 2019 market share of approximately 20%.

In face of this such promising landscape, Minerva's strategy seeks to increase our competitive advantages, investing in innovation, business intelligence and risk management, enhancing our business model and reducing Company's financial and operational risks, integrating our operations, in order to increase opportunities in markets with consistent growing perspectives, such as emerging countries and also, to take advantage of Australia's weaknesses, occupying its share in the global beef market.

Finally, I would like to thank Minerva's 18,000 employees for the results achieved in 2019, and we open 2020 confident on the industry positive outlook, reaffirming our commitment to capital discipline, ethical and sustainable practices, as we believe this is the way to create long-term value.

Fernando Galletti de Queiroz, CEO

RESULTS ANALYSIS

Key Consolidated Indicators

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Total slaughter ('000 head)	901.5	869.6	3.7%	943.9	-4.5%	3,548.2	3,432.1	3.4%
Slaughter - Brazil	457.5	424.8	7.7%	485.6	-5.8%	1,773.1	1,687.6	5.1%
Slaughter - Athena Foods	444.0	444.8	-0.2%	458.3	-3.1%	1,775.1	1,744.6	1.8%
Total sales volume ('000 tons)	289.5	286.5	1.1%	312.0	-7.2%	1,158.6	1,085.1	6.8%
Volume - Brazil	155.7	152.3	2.2%	170.4	-8.7%	607.9	580.7	4.7%
Volume - Athena Foods	133.9	134.2	-0.2%	141.6	-5.5%	550.7	504.5	9.2%
Gross revenue	5,162.6	4,925.7	4.8%	4,790.7	7.8%	18,197.4	17,225.6	5.6%
Export market	3,530.2	2,975.9	18.6%	3,266.5	8.1%	12,090.2	10,658.5	13.4%
Domestic market	1,632.4	1,949.8	-16.3%	1,524.2	7.1%	6,107.3	6,567.1	-7.0%
Net revenue	4,859.7	4,610.1	5.4%	4,511.2	7.7%	17,122.8	16,214.9	5.6%
Adjusted EBITDA	603.3	462.8	30.4%	454.5	32.7%	1,750.6	1,550.4	12.9%
Adjusted EBITDA margin	12.4%	10.0%	2.4 p.p.	10.1%	2.3 p.p.	10.2%	9.6%	0.7 p.p.
Net debt/LTM EBITDA ⁽¹⁾	2.8	3.9	1.1	3.8	-1.0	2.8	3.9	-1.1
Net income (loss)	243.6	-92.1	n.a	-82.7	n.a	16.2	-1,264.8	-101.3%

(1) The calculation uses the net proceeds of the primary share offering completed in January 2020, totaling R\$999.6 million.

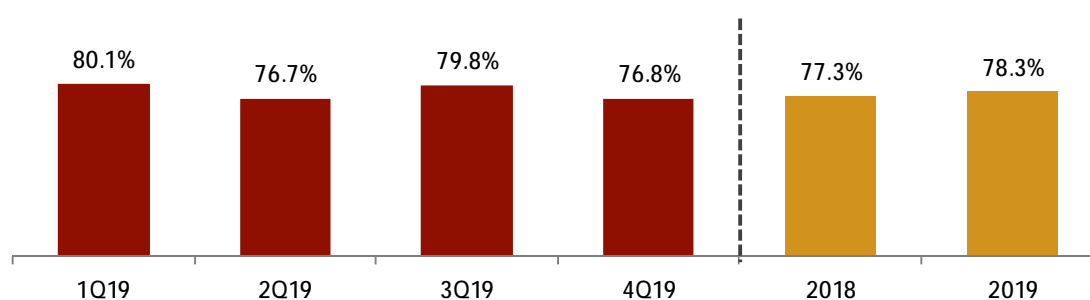
Results by Division

Slaughter

BRAZILIAN INDUSTRY DIVISION

Slaughter volume at the Brazilian Industry Division came to 1,773,100 head of cattle in 2019, up 5.1% over 2018, while the capacity utilization rate stood at 78.3%, 100 bps higher than in 2018. This result was due to strong export volume, driven by growing demand in emerging markets, especially in China. In 4Q19, slaughter volume at the Brazilian Industry Division totaled approximately 458,000 head of cattle, with a capacity utilization rate of around 77%.

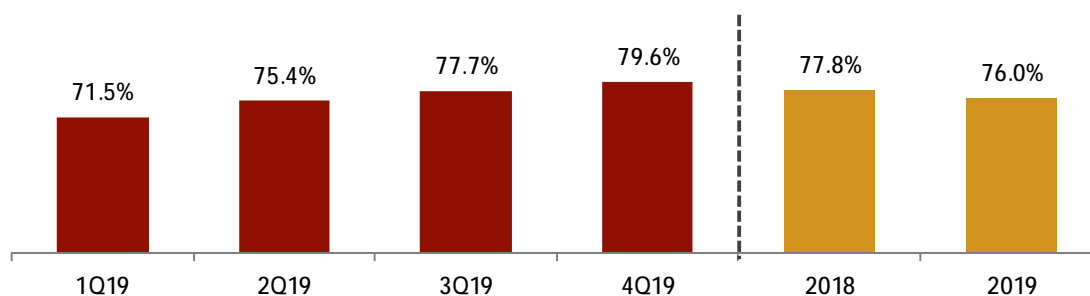
Figure 1 - Installed Capacity Utilization



Source: Minerva

ATHENA FOODS

Slaughter volume at the units that make up Athena Foods totaled 1,775,100 head of cattle in 2019, 2% higher than in 2018, while the capacity utilization rate reached 76.0%. In 4Q19, slaughter volume totaled 444,000 head of cattle, flat over 4Q18, with a capacity utilization rate of 79.6%. This result also reflects the strong demand from emerging countries, mainly in China, that boosted the Division's exports.

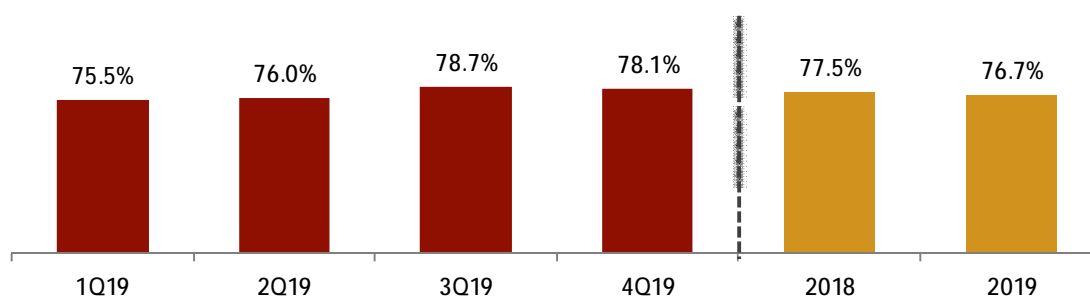


Source: Minerva

MINERVA CONSOLIDATED

Consolidated slaughter volume totaled 3,548,200 head of cattle in 2019, up 3.4% over 2018, while the consolidated capacity utilization rate reached 76.7%. In 4Q19, slaughter volume came to 901,500 head of cattle, 3.7% higher than in 4Q18, with a capacity utilization rate of 78.1%.

Figure 3 - Installed Capacity Utilization - Consolidated



Source: Minerva

Gross Revenue by Division

BRAZILIAN INDUSTRY DIVISION

Gross revenue from the Brazilian Industry Division totaled R\$8.5 billion in 2019, 13.7% higher than in 2018. Gross revenue from the Brazilian Industry Division amounted to R\$2.6 billion in 4Q19, up 27.9% over 4Q18 and 11.5% higher than in 3Q19.

Export Market – 68.6% of Gross Revenue from the Brazilian Industry Division in 4Q19 | 66.8% in 2019

Exports from the Brazilian Industry Division brought in revenue of R\$5,682.4 million in 2019, 15.3% more than in 2018, and R\$ 1,790.3 million in 4Q19, up 38.5% over 4Q18 and 15.5% higher than in the previous quarter.

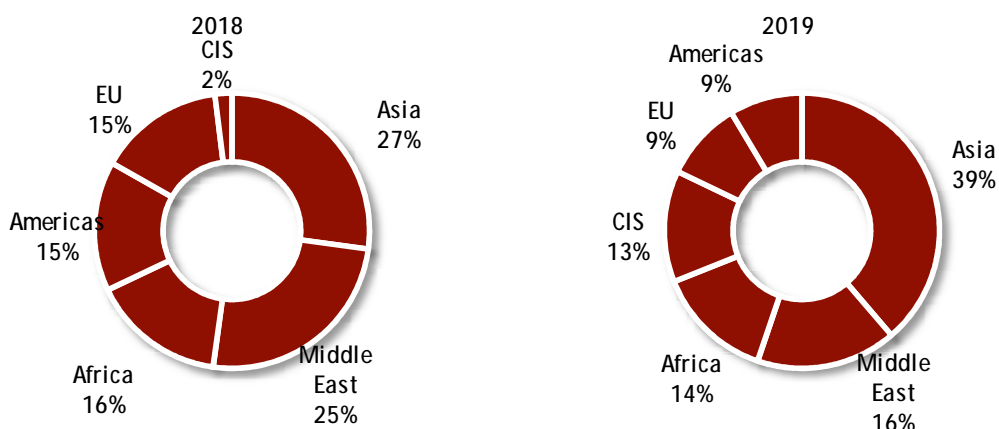
In 2019, the Company benefited from the positive momentum of Brazilian exports, mainly driven by growing demand in emerging markets, especially in China. Since the beginning of the year, China has been increasing its demand for beef, due to the progress of the African swine fever outbreak. Between September and November, 22 new Brazilian plants were authorized to export beef, as a result of growing demand. In this scenario, the Brazilian Industry Division increased its exposure to the Chinese market, operating three industrial units, with a total slaughter capacity of 4,300 head/day. On a consolidated basis, i.e. considering the Brazilian Industry Division and the Athena Foods Division, we have seven plants authorized to export to China, with a total slaughter capacity of 9,940 head/day, 54% higher than in September 2019.

In this scenario, Asia continued to be the main destination of the Brazilian Industry Division, accounting for 39% of Minerva's total export revenue, 12 p.p. more than in 2018.

We present below the Brazilian Industry Division's exports by region in 2018 and 2019:

- » Africa: Africa accounted for 14% of this division's exports in 2019, down 2 p.p. from 2018.
- » Americas: The Americas was the destination of 9% of this division's exports in 2019, down 6 p.p. from 2018.
- » Asia: Asia was the destination of 39% of this division's exports in 2019, 12 p.p. more than in 2018. The substantial increase was due to strong demand in Asia, especially in China, which accounted for 26% of total exports. As a result, Asia continues to be the main market of the Brazilian Industry Division.
- » CIS (Commonwealth of Independent States): The Commonwealth of Independent States, represented mainly by Russia, was the destination of 13% of this division's exports in 2019, an increase of 11 p.p. over 2018, driven by the resumption of Brazilian exports to Russia, which were restricted in 2018.
- » Europe: Europe accounted for 9% of this division's exports in 2019, a decline of 6 p.p. from 2018.
- » Middle East: In 2019, the Middle East was the second main destination of this division's exports, with 16% of the total, a decrease of 9 p.p. from 2018.

Figures 4 and 5 - Breakdown of Export Revenue by Region - Brazil



Source: Minerva

Domestic Market – 31.4% of Gross Revenue from the Brazilian Industry Division in 4Q19 | 33.2% in 2019

Domestic gross revenue from the Brazilian Industry Division totaled R\$2,824.2 million in 2019, up 10.6% over 2018. In 4Q19, gross revenue from the Brazilian Industry Division amounted to R\$819 million, up 9.6% over 4Q18 and 3.6% higher than in 3Q19.

We present below a complete breakdown of the Brazilian Industry Division:

Gross Revenue (R\$ Million)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	1,666.4	1,164.6	43.1%	1,395.5	19.4%	5,112.7	4,390.3	16.5%
Byproducts – EM	116.1	113.8	2.1%	135.6	-14.4%	502.4	494.0	1.7%
Processed foods – EM	7.8	14.0	-44.1%	18.8	-58.5%	67.3	42.8	57.2%
Subtotal – EM	1,790.3	1,292.3	38.5%	1,549.9	15.5%	5,682.4	4,927.1	15.3%
Fresh beef – DM	585.4	580.9	0.8%	575.4	1.7%	2,042.8	1,893.0	7.9%
Byproducts – DM	164.2	110.5	48.6%	142.4	15.3%	518.1	456.6	13.5%
Processed foods – DM	69.3	55.6	24.7%	72.7	-4.7%	263.3	204.0	29.0%
Subtotal – DM	819.0	747.0	9.6%	790.6	3.6%	2,824.2	2,553.7	10.6%
Total	2,609.2	2,039.4	27.9%	2,340.5	11.5%	8,506.6	7,480.8	13.7%

Volume ('000 tons)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	77.6	65.2	19.0%	75.8	2.4%	277.9	254.1	9.4%
Byproducts – EM	20.5	20.9	-1.8%	27.7	-26.0%	97.7	90.5	8.0%
Processed foods – EM	0.3	0.5	-24.6%	0.7	-51.9%	2.88	1.6	83.4%
Subtotal – EM	98.4	86.6	13.7%	104.2	-5.5%	378.6	346.1	9.4%
Fresh beef – DM	30.7	41.2	-25.4%	37.9	-19.1%	127.2	136.5	-6.8%
Byproducts – DM	22.3	20.3	9.8%	23.4	-4.9%	85.4	85.2	0.2%
Processed foods – DM	4.2	4.2	-0.5%	4.8	-12.1%	16.8	12.9	30.1%
Subtotal – DM	57.2	65.7	-12.9%	66.2	-13.6%	229.3	234.6	-2.2%
Total	155.7	152.3	2.2%	170.4	-8.7%	607.9	580.7	4.7%

Average Price – EM (US\$/kg)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	5.2	4.7	11.2%	4.6	12.5%	4.7	4.7	-1.4%
Byproducts – EM	1.4	1.4	-3.8%	1.2	11.6%	1.3	1.5	-12.8%
Processed foods – EM	5.5	8.0	-31.5%	6.6	-16.6%	5.9	7.5	-20.7%
Total	4.4	3.9	12.7%	3.7	17.9%	3.8	3.9	-2.3%
Average dollar (Source: BACEN)	4.11	3.81	8.1%	3.97	3.7%	3.94	3.65	8.0%

Average Price – EM (R\$/Kg)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	21.5	17.9	20.3%	18.4	16.6%	18.4	17.3	6.5%
Byproducts – EM	5.7	5.4	4.0%	4.9	15.8%	5.1	5.5	-5.9%
Processed foods – EM	22.6	30.5	-25.9%	26.2	-13.6%	23.4	27.3	-14.3%
Total	18.2	14.9	21.8%	14.9	22.3%	15.0	14.2	5.5%

Average Price – DM (R\$/Kg)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – DM	19.1	14.1	35.1%	15.2	25.7%	16.1	13.9	15.8%
Byproducts – DM	7.4	5.4	35.3%	6.1	21.3%	6.1	5.4	13.2%
Processed foods – DM	16.4	13.1	25.3%	15.2	8.5%	15.7	15.8	-0.8%
Total	14.3	11.4	25.9%	11.9	19.8%	12.3	10.9	13.1%

EM - Export Market. DM – Domestic Market

ATHENA FOODS

Gross revenue from Athena Foods, which comprises the operations of the units in Paraguay, Argentina, Uruguay and Colombia, as well as distribution in Chile, totaled R\$7.3 billion (US\$ 1.9 billion) in 2019, 6.7% more than in 2018. Gross revenue from Athena Foods amounted to R\$2.1 billion (US\$ 546.0 millions), in 4Q19, up 4.6% over 4Q18 and 12.8% higher than in 3Q19. Athena Foods adjusted EBITDA reached US\$ 46.9 million in 4Q19 and US\$ 163.7 million in 2019, with an adjusted EBITDA margin of 9.0% in both periods.

Export Market – 77.0% of Gross Revenue from Athena Foods in 4Q19 | 76.1% in 2019

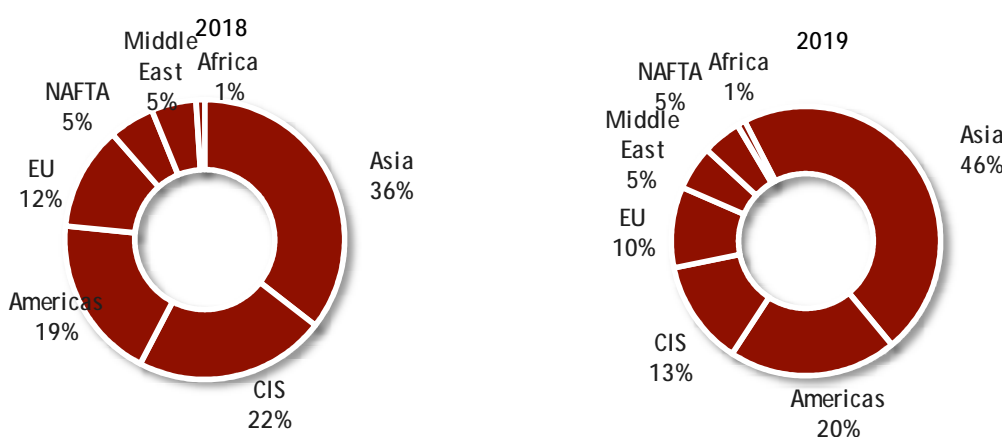
Gross export revenue from Athena Foods totaled R\$5,609.8 million in 2019, 12.3% more than in 2018. In 4Q19, export revenue from Athena Foods came to R\$1,626.6 million, up 8.5% over 4Q18 and 10.5% higher than in the previous quarter.

In 2019, Athena Foods' exports were also boosted by strong demand in Asia, especially in China. The Chinese market was the main destination of Athena Foods' exports, via Argentina and Uruguay. Paraguay also recorded an excellent export performance, fueled by demand in countries such as Chile, Russia and Brazil, as well as certain regions in the Middle East.

We present below Athena Foods' export revenue by region in 2018 and 2019:

- » Americas: The Americas accounted for 20% of Athena Foods' exports in 2019, in line with 2018.
- » Asia: Asia consolidated its position as the main export destination of Athena Foods, with 46% of the total, 10 p.p. more than in 2018. China alone accounted for 42% of this division's exports.
- » CIS (Commonwealth of Independent States): The Commonwealth of Independent States, represented mainly by Russia, accounted for 13% of Athena Foods' exports in 2019, 9 p.p. less than in 2018.
- » Europe: Europe was the destination of 10% of Athena Foods' exports in 2019, down 2 p.p. from 2018.
- » NAFTA: NAFTA accounted for 5% of exports, in line with 2018.
- » Middle East: The Middle East was the destination of 5% of Athena Foods' exports in 2019, in line with 2018.
- » Africa: The share of Africa in Athena Foods' exports stood at 1% in 2019, in line with 2018.

Figures 6 and 7 - Breakdown of Exports by Region – Athena Foods



Source: Minerva

Domestic Market – 23.0% of Gross Revenue from Athena Foods in 4Q19 | 23.9% in 2019

Athena Foods recorded domestic gross revenue of R\$1.8 billion in 2019 and R\$487.2 million in 4Q19, 21% higher than in 3Q19.

We present below a complete breakdown of Athena Foods:

Gross Revenue (R\$ Million)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	1,484.7	1,337.8	11.0%	1,342.3	10.6%	5,077.3	4,428.3	14.7%
Byproducts – EM	139.2	160.3	-13.1%	127.3	9.4%	523.7	562.2	-6.8%
Processed foods – EM	2.6	1.5	80.9%	2.1	22.8%	8.7	3.1	177.3%
Subtotal – EM	1,626.6	1,499.5	8.5%	1,471.8	10.5%	5,609.8	4,993.6	12.3%
Fresh beef – DM	304.0	286.6	6.0%	262.7	15.7%	1,098.5	1,093.5	0.5%
Byproducts – DM	50.5	43.9	14.9%	43.2	17.0%	182.1	192.6	-5.5%
Processed foods – DM	132.8	190.3	-30.2%	96.8	37.1%	479.8	627.5	-23.5%
Subtotal – DM	487.2	520.8	-6.5%	402.7	21.0%	1,760.4	1,913.6	-8.0%
Total	2,113.8	2,020.4	4.6%	1,874.5	12.8%	7,370.2	6,907.2	6.7%

Volume ('000 tons)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	72.4	69.2	4.6%	79.5	-9.0%	289.0	262.9	9.9%
Byproducts – EM	18.0	19.1	-5.7%	17.3	4.4%	72.0	57.5	25.2%
Processed foods – EM	0.2	0.1	65.1%	0.2	-3.5%	0.8	0.3	212.4%
Subtotal – EM	90.6	88.4	2.5%	97.0	-6.6%	361.8	320.6	12.8%
Fresh beef – DM	19.4	18.4	5.4%	18.3	5.8%	74.5	79.4	-6.2%
Byproducts – DM	14.0	15.9	-11.5%	16.5	-14.7%	74.4	57.2	29.9%
Processed foods – DM	9.8	11.5	-14.8%	9.8	-0.5%	40.1	47.1	-14.9%
Subtotal – DM	43.2	45.8	-5.5%	44.6	-3.1%	189.0	183.8	2.8%
Total	133.9	134.2	-0.2%	141.6	-5.5%	550.7	504.5	9.2%

Average Price – EM (US\$/kg)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	5.0	5.1	-1.9%	4.3	17.2%	4.5	4.6	-3.4%
Byproducts – EM	1.9	2.2	-14.8%	1.9	1.0%	1.8	2.7	-31.1%
Processed foods – EM	3.2	3.1	1.3%	2.6	22.6%	2.8	3.4	-17.8%
Total	4.4	4.5	-2.1%	3.8	14.1%	3.9	4.3	-7.8%
Average dollar (Source: BACEN)	4.11	3.81	8.1%	3.97	3.7%	3.94	3.65	8.0%

Average Price – EM (R\$/Kg)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – EM	20.5	19.3	6.1%	16.9	21.5%	17.6	16.8	4.3%
Byproducts – EM	7.7	8.4	-7.9%	7.4	4.8%	7.3	9.8	-25.6%
Processed foods – EM	13.0	11.9	9.5%	10.2	27.2%	11.1	12.5	-11.2%
Total	17.9	17.0	5.8%	15.2	18.3%	15.5	15.6	-0.4%

Average Price – DM (R\$/Kg)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Fresh beef – DM	15.7	15.6	0.6%	14.3	9.4%	14.7	13.8	7.1%
Byproducts – DM	3.6	2.8	29.9%	2.6	37.1%	2.4	3.4	-27.2%
Processed foods – DM	13.6	16.6	-18.1%	9.9	37.8%	12.0	13.3	-10.2%
Total	11.3	11.4	-1.0%	9.0	24.9%	9.3	10.4	-10.5%

EM - Export Market, DM – Domestic Market

TRADING DIVISION

Gross revenue from the Trading Division, which consists of the result from the live cattle, protein trading, energy trading and resale of third-party products segments, reached R\$2,320.7 million in 2019. In 4Q19, the Trading Division recorded gross revenue of R\$439.6 million.

Export Market – 25.8% of Gross Revenue from the Trading Division in 4Q19 | 34.4% in 2019

Gross export revenue from the Trading Division totaled R\$798.0 million in 2019, 5.6% more than in 2018. In 4Q19, gross revenue totaled R\$113.3 million.

Domestic Market – 74.2% of Gross Revenue from the Trading Division in 4Q19 | 65.6% in 2019

Domestic sales from this division reached R\$1,522.7 million in 2019 and R\$326.2 million in 4Q19.

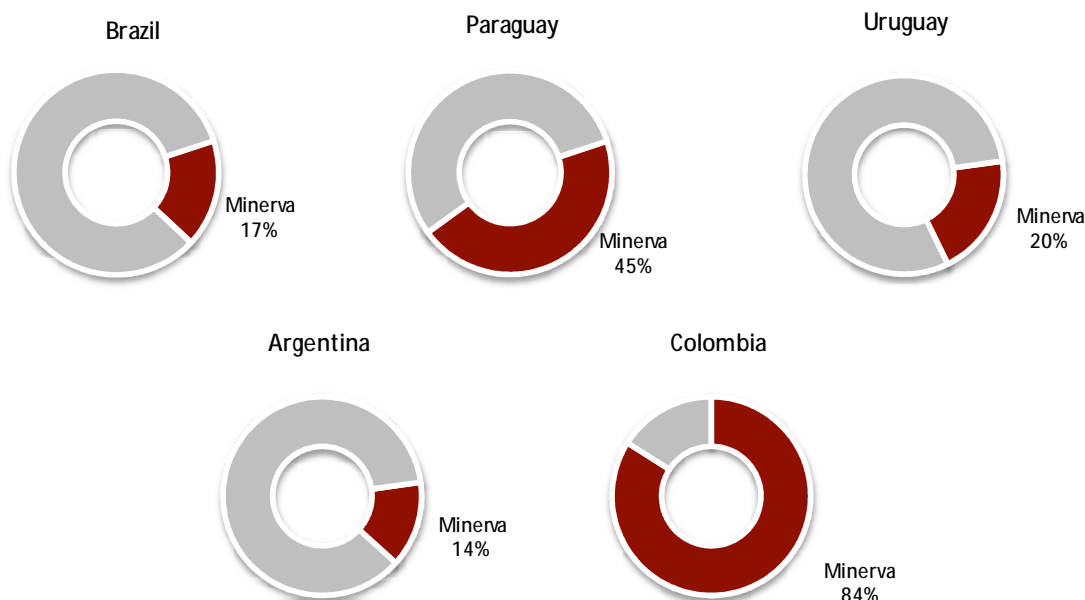
Gross Revenue (R\$ Million)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Trading gross revenue	439.6	866.0	-49.2%	575.7	-23.6%	2,320.7	2,837.6	-18.2%
Export market	113.3	201.9	-43.9%	244.8	-53.7%	798.0	755.7	5.6%
Domestic market	326.2	664.0	-50.9%	330.9	-1.4%	1,522.7	2,081.8	-26.9%

Consolidated Results Analysis

Exports - Market Share by Country

In 2019, Minerva Foods remained one of the leading exporters in the countries where it operates. Minerva accounted for 17% of beef exports in Brazil, 45% in Paraguay (remaining the leading beef exporter in the country), 20% in Uruguay, 14% in Argentina and 84% in Colombia (maintaining our leadership position in the country).

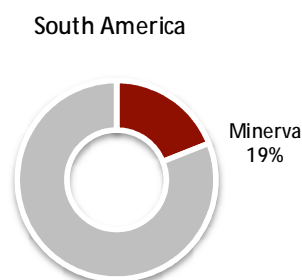
Figure 8 – 2019 Market Share (% of Revenue)



Sources: Minerva, Secex, Penta-transaction, OCIT, IPCVA and Legiscomex

Minerva accounted for 19% of South American exports in 2019, maintaining its position as the leading beef exporter in the continent.

Figure 9 – 2019 Market Share (% of Revenue)



Sources: Minerva, Secex, Penta-transaction, OCIT, IPCVA and Legiscomex

Gross revenue

Based on the performance of its three divisions (the Brazilian Industry Division, Athena Foods and the Trading Division), the Company's consolidated gross revenue totaled R\$18.2 billion in 2019, up 5.6% over 2018. Gross revenue amounted to R\$5,162.6 million in 4Q19, up 4.8% over 4Q18 and 8% higher than in 3Q19.

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Gross revenue	5,162.6	4,925.7	4.8%	4,790.7	7.8%	18,197.4	17,225.6	5.6%
Brazilian Industry Division	2,609.2	2,039.4	27.9%	2,340.5	11.5%	8,506.6	7,480.8	13.7%
Athena Foods	2,113.8	2,020.4	4.6%	1,874.5	12.8%	7,370.2	6,907.2	6.7%
Trading Division	439.6	866.0	-49.2%	575.7	-23.6%	2,320.7	2,837.6	-18.2%

Net revenue

Fourth-quarter net revenue came to R\$4.9 billion in 2019, up 5.4% over 4Q18 and 7.7% higher than in 3Q19. In 2019, consolidated net revenue came to R\$17.1 billion, up 5.6% over 2018.

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Gross revenue	5,162.6	4,925.7	4.8%	4,790.7	7.8%	18,197.4	17,225.6	5.6%
Deductions and discounts	-303.0	-315.6	-4.0%	-279.5	8.4%	-1,074.6	-1,010.7	6.3%
Net revenue	4,859.7	4,610.1	5.4%	4,511.2	7.7%	17,122.8	16,214.9	5.6%
% Gross revenue	94.1%	93.6%	0.5 p.p.	94.2%	0.0 p.p.	94.1%	94.1%	0.0 p.p.

Cost of Goods Sold (COGS) and Gross Margin

COGS represented 78% of net revenue in 4Q19, representing a gross margin of around 22%, 5.2 p.p. higher than in 4Q18. In 2019, COGS was equivalent to 80.8% of net revenue, representing a gross margin of 19.2%, 1.7 p.p. more than in 2018.

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Net revenue	4,859.7	4,610.1	5.4%	4,511.2	7.7%	17,122.8	16,214.9	5.6%
COGS	-3,792.6	-3,839.4	-1.2%	-3,674.6	3.2%	-13,830.3	-13,366.6	3.5%
% Net revenue	78.0%	83.3%	-5.2 p.p.	81.5%	-3.4 p.p.	80.8%	82.4%	-1.7 p.p.
Gross profit	1,067.0	770.8	38.4%	836.5	27.6%	3,292.6	2,848.3	15.6%
Gross margin	22.0%	16.7%	5.2 p.p.	18.5%	3.4 p.p.	19.2%	17.6%	1.7 p.p.

Selling, General and Administrative Expenses

Selling expenses represented 7.3% of net revenue in 4Q19, while general and administrative expenses corresponded to 3.6% of net revenue. Selling expenses represented 7.0% of net revenue in 2019, while general and administrative expenses corresponded to 3.7% of net revenue, in line with 2018.

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Selling expenses	-354.8	-265.3	33.8%	-304.8	16.4%	-1,201.1	-1,020.5	17.7%
% Net revenue	7.3%	5.8%	1.5 p.p.	6.8%	0.5 p.p.	7.0%	6.3%	0.7 p.p.
G&A expenses	-176.6	-150.1	17.6%	-146.4	20.6%	-625.1	-611.4	2.2%
% Net revenue	3.6%	3.3%	0.4 p.p.	3.2%	0.4 p.p.	3.7%	3.8%	-0.1 p.p.

EBITDA

EBITDA hit an all-time high of R\$603.3 million in 4Q19, increasing 30.4% over 4Q18 and 32.7% over 3Q19. The EBITDA margin achieved a record of 12.4% in 4Q19, up 2.4 p.p. over 4Q18 and 2.3 p.p. higher than in 3Q19.

In 2019, adjusted EBITDA totaled R\$1.8 billion, another all-time high, approximately 13% higher than in 2018, with an EBITDA margin of 10.2% (+0.6 p.p. vs. 2018).

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Net income (loss)	243.6	-92.1	n.a	-82.7	n.a	16.2	-1,264.8	n.a
(+/-) Deferred income and social contribution taxes	-166.3	17.0	n.a	8.4	n.a	-148.8	-544.2	-72.7%
(+/-) Financial result	455.9	452.4	0.8%	461.6	-1.2%	1,594.7	2,483.5	-35.8%
(+/-) Asset impairment	0.0	18.8	-1.0	0.0	n.a.	0.0	18.8	-1.0
(+/-) Depreciation and amortization	65.1	66.6	-2.2%	67.3	-3.2%	264.0	221.7	19.1%
(+/-) Other expense adjustments	5.0	0.0	n.a.	0.0	n.a.	24.5	635.3	-96.1%
Adjusted EBITDA	603.3	462.8	30.4%	454.5	32.7%	1,750.6	1,550.4	12.9%
Adjusted EBITDA margin	12.4%	10.0%	2.4 p.p.	10.1%	2.3 p.p.	10.2%	9.6%	0.7 p.p.

Financial result

The financial result was a loss of R\$455.9 million in 4Q19, impacted by a non-cash effect of R\$84.1 million related to monetary correction in the period.

The "Other Revenue/Expenses" line was also affected by the FX hedge in the amount of R\$85.0 million in 4Q19. In 2019, the FX hedge result was positive by R\$5.8 million.

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Financial expenses	-245.3	-263.6	-6.9%	-249.7	-1.7%	-951.7	-1,014.7	-6.2%
Financial income	14.3	31.9	-55.1%	14.4	-0.8%	64.4	86.0	-25.1%
Monetary correction	-84.1	-24.7	2.4	-67.1	25.3%	-173.1	-24.7	6.0
FX variation	2.8	126.9	-97.8%	-265.6	-101.0%	-290.3	-1,233.3	-76.5%
Other expenses (*)	-143.6	-323.0	-55.5%	106.4	-235.5%	-244.1	-296.8	-17.8%
Financial result	-455.9	-452.4	0.8%	-461.6	-1.3%	-1,594.7	-2,483.5	-35.8%
Average dollar (R\$/US\$)	4.11	3.81	8.1%	3.97	3.7%	3.94	3.65	8.0%
Closing dollar (R\$/US\$)	4.03	3.87	4.0%	4.16	-3.2%	4.03	3.87	4.0%

(*) Other Expenses/Revenues (R\$ Million)	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
FX hedge	-85.0	-129.0	-34.1%	165.0	-151.5%	5.8	98.0	-94.1%
Commodities hedge	-7.0	-36.0	-80.6%	-1.4	600.0%	-16.1	-76.5	-79.0%
Fees, commissions and other financial expenses	-51.0	-158.0	-67.7%	-58.0	-12.1%	-233.5	-318.2	-26.6%
Total	-143.0	-323.0	-55.7%	106.4	-234.9%	-243.8	-296.7	-17.8%

Net Result

The Company recorded net income after income and social contribution taxes of R\$243.6 million in 4Q19. In 2019, Minerva recorded net income of R\$16.2 million.

Excluding the non-cash effects of monetary correction, FX variation and the hedge result, Minerva recorded adjusted net income of R\$409.9 million in 4Q19 and R\$473.8 million in 2019.

R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg	2019	2018	% Chg
Net income (loss) before income and social contribution taxes	77.3	-75.1	n.a	-74.3	n.a	-132.6	-1,809.0	-92.7%
Income and social contribution taxes	166.3	-17.0	n.a	-8.4	n.a	148.8	544.2	-72.7%
Net result	243.6	-92.1	n.a	-82.7	n.a	16.2	-1,264.8	n.a
% Net margin	5.0%	-2.0%	7.0 p.p.	-1.8%	6.8 p.p.	0.1%	-7.8%	7.9 p.p.

R\$ Million	4Q19	2019
Net income (loss)	243.6	16.2
Monetary correction	84.1	173.1
FX variation	-2.8	290.3
FX hedge	85.0	-5.8
Adjusted net income	409.9	473.8
Income and social contribution taxes	-166.3	-148.8
Adjusted net income (loss) after income and social contribution taxes	243.6	325.0

Cash Flow

Operating Cash Flow

In the fourth quarter of 2019, operating cash flow was a positive R\$241.0 million. The variation in working capital requirements was negative by R\$132.1 million in the quarter, due to the "Receivables" line, which consumed R\$164.0 million of cash, as a larger share of sales was allocated to exports, which require a longer payment term. The "Suppliers" line generated R\$359.2 million in cash, as the Company acquired raw materials with a longer payment term in the quarter, but the "Other Payables" line stood at a negative R\$338.9 million, virtually offsetting this result. In 2019, operating cash flow totaled R\$1,757.9 million.

R\$ Million	4Q19	4Q18	3Q19	2019
Net result	243.6	-92.1	-82.7	16.1
(+) Net result adjustments	129.5	189.8	622.6	1,370.9
(+) Variation in working capital requirements	-132.1	242.3	415.3	370.9
Operating cash flow	241.0	340.1	955.2	1,757.9

R\$ Million	4Q19	3Q19	Change
Advances from clients	1,008.5	1,333.6	-325.1
Other	54.0	67.8	-13.8
Other payables	1,062.5	1,401.4	-338.9

Free cash flow

Free cash flow after Capex, interest payments and working capital was positive by R\$87.1 million in 4Q19, and the Company recorded positive cash generation for the eighth consecutive quarter. The cash financial result totaled a negative R\$316.0 million in the quarter, while the variation in working capital requirements was negative by R\$132.1 million. In 2019, free cash flow was positive by R\$719.6 million.

Adjusted for non-recurring expenses, recurring free cash flow reached R\$92.0 million in 4Q19 and R\$787.0 million in 2019, an all-time high. It is worth noting that Minerva's recurring free cash flow totaled R\$1.5 billion in the 2018-2019 period.

R\$ Million	4Q19	3Q19	2Q19	1Q19	2019
EBITDA	598.3	454.5	363.9	309.3	1,726.1
Capex	-63.2	-61.9	-68.5	-27.8	-221.4
Financial result (on a cash basis) ⁽¹⁾	-316.0	-298.0	-295.0	-246.9	-1,155.9
Variation in working capital requirements	-132.1	415.3	99.3	-11.7	370.8
Free cash flow to equity	87.1	509.9	99.7	22.9	719.6
Non-recurring Items	5.0	0.0	43.0	19.5	67.5
Recurring free cash flow to equity	92.0	509.9	142.7	42.4	787.0

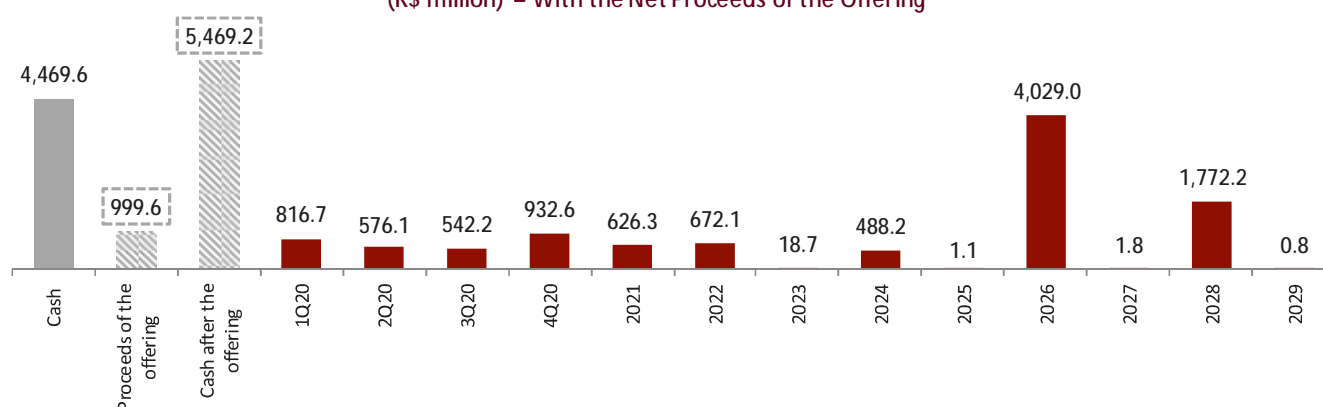
(1) Excluding the cash result of FX hedge

Capital Structure

At the end of December 2019, Minerva had cash and cash equivalents of R\$4.5 billion, which is sufficient to amortize its debt through 2024. In accordance with our hedge policy, the Company hedges at least 50% of the long-term FX exposure.

Financial leverage, measured by the net debt/LTM EBITDA ratio, including the net proceeds of the primarying offering completed in January 2020 (R\$999.6 million), reached 2.8x, the lowest level in the past few years. The debt duration remained at around five years.

Figure 10 – Debt Amortization Schedule on 12/31/2019
(R\$ million) – With the Net Proceeds of the Offering



R\$ Million	4Q19	4Q18	% Chg	3Q19	% Chg
Short-term debt	2,867.6	3,644.3	-21.6%	2,026.8	41.0%
% Short-term debt	27.4%	34.8%	-7.5 p.p.	20.8%	6.5 p.p.
Local currency	1,136.4	894.7	27.0%	768.5	47.9%
Foreign currency	1,731.2	2,699.6	-35.9%	1,258.3	37.6%
Long-term debt	7,610.1	6,823.3	11.7%	7,732.3	-1.5%
% Long-term debt	72.6%	65.2%	7.5 p.p.	79.2%	-6.5 p.p.
Local currency	1,049.1	586.4	78.9%	859.4	22.1%
Foreign currency	6,561.0	6,236.9	5.2%	6,872.9	-4.5%
Total debt	10,477.7	10,467.6	0.1%	9,759.1	7.4%
Local currency	2,185.5	1,481.0	47.6%	1,627.9	34.3%
Foreign currency	8,292.2	8,936.5	-7.2%	8,131.1	2.0%
Cash and cash equivalents	4,469.7	4,397.0	1.7%	3,614.2	23.7%
Net proceeds of the offering	999.6	-	-	-	-
Net debt ^{(1) (2)}	5,008.4	6,063.0	-17.6%	6,137.4	-18.6%
Net debt/LTM adjusted EBITDA (x) ^{(1) (2)}	2.8	3.9	-1.1	3.8	-0.6

(1) Net debt includes FIDC subordinated shares totaling R\$9.0 million in 4Q19, R\$7.6 million in 4Q18 and R\$7.4 million in 3Q19

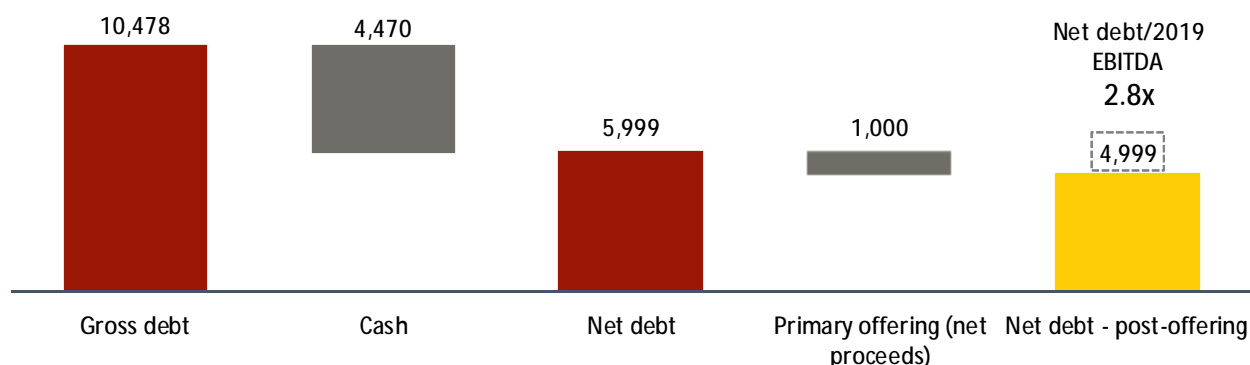
(2) Considering the net proceeds of the offering after issuance costs

Capital Structure – Effect of the Share Offering

On January 23, 2020, the Company completed the primary and secondary follow-on share offering, with the primary issue of 80 million new shares, at R\$13.00/share, raising a gross amount of R\$1,040 million (R\$999.6 million in net proceeds after taxes and issuance costs).

As previously reported, the funds will be fully allocated to debt repayments and improving Minerva's capital structure, in line with the management's strategy and our accelerated deleveraging plan, announced at the end of 2018. As a result, leverage, measured by the net debt/LTM EBITDA ratio, including the net proceeds of the offering reached 2.8x, the lowest level in the past few years. For more details, please see the chart below:

Figure 11 – Leverage in 4Q19 Including Proceeds of the Share Offering



It is also important to note that, as an integral part of the private capital increase concluded in 2018, there are still approximately 121 million warrants due in December 2021, at an exercise price of R\$6.42, outstanding in the market, which implies an additional capital increase of R\$779.4 million to be paid in by the due date, with a positive effect on the Company's cash and leverage ratio, as shown in the table below:

Leverage	R\$ Million
Gross debt in 4Q19	10,478
Cash in 4Q19	4,470
Net debt in 4Q19	5,999
Net proceeds of the offering	999.6
Net debt - post-offering	4,999
Net debt/EBITDA - post-offering	2.8x
Cash inflow - Capital increase - Warrants ⁽¹⁾	779.4

(1) Based on outstanding warrants in February 2020: 121 million, at an exercise price of R\$6.42

Investments

Investments in fixed assets totaled R\$63.2 million in 4Q19, of which R\$49.7 million went to maintenance of current operations and R\$13.5 million to expansion. In 2019, investments totaled R\$221.4 million.

See below a breakdown of investments (cash effect) by quarter in the last twelve months:

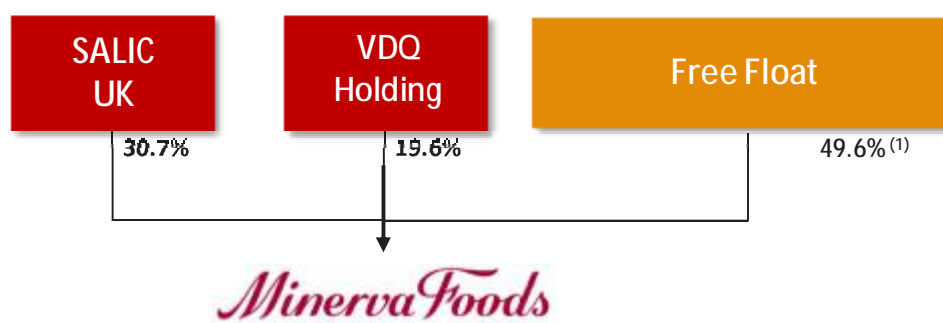
CAPEX (R\$ Million)	1Q19	2Q19	3Q19	4Q19	2019
Maintenance	15.6	40.5	47.0	49.7	152.8
Expansion	12.2	28.0	14.9	13.5	68.6
Total	27.8	68.5	61.9	63.2	221.4

Subsequent Events

Completion of the Primary and Secondary Follow-on Offering

On January 23, 2020, the Company successfully completed the primary and secondary follow-on offering of 95,000,000 non-pars, registered, common shares, at R\$13.00 per share. The Company issued 80,000,000 new shares, resulting in a R\$1,040,000,000.00 capital increase.

In addition, 15,000,000 shares belonging to the Company's controlling shareholder VDO Holdings S.A. were sold, with the following effect on the Company's ownership structure:



(1) Considers treasury share

Capital Increase as a Result of the Exercise of Subscription Warrants

	1/10/2019	2/10/2019
Capital stock	R\$288,492,903.39	R\$1,340,513,576.57
Issued shares	403,686,540	485,558,919
Outstanding warrants	123,269,315	121,396,936
Exercise price	6.42	6.42
Estimated capital increase (by 2021)	791,389,002.30	779,368,329.12

Income Allocation Policy

At a Board of Directors' meeting held on February 18, 2019, Minerva changed its Income Allocation Policy ("Policy") approved on December 6, 2018, in order to, among other changes, determine that, in the fiscal year in which the Company's leverage ratio is equal to or less than 2.5x, the Board of Directors must propose to the shareholders' meeting the payment of dividends, as mandatory dividends and as additional dividends, corresponding to at least 50% of net income adjusted for deductions and additions provided for in Brazilian Corporate Law, in the Company's Bylaws and in the Policy.

Thus, in the fiscal year in which the leverage ratio is equal to or less than 2.5x, the Company will distribute 25% of its adjusted net income as mandatory dividends and, if the shareholders' meeting approves the management's proposal, additional dividends corresponding to at least another 25% of adjusted net income.

[Click here](#) to access the Income Allocation Policy.

About Minerva S.A.

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 and 3 processing plants. In 2019, the Company recorded gross sales revenue of R\$18.2 billion, 6% more than in 2018.

Relationship with Auditors

In accordance with CVM Instruction 381/03, we announce that our auditors did not provide services other than those related to the external audit in 2017, 2018 and 2019.

Statement from Management

In compliance with CVM Instructions, Management declares that it has discussed, reviewed and agreed with the individual and consolidated accounting information related to the fiscal year ended December 31, 2019 and the opinions expressed in the independent auditors' review report, hereby authorizing their disclosure.

APPENDIX 1 - INCOME STATEMENT (CONSOLIDATED)

(R\$ thousand)	4Q19	4Q18	3Q19	2019	2018
Revenue from domestic sales	1,632,400	1,949,833	1,524,230	6,107,269	6,567,135
Revenue from exports	3,530,239	2,975,857	3,266,478	12,090,151	10,658,504
Gross sales revenue	5,162,639	4,925,690	4,790,708	18,197,420	17,225,639
Revenue deductions – taxes and other	-302,979	-315,552	-279,525	-1,074,595	-1,010,730
Net operating revenue	4,859,660	4,610,138	4,511,183	17,122,825	16,214,909
Cost of goods sold	-3,792,618	-3,839,351	-3,674,648	13,830,264	13,366,616
Gross profit	1,067,042	770,787	836,535	3,292,561	2,848,293
Selling expenses	-354,787	-265,251	-304,843	-1,201,107	-1,020,459
General and administrative expenses	-176,559	-150,090	-146,402	-625,050	-611,366
Other operating revenues (expenses)	-2,498	40,740	1,928	-4,322	-523,118
Asset impairment	0	-18,838	0	0	-18,838
Result before financial expenses	533,198	377,348	387,218	1,462,082	674,512
Financial expenses	-388,930	-263,575	-249,685	-1,195,744	-1,014,688
Financial income	14,321	31,888	14,441	64,385	85,958
Monetary correction	-84,081	-24,701	-67,105	-173,058	-24,701
FX variation	2,783	126,943	-265,556	-290,275	-1,233,306
Other expenses	0	-323,001	106,351	0	-296,790
Financial result	-455,907	-452,446	-461,554	-1,594,692	-2,483,527
Result before taxes	77,291	-75,098	-74,336	-132,610	-1,809,015
Income and social contribution taxes - current	-64,880	-96	-58,217	-153,037	-18,490
Income and social contribution taxes - deferred	231,211	-16,865	49,816	301,804	562,723
Result before non-controlling interest	243,622	-92,059	-82,737	16,157	-1,264,782
Controlling shareholders	243,622	-92,059	-82,737	16,157	-1,264,782
Net income (loss)	243,622	-92,059	-82,737	16,157	-1,264,782

APPENDIX 2 - BALANCE SHEET (CONSOLIDATED)

(R\$ thousand)	4Q19	4Q18
ASSETS		
Cash and cash equivalents	4,469,687	4,396,985
Accounts receivable from clients	1,778,214	1,783,355
Inventories	714,565	692,459
Biological assets	235,773	156,698
Taxes recoverable	763,227	858,843
Other receivables	307,818	253,995
Total current assets	8,269,284	8,142,335
Taxes recoverable	179,387	183,428
Deferred tax assets	426,386	181,333
Other receivables	13,348	11,971
Judicial deposits	24,550	23,998
Fixed assets	3,632,800	3,580,563
Intangible assets	687,982	700,793
Total non-current assets	4,64,453	4,682,086
Total assets	13,233,737	12,824,421
LIABILITIES		
Loans and financing	2,867,602	3,644,273
Commercial leasing	6,990	0
Suppliers	1,362,369	872,508
Labor and tax liabilities	330,265	234,634
Other payables	1,060,774	1,237,204
Total current liabilities	5,628,000	5,988,619
Loans and financing	7,610,124	6,823,301
Commercial leasing	39,457	0
Labor and tax liabilities	64,776	72,750
Provision for contingencies	38,272	42,774
Accounts payable	1,753	732
Deferred tax liabilities	133,017	197,359
Total non-current liabilities	7,887,399	7,136,916
Shareholders' equity		
Capital stock	282,017	1,109,259
Capital reserves	118,271	120,182
Revaluation reserves	50,614	52,162
Accumulated profit (loss)	-380,210	-1,397,915
Treasury shares	-32,695	-36,846
Equity valuation adjustments	-319,659	-147,956
Total shareholders' equity attributed to controlling shareholders	-281,662	-301,114
Total shareholders' equity	-281,662	-301,114
Total liabilities and shareholders' equity	13,233,737	12,824,421

APPENDIX 3 – CASH FLOW (CONSOLIDATED)

(R\$ thousand)	4Q19	4Q18	3Q19	2019	2018
Cash flow from operating activities					
Net income (loss)	243,622	-92,059	-82,737	16,157	-1,264,782
Reconciliation of net income to net cash provided by operating activities:					
Depreciation and amortization	65,149	66,643	67,303	263,994	221,732
Estimated loss on doubtful accounts	5,651	-10,101	1,083	7,935	-5,236
Proceeds from the sale of fixed assets	478	499	175	1,772	3,742
Fair value of biological assets	-36,977	11,318	5,530	-28,836	17,274
Realization of deferred taxes – temporary differences	-231,211	16,865	-49,816	-301,804	-562,723
Asset impairment	0	18,838	0	0	18,838
Financial charges	245,329	263,778	249,685	951,676	989,123
FX variation – not realized	-3,092	-169,693	282,095	307,567	1,202,879
Monetary correction	84,081	0	67,105	173,058	0
Provision for contingencies	54	-8,374	-569	-4,502	-104,569
Accounts receivable from clients and other receivables	-164,624	-250,326	2,146	-57,994	-288,703
Inventories	23,052	187,167	23,449	-22,106	30,350
Biological assets	9,097	29,827	-28,293	-50,239	40,345
Taxes recoverable	-18,186	21,341	-26,666	99,657	21,991
Deferred taxes	0	-26,878	0	0	443,466
Judicial deposits	2,869	4,152	172	-552	-2,206
Suppliers	359,268	7,604	187,979	510,014	-175,891
Labor and tax liabilities	-4,595	12,298	31,435	67,504	63,965
Other payables	-338,975	257,160	225,095	-175,409	680,288
Cash flow from operating activities	240,990	340,059	955,171	1,757,892	1,329,883
Cash flow from investing activities					
Acquisition of intangible assets	-12,408	-1,065	-1,134	4,797	-8,053
Acquisition of fixed assets	-50,783	-42,189	-60,797	-242,266	-181,037
Cash flow from investing activities	-63,191	-43,254	-61,931	-247,063	-189,090
Cash flow from financing activities					
Loans and financing raised	1,592,436	450,519	1,578,425	3,723,696	2,150,743
Loans and financing settled	-1,089,056	-1,716,233	-1,830,671	-5,145,845	-3,732,765
Commercial leasing	-10,973	0	-1,494	-21,674	0
Capital payment in cash	172,065	964,725	419	172,758	980,405
Treasury shares	0	0	2,240	2,240	-4,489
Cash flow from financing activities	664,472	-300,989	-251,081	-1,268,825	-606,106
FX variation on cash and cash equivalents	13,246	227,903	-115,901	-169,302	54,956
Net increase/decrease in cash and cash equivalents	855,517	223,719	526,258	72,702	589,643
Cash and cash equivalents					
Beginning of period	3,614,170	4,173,266	3,087,912	4,396,985	3,807,342
End of period	4,469,687	4,396,985	3,614,170	4,469,687	4,396,985
Net increase/decrease in cash and cash equivalents	855,517	223,719	526,258	72,702	589,643

APPENDIX 4 – ATHENA FOODS' INCOME STATEMENT (US\$)

In 4Q19, Athena Foods' gross revenue totaled US\$ 546.0 million, up 19.7% compared to 3Q19. In 2019, gross revenue reached US\$ 1.9 billion.

Athena Foods' adjusted EBITDA totaled US\$ 46.9 million in 4Q19 and US\$ 163.7 million in 2019, with an adjusted EBITDA margin of 9.0% in both periods. The net result was US\$ 7.8 million in 4Q19 and \$ 47.2 million in 2019.

Net revenue

Net Revenue (US\$ million)	4Q19	3Q19	% Chg	2019
Gross revenue	546.0	456.2	19.7%	1,898.2
Export market	421.5	363.1	16.1%	1,452.3
Domestic market	124.5	93.1	33.7%	446.0
Revenue deductions	-25.1	-14.3	76.2%	-72.3
Net revenue	520.9	441.9	17.9%	1,825.9

COGS

Cost of Goods Sold - COGS (US\$ million)	4Q19	3Q19	% Chg	2019
Net revenue	520.9	441.9	17.9%	1,825.9
Cost of goods sold	-431.9	-374.9	15.2%	-1,545.6
% Net revenue	-83%	-85%	1.9 p.p.	-85%
Gross profit	89.0	67.0	32.8%	280.3
Gross margin	17.1%	15.2%	1.9 p.p.	15.4%

Selling, General and Administrative Expenses

Expenses (US\$ million)	4Q19	3Q19	% Chg	2019
Selling expenses	-39.0	-29.9	30.5%	-123.5
% Net revenue	7.5%	6.8%	0.7 p.p.	6.8%
General and administrative expenses	-11.8	-14.9	-20.9%	-48.8
% Net revenue	2.3%	3.4%	-1.1 p.p.	2.7%

EBITDA

EBITDA (US\$ million)	4Q19	3Q19	% Chg	2019
Net result	7.8	8.6	-9.3%	46.4
Financial result	27.4	8.0	240.2%	49.4
Taxes	2.7	5.0	-44.7%	12.3
Depreciation and amortization	7.5	7.6	-1.5%	32.2
EBITDA	45.4	29.3	55.3%	140.3
EBITDA margin (%)	8.7%	6.6%	2.1 p.p.	7.7%
Translation adjustments	1.5	13.8	-89.1%	23.4
Adjusted EBITDA	46.9	43.1	9.0%	163.7
Adjusted EBITDA margin (%)	9.0%	9.7%	-0.7 p.p.	9.0%

Net Result

Income/Loss (US\$ million)	4Q19	3Q19	% Chg	2019
Net income (loss) before income and social contribution taxes	10.6	13.6	-22.3%	58.7
Income tax	-2.7	-5.0	-44.7%	-11.6
Net result	7.8	8.6	-9.3%	47.2
Net margin	1.5%	2.0%	-0.5 p.p.	2.6%

Debt

Debt (US\$ million)	Dec/19	Sept/19	% Chg
Gross debt	49.5	74.8	-33.8%
Short-term debt	49.5	64.9	-23.7%
Long-term debt	0.001	9.9	-100.0%
Cash and cash equivalents	42.0	68.4	-38.5%
Net debt	7.5	6.4	16.7%
Net debt/LTM EBITDA (x)	0.05	-	-

Free cash flow

FCF (US\$ million)	4Q19	3Q19	% Chg	2019
Adjusted EBITDA	46.9	43.1	8.9%	163.2
Capex	-8.8	-7.5	17.3%	-26.7
Financial result (on a cash basis)	-2.8	-2.0	40.1%	-12.1
Working capital	-2.7	39.9	-106.8%	6.4
Free cash flow	32.6	73.5	-55.6%	130.7

APPENDIX 5 – EXCHANGE RATE

	4Q19	4Q18	3Q19
(USD- Closing)			
Brazil (BRL/USD)	4.11	3.88	4.16
Paraguay (PYG/USD)	6,447.20	5,969.00	6,380.10
Uruguay (UYU/USD)	38.15	32.42	36.96
Argentina (ARS/USD)	59.77	37.68	57.59
Colombia (COP/USD)	3,386.73	3,252.08	3,478.08

MINERVA S.A.
Publicly-Held Company
Corporate Taxpayer ID (CNPJ) No. 67.620.377/0001-14
Company's Registry (NIRE) 35.300.344.022 | CVM Code No. 20931

Minutes of the Fiscal Council's Meeting
Held on February 18th, 2020

- 1. Date, Time and Place:** Held on February 18th, 2020 , at 3:00 p.m. , at the Company's office, located in the City of São Paulo, State of São Paulo, at Rua Leopoldo Couto de Magalhães Júnior, 758, 8th floor, set 82, Itaim Bibi, Postal Code 04542-000 ("Company").
- 2. Presiding:** Dorival Antonio Bianchi – **Chairman:** Franklin Saldana Neiva Filho - **Secretary.**
- 3. Call Notice:** Call held pursuant to item 6.3 of the Internal Regulations of the Fiscal Council of the Company.
- 4. Attendance:** The totality of the members of the Company's Fiscal Council were present.
- 5. Agenda:** The Company's Fiscal Council's members met to: **(i)** examine and give an opinion on the maintenance and recognition of the Deferred Tax Asset; **(ii)** examine and give an opinion on the financial statements, accompanied by the respective explanatory notes and the report of the independent auditors, referring to the fiscal year ended on December 31st, 2019; **(iii)** analyze and give an opinion on the management's report and the management's accounts, for the fiscal year ended on December 31st, 2019; **(iv)** give an opinion on the management's proposal for the allocation of income for the fiscal year ended on December 31st, 2019; **(v)** give an opinion on the management's proposal to amend the caput of article 5 of the Bylaws to reduce the Company's capital stock, in the amount of three hundred and eighty million, two hundred and nine thousand, nine hundred and forty-eight reais and twenty centavos (R\$ 380,209,948.20), without cancellation of shares, to absorb accumulated losses in the financial statements for the fiscal year ended on December 31st, 2019; **(vi)** give an opinion on the management's proposal for the amendment to the caput of article 6 of the Bylaws to increase the limit of the Company's authorized capital; **(vii)** issue an opinion on the financial statements, the management report and the management accounts; and **(viii)** issue an opinion on the management's proposal to reduce capital.

6. Resolutions: After discussing the matters within the agenda, the members of the Company's Fiscal Council, without any restrictions and by unanimous vote, resolved:

6.1. To give a favorable opinion to the maintenance and recognition of the Deferred Tax Asset, on tax loss, in the total amount of five hundred and thirteen million, five hundred and twenty-one thousand, eight hundred and fifty-three reais (R\$ 513,521,853.00), recorded in the Company's Financial Statements for the fiscal year ended on December 31st, 2019, based in a technical feasibility study, which presents the expectation of generating future taxable profits in order to justify the realization of this deferred tax asset within the term provided for in the legislation, a study that is filed at the Company's headquarters.

6.2. To give a favorable opinion on the financial statements, accompanied by the respective explanatory notes and the report of the independent auditors, referring to the fiscal year ended on December 31st, 2019, to be submitted to the resolution of Company's general shareholders' meeting.

6.3. To give a favorable opinion on the management's report and the management's accounts, for the fiscal year ended on December 31st, 2019, to be submitted to the resolution of Company's general shareholders' meeting.

6.4. To give a favorable opinion on the management's proposal for the allocation of income for the fiscal year ended on December 31st, 2019, to be submitted to the resolution of Company's general shareholders' meeting.

6.5. To give a favorable opinion on the management's proposal, to be submitted to the resolution of Company's general shareholders' meeting, to amend the caput of article 5 of the Bylaws to reduce the Company's capital stock, in the amount of three hundred and eighty million, two hundred and nine thousand, nine hundred and forty-eight reais and twenty centavos (R\$ 380,209,948.20), without cancellation of shares, to absorb accumulated losses in the financial statements for the fiscal year ended on December 31st, 2019, pursuant to Article 173 of Law No. 6,404, dated December 15th, 1976, as amended ("Capital Reduction" and "Brazilian Corporate Law").

6.5.1. To note that, with the approval of the Capital Reduction, the Company's capital stock will decrease from the current one billion, three hundred and forty million, five hundred thirteen thousand, five hundred and seventy-six reais and fifty-seven centavos (R\$ 1,340,513,576.57) to nine hundred and sixty million, three hundred and three thousand, six

hundred and twenty-eight reais and thirty-seven centavos (R\$ 960,303,628.37), without cancellation of shares.

6.5.2. To note that the current amount of the capital stock mentioned in item 6.4.1 above, takes into account the capital increases approved by Company's Board of Directors, within the limit of authorized capital, as follows:

- a)** capital increase in the amount of ninety-four thousand, six hundred and twenty-four reais and thirty-eight centavos (R\$ 94,624.38), with the issuance of fourteen thousand, seven hundred and thirty-nine (14,739) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' Meeting held on May 13th, 2019, whose minutes were registered at the Commercial Registry of the State of São Paulo ("JUCESP") under No. 308.483/19-4 in session on June 5th, 2019;
- b)** capital increase, in the amount of twenty thousand, two hundred and forty-two reais and twenty-six centavos (R\$ 20,242.26), with the issuance of three thousand, one hundred and fifty-three (3,153) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on June 12th, 2019, whose minutes were registered with JUCESP under No. 396.783/19-3 in session on July 22nd, 2019;
- c)** capital increase, in the amount of two thousand and three reais and four centavos (R\$ 2,003.04), with the issuance of three hundred and twelve (312) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on July 25th, 2019, whose minutes were registered with JUCESP under No. 427.965/19-6 in session on August 8th, 2019;
- d)** capital increase, in the amount of eleven thousand, six hundred and eighty-four reais and forty centavos (R\$ 11,684.40), with the issuance of one thousand, eight hundred and twenty (1,820) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on August 12th, 2019, whose minutes were registered with JUCESP under No. 459.786/19-2 in session on August 28th, 2019;

- e) capital increase, in the amount of four hundred thousand, seven hundred and eighty-one reais (R\$ 404,781.00), with the issuance of sixty-three thousand and fifty (63,050) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on September 24th, 2019, as re-ratified at the Board of Directors' meeting held on September 26th, 2019, whose minutes were registered with JUCESP under No. 581.283/19-3 in session on November 7th, 2019;
- f) capital increase, in the amount of eight hundred and eight thousand, four hundred and ninety-six reais and twenty-eight centavos (R\$ 808,496.28), with the issuance of one hundred and twenty-five thousand, nine hundred and thirty-four (125,934) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on October 11th, 2019, whose minutes were registered with JUCESP under No. 606.252/19-8 in session on November 21st, 2019;
- g) capital increase, in the amount of seven million, eight hundred and twenty-one thousand, two hundred and twenty-nine reais and twenty centavos (R\$ 7,821,229.29), with the issuance of one million, two hundred and eighteen thousand and two hundred and sixty (1,218,260) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on November 12th, 2019, whose minutes are currently under registry proceedings with JUCESP;
- h) capital increase, in the amount of one hundred and sixty-three million, four hundred and thirty-five thousand, five hundred and forty-five reais (R\$ 163,435,545.00), with the issuance of twenty-five million, four hundred and fifty-seven thousand and two hundred and fifty (25,457,250) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on December 11th, 2019, whose minutes were registered with JUCESP under No. 003.055/20-6 in session on January 7th, 2020;
- i) capital increase, in the amount of five hundred and seventy-seven thousand, five hundred and seventy-five reais and thirty centavos (R\$ 577,575.30), with the issuance of eighty-nine thousand and nine hundred and sixty-five (89,965) new common shares, nominative, book-entry and without par value, approved at the

Board of Directors' meeting held on January 10th, 2020, whose minutes are currently under registry proceedings with JUCESP;

- j)** capital increase, in the amount of one billion and forty million reais (R\$ 1,040,000,000.00), with the issuance of eighty million (80,000,000) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on January 23rd, 2020, whose minutes are currently under registry proceedings with JUCESP; and
- k)** capital increase, in the amount of twelve million, twenty thousand, six hundred and seventy-three reais and eighteen centavos (R\$ 12,020,673.18), with the issuance of one million, eight hundred and seventy-two thousand and three hundred and seventy-nine (1,872,379) new common shares, nominative, book-entry and without par value, approved at the Board of Directors' meeting held on February 10th, 2020, whose minutes are currently under registry proceedings with JUCESP.

6.5.3. To note that, as the Capital Reduction, if approved, will be carried out without cancellation of shares, the Company's capital stock will continue to be divided into four hundred and eighty-five million, five hundred and fifty-eight thousand, nine hundred and nineteen (485,558,919) common, registered, book-entry shares with no par value.

6.5.4. To note that the final value of the capital stock and the effective number of shares may vary if there are increases in capital stock as a result of the exercise of subscription bonuses issued by the Company between the present date and the date of realization of the general shareholders' meeting that appreciates the proposal of Capital Reduction.

6.5.5. To declare that, since the Capital Reduction will be carried out to absorb accumulated losses and will not result in the return of part of the value of the shares to shareholders, the resolution of the general shareholders' meeting will be effective immediately and will not be subject to the term of creditors' opposition provided for in article 174 of the Brazilian Corporate Law.

6.5.6. To declare that, by absorbing the accumulated losses included in the financial statements for the fiscal year ended on December 31st, 2019 through the Capital Reduction, the accumulated losses account will be zeroed.

6.6. To give a favorable opinion on the management's proposal, to be submitted to the resolution of Company's general shareholders' meeting, to amend the caput of article 6 of the Bylaws to increase the limit of the Company's authorized capital, currently corresponding to four hundred and sixty-five million (465,000,000) common, nominative, book-entry shares with no par value to seven hundred and ten million (710,000,000) common shares, nominative and without par value.

6.7. To approve the issuance of an opinion on the financial statements, the management report and the management accounts, pursuant to **Exhibit I** hereto, in compliance with itens II and VII and with the paragraph three of article 163 of the Brazilian Corporate Law.

6.8. To approve the issuance of an opinion on the management's proposal, to be submitted to the resolution of Company's general shareholders' meeting, for the Capital Reduction, , pursuant to **Exhibit II** hereto, in compliance with item III of article 163 and with paragraph one of article 173 of the Brazilian Corporate Law.

7. Closing: There being no further business to discuss and there being no other manifestations, the present meeting was closed, and these minutes were drawn up, read, found to be in compliance, and signed by all those present. São Paulo, February 18th, 2020. **Presiding:** Dorival Antonio Bianchi – Chairman; Franklin Saldana Neiva Filho – Secretary. **Fiscal Council members present:** Dorival Antonio Bianchi; Franklin Saldanha Neiva Filho e Luiz Manoel Gomes Júnior.

Presiding:

Dorival Antonio Bianchi
Chairman

Franklin Saldana Neiva Filho
Secretary

MINERVA S.A.
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Company's Registry (NIRE) 35.300.344.022 | CVM Code No. 20931

**Minutes of the Fiscal Council's Meeting
Held on February 18th, 2020**

Exhibit I

FISCAL COUNCIL OPINION

"The Fiscal Council of **MINERVA S.A.** ("Company"), in the exercise of its attributions and legal and statutory responsibilities, at a meeting held on February 18th, 2020 at the Company's administrative office located in the City of São Paulo, State of São Paulo, at Rua Leopoldo Couto de Magalhães Júnior, No. 758, 8th floor, set 82, Itaim Bibi, Postal Code (CEP) 04542-000, proceeded to the examination and analysis of the (i) financial statements, accompanied by the respective explanatory notes and the report of the independent auditors, referring to the fiscal year ended on December 31st, 2019; and (ii) management's report and management's accounts referring to the fiscal year ended on December 31st, 2019. Based on the examinations carried out and on the clarifications provided by the management, the Fiscal Council gave a favorable opinion on the financial statements, on the management's report and on the management's accounts. In this sense, it was authorized the submission of these documents to the resolution of the Company's general shareholders' meeting, being certain that the Company's Fiscal Council recommends to its shareholders the full approval of the Management's proposals".

São Paulo, February 18th, 2020.

Dorival Antonio Bianchi

Franklin Saldana Neiva Filho

Luiz Manoel Gomes Júnior

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**Minutes of the Fiscal Council's Meeting
Held on February 18th, 2020**

Exhibit II

FISCAL COUNCIL OPINION

"The Fiscal Council of **MINERVA S.A.** ("Company"), in the exercise of its attributions and legal and statutory responsibilities, at a meeting held on February 18th, 2020 at the Company's administrative office located in the City of São Paulo, State of São Paulo, at Rua Leopoldo Couto de Magalhães Júnior, No. 758, 8th floor, set 82, Itaim Bibi, Postal Code (CEP) 04542-000, proceeded to the examination and analysis of the management's proposal to reduce the Company's capital stock, in the amount of three hundred and eighty million, two hundred and nine thousand, nine hundred and forty-eight reais and twenty centavos (R\$ 380,209,948.20), without changing the number of shares issued by the Company, to absorb the accumulated losses included in the Company's financial statements for the fiscal year ended on December 31st, 2019 ("Capital Reduction"). Based on the examinations carried out and on the clarifications provided by the management, the Fiscal Council was in favor of the management's proposal of the Capital Reduction. In this sense, it was authorized to submit this proposal to Company's general shareholders meeting, being certain that the Company's Fiscal Council recommends to its shareholders the full approval of the Management's proposals".

São Paulo, February 18th, 2020

Dorival Antonio Bianchi

Franklin Saldana Neiva Filho

Luiz Manoel Gomes Júnior