# Minerva S.A

(Convenience translation into English from the original previously issued in Portuguese)

## Independent Auditors' Report on Review of Interim Financial Information

As of March 31, 2017

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# Independent Auditors' Report on Review of Interim Financial Information

Grant Thornton Auditores Independentes
Av. Engenheiro Luis Carlos Berrini, 105
12° andar
Edifício Berrini One | Itaim Bibi
São Paulo | SP | Brasil

T +55 11 3886.5100
www.grantthornton.com.br

To the
Board of Directors and Shareholders of
**Minerva S.A.**
Barretos - SP

## Opinion

We have reviewed the individual and consolidated interim financial information of Minerva S.A. ("Company"), included in the Interim Financial Information Form (ITR) for the quarter ended March 31, 2017, which comprise the statement of financial position as at March 31, 2017, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, including the notes to the interim financial information.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim financial information and with International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of this interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express an opinion on this interim financial information based on our review.

## Scope of the review

We conducted our review in accordance with Brazilian and international standards on review of interim information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit opinion. Accordingly, we do not express an audit opinion.

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**Conclusion on the interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

**Emphasis – Operation Lucas**

As mentioned in Note 31.1 to the interim financial information, on May 16, 2017, the Brazilian Federal Police launched an investigation called "Operation Lucas" with the purpose of investigating alleged payments made to certain employees of the Ministry of Agriculture, Livestock and Food Supply in the State of Tocantins, including an ex-superintendent of the same agency. To date, there is no way to determine whether the Company will be affected by the results of such investigations and by any of its future consequences. The Company's interim financial information do not include any effects that may arise from this matter. Our conclusion has no qualification regarding this matter.

**Other matters**

**Statements of value added**

We have also reviewed the individual and consolidated interim statements of value added ("DVA"), for the three-month period ended March 31, 2017, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and is considered as supplemental information for IFRS that does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not fairly presented, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

**Restatement of interim financial information**

As described in Note 31.1, the current quarterly financial information is being restated in light of subsequent events related to the Federal Police investigation named "Operation Lucas". On May 8, 2017, we issued our review report on the quarterly information contained in the Quarterly Information Form (ITR) for March 31, 2017, without qualification. Our conclusion has no qualification regarding this matter.

São Paulo, June 12, 2017.

Daniel G. Maranhão Jr.
CT CRC 1SP-215.856/O-5

Grant Thornton Auditores Independentes
CRC 2SP-025.583/O-1

# Minerva S.A.

## Statements of financial position for the periods ended March 31, 2017 and December 31, 2016

(In thousands of Brazilian reais - R$)

### ASSETS

| | Note | Individual | | Consolidated | |
|---|---|---|---|---|---|
| | | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| **Current assets** | | | | | |
| Cash and cash equivalents | 5 | 2,517,002 | 2,245,101 | 2,944,801 | 3,397,870 |
| Trade receivables | 6 | 160,068 | 199,226 | 528,247 | 673,983 |
| Inventories | 7 | 296,933 | 235,586 | 525,599 | 454,459 |
| Biological assets | 8 | 151,160 | 120,140 | 163,549 | 141,706 |
| Taxes recoverable | 9 | 606,564 | 613,674 | 758,493 | 791,361 |
| Other receivables | | 125,265 | 140,938 | 209,794 | 199,901 |
| **Total current assets** | | 3,856,992 | 3,554,665 | 5,130,483 | 5,659,280 |
| **Noncurrent assets** | | | | | |
| Other receivables | | 36,759 | 35,391 | 39,136 | 38,362 |
| Related parties | 11 | 330,355 | 409,909 | - | - |
| Taxes recoverable | 9 | 190,588 | 195,699 | 190,829 | 196,462 |
| Deferred tax assets | 10 | 237,259 | 246,757 | 237,259 | 246,757 |
| Escrow deposits | | 14,110 | 14,415 | 21,117 | 22,212 |
| Investments | 12 | 2,410,573 | 2,371,855 | - | - |
| Property, plant and equipment | 13 | 1,455,998 | 1,427,479 | 2,209,478 | 2,179,946 |
| Intangible assets | 14 | 105,769 | 106,676 | 615,263 | 616,129 |
| **Total noncurrent assets** | | 4,781,411 | 4,808,181 | 3,313,082 | 3,299,868 |
| **Total assets** | | 8,638,403 | 8,362,846 | 8,443,565 | 8,959,148 |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statements of financial position for the periods ended March 31, 2017 and December 31, 2016

(In thousands of Brazilian reais - R$)

### LIABILITIES AND EQUITY

| | Note | Individual | | Consolidated | |
|---|---|---|---|---|---|
| | | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| **Current liabilities** | | | | | |
| Borrowings and leases | 15 | 1,100,087 | 1,187,894 | 1,205,988 | 1,397,051 |
| Trade payables | 16 | 263,491 | 281,955 | 493,498 | 625,503 |
| Labor and tax liabilities | 17 | 67,005 | 42,003 | 122,001 | 97,060 |
| Other payables | 18 | 611,953 | 614,301 | 673,428 | 691,414 |
| **Total current liabilities** | | 2,042,536 | 2,126,153 | 2,494,915 | 2,811,028 |
| **Noncurrent liabilities** | | | | | |
| Borrowings and leases | 15 | 4,393,002 | 3,990,949 | 5,310,377 | 5,430,652 |
| Labor and tax liabilities | 17 | 16,227 | 16,976 | 16,227 | 17,095 |
| Provision for tax, labor, civil and environmental risks | 21 | 29,254 | 29,733 | 37,006 | 36,933 |
| Provision for investment losses | 12 | 975,105 | 959,726 | - | - |
| Related parties | 11 | 665,364 | 645,724 | - | - |
| Other payables | 18 | - | - | 41,098 | 42,701 |
| Deferred tax liabilities | 19 | 74,231 | 72,962 | 99,715 | 98,672 |
| **Total noncurrent liabilities** | | 6,153,183 | 5,716,070 | 5,504,423 | 5,626,053 |
| **Equity** | 22 | | | | |
| Capital | | 128,854 | 128,854 | 128,854 | 128,854 |
| Capital reserve | | 187,504 | 294,851 | 187,504 | 294,851 |
| Revaluation reserve | | 54,990 | 55,556 | 54,990 | 55,556 |
| Earnings reserves | | 155,929 | 155,929 | 155,929 | 155,929 |
| Retained earnings / accumulated losses | | 2,929 | - | 2,929 | - |
| Treasury shares | | (22,268) | (43,112) | (22,268) | (43,112) |
| Other comprehensive income | | (65,254) | (71,455) | (65,254) | (71,455) |
| **Equity atributable to owners of the Company** | | 442,684 | 520,623 | 442,684 | 520,623 |
| **Noncontrolling interests** | | - | - | 1,543 | 1,444 |
| **Total equity** | | 442,684 | 520,623 | 444,227 | 522,067 |
| **Total liabilities and equity** | | 8,638,403 | 8,362,846 | 8,443,565 | 8,959,148 |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statements of profit or loss for the periods ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R$)

| | | Individual | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 2017 | 2016 | 2017 | 2016 |
| **Net operating revenue** | 25 | **1,206,172** | **1,593,064** | **2,141,939** | **2,337,606** |
| **Cost of goods sold** | | **(901,858)** | **(1,223,337)** | **(1,730,836)** | **(1,852,471)** |
| **Gross profit** | | **304,314** | **369,727** | **411,103** | **485,135** |
| **Operating income (expenses):** | | | | | |
| Selling expenses | | (85,549) | (105,114) | (148,942) | (160,556) |
| General and administrative expenses | | (63,303) | (57,298) | (92,131) | (84,913) |
| Other operating income (expenses) | | (1,988) | (2,052) | 2,377 | (8,279) |
| **Profit before finance income (costs), share of profit (loss) of investees and taxes** | | **153,474** | **205,263** | **172,407** | **231,387** |
| Finance costs | 26 | (262,988) | (392,674) | (298,804) | (456,541) |
| Finance income | 26 | 23,755 | 30,157 | 27,849 | 32,755 |
| Exchange rate changes, net | 26 | 141,655 | 305,729 | 138,315 | 298,233 |
| **Finance income (costs), net** | | **(97,578)** | **(56,788)** | **(132,640)** | **(125,553)** |
| Share of profit (loss) of investees | 12 | (21,001) | (49,774) | - | - |
| Impairment of assets | | - | - | - | - |
| **Profit before taxes** | | **34,895** | **98,701** | **39,767** | **105,834** |
| Income tax and social contribution - current | 19 | (21,765) | (48,405) | (26,538) | (57,336) |
| Income tax and social contribution - deferred | 19 | (10,767) | (3,993) | (10,767) | (2,186) |
| **Profit (loss) before noncontrolling interests** | | **2,363** | **46,303** | **2,462** | **46,312** |
| **Profit (loss) attributable to:** | | | | | |
| Owners of the Company | | 2,363 | 46,303 | 2,363 | 46,303 |
| Noncontrolling interests | | - | - | 99 | 9 |
| **Profit (loss) for the period** | | **2,363** | **46,303** | **2,462** | **46,312** |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statements of comprehensive income
## For the periods ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R$)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Profit (loss) for the period** | 2,363 | 46,303 | 2,462 | 46,312 |
| **Other comprehensive income to be reclassified to the statement of profit or loss in subsequent periods:** | | | | |
| Carrying value adjustments | 6,201 | 59,589 | 6,201 | 59,589 |
| **Other comprehensive income, net of income tax and social contribution** | 6,201 | 59,589 | 6,201 | 59,589 |
| **Total comprehensive income** | 8,564 | 105,892 | 8,663 | 105,901 |
| **Comprehensive income attributable to:** | | | | |
| Owners of the Company | 8,564 | 105,892 | 8,564 | 105,892 |
| Noncontrolling interests | - | - | 99 | 9 |
| **Total comprehensive income** | 8,564 | 105,892 | 8,663 | 105,901 |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statement of changes in equity - Individual and consolidated
## For the period ended March 31, 2017

(In thousands of Brazilian reais - R$)

| | Capital | Capital reserve | Revaluation reserve | Earnings reserve | | | | Retained earnings / (accumulated losses) | Treasury shares | Other comprehensive income | Total equity attributable to owners of the Company | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Legal reserve | Statutory reserve | Earnings retention reserve | Additional dividends | | | | | | |
| **Balance at December 31, 2015** | 128,854 | 294,851 | 55,556 | 9,744 | 107,802 | 26,950 | 11,433 | - | (43,112) | (71,455) | 520,623 | 1,444 | 522,067 |
| Profit for the period | - | - | - | - | - | - | - | 2,363 | - | - | 2,363 | - | 2,363 |
| Cumulative translation adjustments | - | - | - | - | - | - | - | - | - | 6,201 | 6,201 | - | 6,201 |
| **Total comprehensive income, net of taxes** | - | - | - | - | - | - | - | 2,363 | - | 6,201 | 8,564 | - | 8,564 |
| Cancelation of treasury shares | - | (107,347) | - | - | - | - | - | - | 107,347 | - | - | - | - |
| (-) Treasury shares | - | - | - | - | - | - | - | - | (86,503) | - | (86,503) | - | (86,503) |
| Realization of revaluation reserve | - | - | (566) | - | - | - | - | 566 | - | - | - | - | - |
| Noncontrolling interests | - | - | - | - | - | - | - | - | - | - | - | 99 | 99 |
| **Balance at March 31, 2017** | 128,854 | 187,504 | 54,990 | 9,744 | 107,802 | 26,950 | 11,433 | 2,929 | (22,268) | (65,254) | 442,684 | 1,543 | 444,227 |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statement of changes in equity - Individual and consolidated
## For the period ended March 31, 2016

| | Capital | Capital reserve | Revaluation reserve | Accumulated losses | Other comprehensive income | Total equity attributable to owners of the Company | Advance for future capital increase | Total equity attributable to owners of the Company and advance for and advance for future capital increase | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2015** | 950,598 | 294,851 | 62,015 | (1,562,321) | (129,212) | (384,069) | - | (384,069) | 1,322 | (382,747) |
| Profit for the period | - | - | - | 46,303 | - | 46,303 | - | 46,303 | - | 46,303 |
| **Cumulative translation adjustments** | - | - | - | - | 59,589 | 59,589 | - | 59,589 | - | 59,589 |
| **Total comprehensive income, net of taxes** | - | - | - | 46,303 | 59,589 | 105,892 | - | 105,892 | - | 105,892 |
| Capital increase | - | - | - | - | - | - | - | - | - | - |
| Advance for future capital increase | - | - | - | - | - | - | 746,475 | 746,475 | - | 746,475 |
| (-) Expenses on future capital increase | - | - | - | - | - | - | (5,898) | (5,898) | - | (5,898) |
| Realization of revaluation reserve | - | - | (1,615) | 2,448 | - | 833 | - | 833 | - | 833 |
| Noncontrolling interests | - | - | - | - | - | - | | - | 9 | 9 |
| **Balance at March 31, 2017** | 950,598 | 1,035,428 | 60,400 | (1,513,570) | (69,623) | (277,344) | 740,577 | 463,233 | 1,331 | 464,564 |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statements of cash flows for the periods ended March 31, 2017 and 2016

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Cash flows from operating activities** | | | | |
| **Profit (loss) for the period** | 2,363 | 46,303 | 2,462 | 46,312 |
| Adjustments to reconcile profit (loss) for the period to cash generated by operating activities | | | | |
| Depreciation and amortization | 16,059 | 10,594 | 25,179 | 20,178 |
| Profit (loss) attributable to noncontrolling interests | - | - | (99) | (9) |
| Fair value of biological assets | (10,389) | (13,950) | (10,389) | (743) |
| Realization of deferred taxes – temporary differences | 10,767 | 3,993 | 10,767 | 2,186 |
| Share of profit (loss) of investees | 21,001 | 49,774 | - | - |
| Financial charges | 126,160 | 99,575 | 202,689 | 193,245 |
| Unrealized exchange gains (losses) | (123,193) | (402,851) | (140,567) | (300,279) |
| Provision for risks | (479) | 1,664 | 73 | 4,088 |
| Trade receivables and other receivables | 53,463 | 90,149 | 135,069 | 222,960 |
| Inventories | (61,347) | (24,537) | (71,140) | (7,122) |
| Biological assets | (20,631) | 12,197 | (11,454) | 24,634 |
| Taxes recoverable | 12,221 | (20,485) | 38,501 | (27,560) |
| Escrow deposits | 305 | 210 | 1,095 | 565 |
| Trade payables | (18,464) | (44,796) | (132,005) | (68,345) |
| Labor and tax liabilities | 24,253 | 47,731 | 24,073 | 46,690 |
| Other payables | (2,348) | 63,002 | (20,672) | (11,155) |
| | 29,741 | (81,427) | 53,582 | 145,645 |
| Carrying value adjustments and cumulative translation adjustments | - | - | 6,201 | 59,589 |
| **Cash flows from operating activities** | 29,741 | (81,427) | 59,783 | 205,234 |
| **Cash flow from investing activities** | | | | |
| Acquisition of investments | (38,139) | (1,196) | - | - |
| Acquisition of intangible assets | 854 | (220) | 675 | (358) |
| Acquisition of property, plant and equipment | (44,525) | (53,055) | (53,663) | (36,831) |
| **Cash flows from investing activities** | (81,810) | (54,471) | (52,988) | (37,189) |
| **Cash flows from financing activities** | | | | |
| Borrowings taken | 894,970 | 389,315 | 512,231 | 374,340 |
| Borrowings settled | (583,691) | (387,930) | (885,691) | (678,869) |
| Related parties | 99,194 | (95,025) | - | - |
| Changes in noncontrolling interests | - | - | 99 | 9 |
| Capital contribution in cash | - | 740,577 | - | 740,577 |
| Treasury shares | (86,503) | - | (86,503) | - |
| **Cash flows from financing activities** | 323,970 | 646,937 | (459,864) | 436,057 |
| **Increase/decrease in cash and cash equivalents** | 271,901 | 511,039 | (453,069) | 604,102 |
| Cash and cash equivalents | | | | |
| At the beginning of the year | 2,245,101 | 2,367,450 | 3,397,870 | 2,749,928 |
| At the end of the year | 2,517,002 | 2,878,489 | 2,944,801 | 3,354,030 |
| **Increase/decrease in cash and cash equivalents** | 271,901 | 511,039 | (453,069) | 604,102 |

**The accompanying notes are an integral part of these financial statements.**

# Minerva S.A.

## Statements of value added
## For the periods ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R$)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Revenues** | 1,129,637 | 1,564,461 | 2,027,242 | 2,316,763 |
| Sales of merchandise, products and services | 1,123,496 | 1,559,635 | 2,006,786 | 2,299,292 |
| Other revenues | 6,141 | 4,826 | 20,456 | 17,471 |
| **Inputs acquired from third parties** | (938,587) | (1,322,899) | (1,744,488) | (2,004,597) |
| (Includes tax amounts – ICMS - State VAT, IPI - Federal VAT, PIS and COFINS - tax on revenue) | | | | |
| Costs of goods, merchandise and services sold | (788,374) | (1,146,279) | (1,575,523) | (1,813,621) |
| Materials, energy, third-party services and others | (150,213) | (176,620) | (168,965) | (190,976) |
| Others | - | - | - | - |
| **Gross value added** | 191,050 | 241,562 | 282,754 | 312,166 |
| **Depreciation, amortization and depletion** | (16,059) | (10,594) | (25,179) | (20,178) |
| Wealth created by the Company | 174,991 | 230,968 | 257,575 | 291,988 |
| **Wealth received in transfer** | 2,754 | (19,617) | 27,849 | 32,755 |
| Share of profit (loss) of investees | (21,001) | (49,774) | - | - |
| Finance income | 23,755 | 30,157 | 27,849 | 32,755 |
| Others | - | - | - | - |
| Total wealth for distribution (5+6) | 177,745 | 211,351 | 285,424 | 324,743 |
| **Wealth distributed** | 177,745 | 211,351 | 285,424 | 324,743 |
| **Personnel** | 39,274 | 35,741 | 74,654 | 68,389 |
| **Taxes, fees and contributions** | 49,638 | 58,022 | 45,376 | 44,557 |
| **Lenders and lessors** | 86,470 | 71,285 | 162,932 | 165,485 |
| Interest | 83,392 | 67,553 | 157,234 | 160,648 |
| Rentals | 3,078 | 3,732 | 5,698 | 4,837 |
| | 2,363 | 46,303 | 2,462 | 46,312 |
| **Shareholders** | | | | |
| Retained earnings/accumulated losses for the period | 2,363 | 46,303 | 2,363 | 46,303 |
| Noncontrolling interests in retained earnings (only consolidation) | | | 99 | 9 |

**The accompanying notes are an integral part of these financial statements.**

# Notes to the individual and consolidated Quarterly Information as of March 31, 2017 and 2016 (In thousands of Brazilian reais, unless otherwise stated)

## 1. General information

Minerva S.A. (the Company) is a publicly traded company listed at the “Novo Mercado” (New Market) of corporate governance and its shares are traded on BM&FBOVESPA S.A. (São Paulo Stock Exchange) - Bolsa de Valores, Mercadorias e Futuros de São Paulo. The Company’s main activities include the slaughtering of livestock and processing of meat, the sale of chilled, frozen and processed meats and the exporting of live cattle.

The Company’s shares are traded on BM&FBOVESPA S.A – Bolsa de Valores, Mercadorias e Futuros de São Paulo under ticker symbol “BEEF3” and its American Depositary Receipts (ADRs) - level 1 – are traded on the over-the-counter market OTCQX International Premier, segment of electronic trading platform operated by OTC Markets Group Inc. in the United States.

**Parent Company**

The Company's headquartersrs are in Barretos (SP), and it has production units located in José Bonifácio (SP), Palmeiras de Goiás (GO), Batayporã (MS), Araguaína (TO), Goianésia (GO), Barretos (SP), Campina Verde (MG) and Janaúba (MG). 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), Belo Horizonte (MG) Fortaleza (CE), Uberlândia (MG) and Cabo de Santo Agostinho (PE).

As at March 31, 2017, the Company’s industrial facilities had a daily slaughtering capacity of 17,330 heads and a deboning capacity of 3,154 tons, taking the following subsidiaries into account: five located abroad PULSA S.A. (Frigorífico Pul) and Frigorífico Carrasco S.A. (both in Uruguay - UY); Red Cárnica S.A.S. and Red Industrial Colombiana S.A.S. (both in Colombia - CO) and Frigomerc S.A., Industrias Cárnicas (in Paraguay - PY); and two subsidiaries located in Brazil - BR – Minerva Alimentos and Mato Grosso Bovinos. All units are in compliance with sanitary requirements for export to varioius countries on the five continents. The Barretos unit has a beef processing line (cubed beef and roast beef) which is mainly for exports.

**Subsidiaries**

**Subsidiaries located in Brazil:**

- **Minerva Indústria e Comércio de Alimentos S.A.:** Located in Rolim de Moura, in the state of Rondônia (Brazil), engaged in the slaughtering of cattle and processing of meat, serving the domestic and foreign markets;
- **Mato Grosso Bovinos S.A.:** Acquired in October 2014 with 2 meatpacking plants located in the cities of Várzea Grande and Mirassol D'Oeste, both located in the state of Mato Grosso (Brazil), engaged in slaughtering of cattle and processing of meat, operating in the domestic and foreign markets;
- **Minerva Dawn Farms S.A. (Minerva Fine Foods):** It started its operations in 2009 and is located in Barretos (SP). It produces on various scales and sells beef, pork and poultry products meeting domestic and foreign demand in the "Food Service" segment. Currently, about 76% of its sales are carried out in the domestic market;
- **Cia Sul Americana de Pecuária S.A.:** It started its operations in 2014 and is located in Barretos (SP). It is mainly engaged in livestock and farming, by breeding and selling live cattle, lambs, pigs and other live animals;
- **Intermeat – Assessoria e Comércio Ltda.:** Acquired during the first quarter of 2016, its main activity is the rendering of consulting and advisory services in the foreign trade area, for all lines of business of the food industry;
- **Minerva Comercializadora de Energia Ltda.:** It started its operations in 2016 and is located in São Paulo (SP). It is mainly engaged in electric energy trading.

**Subsidiaries located abroad:**

- **PUL S.A:** Meatpacking company acquired in January 2011, located in the Province of Cerro Largo, next to the capital Melo, in Uruguay (UY), engaged in slaughtering and deboning activities, with 88% of its sales intended for the foreign market, primarily the North American and the European markets;
- **Frigorífico Carrasco S.A.:** Meatpacking company acquired in April 2014, located in Montevideo, Uruguay (UY), engaged in slaughtering, deboning and processing of beef and sheep meat, with about 78% of its sales to the foreign market;
- **Lytmer S.A.:** Located in Montevideo, Uruguay (UY), engaged in selling live cattle to the foreign market;
- **Friasa S.A.:** Meatpacking company located in Asunción, Paraguay (PY), engaged in slaughtering, deboning and processing activities, operating in the local and foreign markets;
- **Frigomex S.A.:** Meatpacking company acquired in October 2012, located in Asunción, Paraguay (PY), engaged in slaughtering and deboning of cattle and processing of meat, operating in the domestic and foreign markets;
- **Red Cárnica S.A.S.:** Meatpacking company acquired in July 2015, located in Ciénaga de Oro, next to Montería, in the region of Córdoba, Colombia (CO), engaged in slaughtering and deboning of cattle and processing of meat, operating in the domestic and foreign markets;

- **Red Industrial Colombiana S.A.S.:** Plant acquired in July 2015, located in Ciénaga de Oro, next to Montería, in the region of Córdoba, Colombia (CO), whose main purpose is the preparation of products for animals, specifically, meat/bone meal, blood and tallow;
- **Minerva Middle East**: Office located in Lebanon to market and sell the Company's products;
- **Minerva Colômbia S.A.S.:** Located in Barranquilla, Colombia, primarily engaged in selling live cattle to the foreign market;
- **Minerva Live Cattle Exports S.A.:** Located in Santiago, Chile, primarily engaged in selling live cattle to the foreign market;
- **Minerva Foods Chile SpA:** Located in Santiago, Chile, primarily engaged in marketing and selling the Company's products;
- **Minerva Meats USA.**: It started its operations in 2015 and is located in Chicago, United States, its main activity is the rendering of food products trading services;
- **Minerva Australia Holdings PTY Ltd.**: It started its operations in 2016 and is located in Brisbane, Australia, its main activity is the rendering of food products trading services.

**Cargo transportation**

- **Transminerva Ltda.:** Located in Barretos (SP), engaged in cargo transportation to support the Company, reducing its freight expenses in the country.

**Special Purpose Entities (SPE) for fundraising:**

- **Minerva Overseas I:** Located in the Cayman Islands, incorporated in 2006, for the issue of bonds and receipt of the respective financial resources, totaling US$ 200 million in January 2007;
- **Minerva Overseas II:** Located in the Cayman Islands, incorporated in 2010, for the issue of bonds and receipt of the respective financial resources, totaling US$ 250 million on that date;
- **Minerva Luxembourg S.A.:** Located in Luxembourg, incorporated in 2011 for the specific purpose of issuing bonds and receiving the respective financial resources of US$ 350 million, and later "re-tap" of US$ 100 million, occurred in February and March 2012, respectively. Also in the 1st quarter of 2013, the company conducted an operation of "offering for repurchase of debt notes" using the funds from the issue of 2023 Notes in the amount of US$ 850 million bearing interest of 7.75% per year. In the 3rd quarter of 2014, the company carried out a "re-tap" operation with 2023 Notes in the amount of US$ 200 million. During the 3rd quarter of 2016, the company carried out an offering of US$ 1 billion bearing interest of 6.50% per annum, performing the repurchase of the 2023 Notes in the amount of US$ 617,874;

**Other subsidiaries in pre-operational stage**

- **Loin Investments Ltda.** (fundraising), **Minerva Log S.A.** (logistics) and **Pulsa Argentina S.A.**

The subsidiaries mentioned above are included in the Company's individual and consolidated quarterly information. The equity interest in each subsidiary is as follows:

| | 3/31/2017 | 12/31/2016 |
|---|---|---|
| Minerva Industria e Comércio de Alimentos S/A | 98.00% | 98.00% |
| Minerva Dawn Farms S/A | 100.00% | 100.00% |
| Mato Grosso Bovinos 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% |
| Pulsa S.A. | 100.00% | 100.00% |
| Frigorifico Carrasco S.A. | 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% |
| Frigomerc S.A. | 100.00% | 100.00% |
| Minerva Live Cattle Exports S.A. | 100.00% | 100.00% |
| Minerva Foods Chile SpA | 100.00% | 100.00% |
| Companhia Sul Americana de Pecuária S.A. | 100.00% | 100.00% |
| Red Cárnica S.A.S. | 100.00% | 100.00% |
| Red Industrial Colombiana S.A.S. | 100.00% | 100.00% |
| Minerva USA LLC | 100.00% | 100.00% |
| Intermeat - Assessoria e Comércio Ltda. | 100.00% | 100.00% |
| Minerva Comercializadora de Energia Ltda. | 100.00% | 100.00% |
| Minerva Australia Holdings Pty Ltd. | 100.00% | 100.00% |
| Pulsa Argentina S.A. | 100.00% | 100.00% |

**Approval of the Quarterly Information (Restatement)**

The reissuance of this individual and consolidated quarterly information as of March 31, 2017 was authorized by the Executive Officers and Board of Directors on June 12, 2017 (issuance previously approved on May 8, 2017).

## 2. Acquisitions of equity interests in companies (Business combinations)

**Red Cárnica S.A.S. and Red Industrial Colombiana S.A.S.**

On February 20, 2015, the Company signed a "Memorandum of Understanding" to acquire 100% of the capital stock of Red Cárnica S.A.S. and Red Industrial Colombiana S.A.S. On July 31, 2015, after the conclusion of the Due Diligence, the Company entered into a "Compra y Venta de Acciones" agreement, thereby assuming the control of the mentioned companies from that date.

The acquisition was made for COP$ 28,540 billion (equivalent to R$ 33,848 as at July 31, 2015), according to the following payment schedule:

- **1st Installment** - Cash – COP$ 17 billion settled upon the company's acquisition on August 24, 2015;
- **2nd Installment** – COP$ 6,540 billion paid on February 24, 2016;
- **3rd Installment** – COP$ 5 billion (R$ 5,430 - converted at the exchange rate at December 31, 2016) which will be retained and released on three dates, as shown below:

    - COP$ 1 billion (R$ 1,100 - converted at the exchange rate at August 24, 2016);
    - COP$ 1 billion (R$ 1,099 - converted at the exchange rate at March 31, 2017) maturing in August 2017; and
    - COP$ 3 billion (R$ 3,297 - converted at the exchange rate at March 31, 2017) maturing on August 24, 2018.

"Red Cárnica" has a daily slaughtering capacity of 850 heads and deboning capacity of 75 tons.

Below we present the (summarized) combined statement of financial position of the companies Red Cárnica S.A.S. and Red Industrial Colombiana S.A.S. as at July 31, 2015, prepared in accordance with CPC 15 (R1) - Business combination based on the fair value of the identifiable assets acquired and liabilities assumed:

| | Balanço fair value |
|---|---|
| | 31/07/2015 |
| Ativo | |
| Circulante | |
| Caixa e equivalentes de caixa | 872 |
| Contas a receber | 4.712 |
| Estoques | 1.478 |
| Outros valores a receber | 1.984 |
| Não circulante | |
| Tributos diferidos | 11.708 |
| Ativo imobilizado | 67.715 |
| Ativo total | 88.469 |

| | Balanço fair value |
|---|---|
| | 31/07/2015 |
| Passivo | |
| Passivo circulante | |
| Fornecedores | 3.983 |
| Obrigações fiscais e sociais | 413 |
| Outras contas a pagar | 2.291 |
| Passivo não circulante | |
| Provisão de contingências | 34.852 |
| Passivo total | 41.539 |
| Patrimônio líquido | 46.930 |
| Patrimônio líquido e passivo | 88.469 |

We present below the asset and liability accounts of the combined statement of financial position of Red Cárnica and Red Industrial Colombiana S.A.S. that were affected by the fair value measurement as at July 31, 2015:

**IDENTIFIABLE ASSETS**

| In thousands of Brazilian reais - R$ | **7/31/2015** |
|---|---|
| Property, plant and equipment - Carrying amount | 37,224 |
| Adjustment - Fair value | 30,491 |
| **Property, plant and equipment - Fair value** | **67,715** |
| **Deferred taxes** | 44 |
| **Adjustment - Fair value** | 11,664 |
| **Deferred taxes - Fair value** | **11,708** |

**LIABILITIES ASSUMED**

In thousands of Brazilian reais - R$

| | |
|---|---|
| Provision for risks - Carrying amount | 548 |
| Adjustment - Fair value | 34,304 |
| **Provision for risks - Fair value** | **34,852** |

**Determination of the bargain purchase gain**

Below we present the gain of R$ 13,082 arising from the bargain purchase shown above, which corresponds to the difference between the amount paid for the acquisition of control of the acquire in relation to the net assets measured at fair value of the identifiable assets acquired and liabilities assumed as at July 31, 2015:

**In thousands of Brazilian reais - R$**

| | |
|---|---|
| Equity (fair value) - 07/31/2015 | 46,930 |
| Bargain purchase gain | (13,082) |
| Consideration transferred | **33,848** |

The gain of R$ 13,082 arising from the bargain purchase shown above was recognized in the statement of profit or loss (individual and consolidated), at the date of acquisition, in accordance with CPC 15 (R1).

## 3. Basis of preparation

**Statement of compliance (with regard to IFRS and CPC standards)**

The quarterly information has been prepared and is being presented in accordance with accounting practices adopted in Brazil, including the provisions set out in the Brazilian Corporate Law ("Lei das Sociedades por Ações") and accounting 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 quarterly information is being presented in accordance with technical guidance OCPC 07, which deals with the basic presentation and disclosure requirements to be observed when disclosing the accounting and financial reports, especially those contained in the notes to the quarterly information. Management confirms that all relevant information specific to the quarterly information is being disclosed and that it corresponds to that used in its management.

The presentation of the individual and consolidated Statement of Value Added (DV) is required by the Brazilian Corporate Law and the accounting practices adopted in Brazil applicable to publicly traded companies. The IFRS standards do not require the presentation of this statement. As a consequence, under the IFRS standards, this statement is presented as supplementary information notwithstanding the set of the quarterly information.

The individual and consolidated quarterly information is presented in Brazilian reais (R$), which is the Company's functional and presentation currency.

The significant accounting policies adopted in the preparation of this quarterly information are described belows. These policies have been consistently applied in all periods presented, unless otherwise indicated.

## 4. Significant accounting policies

### a) Basis of measurement

The quarterly information has been prepared on the historical cost basis, except for certain financial instruments thata are measured at fair value.

### b) Functional and reporting currency

The quarterly information of each subsidiary included in the Company's consolidation, as well as that used as basis to account for investments under the equity method, are prepared using each entity's functional currency. The functional currency of an entity is the currency of the primary economic environment in which it operates. When defining the functional currency of each of its subsidiaries, Management considered the currency that has a significant effect on the sale price of its products and services and the currency in which most part of the cost of its production inputs is paid or incurred.

The quarterly information is presented in Brazilian reais (R$), which is the Company's functional currency.

### c) Foreign operations

The subsidiaries abroad adopted the following functional currencies for the quarterly information at March 31, 2017:

- **Guarani (Paraguay-PY)** - Friasa S.A. and Frigomerc S.A.;
- **US Dollar (US$)** - Pulsa S.A, Frigorífico Carrasco S.A., Lytmer S.A., Minerva Overseas I, Minerva Overseas II, Minerva Meat USA, Minerva USA LLC and Minerva Luxembourg;
- **Chilean Peso** - Minerva Foods Chile SpA and Minerva Live Cattle Exports S.A.;
- **Colombian Peso** - Minerva Colômbia S.A.S., Red Cárnica S.A.S. and Red Industrial Colombiana S.A.S.
- **Australian Dollar** - Minerva Australia Holdings Pty Ltd.
- **Argentine Peso** - Pulsa Argentina S.A.

Such information, when applicable, is adapted to accounting practices adopted in Brazil and translated into Brazilian reais – R$, by applying the following procedures:

- Monetary assets and liabilities are translated using the exchange rate of the respective currency for the Brazilian reais (R$) at the end of the reporting period;
- In the last audited statement of financial position corresponding to the equity translated at the historical exchange rate prevailing at that time, and the changes in equity for the current period/year, translated at the historical exchange rate at 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 following topic;
- Revenues, costs and expenses for the current period/year are translated and accumulated at an average historical monthly exchange rate;
- The changes in foreign exchange balances arising from the items listed above are recognized in a specific account of equity, in line item "Other comprehensive income", in accordance with the equity equation; namely: Assets less Total liabilities equals Total Equity.
- The balances of investments, assets and liabilities, revenues and expenses from transactions between "Minerva Group" Companies included in the consolidated quarterly information are eliminated.

**d) Transactions and balances in foreign currency**

Transactions and balances in foreign currency, i.e. all those that are not carried out in the functional currency established, are translated at the historical exchange rate at the transaction date, in accordance with CPC 02 (R2) - Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements..

Assets and liabilities subject to exchange rate changes are adjusted using the rates of the respective currencies in effect on the last business day of each reporting year or period. 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.

Non-monetary items that are measured in terms of historical costs in foreign currency are translated at the exchange rate prevailing at the transaction date.

**e) Use of estimates and judgments**

The preparation of individual and consolidated quarterly information 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 those estimates.

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

## f) Basis of consolidation

### Business combinations

**Acquisitions made on or after January 1, 2009**
For acquisitions made on or after January 1, 2009, the Company measured goodwill as the fair value of the consideration transferred, including the recognized amount of any noncontrolling interests in the acquiree, less the fair value of the identifiable assets and liabilities assumed, all measured on the acquisition date.

For each business combination, the Company chooses whether to measure non-controlling interest at its fair value or the proportionate equity interest in the identifiable net assets corresponding to the non-controlling interest, calculated at the acquisition date.

Transaction costs, except for those associated with the issuance of debt securities or equity securities, incurred on a business combination, are recognized as expenses as they are incurred.

### i) Subsidiaries and joint ventures

The quarterly information of subsidiaries is included in the consolidated quarterly information from the time control is obtained until the date control ceases.

### ii) Transactions eliminated in consolidation

Intercompany balances and transactions, as well as any revenues or expenses from such transactions, are eliminated in the preparation of the consolidated quarterly information. Unrealized gains on transactions with investees accounted for under the equity method are eliminated against the investment in proportion to the Company's interest in the investees. Unrealized losses are not eliminated in the same manner as unrealized gains, but only to the extent there is no evidence of impairment.

## g) Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis. Revenue from the sale of goods is recognized when it is reliably measured and all the risks and rewards of ownership were transferred to the buyer.

## h) Cash and cash equivalents and securities

Comprise cash, bank deposits and short-term investments. See note 5 for further details about the Company's and its subsidiaries' cash equivalents.

**i) Financial instruments**

In accordance with CVM Circular Letter No. 03/2009, the financial instruments of the Company and its subsidiaries were classified into the following categories:

**Non-derivative financial assets**

- **Measured at fair value through profit or loss:** financial assets held for trading, that is, acquired or originated mainly with the purpose of sale or repurchase in the short term, and derivatives. Changes in the fair values are recognized in profit or loss and the balances are stated at fair value;
- **Held to maturity:** non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. They are stated at cost, plus income earned;
- **Available-for-sale:** Non-derivative financial assets which are designated as available for sale or which were not classified in other categories. Initially, income earned from these assets is fully recognized in profit or loss. However, gains and losses from the valuation at fair value are recognized in equity, in line item "Other comprehensive income" and are recognized in profit or loss when incurred;
- **Loans and receivables:** Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, except for: (i) those that the Company intends to sell immediately or in the short term, and those that the Company classifies as measured at fair value through profit or loss; (ii) those classified as available for sale; or (iii) those whose holder may not substantially recover their initial investment for any reason other than credit deterioration. The income earned is recognized in profit or loss and the balances are stated at cost plus income earned.

**Non-derivative financial liabilities**

The Company initially recognizes debt securities issued on the date they were originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognized on the trade date when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or settled.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when the Company is legally entitled to offset the amounts and has the intention to settle them on a net basis or simultaneously realize the asset and settle the liability.

The Company and its subsidiaries have the following non-derivative financial liabilities: borrowings, debentures, trade payables, labor and tax liabilities and other payables.

These financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

**Derivative financial instruments**

The fair value of derivative financial instruments is calculated by the Company's treasury department according to the information of each agreed transaction and its respective market information as at the end of each reporting period of the quarterly information, such as interest rate and foreign exchange coupon. When applicable, such information is compared with 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 future contracts for cattle, options on contracts for cattle and Non Deliverable Forward – NDF, all aiming exclusively to minimize the impact of price fluctuations per "arroba" (a unit of weight equivalent to 15 kg) 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.

**Financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and, subsequently, they are remeasured at their fair value and these changes are recognized in profit or loss.

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

**j) Trade receivables**

Are stated at their present and realizable values and trade receivables from customers abroad are adjusted according to the exchange rates in effect on the date of the quarterly information. An allowance for doubtful debts is recognized in an amount considered sufficient by Management.

**k) Inventories**

Inventories are stated at the lower of cost and net realizable value, adjusted to market value and for any losses, when applicable. It includes expenses incurred on the acquisition of inventories, costs of production and transformation, and other costs incurred to bring inventories to their current location and condition.

**l) Biological assets**

Biological assets are measured at fair value. Changes in the 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 are stated at the historical cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses, when necessary. The cost of certain items of property, plant and equipment was determined by reference to the revaluation carried out before the enactment of Law 11,638/2007, effective since January 1, 2008, not making the evaluation of deemed cost necessary at that time.

Cost includes expenditures directly attributable to the acquisition of an asset. The cost of assets constructed by the Company and its subsidiaries includes 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. Borrowing costs on qualifying assets have been capitalized since January 1, 2009.

Rights related to 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.

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.

### Depreciation

Depreciation is recognized in profit or loss under the straight-line method based on the estimated useful lives of each part of an item of property, plant and equipment, given that this is the method that more closely reflects the consumption pattern of future economic benefits included in assets.

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

| | **Individual** Per Year | **Consolidated** Per Year |
|---|---|---|
| Buildings | 3.05% | 2.68% |
| Machinery and equipment | 9.26% | 8.96% |
| Furniture and fixtures | 9.78% | 8.50% |
| Vehicles | 10.69% | 11.15% |
| Hardware | 19.73% | 19.40% |

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and any adjustments are recognized as changes in accounting estimates.

The balance of the revaluation reserve, as permitted by Law 11,638/07 and described in Note 22, will be held until its full amortization, full depreciation or disposal of assets.

**n) Lease of property, plant and equipment items**

Finance lease agreements are recognized in property, plant and equipment and in liabilities as borrowings at the lower of the present value of the minimum mandatory lease payments of the contract and the fair value of the assets, plus, when applicable, the initial direct costs incurred on the transaction. They are depreciated over the estimated useful lives of the assets.

Operating lease agreements are recognized as expenses on a systematic basis representing the year in which the benefit on the leased asset is obtained, even if such payments are not made on that basis.

**o) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at the cost of acquisition less accumulated amortization and impairment, when applicable.

Intangible assets with definite useful life are amortized over their estimated useful lives and, when any indications of impairment are identified, are tested for impairment. Intangible assets with indefinite useful lives are not amortized; however they are annually tested for impairment.

**Goodwill on acquisitions of subsidiaries**
Goodwill on acquisitions of subsidiaries is included in intangible assets in the consolidated quarterly information.

**p) Impairment of assets**

**Financial assets**
Management annually analyzes if there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an 'impairment event'), and this event has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reasonably estimated.

**Nonfinancial assets**
Management periodically reviews the carrying amount of its assets when events or changes in economic, operating or technological circumstances indicate that impairment may have taken place. When such evidence is identified and the carrying amount of any asset is higher than the recoverable amount, an impairment loss is immediately recognized to adjust the carrying amount to recoverable amount.

The recoverable amount of an asset or Cash-Generating Unit is the higher of the value in use and net sales price.

To estimate the asset's value in use, the estimated future cash flows are discounted to present value with a discount rate before tax that reflects the weighted average cost of capital for the industry in which the Cash-Generating Unit operates. Whenever possible, 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 paid for expected future profitability**
Impairment test for goodwill is made at least annually, or when circumstances indicate a loss due to impairment of 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 (UCG), as the case may be or when circumstances indicate a loss due to impairment of carrying amount.

## q) Other current and noncurrent assets and liabilities

An asset is recognized in the statement of financial position 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 provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, which may be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation. The related charges, inflation adjustment or exchange rate change and discounts to present value are added when applicable. Provisions are recorded based on the best estimates of the risks involved.

Assets and liabilities are classified as current when their realization or settlement is expected to occur in the following 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, when the effect is considered material in relation to the quarterly 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' time value of money, which was approximately 9.87 % per annum, calculated according to the Company 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 trade receivables and payables arising from the Company 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 quarterly reviewed.

**s) Income tax and social contribution**

Current and deferred income tax and social contribution for the year or period are calculated at the rates of 15%, plus a 10% surtax on taxable profit exceeding R$ 240 (annual basis for income tax and 9% on taxable profit for social contribution, considering the offset of tax losses limited to 30% of the taxable profit.

The income tax and social contribution expense comprises the current and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they are related to business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used for tax calculation purposes. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities for a transaction other than business combination and that does not affect accounting or taxable profit or loss, as well as differences related to investment in subsidiaries and entities when it is expected that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities may be netted if there is a legal right to offset the current tax assets and liabilities and they relate to the same taxing authority.

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

The carrying amounts of deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that they will be realized.

**t) Contingent assets and liabilities and legal obligations**

The accounting practices for recording and disclosing contingent assets and liabilities and legal obligations are as follows: **(i)** contingent assets are recognized only when there are secured guarantees or favorable legal decisions that are already final and unappealable. Contingent assets with probable chance of success are disclosed in a note to the interim financial information; **(ii)** and a provision is recognized for contingent liabilities when the likelihood of loss is assessed as probable and the amounts involved can be reliably measured. Contingent liabilities assessed as possible losses are only disclosed in a note to the interim financial information 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 or contribution plans. Note that all short-term benefits and paid leaves, as well as profit sharing are in accordance with the Pronouncement's requirements.

**v) Revenue recognition**

Revenue from sales is presented net of taxes and discounts. Taxes on sales are recognized when sales are invoiced, and discounts are recognized when known. Revenues from sales of goods are recognized when the sales amounts can be measured reliably and, the Company and its subsidiaries retain neither effective control over the goods sold or any other responsibility to the degree usually associated with ownership, the costs incurred or to be incurred in respect of the transaction can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the risks and rewards of ownership have been transferred to the buyer.

**w) Earnings per share**

Basic earnings per share are calculated based on the profit attributable to the owners of the Company and to the noncontrolling interests, and the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding, adjusted 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 Executive Officers, responsible for allocating resources and evaluating the performance by operating segment and strategic decision-taking.

## y) New standards and interpretations

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning on or after **January 1, 2018**.

**IFRS 9 - Financial Instruments**
IFRS 9, issued in July 2014, supersedes the guidance existing in IAS 39 Financial Instruments: Recognition and Measurement IFRS 9 includes a revised guidance on the classification and measurement of financial instruments, a new model for expected credit losses for the calculation of impairment of financial assets and new requirements on hedge accounting. The standard retains the guidance existing regarding the recognition and rerecognition of financial instruments of IAS 39. IFRS 9 is effective on or after January 1, 2018. The Company is assessing the effects that IFRS 9 will have on the financial statements and their disclosures.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 requires an entity to recognize the revenue amount reflecting the consideration receivable in exchange for the control over the goods or services. The new standard will supersede most of the detailed guidance on revenue recognition currently existing in the IFRS and generally accepted accounting principles in the United States (USGAAP) when adopted. The new standard is effective on or after January 1, 2018. The standard can be adopted retrospectively, using a cumulative effect approach. The Company is assessing the effects that IFRS 15 will have on the financial statements and their disclosures.

**Agriculture: Bearer Plants (amendments to CPC 27/IAS 16 and CPC 29/IAS 41)**

**IFRS 16 Leases**
In mid January 2016, IASB approved this standard, which is effective for annual periods beginning on or after January 1, 2019, and in essence it establishes that all lease agreements, either operating or finance, must be accounted for by recognizing the underlying assets and liabilities. The Company is assessing the effects that IFRS 16 will have on the financial statements and their disclosures.

Additionally, the following new standards or amendments are not expected to have a significant impact on the Company's financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (amendments to CPC 19 / IFRS 11);
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (amendments to CPC 36 / IFRS 10 and CPC 18 / IAS 28);
- Annual Improvements to IFRS 2012 – 2014 Cycle:
- Investment Entities: Consolidation Exception (Amendments to CPC 36/ IFRS 10, CPC 45 / IFRS 12 and CPC 18 / IAS 28);
- Disclosures Initiative (Amendment of CPC 26 / IAS 1)

The Brazilian Accounting Pronouncements Committee (CPC) has not yet issued accounting pronouncements or amendments to the current pronouncements corresponding to all new IFRS. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial statements in accordance with accounting practices adopted in Brazil.

### z) Statements of value added

The Company has prepared the individual and consolidated statements of value added (DVA) in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value", which are prepared as an integral part of the financial statements prepared in accordance with BRGAAP applicable to publicly traded companies, while for IFRS they represent additional financial information, required as part of the financial statements takent as a whole.

The Statement of Value Added is intended to show the value of the wealth generated by the Company and its subsidiaries, its distribution between the elements that have contributed to the generation of wealth, such as employees, lenders, shareholders, government and others, as well as the portion of wealth not distributed.

## 5. Cash and cash equivalents and securities

The financial assets of the Company and its subsidiaries are as follows:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Cash | 567 | 545 | 1,030 | 1,435 |
| Banks | 9,557 | 632 | 263,087 | 961,799 |
| Cash in foreign currency | 1,854,445 | 1,841,824 | 1,915,388 | 1,920,720 |
| | **1,864,569** | **1,843,001** | **2,179,505** | **2,883,954** |
| **Short-term investments** | | | | |
| **In local currency:** | | | | |
| Bank deposit certificates (CDBs) | 372,981 | 325,923 | 407,796 | 352,453 |
| Debentures | 277,952 | 74,677 | 279,391 | 81,194 |
| Capitalization securities | 1,500 | 1,500 | 1,500 | 1,500 |
| Investment funds | - | - | 582 | 565 |
| Other financial assets | - | - | 76,027 | 78,204 |
| | **652,433** | **402,100** | **765,296** | **513,916** |
| | **2,517,002** | **2,245,101** | **2,944,801** | **3,397,870** |

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 (ii) held to maturity, and are summarized as follows:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Measured at fair value through profit or loss | 650,933 | 400,600 | 763,796 | 512,416 |
| Held to maturity | 1,500 | 1,500 | 1,500 | 1,500 |
| | **652,433** | **402,100** | **765,296** | **513,916** |

## 6. Trade receivables

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Trade receivables - domestic market | 81,380 | 114,981 | 223,219 | 386,787 |
| Trade receivables - foreign market | 87,872 | 102,270 | 324,811 | 307,104 |
| Trade receivables - related parties | 10,548 | 1,075 | - | - |
| | **179,800** | **218,326** | **548,030** | **693,891** |
| (-) Estimated losses on allowance for doubtful debts | (19,732) | (19,100) | (19,783) | (19,908) |
| | **160,068** | **199,226** | **528,247** | **673,983** |

Aging list of receivables:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| **Falling-due:** | 132,978 | 165,343 | 460,423 | 544,624 |
| Past-due: | | | | |
| Up to 30 days | 12,198 | 19,941 | 36,381 | 81,278 |
| Up to 60 days | 10,288 | 7,533 | 16,370 | 14,377 |
| Up to 90 days | 2,958 | 653 | 3,464 | 2,859 |
| Up to 180 days | 21,378 | 24,856 | 31,392 | 50,753 |
| | **179,800** | **218,326** | **548,030** | **693,891** |

(-) Changes in the allowance for doubtful debts were as follows:

| | Individual | Consolidated |
|---|---|---|
| **Balance at December 31, 2016** | **(19,100)** | **(19,908)** |
| Receivables accrued in the period | (1,705) | (1,705) |
| Receivables recovered in the period | - | - |
| Receivables written off in the period | 781 | 1,538 |
| Foreign exchange differences | 292 | 292 |
| **Balance at March 31, 2017** | **(19,732)** | **(19,783)** |

The Company has a Receivables Investment Fund (FIDC) for sale of part of its receivables from domestic market in the amount of R$ 139,932 (R$ 134,906 at December 31, 2016), without co-obligation or right of repurchase, with R$ 30,735 (R$ 29,366, at December 31, 2016) formed by subordinated shares.

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 totality of subordinated shares paid in and held by the Company with FIDC.

In accordance with 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 agreed 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 policy, which results in low levels of default evidenced by the low amounts of allowance for doubtful debts when compared to the revenue of the Company and its subsidiaries.

The Company has no guarantee for past-due receivables.

## 7. Inventories

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Finished goods | 284,420 | 221,180 | 465,505 | 401,976 |
| Storeroom supplies and secondary materials | 12,513 | 14,406 | 60,094 | 52,483 |
| | **296,933** | **235,586** | **525,599** | **454,459** |

## 8. Biological assets

The Company and its subsidiaries that have cattle activities, such as cattle herd growth arising from 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) 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 bovine grazing cattle (extensive) and short-term confinement cattle (intense). The operation is conducted through the acquisition of biological assets for resale, whose Mark to Market is reliably measured because of ethe xistence of active markets for them, they are represented as follows:

| | Herd | |
|---|---|---|
| | Individual | Consolidated |
| **Balance at December 31, 2016** | **120,140** | **141,706** |
| Increase due to acquisitions | 50,560 | 65,284 |
| Decrease due to sales | (29,857) | (53,623) |
| Net (decrease) /increase due to births (deaths) | (71) | (103) |
| Change in the fair value, less estimated selling expenses | 10,388 | 10,285 |
| **Balance at March 31, 2017** | **151,160** | **163,549** |

At March 31, 2017, farm cattle held for sale were 57,715 feeder cattle (6,100 at December 31, 2015), confined cattle were 6,100 (9,784 at December 31, 2016).

At March 31, 2017 and December 31, 2016, the Company did not have any type of biological assets with restricted ownership or offered as guarantee of obligations, and there were no other risks (financial, commitments, and weather related) affecting the Company's biological assets.

## 9. Taxes recoverable

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| PIS (Tax on revenue) | 79,923 | 82,198 | 95,033 | 96,272 |
| COFINS (Tax on revenue) | 305,665 | 316,420 | 340,367 | 352,150 |
| Reintegra (tax rebate as exports incentive) | 1,650 | 1,650 | 2,042 | 2,042 |
| ICMS (State VAT) | 174,179 | 175,747 | 184,732 | 185,951 |
| IRPJ and CSLL (Income tax and social contribution) | 205,131 | 197,654 | 213,989 | 206,383 |
| IPI deemed credit | 11,201 | 16,317 | 11,201 | 16,317 |
| Others | 19,403 | 19,387 | 101,958 | 128,708 |
| | **797,152** | **809,373** | **949,322** | **987,823** |
| Current | 606,564 | 613,674 | 758,493 | 791,361 |
| Noncurrrent | 190,588 | 195,699 | 190,829 | 196,462 |

**PIS and COFINS**
PIS and COFINS credits arose from the change in tax legislation in accordance with Law 10,637/02 and Law 10,833/03, which established non-cumulativeness for these taxes, thus generating credits for export companies.

Currently, the Brazilian Federal Revenue Service (RFB) ended 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 2017, 2018 and 2019.

Based on studies made by the Company's management regarding the expectation of tax credits' refund, part of these credits in current assets were segregated to noncurrent assets amounting to R$ 104,904 at March 31, 2017. The estimates of realization of the Company's and its subsidiaries' tax credits are reviewed on a quarterly basis.

**ICMS - State VAT**
The ICMS credits result from the fact that the Company's exports are greater than its domestic sales, thus generating credits which, after ratification by state tax authorities, are used for purchasing inputs for production, and which may also be sold to third parties, as provided for in legislation in effect.

The aforementioned credit balance is being inspected and ratified by the São Paulo State Finance Department and the Company's Management expects to recover a significant portion throughout 2017 and 2018. Based on studies conducted by the Company's Management, an amount deemed sufficient to cover slower lawsuits, totaling R$ 55,096, was transferred from current assets to noncurrent assets. The estimates of realization of the Company's and its subsidiaries' tax credits are reviewed on a quarterly basis.

**IPI deemed credit**
IPI Deemed Credits result from the reimbursement of the contributions to PIS/PASEP and COFINS, provided for in Laws 9,363/96 and 10,276/01, arising from the acquisition of bovine raw materials from individuals and/or cooperatives.

The Company is currently requesting to the RFB the offsetting/reimbursement of said credits.

Based on technical studies and supported by the opinion of its tax counselors, the Company's Management understands that the tax credits from PIS, COFINS, ICMS, and IPI deemed credit, recorded in noncurrent assets, are expected to be realized up to the end of 2019.

## 10. Deferred tax assets

Below we present the changes during the period of deferred tax assets, taking into account deferred tax assets on income tax and social contribution losses:

| | Individual and consolidated | | | |
|---|---|---|---|---|
| | **Balance at December 31, 2016** | **Recognized in profit or loss** | **Deferred taxes realization** | **Balance at March 31, 2017** |
| Deferred taxes on tax losses | 246,757 | - | (9,498) | 237,259 |
| Total deferred tax assets | **246,757** | **-** | **(9,498)** | **237,259** |

Deferred tax assets arising from income tax and social contribution losses were recognized at December 31, 2010, September 30, 2011, December 31, 2011, June 30, 2012, December 31, 2014 and December 31, 2016 for the Company. The accumulated amount at March 31, 2017 is R$ 237,259. These balances are recognized to the extent that it is probable that future taxable profits will be available against which those temporary differences and tax losses can be realized.

The Company's and its subsidiaries' Management decision to recognize deferred tax assets on tax losses was based on the business plan, internal budget and financial projections, prepared by independent advisors which are subject to review at least annually.

The projected realization of these deferred taxes (IRPJ and CSLL) assets is as follows:

| | **3/31/2017 Individual** | **3/31/2017 Consolidated** |
|---|---|---|
| 2017 | 6,613 | 6,613 |
| 2018 | 20,965 | 20,965 |
| 2019 | 22,246 | 22,246 |
| 2020 | 31,368 | 31,368 |
| 2021 and thereafter | 156,067 | 156,067 |
| | **237,259** | **237,259** |

(*) The Company expects to realize the income tax and social contribution temporary differences in no more than 10 years.

We highlight that such technical studies that based the decision to recognize deferred tax assets on income tax and social contribution losses were duly reviewed and approved in Board of Directors' Meetings.

## 11. Related parties

The transactions with related parties, conducted under the following conditions, are summarized in the tables below and comprise:

| | Individual | |
|---|---|---|
| **Loans receivables** | **3/31/2017** | **12/31/2016** |
| Minerva Indústria e Comércio de Alimentos S.A.. (a) | 59,079 | 49,479 |
| Minerva Dawn Farms S.A. (Minerva Fine Foods) (b) | 5,267 | 3,405 |
| Transminerva Ltda. | 25,288 | 25,068 |
| Minerva Overseas Ltd (d) | 228,080 | 276,299 |
| Minerva Luxembourg S.A. (e) | - | 42,365 |
| Others (f) | 12,641 | 13,293 |
| | **330,355** | **409,909** |

**(a)** Loan granted to Minerva Indústria e Comércio de Alimentos S.A. for working capital;
**(b)** Loan granted to Minerva Fine Foods for working capital;
**(c)** Expenses of the subsidiary Transminerva and working capital to be reimbursed;
**(d)** Loan granted to Minerva Overseas Ltda., to be reimbursed;
**(e)** Loan granted to Minerva Luxembourg S.A., to be reimbursed; and,
**(f)** Other loans and payments to parent's associates.

| | Individual | |
|---|---|---|
| **Loans payable** | **3/31/2017** | **12/31/2016** |
| Minerva Luxembourg (a) | 23,328 | - |
| Minerva Overseas II Ltd. | 422,135 | 434,220 |
| Mato Grosso Bovinos (c) | 219,901 | 211,402 |
| Minerva Comercializadora de Energia Ltda (d) | - | 102 |
| | **665,364** | **645,724** |

**(a)** Loan from Minerva Luxembourg to the Company;
**(b)** Loan from Minerva II to the Company;
**(c)** Loan from Mato Grosso Bovinos S.A. to the Company;

**(d)** Loan from Minerva Comercializadora de Energia Ltda. to the Company.

The Company, understanding the full integration of its operations with its subsidiaries, conducts cash transfer transactions 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:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| **Trade payables** | **3/31/2017** | **12/31/2016** | **3/31/2017** | **12/31/2016** |
| Minerva Dawn Farms S.A. | 3,615 | 3,501 | - | - |
| Minerva Indústria e Comércio de Alimentos S.A.. | 15,754 | 17,478 | - | - |
| Transminerva | 43 | 11 | - | - |
| Frigomerc | 6,436 | 295 | | |
| Mato Grosso Bovinos S.A. | 16,565 | 20,038 | - | - |
| Cia. Companhia Sul Americana de Pecuária | 814 | 14,944 | - | - |
| Minerva Comercializadora de Energia Ltda. | - | 1 | - | - |
| Payables to other related parties | - | 2,031 | - | 3,616 |
| | **43,227** | **58,299** | **-** | **3,616** |

| Trade receivables | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Minerva Dawn Farms S.A. | 2,347 | 452 | - | - |
| Minerva Ind. e Com. de Alimentos S.A. | 73 | 168 | | |
| Pulsa S.A. | 37 | 38 | | |
| Transminerva | - | 4 | - | - |
| Mato Grosso Bovinos S.A. | 8,091 | 413 | - | - |
| Receivables from other related parties | - | 15 | - | 85 |
| | **10,548** | **1,090** | **-** | **85** |

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| **Sales revenue:** | | | | |
| Minerva Dawn Farms S.A. | 6,034 | 3,391 | - | - |
| Mato Grosso Bovinos S.A. | 6,414 | - | - | |
| Pulsa S.A. | 2,532 | - | - | - |
| Frigorífico Carrasco S.A. | 1,511 | - | - | - |
| Minerva Comercializadora de Energia Ltda. | 96 | | | |
| | **16,587** | **3,391** | **-** | - |
| **Purchase of meat:** | | | | |
| Minerva Dawn Farms S.A. | 14,339 | - | - | - |
| Minerva Indústria e Comércio de Alimentos S.A. | 49,711 | 48,209 | - | - |
| Cia. Sul Americana de Pecuária | 16,486 | 20,882 | - | - |
| Pulsa S.A. | 1,915 | 2,031 | - | - |
| Frigomerc | 25,699 | 27,618 | - | - |
| Frigorífico Carrasco S.A. | 3,990 | 8,618 | - | - |
| Minerva Comercializadora de Energia Ltda. | 406 | - | | |
| Mato Grosso Bovinos S.A. | 52,386 | 86,668 | - | - |
| | **164,932** | **194,026** | **-** | **-** |
| **Purchase of bovines:** | | | | |
| Payables to other related parties | **8,454** | **8,686** | **22,962** | **19,720** |

The transactions with the Company and its subsidiaries were carried out under usual market conditions for the respective types of transactions.

For the periods ended March 31, 2017 and 2016 the Company did not recognize an allowance for doubtful debts nor expenses on uncolectible debts with respect to related parties.

## 12. Investments

The changes in investments in subsidiaries are presented below:

| | Equity interest percentage | Balance at 12/31/2016 | Transfers | Impairment of assets | Goodwill | Dividends | Other comprehensive income | Acquisition/Write-off of equity interest | Capital contribution | Share of profit (loss) | Balance at 3/31/2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Goodwill arising from expected future profitability | | 516,377 | - | - | - | - | - | - | - | - | 516,377 |
| Minerva Indústria e Comércio de Alimentos Ltda. | 98.00% | 70,743 | - | - | - | - | - | - | - | 4,854 | 75,597 |
| Minerva Overseas Ltd. | 100.00% | 170,554 | - | - | - | - | (18,426) | - | - | 843 | 152,971 |
| Minerva Overseas Ltd II | 100.00% | 389,419 | - | - | - | - | (10,474) | - | - | 31,872 | 410,817 |
| Minerva Middle East | 100.00% | 37 | - | - | - | - | - | - | - | - | 37 |
| Minerva Log S.A. | 100.00% | 55 | - | - | - | - | - | - | - | - | 55 |
| Minerva Dawn Farms S.A. | 100.00% | 96,210 | - | - | - | - | - | - | - | (2,725) | 93,485 |
| Pulsa S.A | 100.00% | 150,684 | - | - | - | - | (4,216) | - | - | 804 | 147,272 |
| Loin Investments Ltda. | 99.00% | - | - | - | - | - | - | - | - | - | - |
| Frigomerc S.A. | 100.00% | 228,198 | - | - | - | - | (1,311) | - | - | 14,545 | 241,432 |
| Minerva Colômbia S.A.S. | 100.00% | - | - | - | - | - | - | - | - | - | - |
| Frigorífico Carrasco S.A.. | 100.00% | 108,645 | - | - | - | - | (3,113) | - | - | (7,326) | 98,206 |
| Lytmer S.A. | 100.00% | 24,122 | - | - | - | - | (657) | - | - | (3,267) | 20,198 |
| CSAP - Companhia Sul Americana de Pecuária S.A. | 100.00% | 23,627 | - | - | - | - | - | - | - | (3,045) | 20,582 |
| Mato Grosso Bovinos S.A. | 100.00% | 465,903 | - | - | - | - | - | - | - | 6,532 | 472,435 |
| Minerva Live Cattle Exports S.A. | 100.00% | 1,358 | - | - | - | - | (14) | - | - | 42 | 1,386 |
| Minerva Meats USA LLC | 100.00% | 523 | - | - | - | - | - | - | - | - | 523 |
| Minerva Chile Spa | 100.00% | 5,922 | - | - | - | - | (510) | - | - | (895) | 4,517 |
| Red Cárnica S.A.S. | 100.00% | 76,262 | - | - | - | - | 1,627 | - | 37,489 | (1,313) | 114,065 |
| Red Industrial Colombiana S.A.S. | 100.00% | 8,468 | - | - | - | - | 282 | - | - | 384 | 9,134 |
| Intermeat - Assessoria e Comércio Ltda. | 100.00% | 341 | - | - | - | - | - | - | 650 | (660) | 331 |
| Minerva Comercializadora de Energia Ltda. | 100.00% | 31,039 | - | - | - | - | - | - | - | (3,274) | 27,765 |
| Minerva Australia Holdings Pty Ltd. | 100.00% | 3,327 | - | - | - | - | 90 | - | - | (70) | 3,347 |
| PUL Argentina S.A. | 100.00% | 41 | - | - | - | - | - | - | | - | 41 |
| Investments | | 2,371,855 | - | - | - | - | (36,722) | - | 38,139 | 37,301 | 2,410,573 |
| | | | | | | | | | | | |
| Transminerva | 100.00% | (24,221) | - | - | - | - | - | - | - | (491) | (24,712) |
| Minerva Luxembourg | 100.00% | (933,000) | - | - | - | - | 47,559 | - | - | (58,799) | (944,240) |
| Lytmer | 100.00% | - | - | - | - | - | - | - | - | - | - |
| Lytmer S.A.. | 99.99% | (769) | - | - | - | - | 8 | - | - | (124) | (885) |
| Minerva Colômbia S.A.S. | 100.00% | (1,736) | - | - | | | (4,644) | | | 1,112 | (5,268) |
| Allowance for investment losses | | (959,726) | - | - | - | - | 42,923 | - | - | (58,302) | (975,105) |
| Total investments, net | | 1,412,129 | - | - | - | - | 6,201 | - | 38,139 | (21,001) | 1,435,468 |

At July 31, 2015, the Company entered into a “Compra y Venta de Acciones” agreement to acquire 100% of Red Cárnica S.A.S. and Red Industrial Colombiana S.A.S. equity interests, thereby assuming the control of these subsidiaries from that date.

The acquisition was made for COP$ 28,540 billion (equivalent to R$ 31,365 as at March 31, 2017).

At February 5, 2016, the Company acquired Intermeat – Assessoria e Comércio Ltda., reaching 100% of the equity interest in that company. The acquisition was made for US$ 50 thousand (equivalent to R$ 158 as at March 31, 2017).

At July 22, 2016 the subsidiary Minerva Australia Holdings Pty Ltd. acquired 100% of the equity interest in IMPT Pty Ltd. The acquisition was made for AUD 4.0 million (equivalent to R$ 9,680 as at March 31, 2017).

Summary of the subsidiaries’ financial statements as at March 31, 2017:

| | Equity interest percentage | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities | Equity |
|---|---|---|---|---|---|---|
| Minerva Indústria de Alimentos S.A. | 98.00% | 91,930 | 113,925 | 42,430 | 86,286 | 77,139 |
| Frigorífico Carrasco S.A. | 100.00% | 95,289 | 105,974 | 90,444 | 12,613 | 98,206 |
| Minerva Overseas Ltd. | 100.00% | 182 | 380,869 | - | 228,080 | 152,971 |
| Minerva Overseas II Ltd. | 100.00% | 126 | 1,651,203 | - | 1,240,512 | 410,817 |
| Minerva Middle East Ltd. | 100.00% | 37 | - | - | - | 37 |
| Red Cárnica S.A.S. | 100.00% | 83,673 | 66,623 | 21,358 | 14,873 | 114,065 |
| Minerva Dawn Farms S.A. | 100.00% | 27,531 | 88,779 | 15,728 | 7,098 | 93,484 |
| Red Industrial Colombiana S.A.S. | 100.00% | 1,378 | 9,843 | 750 | 1,336 | 9,135 |
| Minerva Luxembourg S.A. | 100.00% | 258,705 | 3,481,569 | 36,921 | 4,647,593 | (944,240) |
| Friasa S.A. | 99.99% | 2,783 | 548 | 4,216 | - | (885) |
| Transminerva Ltda. | 100.00% | 623 | 104 | 71 | 25,368 | (24,712) |
| Loin Investments Administradora de Carteira Ltda. | 100.00% | - | - | - | - | - |
| Minerva Log S.A. | 100.00% | 52 | - | - | - | 52 |
| Lytmer S.A. | 100.00% | 33,110 | 10,432 | 21,031 | 2,313 | 20,198 |
| Pulsa S.A. | 100.00% | 125,535 | 106,987 | 48,291 | 36,958 | 147,273 |
| Frigomerc S.A. | 100.00% | 288,730 | 64,874 | 112,172 | - | 241,432 |
| Minerva Foods Chile SpA | 100.00% | 25,145 | 40,447 | 17,673 | 42,921 | 4,998 |
| Minerva Colômbia S.A.S. | 100.00% | 15,364 | 369 | 4,373 | 16,628 | (5,268) |
| CSAP - Companhia Sul Americana de Pecuária S.A. | 100.00% | 26,141 | 1,622 | 7,181 | - | 20,582 |
| Mato Grosso Bovinos S.A. | 100.00% | 148,431 | 413,804 | 85,726 | 4,074 | 472,435 |
| Minerva Live Cattle Exports S.A. | 100.00% | 10,767 | 42,830 | 11,808 | 40,403 | 1,386 |
| Minerva Meats USA LLC | 100.00% | 524 | - | - | - | 524 |
| Intermeat - Assessoria e Comércio Ltda. | 100.00% | 184 | - | 344 | - | (160) |
| Minerva Comercializadora de Energia Ltda. | 100.00% | 80,740 | - | 52,975 | - | 27,765 |
| Minerva Australia Holdings Pty Ltd. | 100.00% | 18,409 | 9,699 | 12,358 | 12,403 | 3,347 |
| PUL Argentina S.A. | 100.00% | 47 | - | 7 | - | 40 |
| **Total** | | **1,335,436** | **6,590,501** | **585,857** | **6,419,459** | **920,621** |

Below we present the results of subsidiaries which had changes during the periods ended March 31, 2017 and 2016:

| | 3/31/2017 | | 3/31/2016 | |
|---|---|---|---|---|
| | Net revenue | Profit (loss) for the period | Net revenue | Profit (loss) for the period |
| Minerva Indústria de Alimentos Ltda. | 117,531 | 4,853 | 125,407 | 425 |
| Frigorífico Matadero Carrasco S.A. | 110,565 | (7,326) | 104,103 | (8,869) |
| Minerva Overseas Ltd. | - | 843 | - | 552 |
| Minerva Overseas II Ltd. | - | 31,872 | - | 34,279 |
| Minerva Middle East | - | - | - | - |
| Red Cárnica S.A.S. | 99,421 | (1,314) | 43,661 | (5,575) |
| Minerva Dawn Farms S.A. | 19,172 | (2,725) | 18,644 | (14,041) |
| Red Industrial Colombiana S.A.S. | 1,660 | 385 | 674 | 194 |
| Minerva Luxembourg S.A. | - | (58,800) | - | (76,532) |
| Friasa S.A. | - | (124) | - | (150) |
| Transminerva Ltda. | 111 | (491) | 163 | (444) |
| Loin Investments Administradora de Carteira Ltda. | - | - | - | 32 |
| Minerva Log S.A. | - | (1) | - | (4) |
| Lytmer S.A. | 28,952 | (3,267) | 187 | (513) |
| Pulsa S.A. | 114,585 | 804 | 129,328 | 166 |
| Frigomerc S.A. | 245,391 | 14,546 | 278,472 | 6,895 |
| Minerva Foods Chile SpA | 15,991 | (896) | 1,154 | (1,345) |
| Minerva Colômbia S.A.S. | - | 1,113 | - | (1,483) |
| CSAP - Companhia Sul Americana de Pecuária S.A. | 19,760 | (3,046) | 35,649 | (35) |
| Mato Grosso Bovinos S.A. | 217,799 | 6,532 | 219,677 | 16,185 |
| Minerva Live Cattle S.A. | - | 42 | - | 40 |
| Minerva Meats USA LLC | - | - | - | - |
| Intermeat - Assessoria e Comércio Ltda. | 15 | (661) | 690 | 451 |
| Minerva Comercializadora de Energia Ltda. | 120,785 | (3,273) | - | - |
| Minerva Australia Holdings Pty Ltd. | 21,364 | (69) | - | - |
| PUL Argentina S.A. | - | - | - | - |

(*) All values stated as 100% of subsidiaries' results

## 13. Property, plant and equipment

### a) Breakdown of property, plant and equipment

| **Individual** | | | | **3/31/2017** | **12/31/2016** |
|---|---|---|---|---|---|
| **Description** | **Average annual depreciation rate %** | **Historical cost** | **Accumulated depreciation** | **Net** | **Net** |
| Buildings | 3.05% | 675,508 | (128,467) | 547,041 | 551,394 |
| Machinery and equipment | 9.26% | 615,247 | (149,486) | 465,761 | 456,555 |
| Furniture and fixtures | 9.78% | 6,261 | (2,960) | 3,301 | 3,148 |
| Vehicles | 10.69% | 14,125 | (6,343) | 7,782 | 7,955 |
| Hardware | 19.73% | 8,485 | (4,273) | 4,212 | 4,379 |
| Land | | 53,876 | - | 53,876 | 53,876 |
| Construction in progress | | 395,543 | - | 395,543 | 371,690 |
| Impairment of assets | | (21,518) | - | (21,518) | (21,518) |
| | | **1,747,527** | **(291,529)** | **1,455,998** | **1,427,479** |

| **Consolidated** | | | | **3/31/2017** | **12/31/2016** |
|---|---|---|---|---|---|
| **Description** | **Average annual amortization rate %** | **Historical cost** | **Accumulated depreciation** | **Net** | **Net** |
| Buildings | 2.68% | 1,095,586 | (173,382) | 922,204 | 931,701 |
| Machinery and equipment | 8.96% | 1,008,905 | (271,784) | 737,121 | 732,304 |
| Furniture and fixtures | 8.50% | 13,066 | (6,234) | 6,832 | 6,759 |
| Vehicles | 11.15% | 20,368 | (9,807) | 10,561 | 10,558 |
| Hardware | 19.40% | 14,980 | (8,228) | 6,752 | 7,108 |
| Land | | 104,711 | - | 104,711 | 105,404 |
| Reforestation | | 2,986 | - | 2,986 | 2,986 |
| Construction in progress | | 439,829 | - | 439,829 | 404,644 |
| Impairment of assets | | (21,518) | - | (21,518) | (21,518) |
| | | **2,678,913** | **(469,435)** | **2,209,478** | **2,179,946** |

## b) Changes in property, plant and equipment

| Individual | Buildings | Machinery and equipment | Furniture and fixtures | Vehicles | Hardware | Land | Construction in progress | Provision for impairment of assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2016** | **551,394** | **456,555** | **3,148** | **7,955** | **4,379** | **53,876** | **371,690** | **(21,518)** | **1,427,479** |
| Additions | - | - | - | 38 | 1 | - | 45,289 | - | 45,328 |
| Transfers | 45 | 20,933 | 242 | 155 | 61 | - | (21,436) | - | - |
| Disposals | - | (794) | - | (9) | - | - | - | - | (803) |
| Depreciation | (4,398) | (10,933) | (89) | (357) | (229) | - | - | - | (16,006) |
| **Balance at March 31, 2017** | **547,041** | **465,761** | **3,301** | **7,782** | **4,212** | **53,876** | **395,543** | **(21,518)** | **1,455,998** |

| Consolidated | Buildings | Machinery and equipment | Furniture and fixtures | Vehicles | Hardware | Land | Reforestation | Construction in progress | Provision for impairment of assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2016** | **931,701** | **732,304** | **6,759** | **10,558** | **7,108** | **105,404** | **2,986** | **404,644** | **(21,518)** | **2,179,946** |
| Additions | 342 | 2,148 | 45 | 416 | 41 | 38 | - | 58,056 | - | 61,086 |
| Transfers | 48 | 21,851 | 436 | 328 | 69 | - | - | (22,732) | - | - |
| Disposals | - | (794) | (5) | (124) | - | - | - | - | - | (923) |
| Depreciation | (6,469) | (17,100) | (394) | (587) | (438) | - | - | - | - | (24,988) |
| Translation adjustment | (3,418) | (1,288) | (9) | (30) | (28) | (731) | - | (139) | - | (5,643) |
| **Balance at March 31, 2017** | **922,204** | **737,121** | **6,832** | **10,561** | **6,752** | **104,711** | **2,986** | **439,829** | **(21,518)** | **2,209,478** |

### c) Construction in progress

At March 31, 2017, the main projects are: Expansion of the Janaúba (MG) plant; Expansion of the slaughtering area from Araguaína (TO); Enlargement and expansion of the plçant of the subsidiary Red Cárnica S.A.S. (COL) and structuring and expansion of Distribution Centers.

### d) Provision for impairment of assets

As required by the accounting practices adopted in Brazil and International standards (IFRS), the Company annually assesses whether there is evidence of impairment of its assets. In this sense, since 2013 the industrial plant of Goianésia (GO), for strategic reasons, is underutilized. Therefore, the analysis of the plant value by cash generation was impaired, and the sale value net of selling expenses was chosen for evaluation. Based on the valuation made by an independent company it was found that the mentioned plant has a value higher than its realization value on sale of R$ 34,175, of which R$ 21,518 from property, plant and equipment and R$ 12,657 from expected future profitability, which generated the recognition of a provision for impairment.

### e) Guarantees

Property, plant and equipment pledged as guarantees for borrowings amounted to R$ 180,862 at March 31, 2017 (R$ 187,521 at December 31, 2016).

## 14. Intangible assets

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Goodwill on acquisitions | 98,094 | 98,094 | 606,006 | 605,752 |
| Right to use Aircraft | 1,793 | 1,793 | 1,793 | 1,793 |
| Assignment of right of way | 250 | 250 | 250 | 250 |
| Software | 5,632 | 6,539 | 7,214 | 8,334 |
| | **105,769** | **106,676** | **615,263** | **616,129** |

Changes in intangible assets during the period ended March 31, 2017 were as follows:

| | Individual | | | | |
|---|---|---|---|---|---|
| | Goodwill paid on acquisitions | Right to use Aircraft | Assignment of right of way | Software purchased | Total |
| **Balance at December 31, 2016** | **98,094** | **1,793** | **250** | **6,539** | **106,676** |
| Additions | - | - | - | 315 | 315 |
| Amortization | - | - | - | (53) | (53) |
| Transfers to PP&E | - | - | - | (1,169) | (1,169) |
| **Balance at March 31, 2017** | **98,094** | **1,793** | **250** | **5,632** | **105,769** |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Goodwill paid on acquisitions | Right to use Aircraft | Assignment of right of way | Software purchased | Total |
| **Balance at December 31, 2016** | **605,752** | **1,793** | **250** | **8,334** | **616,129** |
| Additions | - | - | - | 363 | 363 |
| Amortization (impairment) | - | - | - | (191) | (191) |
| Transfers to PP&E | - | - | - | (1,169) | (1,169) |
| Translation adjustment | 254 | - | - | (123) | 131 |
| **Balance at March 31, 2017** | **606,006** | **1,793** | **250** | **7,214** | **615,263** |

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. At March 31, 2016 and December 31, 2016, the average amortization rates were 19.9% and 19.7%, respectively.

## Goodwill paid for expected future profitability

| | Consolidated | |
|---|---|---|
| | 3/31/2017 | 12/31/2016 |
| Minerva Dawn Farms (MDF) - (i) | 166,487 | 166,487 |
| Brascasing Industria e Comércio Ltda - (ii) | 74,596 | 74,596 |
| Pulsa S.A. (iii) | 61,643 | 61,643 |
| Frigomerc (iv) | 62,126 | 62,126 |
| Frigorífico Carrasco S.A. (v) | 47,773 | 47,773 |
| Mato Grosso Bovinos S.A. (vi) | 174,278 | 174,278 |
| Others (vii) | 19,103 | 18,849 |
| | **606,006** | **605,752** |

**(i)** To comply with the requirements defined in CVM Resolution 580/09 – CPC 15 (R1), the Company reviewed the calculations of the identifiable assets acquired and liabilities assumed made at the time of recording of the fair value of the acquisition of more 30% of Minerva Dawn Farms - MDF shares. This was framed as a "business combination achieved in stages", and the segregation of appreciation (goodwill) found on initial (temporary) recognition of the fair value of the Company's interest in that operation, amounting to R$ 188,391 (R$ 188,391 at December 31, 2012), segregating goodwill for expected future profitability – R$ 98,714, client list – R$ 87,733 and appreciation of assets – R$ 1,944, complying with CPC pronouncements, instructions and guidance. As previously described, during the 4th quarter of 2012, the Company acquired the residual interest of 20% of Minerva Dawn Farms - MDF shares, held by Dawn Farms, thereby acquiring 100% of Minerva Dawn Farms - MDF control. At December 31, 2016 the Company recorded impairment of asset amounting to R$ 21,904;

**(ii)** At December 2011, the Company acquired 5% of the share capital of the joint venture Brascasing Comercial Ltda. as of that date, becoming holder of 55% of that company, and consequently its control. As this transaction is framed as a "business combination achieved in stages", the Company recorded its equity interest and non-controlling interest at its fair value, which led to the recording of appreciation (goodwill for expected future profitability) of R$ 93,185. After the full acquisition of the Company, goodwill totaled R$ 98,094. At December 31, 2015, the Company recorded an impairment amounting to R$ 23,498, arising from the excess of production/supply, with the reduction of worldwide consumption, mainly from the slowdown in China and the decrease in oil price, directly impacting markets like Russia, one of the main markets for its business;

**(iii)** During the year ended December 31, 2011, the Company acquired 100% of the shares with voting rights of Frigorífico Pulsa S.A., recording a goodwill for expected future profitability amounting to R$ 61,643;

**(iv)** During the 4th quarter of 2012, the Company acquired 100% of the shares of Frigomerc S.A., recording a goodwill for expected future profitability amounting to R$ 58,380. At March 16, 2013, an amendment to the purchase and sale agreement of Frigomerc S.A. was prepared determining a supplement to Working Capital amounting to R$ 3,746 (USD 1,830 thousand), totaling R$ 62,126 at December 31, 2012;

**(v)** During the period ended June 30, 2014 the Company acquired 100% of the shares with voting rights of Frigorífico Matadero Carrasco S.A (Frigorífico Carrasco S.A), occurred on April 30, 2014, recording a goodwill for expected future profitability amounting to R$ 34,700. As per clauses of the acquisition agreement, there was a goodwill increase for expected future profitability amounting to R$ 13,073, totaling an amount of R$ 47,773;

**(vi)** During the year ended December 31, 2014, the Company incorporated 100% of the shares with voting rights of Mato Grosso Bovinos S.A. through the exchange of 29 million common shares issued by the Company (BEEF3), occurred on October 1, 2014, after the Extraordinary General Meeting (EGM) of the two companies, which resulted in the recording of goodwill for expected future profitability amounting to R$ 174,278; and,

**(vii)** During the 2nd quarter of 2013, the Company acquired the remaining 8% of the shares of Friasa S.A., which resulted in the recording of goodwill for expected future profitability in the amount of R$ 7,233, totaling R$ 9,298 at June 30, 2016. During the 1st quarter of 2016, the Company acquired 100% of the capital stock of its subsidiary Intermeat Assessoria e Comércio Ltda, resulting in a goodwill for expected future profitability totaling R$ 217. During the 2nd quarter of 2016, through its subsidiary Minerva Australia Pty Ltd., the Company acquired 100% of the capital stock of its subsidiary IMTP Pty Ltd., resulting in a goodwill for expected future profitability totaling R$ 9,334.

As required by accounting practices adopted in Brazil and International standards (IFRS), the Company annually assesses whether there is evidence of impairment of its assets. Accordingly, the industrial plant of Goianésia (GO), company previously named as "Lord Meat", for strategic reasons, is underutilized, as mentioned in Note 13. At December 31, 2016, the Company performed impairment test of all its Cash-generating units ("CGU"), based on their value in use. For all CGUs, the Company considered 5 years of projection, with no growth in perpetuity, in addition to observing the financial budgets prepared by Management for the beginning of the projection of cash flows (2017). As a result of this test. the Company recognized impairment of assets for the CGU MFF of R$ 21,904. The recoverable value of this CGU totaled R$ 271,449 and was measured based on the calculation of its value in use, according to its 5 year cash flow projections based on financial budgets approved by the Company's Executive Officers. The discount rate applied was 10.4% (10.8% in 2015), not considering growth in perpetuity.

The CGUs calculation, MFF included, is more sensitive to the projected exchange rate (R$/USD) premise, due to the exposure of the Company's revenues to the foreign market. For sensitivity purposes, in accordance with Management's assessment, a 5% drop in the exchange rate curve used in the projection of the value in use, could result in an impairment of the CGU Casing, in addition to an increase in the impairment of MFF, if Management could not pass this fall to the product prices of these CGUs.

At December 31, 2015, the CGU "Casing" (formerly Brascasing Ind. E Com. Ltda) recognized a provision for impairment of R$ 23,498, as stated in the line item "Impairment of asset" in the statement of profit or loss, due to the excess of production/supply, with the reduction of consumption due to the lower world's growth, mainly from the slowdown in China and the decrease in oil price, which directly impacted markets like Russia, one of the main destinations of its production. As from 2016 this CGU is less exposed to the Russian Market, due to the opening of new markets and changes in the internal structure of the board, the main reasons why this CGU did not present the need for an increase in the provision for impairment in 2016.

In compliance with CPC 1 (R1) (IAS 36), the Company tests for impairment, at least annually, its intangible assets which do not have estimated useful lives.

## 15. Borrowings and leases

| Type of contract | Contractual rates | Individual | | Consolidated | |
|---|---|---|---|---|---|
| | | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Debentures 4th issue (1) | CDI + 1.75% p.a. | 311,622 | 300,950 | 311,622 | 300,950 |
| Debentures (1) | Fixed rate | - | - | - | - |
| BNDES (1/2/3) | TJLP + Spread | 25,216 | 31,053 | 25,216 | 31,053 |
| FINEP (7) | TJLP + Spread | - | - | 9,747 | 11,770 |
| Lease (3) | TJLP + 3.5% p.a. | 1,360 | 1,586 | 1,423 | 1,659 |
| Bank Credit Note (1/2/3/5) | 8.5% p.a. | - | 544 | - | 544 |
| Bank Credit Note (1/2/3/5) | TJLP + 1.15% p.a. | - | - | 31,112 | 33,754 |
| NCE (1/5) | CDI + Spread | 962,527 | 554,427 | 962,527 | 554,427 |
| Progeren (1) | 3.9% p.a. + TJLP | - | - | - | - |
| IFC (2/4/6) | CDI + Spread | 119,986 | 115,779 | 119,986 | 115,779 |
| FIDC | CDI + Spread | 30,735 | 29,366 | 30,735 | 29,366 |
| Derivatives (Hedge) | CDI + Spread | (1,589) | 2,319 | (1,589) | 2,319 |
| | | **1,449,857** | **1,036,024** | **1,490,779** | **1,081,621** |
| In foreign currency (USD) | | | | | |
| ACCs (5) | 3.0% to 3.6% p.a.+ USD | 241,479 | 297,101 | 241,479 | 297,101 |
| NCE (5) | 4.4% p.a.+ USD | 223,876 | 268,711 | 223,876 | 268,711 |
| Senior Unsecured Notes - (5) | USD + interests | 2,617,160 | 2,648,567 | 3,387,643 | 4,004,241 |
| Perpetual bonds (5) | USD + 8.75% p.a.. | 877,797 | 903,359 | 964,161 | 990,872 |
| PPE (1) | 2.4% p.a.+ Libor | 92,542 | 29,734 | 92,542 | 29,734 |
| Operation 4131 (5/8) | USD + interests | 143,090 | 188,971 | 143,090 | 188,971 |
| Others (5/8) | USD + interests | - | - | 125,507 | 160,076 |
| | | | | - | - |
| Derivatives (Hedge) | | (152,712) | (193,624) | (152,712) | (193,624) |
| | | **4,043,232** | **4,142,819** | **5,025,586** | **5,746,082** |
| **Total borrowings** | | **5,493,089** | **5,178,843** | **6,516,365** | **6,827,703** |
| Current | | 1,100,087 | 1,187,894 | 1,205,988 | 1,397,051 |
| Noncurrrent | | 4,393,002 | 3,990,949 | 5,310,377 | 5,430,652 |

The Company offered the following guarantees for its borrowings:

1. Endorsement/collateral of the parent company VDQ Holdings S.A and/or endorsement of its shareholders;
2. Mortgage;
3. Equipment disposals;
4. Promissory notes endorsed by the subsidiaries Minerva Alimentos, Pulsa S.A. and Frigomerc S.A.;
5. Collateral or endorsement of the Company;
6. Collateral of the subsidiaries Minerva Alimentos, Pulsa S.A. and Frigomerc S.A.;
7. Bank collateral;
8. STLC (Stand by letter of Credit).

The Company's (individual) borrowings schedule is as follows at March 31, 2017:

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Leases | 438 | 18 | - | - | - | - | - | - | - | 456 |
| BNDES | 6,579 | 8,772 | 731 | - | - | - | - | - | - | 16,082 |
| Debentures | 299,203 | - | - | - | - | - | - | - | - | 299,203 |
| IFC | 17,215 | 17,215 | 17,215 | 17,215 | 17,215 | 8,607 | - | - | - | 94,682 |
| NCE | 187,366 | 278,456 | 40,514 | - | - | - | - | - | - | 506,336 |
| Pre shipment | 31,684 | 2,076,867 | - | - | 478,428 | - | - | - | 899,826 | 3,486,805 |
| Operation 4131 | 142,578 | - | - | - | - | - | - | - | - | 142,578 |
| Derivatives (Hedge) | 4,133 | (2,328) | - | - | - | - | (70,956) | (83,989) | - | (153,140) |
| | **689,196** | **2,379,000** | **58,460** | **17,215** | **495,643** | **8,607** | **(70,956)** | **(83,989)** | **899,826** | **4,393,002** |

The Company's (consolidated) borrowings schedule is as follows at March 31, 2017:

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Perpetual | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Leases | 459 | 18 | - | - | - | - | - | - | - | - | 477 |
| BNDES | 6,579 | 8,772 | 731 | - | - | - | - | - | - | - | 16,082 |
| Bank Credit Note | 2,657 | 5,313 | 5,313 | 5,313 | 5,893 | - | - | - | - | - | 24,489 |
| Debentures | 299,203 | - | - | - | - | - | - | - | - | - | 299,203 |
| FINEP | 1,418 | - | - | - | - | - | - | - | - | - | 1,418 |
| IFC | 17,215 | 17,215 | 17,215 | 17,215 | 17,215 | 8,607 | - | - | - | - | 94,682 |
| NCE | 187,366 | 278,456 | 40,514 | - | - | - | - | - | - | - | 506,336 |
| Pre shipment | 31,684 | 31,684 | - | - | - | - | - | - | - | - | 63,368 |
| Operation 4131 | 142,578 | - | - | - | - | - | - | - | - | - | 142,578 |
| Senior Unsecured Notes | - | - | - | - | - | 696,451 | - | - | 2,674,833 | - | 3,371,284 |
| Perpetual bonds | - | - | - | - | - | - | - | - | - | 943,600 | 943,600 |
| Derivatives (Hedge) | 4,133 | (2,328) | - | - | - | - | (70,956) | (83,989) | | - | (153,140) |
| | **693,292** | **339,130** | **63,773** | **22,528** | **23,108** | **705,058** | **(70,956)** | **(83,989)** | **2,674,833** | **943,600** | **5,310,377** |

Below are the Company's and its subsidiaries' main borrowings at March 31, 2017. Additionally, we point out that, at that date, the Company complied with all covenants evidenced below in each type of borrowings:

**IFC – International Finance Corporation**
In September 2013, IFC and the Company entered into a financing agreement, with term of 10 years, in the amount of R$ 137,718 disbursed on October 24, 2013. The debt balance at March 31, 2017 is R$ 119,986 and interest thereon is calculated based on CDI + Spread paid semi-annually. The debt matures on April 15, 2023.

**Debt notes/bonds abroad**
Through its subsidiaries Minerva Overseas Ltd. and Minerva Overseas Ltd. II, the Company issued debt notes abroad in the amount of US$ 200,000 thousand and US$ 250,000 thousand, respectively. The Notes are collateralized by the Company and mature in 2017 and 2019, respectively. Additionally, in February 2012, the Company issued US$ 350,000 thousand in Notes abroad, maturing in February 2022, through its subsidiary Minerva Luxembourg S.A. ("Issuer"). Also related to this operation, the Company concluded in March 2012, the re-tap of the notes transaction with maturity in February 2022, in the amount of US$ 100,000 thousand. In August 2014, the Company concluded the re-tap of the notes transaction with maturity in January 2023 in the amount of US$ 200,000.

The Notes issued by Minerva Overseas I and II (Bonds 2017 and 2019, respectively) pay six-month coupons at 9.5% and 10.875% p.a., respectively, and the Notes operations issued by Minerva Luxembourg (Bonds 2022 and re-tap) pay six-month coupons at 12.25% p.a. and (Bonds 2023 and re-tap) pay six month coupons at 7.75% p.a.. The Company shall guarantee all the obligations of the Issuer in regard to the issue referred to above.

The Notes (Bond 2022 and re-tap) and (Bond 2023 and re-tap) were not recorded according to the U.S. Securities Act of 1933, as amended (Securities Act), and shall not be offered or sold in the United States, except in transactions recorded under the Securities Act or exempt from these registry requirements.

The Notes' main early maturity clauses are as follows: (i) failure to fulfill the obligations established under the confidencial offering circular, even relating to the limitation of division of dividends and change in equity interest, as mentioned in item (iv) below; and (ii) failure to pay any Note when it is already outstanding.

Notes and debentures have an expectation of maintaining a financial covenant which measures the ability to cover debt in relation to the 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 the borrowings, without considering exchange rate changes occurred in the period since the contracting of the debt, less the sum of **(i)** cash and cash equivalents (as defined below) and **(ii)** "Write-downs" (as defined below); **(II)** "cash and cash equivalents" – means the sum of the balances of the Company's statement of financial position accounts "Cash and cash equivalents" and "Securities"; **(III)** "Write-downs" means a range of exceptions, including but not limited to exchange rate gains (losses) since the issue of the Note, or allowed debts, related to specific transactions. In summary, these exceptions include the refinancing of existing debt, considering certain circumstances and fundraising for various uses, some of which for specific reasons, totaling US$ 141,000 thousand, additionally, all expenses related to exchange rate gains (losses) since the issue of the Notes are also considered for write-down purposes; **(IV)** "EBITDA" means the amount calculated on the accrual basis over the past 12 (twelve) months, equal to the sum of net revenues, less: **(i)** the cost of services rendered, **(ii)** administrative expenses, plus **(a)** depreciation and amortization expenses, **(b)** finance income (costs), **(c)** share of profit (losses) of investees and **(d)** direct taxes.

We also point out that the financial covenants refer to authorization or not to incur new debts, by executing all new debts related to refinancing, in addition to a pre-defined amount for credit facilities of working capital and investments. Covenants are calculated based on the consolidated quarterly information.

In the process of issuing such Notes (2022 and re-tap), the Company incurred transaction costs in the amount of R$ 25,735 at that date, such costs were capitalized in an offset account to these Notes liabilities, and are being amortized on a pro rata temporis basis as from issue date until its maturity in 2022.

On February 13, 2013, the Company concluded the "offer to repurchase debt notes" issued abroad (Bonds) by Company's subsidiaries, maturing in 2017, 2019 and 2022. By means of an "offer of early repurchase", the following was repurchased: US$ 10,685 thousand (R$ 21,017 on that date) of the principal of 2017 Notes, equivalent to approximately 32% of the outstanding 2017 Notes, US$ 317,976 thousand (R$ 625,459 on that date) of the principal of 2019 Notes, equivalent to approximately 85% of the outstanding 2019 Notes, and US$ 320,137 thousand (R$ 629,709 on that date) of the principal of 2022 Notes, equivalent to approximately 71% of the outstanding 2022 Notes.

Part of this offer consisted in 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$ 147,064 thousand that is amortized in the finance costs account during the effective term of the 2023 Notes.

The offer of early repurchase of debt notes was made using the funds from the issue of 2023 Notes (which will bear annual interest of 7.75%) and is part of a clear strategy of management of liabilities, aiming at the constant improvement of the Company's debt cost. The acceptance of the repurchase process by over 75% of the holders of the totality of Notes maturing in 2017, 2019 and 2022 shows that the Company has obtained good results with the implementation of its strategy.

At December 30, 2015, the Company completed the cancelation of Notes that have been repurchased since the second half of 2013, recognized in line items “Cash and cash equivalents” and “Borrowings”. The canceled Notes had maturities in 2019, 2022 and 2023. The following were canceled: US$ 6,533 thousand of the principal of the Notes from 2019 (R$ 25,510, as of that date), US$ 24,355 thousand of the principal of the Notes from 2022 (R$ 95,101, as of that date) and US$ 181,985 thousand of the principal of the Notes from 2023 (R$ 710,615, as of that date), totaling an amount of US$ 212,873 thousand (R$ 831,226).

On September 20, 2016, the Company concluded the “offer to repurchase debt notes” issued abroad (Bonds) by Company’s subsidiaries, maturing in 2023. By means of an “offer of early repurchase”, repurchasing US$617,874 thousand (R$ 2,010,562 to that date) of the principal of amount of 2023 Notes, equivalent to approximately 71% of the outstanding 2023 Notes.

The offer of early repurchase of debt notes was made using the funds from the issue of 2026 Notes (which will bear annual interest of 6.50%) and it is part of a clear strategy of management of liabilities, aiming at the constant improvement of the Company’s debt cost.

Part of this offer consisted in 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 a total cost of US$ 69,002 that will be amortized in the finance costs account during the effective term of the 2026 Notes.

At February 10, 2017, the Company exercised the option to purchase in advance its debt securities bearing annual interest of 12.25% and maturing in 2022 (Notes 2022). The total debt was US$ 105,508 (R$ 328,710 on that date). The price paid was 106,125 of the face value, plus interest accrued to that date. At March 31, 2017, the liabilities related to the Notes in the consolidated quarterly information amount to R$ 3,387,643 (R$ 4,004,241 at December 31, 2016).

**Perpetual bonds**

On March 27, 2014, the Company concluded the issue of perpetual bonds abroad amounting to US$ 300,000 thousand, with half-yearly payments at annual rate of 8.75%, by means of its wholly-owned subsidiary Minerva Luxembourg S.A. The issue of the notes had the purpose of postponing the average maturity of the Company’s debt and improving its capital structure through the use of a different fundraising instrument, diversifying even more the investors’ basis. The transaction was settled on April 3, 2014. The Company shall guarantee all the obligations of the Issuer in regard to the issue referred to above. At March 31, 2017, the liability related to the Notes in the consolidated quarterly information amounts to R$ 964,161 (R$ 990,872 at December 31, 2016). These Notes have the same financial covenant of the aforementioned Notes.

**FINEP**

On January 18, 2010, a Financing Agreement (code 0210000300) was entered into between the Financier of Studies and Projects – Finep (a BNDES division) and Minerva Dawn Farms Indústria e Comércio de Proteínas S.A., totaling R$ 57,208. At March 31, 2017, the consolidated debt balance was R$ 9,747 (R$ 11,770 at December 31, 2016) and bears annual interest of TJPL + Spread. The maturity is on July 15, 2018, but is subject to accelerated maturity if, among others: **(i)** the financed company invests financing amounts for purposes other than those agreed or in noncompliance with the disbursement timetable; **(ii)** any guilty interruption of the financed project; or **(iii)** other circumstances which, in the opinion of FINEP, make it unsafe or impossible to comply with the obligations undertaken by the financed company under the agreement or to achieve the objectives for which financing was granted.

This agreement is collateralized by a mortgage on certain properties of the Company, located in Barretos and Palmeiras de Goiás, in addition to including security deposits by the members of the Vilela de Queiroz family.

**Equipment financing - BASA**

On December 21, 2007, a private agreement was entered into between Minerva Indústria e Comércio de Alimentos S.A. and Banco da Amazônia S.A., amounting to R$ 53,793, whose balance at March 31, 2017 was R$ 31,112 (R$ 33,754 at December 31, 2016). This debt matures within 144 months from the date of signature of the debentures. The financing agreement establishes some restrictions on the financed company, namely: **(i)** Minerva Indústria e Comércio de Alimentos S.A. is obliged not to give preference to other credits, not to amortize shares, not to issue debentures, not to take out new debts without prior authorization from the Superintendence for the Development of the Amazon (Sudam) and Banco da Amazônia S.A., except **(a)** for loans to meet the needs of ordinary managed businesses of the financed company, or intended for mere material replacement or substitution; and **(b)** for trading discounts the financed company holds, arising from sales or services; and **(ii)** Minerva Indústria e Comércio de Alimentos was obliged to subject changes in its corporate structure to prior approval by SUDAM, after hearing Banco da Amazônia S.A.

**i) Level of subordination**

At March 31, 2017, 2.78% of the Company's and its subsidiaries' total debt were secured by collateral (2.75% at December 31, 2016).

**ii) Possible restrictions imposed on the issuer, particularly with respect to setting indebtedness limits and taking out new debts, to the distribution of dividends, disposal of assets, issuance of new securities, and 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 do and not allow its subsidiaries undertake to pay any dividends or interest on 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.

The CCB issued in favor of the BNDES is expected to have early maturity if the shareholders' agreement, articles of incorporation or by-laws of the Company or its controlling companies, include a provision whereby a special quorum is required to approve issues that limit or restrict the control over any of these companies by their related controlling shareholders, or rather, a provision that leads to: (i) restrictions on the Company's ability to grow or develop technology; (ii) restrictions on the Company's access to new markets; or (iii) restrictions or losses on the Company's ability to pay financial obligations arising from the Bank Credit Note (CCB).

The CCB dated January 07, 2009 issued by the Company with Banco da Amazônia S.A. has early maturity clauses if the Company's shareholding control is transferred without prior and express written consent by the creditor.

**4th Issue of non-convertible debentures**

On June 15, 2013, the Company offered debentures, not convertible into shares, totaling R$ 300,000, maturing on June 15, 2018. The debentures were offered through restricted efforts placement (CVM Instruction 476). The principal amounting to R$ 300,000 bears interest at the accumulated variation (effective rate) of 100% of the average daily rates of the Interbank Deposits (DI), plus a surcharge of 1.75% p.a. The proceeds were used to extend the Company's debt profile and strengthen its working capital. Debentures have personal guarantee and are guaranteed by VDQ Holdings S.A. In the process of issue of such debentures, the Company incurred transaction costs in the amount of R$ 3,153, which will be fully amortized until 2018, recorded in its quarterly information as a reduction of the liability itself, to be amortized over the effective period of the debentures. At March 31, 2017, the amount is R$ 311,622 (R$ 300,950 at December 31, 2016).

There are no premiums obtained or renegotiation clauses during the debenture fundraising process.

## 16. Trade payables

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Domestic | 194,940 | 193,699 | 457,984 | 581,932 |
| Foreign | 25,324 | 29,957 | 35,514 | 39,955 |
| Related parties | 43,227 | 58,299 | - | 3,616 |
| | **263,491** | **281,955** | **493,498** | **625,503** |

Aging list of trade payables:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| **Falling-due:** | 256,959 | 242,303 | 478,855 | 552,588 |
| Past-due: | | | | |
| Up to 30 days | 6,214 | 28,492 | 8,754 | 42,160 |
| Up to 60 days | 318 | 557 | 1,462 | 3,543 |
| Up to 90 days | - | 576 | 638 | 851 |
| Up to 180 days | - | 10,027 | 3,789 | 26,361 |
| | **263,491** | **281,955** | **493,498** | **625,503** |

## 17. Labor and tax liabilities

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| **Labor** | | | | |
| Salaries and director fees | 990 | 614 | 4,525 | 4,154 |
| Payrollcharges - FGTS and INSS (employees and third parties) | 6,469 | 7,615 | 13,016 | 15,109 |
| Vacation/13th salary and related charges | 24,431 | 20,090 | 48,117 | 39,686 |
| Other proceeds and charges | 2,359 | 1,848 | 4,647 | 3,108 |
| **Total labor** | **34,249** | **30,167** | **70,305** | **62,057** |
| **Tax** | | | | |
| ICMS (State VAT) | 23,011 | 23,817 | 24,817 | 25,482 |
| IRPJ (Corporate income tax) | 15,899 | - | 21,124 | 5,310 |
| CSLL (Social contribution on profit) | 5,866 | - | 7,334 | 1,464 |
| Other taxes and fees | 4,207 | 4,995 | 14,648 | 19,842 |
| **Total tax** | **48,983** | **28,812** | **67,923** | **52,098** |
| **Total** | **83,232** | **58,979** | **138,228** | **114,155** |
| **Current** | **67,005** | **42,003** | **122,001** | **97,060** |
| **Noncurrrent** | **16,227** | **16,976** | **16,227** | **17,095** |

## 18. Other payables

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 12/31/2016 | 3/31/2017 | 12/31/2016 |
| Advances from customers (a) | 527,966 | 542,016 | 553,171 | 580,496 |
| Stock swap – fair value (b) | 12,792 | 3,021 | 12,792 | 3,021 |
| Dividends payable (c) | 48,728 | 48,728 | 48,768 | 48,767 |
| Other operational provisions | 22,467 | 20,536 | 99,795 | 101,831 |
| **Total** | **611,953** | **614,301** | **714,526** | **734,115** |
| **Current** | **611,953** | **614,301** | **673,428** | **691,414** |
| **Noncurrrent** | **-** | **-** | **41,098** | **42,701** |

**(a)** Amounts received in advance from the Company's customers based on Management's credit policy;

**(b)** The Company entered into contracts with Credit Suisse Bank to swap the results of future financial flows ("Swap") for the variation of the price of its shares. This transaction does not change the percentage of the Company's outstanding shares and did not result in cash disbursement, since it is a valuation at fair value of the transaction with future realization.

**(c)** The Company's bylaws determine the distribution of a minimum mandatory dividend of 25% of the profit for the year after the setting up of the legal reserve, in accordance with Law 6,404/76.

## 19. Income tax and social contribution

Deferred taxes are recorded to reflect future tax effects attributable to temporary differences between the tax basis of assets and liabilities and their respective carrying amounts, as well as to reflect the tax credits resulting from the revaluation of assets, and are held as follows:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| **Temporary additions** | | | | |
| Sundry provisions | 7,430 | 4,806 | 7,430 | 4,806 |
| Fair value of biological assets | 105,606 | 115,950 | 105,606 | 129,157 |
| **Temporary exclusions** | | | | |
| Sundry provisions | (771) | (2,601) | (771) | (2,601) |
| Fair value of biological assets | (115,994) | (129,900) | (115,994) | (137,792) |
| Calculation basis of deferred taxes | (3,729) | (11,745) | (3,729) | (6,430) |
| Deferred taxes - temporary differences | (1,269) | (3,993) | (1,269) | (2,186) |
| Deferred taxes on tax losses | (9,498) | - | (9,498) | - |
| **Total deferred taxes** | **(10,767)** | **(3,993)** | **(10,767)** | **(2,186)** |

We present below the change in the period of the deferred tax liabilities, related to deferred taxes on the revaluation reserve, temporary differences and differences arising from the application of international accounting practices – IFRS:

| | Individual | | | |
|---|---|---|---|---|
| | Balance at January 1, 2017 | Recognized in profit or loss | Deferred taxes realization | Balance at March 31, 2017 |
| Taxes on the revaluation reserve | 26,796 | - | (291) | 26,505 |
| Taxes on biological assets adjustment | 11,778 | 39,438 | (35,906) | 15,310 |
| Taxes on fair value adjusstment in subsidiary | 48,532 | - | - | 48,532 |
| Other deferred taxes | (14,144) | 262 | (2,234) | (16,116) |
| Total deferred tax liabilities | **72,962** | **39,700** | **(38,431)** | **74,231** |

| | Balance at January 1, 2017 | Recognized in profit or loss | Deferred taxes realization | Other comprehensive income | Balance at March 31, 2017 |
|---|---|---|---|---|---|
| Taxes on revaluation reserve | 26,796 | - | (291) | - | 26,505 |
| Taxes on biological assets adjustment | 11,778 | 39,438 | (35,906) | - | 15,310 |
| Taxes pon added value in subsidiary | 48,532 | - | - | - | 48,532 |
| Other deferred taxes | 11,566 | 262 | (2,234) | (226) | 9,368 |
| Total deferred tax liabilities | **98,672** | **39,700** | **(38,431)** | **(226)** | **99,715** |

Based on budget, business plan and budget projection, Management estimates that tax credits arising from temporary differences shall be realized by 2020.

### a) Current - payable

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

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

The balance provided for and the results of the taxes levied on profit are as follows:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| Profit before taxes | 34,895 | 98,701 | 39,767 | 105,834 |
| **Additions** | | | | |
| Temporary differences | 2,563 | 4,806 | 3,449 | 6,408 |
| Permanent differences | 84,284 | 110,788 | 84,425 | 110,878 |
| Realization of temporary differences | - | (1,543) | - | (1,598) |
| Realization of revaluation reserve | - | 857 | - | 857 |
| Effects of early adoption of IFRS | 353,002 | 529,840 | 357,793 | 615,457 |
| **Exclusions** | | | | |
| Temporary differences | (771) | (1,058) | (1,119) | (1,131) |
| Permanent differences | (59,878) | (59,218) | (59,877) | (59,218) |
| Effects of early adoption of IFRS | (320,976) | (476,113) | (327,323) | (548,798) |
| Tax calculation basis | **93,119** | **207,060** | **97,115** | **(228,689)** |
| Tax loss carryforward | (27,936) | (62,119) | (27,936) | (65,596) |
| Calculation basis after tax loss carryforward | **65,183** | **144,941** | **69,179** | **163,093** |
| Taxes on profit | | | | |
| Income tax payable | (15,899) | (35,360) | (19,202) | (42,455) |
| Social contribution payable | (5,866) | (13,045) | (7,336) | (14,881) |
| Income tax and social contribution expense - current | **(21,765)** | **(48,405)** | **(26,538)** | **(57,336)** |

Income tax and social contribution were calculated in accordance with prevailing legislation, Law 12,973/2014.

Income tax and social contribution calculations and returns are open to review by tax authorities for varying statutory periods in relation to the payment or filing date.

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

The net book profit 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 income tax and social contribution losses and temporary differences should not be taken as an indication of future taxable profits.

## 20. Leases

The Company is a lessee in various agreements, classified as operating or finance leases.

### a) Finance lease

Finance lease transactions are recognized in the Company's current and noncurrent liabilities, with an offsetting entry of the asset into property, plant and equipment.

### b) Operating lease

The accounting criterion for operating leases remains as required by the Corporate law in effect, that is, expenses incurred on lease payments are recognized on a monthly basis. The Company currently has three operating lease agreements related to two plants located in Asunción, Paraguay, through its subsidiary Frigomerc S.A., and one plant located in Batayporã (MS).

The lease agreements are as follows:

| Leased asset | Weighted average interest rate | Weighted average maturity (years) | Amount of expenditure 3/31/2017 | Amount of expenditure 3/31/2016 |
|---|---|---|---|---|
| Industrial Plant Brazil | IPCA + 11% @ cattle / IGPM | Indefinite | 510 | 375 |
| Industrial Plants Paraguay | Fixed + Exchange rate change | Aug/18 | 1,177 | 1,834 |
| | | | **1,687** | **2,209** |

## 21. Provision for civil, labor, tax, social security and environmental risks

### Summary of the contingent liabilities recognized

The Company and its subsidiaries are parties to a number of lawsuits that are part of the normal course of business, for which provisions were recognized according to the estimates of their legal counsel and Management. The main information on these lawsuits is presented below:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| **Lawsuits** | **3/31/2017** | **12/31/2016** | **3/31/2017** | **12/31/2016** |
| Provision for tax risks | 1,890 | 1,890 | 1,890 | 1,890 |
| Provision for labor risks | 25,868 | 26,347 | 33,620 | 33,547 |
| Provision for civil risks | 1,496 | 1,496 | 1,496 | 1,496 |
| | **29,254** | **29,733** | **37,006** | **36,933** |

| | Individual | | |
|---|---|---|---|
| | **Labor contingencies** | **Civil and tax contingencies** | **Total** |
| Balance at December 31, 2016 | 26,347 | 3,386 | 29,733 |
| Provisions reversed during the year | (479) | - | (479) |
| Balance at March 31, 2017 | **25,868** | **3,386** | **29,254** |

| | Consolidated | | |
|---|---|---|---|
| | **Labor contingencies** | **Civil and tax contingencies** | **Total** |
| Balance at December 31, 2016 | 33,547 | 3,386 | 36,933 |
| Provisions set up during the year | 1,050 | - | 1,050 |
| Provisionsr reversed during the year | (977) | - | (977) |
| Balance at March 31, 2017 | **33,620** | **3,386** | **37,006** |

**Description of the contingent liabilities and assets of labor, civil and tax nature**

**Labor contingencies**
Most of these labor claims involve overtime, commuting time, health hazard pay, and mandatory thermal comfort breaks. According to the opinion of the lawyers that handle these legal claims and experience accumulated by Management in similar cases, provisions amounting to R$ 25,868 in the Individual and R$ 33,620 in the Consolidated statements at March 31, 2017 were accrued for labor lawsuits considered as probable loss (R$ 26,347 in the Individual and R$ 33,547 in the Consolidated statements at December 31, 2016).

**Other lawsuits (with likelihood of loss considered possible)**

**Tax, civil and environmental lawsuits**
As at March 31, 2017, the Company and its subsidiaries had other ongoing tax, civil and environmental lawsuits amounting to approximately R$ 103,248, R$ 8,153 and R$ 533 respectively, whose likelihood of loss is considered possible by the Company's legal counselors, and for which the Company's management does not consider necessary to set up a provision.

**Labor and social security lawsuits**
As at March 31, 2017, the Company and its subsidiaries had other ongoing labor and social security lawsuits amounting to approximately R$ 3,350 and R$ 12,377 respectively, whose likelihood of loss is considered possible by the Company's legal counselors, and for which the Company's management does not consider necessary to set up a provision.

**Rural worker assistance fund (Funrural)**
The Company filed a petition of writ of mandamus to suspend the withholding and payment of Funrural and SENAR. To avoid losing the right to require the contribution of Funrural and SENAR, INSS (Social Security Authority) issued various tax assessment notices against the Company until the current date. The amount involved in these notices, whose likelihood of loss is deemed possible, is approximately R$ 426,345.

**ICMS - State VAT**
The Company was assessed by the State Finance Department of Goiás for alleged omission of payment of ICMS Tax Substitution arising from the operations conducted in the period from March to October 2005, related to the acquisition of cattle, later transferred to other units of the Company. The amount involved in this dispute, whose likelihood of loss is considered possible, is approximately R$ 34,749.

**Formal fine**
The Company was notified by the State Finance Department of Tocantins for possible deficiencies in the register books related to operations carried out from January 2010 to December 2014. The amount involved in this dispute, whose likelihood of loss is considered possible, is approximately R$ 45,215.

**CETESB**
On August 31, 2016, an incident with an vaporizing equipment resulted in an ammonia leak in one of the Company's fridge chambers. The Environmental Agency of the State of São Paulo (CETESB - Companhia Ambiental do Estado de São Paulo) filed a tax assessment notice for the alleged environmental damage, challenged by the Company at the administrative level. The loss is considered possible by our outside legal counselor. The amount involved in this dispute is approximately R$ 12,500.

**Shipwreck – Barcarena (PA)**
On October 6, 2015, the ship that would make the export of live cattle from Vila do Conde port in Barcarena (PA), careened.

Although the full responsibility for the cargo was on the contracted shipping company, the Company had infringement notices issued against it for environmental damage, and became defendant in a public civil action. At March 31, 2017, the amount involved in these lawsuits, whose likelihood of loss is considered possible, is approximately R$ 34,145.

## 22. Equity

### a. Capital

The Company's subscribed and paid-in capital as at March 31, 2017 is R$ 134,752 (R$ 134,792 at December 31, 2016), represented by 239,844,659 at March 31, 2017 (239,844,659 at December 31, 2016) registered common shares without par value, all of which are free and clear of any burden or encumbrance. During 2016, there were expenses on the issuance of new shares in the amount of R$ 5,898, thus, the balance in line item "Capital" in the quarterly information is R$ 128,854.

At May 25, 2015, the Company held a meeting of the Board of Directors (RCA) when a capital increase with the issue of one million seven hundred thousand (1,700,000) common shares in the amount of R$ 22,950 was partially approved. The partial approval of the capital increase refers to the payment of the third installment of the price owed by the Company due to the acquisition of 100% of the shares of Frigorífico Matadero Carrasco S.A. pursuant to the purchase and sale agreement entered into on March 18, 2014.

At June 15, 2015, the Board of Directors approved a capital increase in the Company's capital in the amount of R$ 93,492 resulting from the conversion of 93,492 debentures, corresponding to the totality of the outstanding debentures on that date, at the conversion price of R$ 7.60636 per share, through the issue of 12,291,293 common shares of the Company.

At June 18, 2015, the Board of Directors closed the legal terms for exercising preemptive rights, right to subscription of the remaining shares, and waiver.

Considering the partial approval on May 25, 2015 of the one million seven hundred thousand (1,700,000) common shares in the amount of R$ 22,950, a capital increase in the amount of R$ 5 was approved, by means of the issue of 392 common shares of the Company, increasing capital from R$ 950,593, representing 191,993,355, to R$ 950,598, representing 191,993,702 common shares.

At April 11, 2016, the Board of Directors at the Extraordinary General Meeting (EGM) approved the increase in the Company's capital in the amount of R$ 746,475, with the issuance of 47,850,957 common shares. With the approval, the capital increased from R$ 950,598, representing 191,993,702, to R$ 1,697,073 representing 239,844,659 common shares.

At April 29, 2016, the Board of Directors at the Annual and Extraordinary General Meeting approved the capital reduction in the amount of R$ 1,562,321, without changing the number of shares issued by the Company, for the absorption of accumulated losses, as disclosed in the Company's quarterly information for the period ended March 31, 2017. With the capital reduction, the Company's capital is R$ 134,752, representing 239,844,659 common shares.

## b. Capital reserve

The capital reserve is comprised of amounts received by the Company and that do not pass through the result as income, since they refer to amounts intended to strengthen its capital, without having as consideration any Company's efforts to deliver goods or services. At March 31, 2017, the Company's capital reserve is R$ 187,504 (R$ 294.851 at December 31, 2016).

## c. Revaluation reserve

In 2003 and 2006 the Company revalued its property, plant and equipment. The amount at March 31, 2017 is R$ 54,990 (R$ 55,556 at December 31, 2016), net of tax effects.

As explained earlier and in compliance with Law 11,638 of 2007, the Company decided to keep the revaluation reserve set up until December 31, 2007 until its full realization, which must occur through the depreciation or sale of the revalued assets.

## d. Legal reserve

Calculated at 5% of the profit for each fiscal year, pursuant to article 193 of Law 6,404/76, up to the limit of 20% of the capital. In the year when the balance of the statutory reserve, plus the amounts of capital reserves addressed by paragraph 1 of article 182 of Law 6,404/76 exceeds 30% of the share capital, allocating part of the profit for the year to the legal reserve will not be mandatory. At March 31, 2017, the amount is R$ 9,744.

## e. Earnings reserve

The earnings reserve was recognized due to the retention of part of the profit for the year, after allocations to legal reserve and minimum mandatory dividends, and is intended to finance the Company's operations. At March 31, 2017, the amount is R$ 155,929, which comprises: the balance of the "Statutory reserve" of R$ 107,802, the balance of the "Legal reserve" of R$ 9,744, the balance of the "Earnings reserve" of R$ 26,950, and the balance of the "Additional dividends proposed" of R$ 11,433.

## f. Additional dividends proposed

The Company's annual general meeting ("AGM") held on March 31, 2017 approved, among other matters, dividends amounting to R$ 60,161,936,29 (sixty million, one hundred and sixty-one thousand, nine hundred and thirty-six and twenty-nine cents), corresponding to R$ 0,264310794 per share, excluding treasury shares.

## g. Earnings retention reserve - art 196

The reserve refers to the retention of the remaining balance of 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 application of the balance of this reserve will be resolved "ad referendum" of the General Meeting of shareholders, in compliance with article 196 of the Brazilian Corporation Law.

## h. Treasury shares

At March 20, 2017, pursuant to paragraphs 1 and 2 of article 30 of Law 6,404/76 and Instruction 567 of the Brazilian Securities and Exchange Commission (CVM), the Board approved the acquisition of up to 9,247,149 (nine million, two hundred and forty-seven thousand and one hundred and forty-nine) registered common shares with no par value, representing 10% of the 92,471,485 (ninety-two million, four hundred and seventy-one thousand and four hundred and eighty-five) of the Company's outstanding shares in the market, at that date. The Company's Board of Directors also approved the cancelation of shares issued by the Company and acquired under the repurchase plan in 2016, in the total number of 9,984,400 registered common shares, book-entry and with no par value, treasury shares, amounting to R$ 107,346 on that date

**The table below shows the changes in treasury shares**

| | Quantity | Amount (R$) | Average cost (R$) | Average market value |
|---|---|---|---|---|
| Balance at December 31, 2016 | **4,313,300** | **43,112** | **9.99** | **12.15** |
| Repurchase of shares | 7,913,200 | 86,502 | 10.93 | - |
| Cancelation of shares | (9,984,400) | (107,346) | 10.75 | - |
| Balance at March 31, 2017 | **2,242,100** | **22,268** | **9.93** | **10.56** |

## i. Dividends and interest on capital

The Company's bylaws establish the distribution of minimum mandatory dividends of 25% of the profit for the year, adjusted pursuant to legislation.

## j. Other comprehensive income

In accordance with CPC 02 (R2) / IAS 21 - Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements, basically the variation of instruments (direct and reflex) in foreign currency is recorded, and accounted for under the equity method (MEP).

In accordadnce with CPC 37 R1/IFRS 1 – First-Time Adoption of International Financial Reporting Standards, as a result of the application of CPC 02 (R2) before the date of first-time adoption, IFRS first-time adopters shall zero the balances of exchange gains (losses) on investments recognized in equity (in the line item of cumulative translation adjustments) by transferring them to retained earnings/(accumulated losses) (in the line item of Earnings reserve), and disclose the profit distribution policy applicable to such balances. We point out that the Company does not include these adjustments in profit distribution.

## 23. Management's compensation

As at March 31, 2017 the Company recognized expenses on key management personnel compensation (Members of the Company's Board of Directors, Supervisory Board and Statutory Directors) in the amount of R$ 3,296 (R$ 3,482 as at March 31, 2016). All compensation is short-term, as shown below:

| | Members 2017 | 3/31/2017 | 3/31/2016 |
|---|---|---|---|
| Executive Officers, Board of Directors and Supervisory Board | 19 | 3,296 | 3,482 |
| | **19** | **3,296** | **3,482** |

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

Upon termination of the employment agreement, there are no post-employment benefits.

## 24. Segment reporting

| | Business segments | | | | | |
|---|---|---|---|---|---|---|
| | Live Cattle | | Meat | | Consolidated | |
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| Net revenues | 40,350 | 82,804 | 2,101,589 | 2,254,802 | 2,141,939 | 2,337,606 |
| COGS (Costs of Goods Sold) | (32,830) | (66,761) | (1,698,006) | (1,785,710) | (1,730,836) | (1,852,471) |
| Operating expenses | (4,860) | (9,247) | (233,836) | (244,501) | (238,696) | (253,748) |
| Finance income (costs) | (859) | (13,689) | (131,781) | (111,864) | (132,640) | (125,553) |
| **Profit before taxes** | **1,801** | **(6,893)** | **37,966** | **112,727** | **39,767** | **105,834** |

In the presentation based on geographical segments, the segment revenue is based on the customer's location. Segment assets are based on the geographical location of the assets.

Revenues from transactions conducted with a single foreign customer do not exceed 10% of total revenues.

The main business segments of the Company and its subsidiaries are the production and sale of meat, live cattle and its by-products.

## 25. Net operating revenue

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| Revenue from products sold – Domestic market | 567,473 | 630,397 | 909,861 | 772,239 |
| Revenue from products sold – Foreign market | 752,894 | 1,083,190 | 1,392,990 | 1,702,959 |
| Deductions from revenue – taxes and others | (114,195) | (120,523) | (160,912) | (137,592) |
| Net operating revenue | **1,206,172** | **1,593,064** | **2,141,939** | **2,337,606** |

## 26. Finance income (costs)

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| Finance income: | | | | |
| Income from short-term investments | 23,755 | 30,157 | 27,849 | 32,755 |
| | **23,755** | **30,157** | **27,849** | **32,755** |
| Finance costs | | | | |
| Interest on borrowings | (135,383) | (160,324) | (205,689) | (194,752) |
| Other finance income (costs) | (127,605) | (232,350) | (93,115) | (261,789) |
| | **(262,988)** | **(392,674)** | **(298,804)** | **(456,541)** |
| Exchange rate changes, net | 141,655 | 305,729 | 138,315 | 298,233 |
| **Finance income (costs)** | **(97,578)** | **(56,788)** | **(132,640)** | **(125,553)** |

## 27. Earnings (loss) per share

### a) Basic earnings (loss) per share

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

| Basic | 3/31/2017 | 3/31/2016 |
|---|---|---|
| **Profit (loss) attributable to the Company shareholders** | **2,363** | **46,303** |
| Weighted average number of common shares issued (thousand) | 229,860 | 191,994 |
| Weighted average number of treasury shares | (2,242) | - |
| Weighted average number of common shares outstanding (thousand) | **227,618** | **191,994** |
| Basic earnings (loss) per share - R$ | **0.01038** | **0.24117** |

### b) Diluted earnings (loss) per share

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

| Diluted | 3/31/2017 | 3/31/2016 |
|---|---|---|
| **Profit (loss) for the year attributable to the Company shareholders** | **2,363** | **(46,303)** |
| Weighted average number of common shares issued (thousand) | 227,618 | 191,994 |
| **Weighted average number of common shares for diluted earnings per share (thousands)** | **227,618** | **191,994** |
| **Diluted earnings (loss) per share - R$** | **0.01038** | **0.24117** |

## 28. Financial risk management and financial instruments

The Company's transactions are exposed to market risks, particularly with respect to exchange rate changes and interest rate changes, credit risks and purchase prices for cattle. The Company's investment management policy establishes the use of derivative financial instruments for hedging against these risk factors. Additionally, the Company may also enter into derivative transactions for the purpose of implementing operating and financial strategies established by the Executive Officers and duly approved by the Board of Directors.

Market risk management is carried out through the use of two models, namely: 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. There is ongoing risk monitoring and the risks are calculated at least twice a day.

The Company does not use exotic derivatives and does not have any instrument of this nature in its portfolio.

**a. Policy on the treasury's hedging transactions**

The implementation of the Company's hedging management policy is the responsibility of the Treasury Department and follows the decisions made by the Risk Committee, which is made up of the Company's Executive Officers and employees.

The oversight and monitoring of compliance with the guidelines laid down by the hedging policy are the responsibility of the Risk Management Board, which reports 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: the exchange rate and fat cattle.

**I. Currency hedging policy**

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

**i) Cash 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.

Financial instruments available in the market may be used for these hedges, such as: futures transactions with US dollar on BM&F, NDFs, funds raised in foreign currency, options and inflow of funds in US dollars.

### ii) Balance sheet hedging

Balance sheet hedging is monthly discussed at the Board of Directors' meeting.

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

The balance sheet exposure is the debt flow in US dollars over a period longer than one year.

Hedging instruments available in the market may be used, such as: US dollar cash withholding, repurchase of Bonds, NDFs, futures contracts on BM&F, swaps and options.

## II. Cattle hedging policy

The purpose of the cattle hedging policy is to minimize the impacts of price fluctuations per arroba (a unit of weight equivalent to 15 kg) of cattle on the Company's results. The policy is divided into two topics:

### i) Forward contracts for cattle

In order to guarantee raw material, especially in the off-season period for cattle, the Company purchases cattle for future delivery and uses the BM&F for the sale of futures contracts, minimizing the risk of price fluctuations per arroba of cattle beast.

Fat cattle instruments available in the market can be used, such as: future contracts for fat cattle on BM&F and options on future contracts for fat cattle on BM&F.

### ii) Hedging of meat sold

For the purpose of guaranteeing the cost of the raw material used in its meat production, the Company uses BM&F to purchase futures contracts minimizing the risk of price fluctuations per arroba of cattle beast and hedging its operating margins obtained at the time of selling the meat.

Fat cattle instruments available in the market can be used, such as: future contracts for fat cattle on BM&F and options on future contracts for fat cattle on BM&F.

**Statement of derivative positions**

The statement of derivative positions was prepared to present the derivative financial instruments taken out by the Company in the periods ended March 31, 2017 and December 31, 2016, according to their purpose (asset protection and other purposes):

| Asset hedge | | | | | | |
|---|---|---|---|---|---|---|
| Description | Qty / thousands | | Fair value in R$ thousand | | Accumulated effect in R$ thousand | |
| | 3/31/17 | 12/31/16 | 3/31/17 | 12/31/16 | Amount receivable / (received) | Amount payable / (paid) |
| **Future contracts** | - | - | - | - | - | - |
| Purchase commitments | - | - | - | - | - | - |
| USD | - | - | - | - | 347 | 7.404 |
| Others | - | - | - | - | - | - |
| BGI (@) | 124 | - | 17.039 | 49 | 1.106 | - |
| Corn (bags) | 180 | - | 5.002 | - | 87 | 105 |
| Soybeans (bags) | - | - | - | - | 1.752 | - |
| Sale commitments | - | - | - | - | - | - |
| Foreign currency | - | - | - | - | - | - |
| USD | 99.250 | - | 312.593 | - | - | 400 |
| BGI (@) | 450 | 425 | 60.336 | 63.063 | 2.871 | - |
| Corn (bags) | 54 | 32 | 1.541 | 1.128 | 87 | - |
| Soybeans (bags) | - | - | 66 | 284 | 15 | - |
| **Option contracts** | | | | | | |
| Call holder | - | - | - | - | - | - |
| Foreign currency | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| BGI (@) | 264 | 165 | 3 | 413 | - | 56 |
| Put holder | - | - | - | - | - | - |
| Foreign currency | - | - | - | - | - | - |
| USD | 260.025 | - | 3.344 | - | - | 11.985 |
| Others | - | - | - | - | - | - |
| BGI (@) | 726 | - | 1.419 | - | - | 1.180 |
| DI 1 day (R$) | - | - | - | - | - | - |
| Call seller | - | - | - | - | - | - |
| Foreign currency | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| BGI (@) | 165 | 165 | 2 | 168 | - | - |
| Put seller | - | - | - | - | - | - |
| Foreign currency | - | - | - | - | - | - |
| USD | 110.000 | - | 2.152 | - | 6.968 | - |
| Others | - | - | - | - | - | - |
| BGI (@) | 66 | - | 43 | - | 957 | - |
| DI 1 day (R$) | - | - | - | - | - | - |
| | | - | | - | | |
| **Forward contracts** | | | | | | |
| Long position | - | - | - | - | - | - |
| NDF (USD) | - | - | - | - | - | 4.936 |
| Short position | | | | | | |
| NDF (cattle) | - | - | - | - | - | - |
| NDF (euro) | - | 198.885 | - | 182.510 | 13.441 | - |
| NDF (USD) | 769.109 | 989.829 | 746.763 | 1.033.239 | 60.986 | - |

Notional values are the values that 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 in the following manner:

- **Future Sales Contracts of USD:** US dollars futures contracts traded on BM&F amounting to fifty thousand US dollars (US$ 50,000) per notional contract and daily adjustment. The fair value is calculated by multiplying the notional amount in US dollars by the reference US dollar for the contract disclosed by the BM&F.
- **Future Sales Contracts of Fat Cattle (BGI):** Future contracts for Fat Cattle (BGI) traded on BM&F are valued at 330 arrobas. The fair value is calculated by multiplying the notional amount in Brazilian Reais by the reference value for the contract disclosed by the BM&F.

- **Short Position Forward Contracts - NDF (Euro):** The contracts are traded in over-the-counter market and, therefore, have no standardization and daily adjustment, their fair value is calculated by multiplying the negotiated notional amount and the PTAX Euro sell rate disclosed by the Central Bank of Brazil.
- **Short Position Forward Contracts - NDF (US Dollar):** The contracts are traded in over-the-counter markets and, therefore, have no standardization and daily adjustment, their fair value is calculated by multiplying the negotiated notional amount and the PTAX 800 sell rate disclosed by the Central Bank of Brazil.

Fair values were estimated at the end of the reporting period, based on "relevant market information". Changes in the assumptions and in the financial market transactions may materially affect the estimates presented in the interim financial information.

Outstanding over-the-counter NDF, Swap and São Paulo Stock Exchange (BM&FBovespa) options' transactions are marked to market and as at March 31, 2017 and December 31, 2016 are recorded as "NDF receivable/payable", "Swaps" and "Options receivable", respectively.

| Derivative financial instruments | 3/31/2017 Mark-to-market | 12/31/2016 Mark-to-market |
|---|---|---|
| Options | 2,570 | 244 |
| Swap | (39,713) | (3,953) |
| NDF (EUR+USD+BGI) | 181,480 | 192,443 |
| **Total** | **144,337** | **188,734** |

## b. Exchange rate and interest rate risks

The risk of fluctuations in exchange rate and interest rate on borrowings, financial investments, receivables in foreign currency arising from exports, investments in foreign currency, and other payables denominated in foreign currency can be managed by using derivative financial instruments traded on exchanges, or over-the-counter transactions such as swap, NDFs (Non Deliverable Forwards), and options.

In the table below we present 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 managing the exchange exposure risk:

| | Consolidated | | |
|---|---|---|---|
| | 3/31/2017 | | |
| | Currencies | | |
| | Domestic | Foreign | Total |
| **Assets** | | | |
| Cash | 1,030 | - | 1,030 |
| Banks | 80,064 | 2,098,411 | 2,178,475 |
| Short-term investments | 689,269 | 76,027 | 765,296 |
| Trade receivables | 216,019 | 312,228 | 528,247 |
| **Total current assets** | **986,382** | **2,486,666** | **3,473,048** |
| **Total assets** | **986,382** | **2,486,666** | **3,473,048** |

| | Consolidated | | |
|---|---|---|---|
| | 3/31/2017 | | |
| | Currencies | | |
| | Domestic | Foreign | Total |
| **Liabilities** | | | |
| Short-term borrowings | 773,557 | 433,592 | 1,207,149 |
| Trade payables | 457,984 | 35,514 | 493,498 |
| **Total current assets** | 1,231,541 | 469,106 | 1,700,647 |
| Long-term borrowings | 718,811 | 4,744,706 | 5,463,517 |
| **Total noncurrent liabilities** | 718,811 | 4,744,706 | 5,463,517 |
| **Total liabilities** | 1,950,352 | 5,213,812 | 7,164,164 |
| **Net financial debt** | 963,970 | 2,727,146 | 3,691,116 |
| **Exchange rate hedge derivatives - Net position** | (1,589) | (152,712) | (154,301) |
| **Foreign exchange position – Net** | 962,381 | 2,574,434 | 3,536,815 |

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

| Financial instruments (net) | Asset (liability) position at 3/31/2017 | Asset (liabilitiy) position at 12/31/2016 |
|---|---|---|
| Future contracts - USD | (312,593) | - |
| Option contracts (USD, Cattle, Corn and IDI) | 2,570 | 244 |
| Swaps | (39,714) | (3,952) |
| NDF (USD + EURO + BGI) | (746,764) | (1,215,749) |
| **Total net** | **(1,096,501)** | **(1,219,457)** |

Financial assets and liabilities are restatedin the quarterly information at March 31, 2016 and December 31, 2016, at amounts that approximate the fair values. Their respective revenues and expenses are recognized and they are presented on these dates according to their expected realization or settlement.

The amounts related to export orders (firm sales commitmentss) refer to orders from approved customers that have not yet been invoiced (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.

Following is a list of NDF agreements in effect for the Company as at March 31, 2017:

| Type | Position | Currency | Maturity | Notional |
|---|---|---|---|---|
| NDF | SALE | USD | 5/2/2017 | (203,150) |
| NDF | SALE | USD | 6/1/2017 | (26,141) |
| NDF | SALE | USD | 7/3/2017 | (3,200) |
| NDF | SALE | USD | 8/1/2017 | (3,200) |

## Credit risks

The Company is potentially subject to credit risks related to trade receivables, minimized by diversifying 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 indices.

## c. Cattle price risks

The Company's line of business is exposed to the volatility of the prices for cattle, its main raw material, changes which arise from factors outside the control of management, such as climate factors, volume of supply, transportation costs, agricultural policies and others. The Company, in accordance with its inventory policy, pursues 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 (over-the-counter and exchange), which ensure the realization of its inventories at a determined price level.

| **Over-the-counter** | **Fair value 3/31/2017** |
|---|---|
| **Term Contract Purchased** | |
| Notional Value (@) | 45,418 |
| Future Contract Price (R$/@) | 141 |
| **Total R$/1000** | **6,387** |

| **BM&F market**<br>**Future Contract Sold** | **Fair value 3/31/2017** |
|---|---|
| Notional Value (@) | 20,130 |
| Future Contract Price (R$/@) | 144 |
| **Total R$/1000** | **2,890** |

## d. Cash sensitivity analysis

The purpose of the sensitivity analysis statements is to disclose separately the derivative financial instruments which, in the Company's assessment, are intended to hedge the risk exposure. These financial instruments are grouped according to the risk factor that they intend to hedge (price risk, exchange rate risk, credit risk etc.).
The scenarios were calculated according to the following assumptions:

- An upward movement typifies an increase in prices or risk factors at March 31, 2017;
- A downward movement typifies a decrease in prices or risk factors at March 31, 2017;
- Probable scenario: impact of 6%; fluctuation scenario of 25%; and fluctuation scenario of 50%.

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

| Transaction | Movement | Risk | Probable scenario 6% fluctuation | Possible scenario 25% fluctuation | Remote scenario 50% fluctuation |
|---|---|---|---|---|---|
| Hedge derivatives | High | Cattle | 85,464 | 77,237 | 66,413 |
| Cattle | High | Cattle | 383 | 1,597 | 3,194 |
| **Net** | | | **85,847** | **78,834** | **69,607** |
| | | | | | |
| Hedge derivatives | High | US dollar | 466,716 | 265,438 | 599 |
| Invoices + Cash - in USD | High | US dollar | 70,282 | 292,843 | 585,687 |
| **Net** | | | **536,998** | **558,281** | **586,286** |
| | | | | | |
| Hedge derivatives | High | Euro | - | - | - |
| Invoices - in EUR | High | Euro | 4,796 | 19,985 | 39,971 |
| **Net** | | | **4,796** | **19,985** | **39,971** |
| | | | | | |
| Hedge derivatives | High | US dollar | 16,919 | 70,497 | 140,994 |
| Fundraising in USD | High | US dollar | (310,811) | (1,295,047) | (2,590,094) |
| **Net** | | | **(293,892)** | **(1,224,550)** | **(2,449,100)** |
| | | | | | |
| Stock swap | Low | Shares | (3,000) | (12,498) | (24,997) |
| **Net** | | | **(3,000)** | **(12,498)** | **(24,997)** |

**Exchange rate USD 3,1684 – Ptax sale (Source: Brazilian Central Bank)**

**Exchange rate EUR 3.3896 – Ptax sale (Source: Brazilian Central Bank)**

**Result of the asset hedging statement**

- **Hedging derivatives x Cattle:** In the probable scenario where market fluctuation is 6%, the Company could have a gain of R$ 85,847; wheres in the scenario with 25% fluctuation a gain of R$ 78,834, and with 50% fluctuation a loss of R$ 69,607;
- **Hedging derivatives x Invoices + Cash in US$:** In the probable scenario where market fluctuation is 6%, the Company could have a gain of R$ 536,998; in a scenario with 25% fluctuation a gain of R$ 558,281, and with 50% fluctuation a gain of R$ 586,285.
- **Hedging derivatives x Invoices + Cash in EUR:** In the probable scenario where market fluctuation is 6%, the Company could have a gain of R$ 4,776; in a scenario with 25% fluctuation a gain of R$ 19,985, and with 50% fluctuation a gain of R$ 39,971.
- **Hedge derivatives:** In the probable scenario where market fluctuation is 6%, the Company could have a loss of R$ 293,892; in a scenario with 25% fluctuation a loss of R$ 1,224,550, and with 50% fluctuation a loss of R$ 2,449,100.
- **Stock swap:** In the probable scenario where market fluctuation is 6%, the Company could have a loss of R$ 3,000; in a scenario with 25% fluctuation a loss of R$ 12,498, and with 50% fluctuation a loss of R$ 24,997.

**e. Margin requirements**

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 at March 31, 2017, amounts deposited for margin amount to R$ 60,200.

**f. Stock swap contract**

In a meeting held on March 14, 2014, the Company's Board of Directors approved the agreement on swaps with "Credit Suisse Próprio Fundo de Investimento Multimercado" (Credit Suisse). The accumulated amount at December 31, 2016 is R$ 49,994.

## 29. Statements of comprehensive income

In compliance with CPC 26 (R1) (IAS 1 – Presentation of Financial Statements), the Company presents below the changes in comprehensive income (loss) for the periods ended March 31, 2017 and 2016:

| | Individual | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2017 | 3/31/2016 | 3/31/2017 | 3/31/2016 |
| Profit for the period | 2,363 | 46,303 | 2,462 | 46,312 |
| Other comprehensive income | 6,201 | 59,589 | 6,201 | 59,589 |
| **Total comprehensive income** | **8,564** | **105,892** | **8,663** | **105,901** |
| | | | | |
| **Comprehensive income attributable to:** | | | | |
| Owners of the Company | 8,564 | 105,892 | 8,564 | 105,892 |
| Noncontrolling interests | - | - | 99 | 9 |
| **Total comprehensive income** | **8,564** | **105,892** | **8,663** | **105,901** |

## 30. Insurance coverage

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 cover in effect as of March 31, 2017 is as follows:

| | Type of coverage | Insured amount |
|---|---|---|
| Buildings | Fire and miscellaneous risks | 812,079 |
| Facilities, equipment and products in inventories | Fire and miscellaneous risks | 888,474 |
| Vehicles and aircraft | Fire and miscellaneous risks | 112,488 |
| International transportation | Fire and miscellaneous risks | 63,368 |
| Civil liability | Operation risks | 20,000 |
| | | **1,896,409** |

The Company and its subsidiaries have coverage for all products transported in Brazil and abroad. The risk assumptions adopted, given their nature, are not part of the scope of an audit and, accordingly, were not examined by the Company's independent auditors.

The Company took out insurance policies for all plants and distribution centers.

## 31. Subsequent events

### 31.1. Diligence and Investigation of the Brazilian Federal Police

On May 16, 2017, the Brazilian Federal Police commenced an investigation, termed "Operation Lucas," to investigate alleged payments made to certain officials of the Brazilian Ministry of Agriculture, Livestock and Supply (Ministério da Agricultura, Pecuária e Abastecimento) in the State of Tocantins in northern Brazil, including the former alternate superintendent of this federal government agency in the State of Tocantins. This investigation involves several beef and dairy processing plants in Tocantins, including Company's plant in Araguaína.

Since the inception of the investigation, Company's management have been cooperating fully with the investigating authorities, including by providing all information that they have requested.
It should be noted that, to date, there has been no formal accusation, indictment or complaint against us.

In accordance with good corporate governance practices, and in response to negative publicity regarding this matter, as well as to respond to its stakeholders, the Company's executive officers and board of directors launched an internal assessment of this matter.

The Company, through our Internal Audit and Compliance Department, have conducted a review of internal controls and payments in connection with our operations in the State of Tocantins.

In addition, in order to independently assess the Company's policies and procedures related to its internal and financial processes, the Company hired an experienced Brazilian law firm to conduct an internal review on all financial process related payments and related operations. The reviews started on 05/26/2017 and are still under process. The management have been committed to improve and to implement the additional procedures in order to align the Company's internal compliance procedures with the main excellent corporate governance practices and transparency, which we have been adopted since 2015, with a number of measures to improve the Company compliance program (Programa de Integridade).

### 31.2. Incorporation Mato Grosso Bovinos S.A.

On April 12, 2017, Minerva S.A. approved at the extraordinary general meeting the Protocol and Justification of Incopopration of Mato Grosso Bovinos S.A.

### 31.3. Potential acquisition of JBS Mercosul

The Board of Directors approved on June 5, 2017 the execution of the agreement for the purchase of shares between JBS SA and JBS HANDELS GMBH ( "Sellers") and PUL ARGENTINA SA, FRIGOMERC SA and PULSA SA ("Company Subsidiaries"):

a) FRIGOMERC SA, subject to certain conditions, will purchase and acquire, within the scope of the Transaction, the shares representing 100% (one hundred percent) of the share capital of JBS Paraguay, which, in turn, holds representative shares Of 99% (ninety-nine percent) of the share capital of IPF; "INDUSTRIA PARAGUAYA FRIGORIFICA S.A.";

b) FRIGOMERC S.A., subject to certain conditions, will buy and acquire, within the scope of the Transaction, shares representing 1% (one percent) of IPF's capital stock; “INDUSTRIA PARAGUAYA FRIGORIFICA S.A.”;

c) PULSA S.A., subject to certain conditions, will purchase and acquire, within the scope of the Transaction, shares representing 100% (one hundred percent) of the share capital of Frigorifico Canelones; and

d) PUL ARGENTINA S.A., subject to certain conditions, will purchase and acquire, within the scope of the Transaction, shares representing 100% (one hundred percent) of the capital stock of JBS Argentina.

* * *

# 1Q17 Earnings Release

Barretos, May 8, 2017 – Minerva S.A. (BM&FBOVESPA: BEEF3 | OTCQX: MRVSY), one of the leaders in South America in the production and sale of fresh beef, live cattle and cattle byproducts, with operations also in the beef, pork and poultry processing segments, announces today its results for the first quarter of 2017 (1Q17). The financial and operating information herein is presented in BRGAAP and Brazilian reais (R$), in accordance with International Financial Reporting Standards (IFRS).

## 1Q17 Highlights

Minerva (BEEF3)

Price on 5/5/2017:
R$10.51

Market cap:
R$2,451.8 million

229,860,259 shares

Free Float – 51.7%

Conference calls
May 9, 2017

Portuguese
10:00 a.m. (Brasília)
9:00 a.m. (US EST)
Phone: +55 (11) 2188-0155
Code: Minerva

English
12:00 p.m. (Brasília)
11:00 a.m. (US EST)
Phone: +1 (412) 317-5479
Code: Minerva

IR Contact:

Eduardo Puzziello
Kelly Barna
Matheus Oliveira

Phone: (11) 3074-2444

ri@minervafoods.com

- In 1Q17, Minerva's operating cash flow totaled R$53.6 million. ROIC stood at 22.2% in 1Q17, in line with last quarters. Cash position at the close of the first quarter of 2017 totaled R$2.9 billion, 2.4x higher than short-term maturities. At the close of 1Q17, financial leverage, measured by the net debt/LTM EBITDA ratio, was 3.8x.
- Gross revenue amounted to R$2,302.9 million in 1Q17 and R$10,091 million in the last twelve months, in line with the LTM1Q16 figure. First-quarter exports accounted for 60.5% of consolidated revenue, being impacted by the temporary imports ban by certain countries due to onset of the so-called *Carne Fraca* (Weak Meat) Operation at the close of 1Q17. However, fueled by the Company's implementation in recent years of commercial efficiency programs to boost local market capillarity, privileging the diversification of channels and sourcing, the Beef Division's sales in the domestic market grew 4.4% over 1Q16, despite Brazil's economic deterioration.
- First-quarter 2017 EBITDA totaled R$197.6 million, accompanied by an EBITDA margin of 9.2%. The main factor impacting EBITDA was the 19.3% depreciation in the average dollar in 1Q17 over 1Q16, affecting export profitability. However, this effect was partially offset by the reduction in the average arroba price in 1Q17, 5% down on 1Q16.
- In February, the Company exercised the call option of US$105.5 million in face value of its 2022 Bonds, with annual coupon of 12.25% and with maturity in 2022. This measure, combined with the maturity and redemption of the 2017 Bonds (annual coupon of 9.25%), is within the scope of the liability management strategy that the Company has been adopting in recent years to reduce the cost of debt.
- The Brazilian herd grew 8% in the last four years, reflecting the expansion phase initiated in the 2013/14 season. Cattle producers began to retain a higher number of females in order to increase the production of calves. This measure has created now a higher supply of cattle ready for slaughter which, combined with the improved zootechnic rates and the reduction of the industry capacity in the last two years, should be the main factor affecting the arroba price in the coming years.
- The Company paid R$60.2 million in dividends relative to profits to its shareholders in April 17. This amount remunerated the investor in 2.7% over the market price of the shares on April 13, 2017 (dividend yield)

## Key Indicators

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Slaughtering ('000 head) | 522,3 | 518,2 | 0,8% | 479,8 | 8,9% | 2.136,3 | 2.186,4 | -2,3% |
| Sales volume ('000 tonnes) | 128,6 | 132,6 | -3,0% | 129,4 | -0,6% | 544,2 | 571,1 | -4,7% |
| Gross revenue | 2.302,9 | 2.475,2 | -7,0% | 2.729,3 | -15,6% | 10.090,6 | 10.225,5 | -1,3% |
| Domestic market | 909,9 | 772,2 | 17,8% | 1.182,0 | -23,0% | 3.944,4 | 3.086,1 | 27,8% |
| Export market | 1.393,0 | 1.703,0 | -18,2% | 1.547,3 | -10,0% | 6.146,2 | 7.139,3 | -13,9% |
| Net revenue | 2.141,9 | 2.337,6 | -8,4% | 2.556,4 | -16,2% | 9.453,0 | 9.706,2 | -2,6% |
| EBITDA | 197,6 | 251,6 | -21,5% | 249,9 | -20,9% | 935,3 | 1.083,2 | -13,7% |
| EBITDA margin | 9,2% | 10,8% | -1,5 p.p. | 9,8% | -0,6 p.p. | 9,9% | 11,2% | -1,3 p.p. |
| Net debt/ LTM EBITDA (x) | 3,8 | 2,9 | 0,9 | 3,4 | 0,4 | 3,8 | 2,9 | 0,9 |
| Net (loss) income | 2,5 | 46,3 | -94,7% | 12,3 | -80,0% | 151,2 | -166,4 | -190,8% |

## Message from Management

The onset of the Carne Fraca (Weak Meat) operation at the end of the first quarter of 2017 significantly impacted Brazil's entire protein chain. Consequently, both domestic demand and export sales contracted, influenced by the temporary suspension of purchases by certain importing countries, or by the increase in sanitary inspections, until the content and extension of the investigations became clearer. It is worth noting that, in this context, representatives of the Brazilian Ministry of Agriculture, along with beef producers' associations (in this case represented by the Brazilian Association of Meat Exporters - ABIEC) were agile and assertive in ensuring the public opinion and customers of the soundness and reliability of Brazil's health control system. Various interviews were given to local and international media vehicles, responding to a number of inquiries, and many meetings, teleconferences and videoconferences were held. After little more than a week of the launching of the probe, the fast response of the government and the sector's agencies started to pay off. Domestic consumption gradually recovered and embargoes were being lifted. Therefore, the sector was affected by a one-off impact mainly in the last two weeks of the quarter, which ended up influencing the operating results of all players in Brazil's protein industry. It is worth noting also that these effects dissipated quickly in the following weeks, as of April. It became clear that these setbacks only involved some small meatpacking companies, and that the beef industry health control system is really robust and efficient.

Something worthy of mention is the operational flexibility demonstrated by Minerva during the temporary embargoes. In a short period of time, the Company managed to reroute its production, serving the countries affected by the embargoes through its industrial units located outside Brazil (e.g. Uruguay, Paraguay and Colombia). This measure mitigated the impact of Brazil's reduced access to export markets, clearly demonstrating the importance of geographic diversification as a protection and risk management instrument.

In addition, regarding the international beef supply and demand environment, it became evident that, after the Federal Police operation, South America (especially Brazil) still has a privileged space in the global arena as the main exporting region, and that the international market suffers from lack of beef supply, as there was undersupply in certain countries which temporarily suspended Brazilian beef imports. These countries also had to deal with a significant increase in the average price of imported products. This was another factor which contributed to a quick resumption of imports.

In the domestic market, despite the impacts of the Federal Police operation at the end of the quarter, the Company continued to expand its distribution channels in Brazil, focusing on food service and small and medium retailers. In addition, Minerva third-party product sourcing has been increasing, through own trading companies located in Brazil, Uruguay and Australia. This is the most efficient way to capture business opportunities, focusing on sourcing via "trading" and developing other efficient distribution channels. These movements can be demonstrated by the increase in the volume of total domestic sales of fresh beef in the first quarter.

Regarding the operational efficiency program, management continues to foster programs aimed at standardizing processes, minimizing the volatility of operating results and increasing operational productivity and efficiency.

Lastly, still regarding raw material sourcing, we expect to have more cattle available for slaughter in 2017 and 2018, due to a combination of (1) animals that should have been slaughtered last year, but which due to industry capacity adjustment remained on farms and should be available in the coming months, and (2) the reversal of the cattle cycle to the phase of higher animal supply, as we already noticed the first signs of higher slaughter of females and the reduction in the margin of breeding activities. In addition, the industry capacity adjustment fueled by the recent reduction in domestic demand (due to the Carne Fraca operation) also impacted demand for cattle. The combination of these factors reduced the average nominal arroba price by more than 10% compared to the same period in 2016. Despite the various challenges imposed by the sector, we still strongly believe that Minerva's operating capacity will generate attractive, sustainable and consistent returns over time.

Fernando Galletti de Queiroz, CEO

# Industry Overview

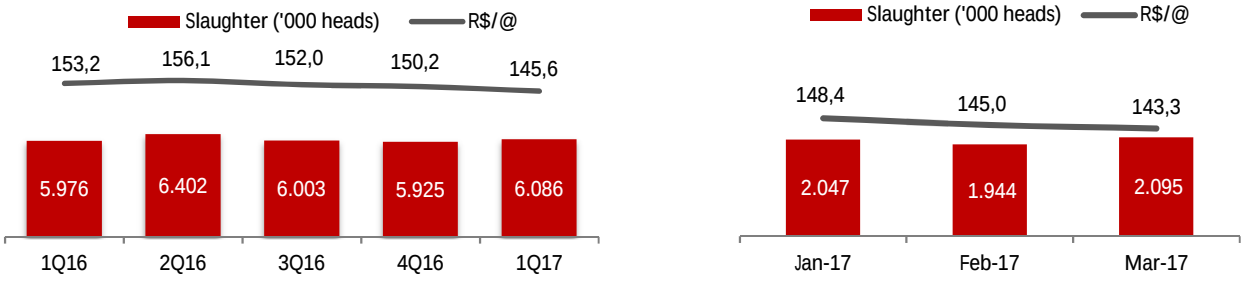
## Brazil

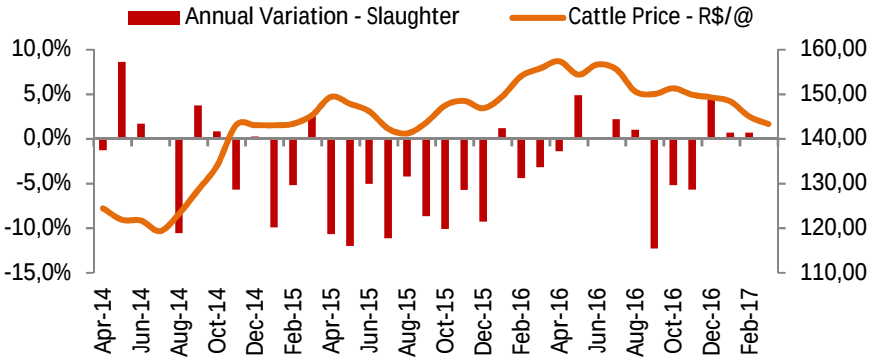
### Cattle Supply

Slaughter volume totaled 6,086 thousand heads of cattle in 1Q17, slightly up on 1Q16 and 4Q16 (1.8% and 2.6%, respectively). The availability of animals ready for slaughter has grown in recent months, fueled by the reversal of the cattle cycle and animals that should have been slaughtered in recent years, but which due to industry capacity adjustment remained on farms and are beginning to be available. On the other hand, the industry reduced slaughter due to the weak seasonality effect of the first quarter. This combination of good supply of animals ready for slaughter and low demand explains the reduction in the average arroba price in 1Q17 (reference: Finished cattle Esalq/BM&F – state of São Paulo), down by 3.1% over 4Q16 and 5.0% over 1Q16, averaging R$145.6/@.

Brazil's cattle supply perspectives remain positive for 2017, influenced by: (i) lower grain prices, due to the prospects of record soybean and corn yield for this year, which tends to increase the volume of animals from feedlots in the offseason; and (ii) the reversal of the cattle cycle, resulting in a greater availability of animals ready for slaughter. These factors explain the reduction in the arroba price in the futures market.

Figures 1, 2 and 3 – Cattle Slaughter and Average Cattle Price




*Source: Ministry of Agriculture, Livestock and Supply, CEPEA/ESALQ | 1Q17 Preliminary slaughter figures*

Export market

Brazilian exports totaled 265,000 tonnes in 1Q17, 7.2% up on 4Q16, but 8.2% down on 1Q16. The reduction in export volume was chiefly influenced by: (i) the appreciation of the real in LTM1Q17, thus making the domestic market more attractive; and (ii) the lower volume shipped to Africa, particularly Egypt, which has been suffering from the depreciation of its local currency. Nevertheless, the export performance in the first quarter was positively impacted by the gradual recovery in exports to Russia and stronger demand from the Middle East, particularly Iran and Saudi Arabia. On the other hand, the launching of the Carne Fraca operation in the end of March negatively impacted Brazil's exports, particularly due to the temporary embargoes on Brazilian beef imports from certain important countries (for more detail, see the "Carne Fraca Operation" section). As a result, export revenue totaled US$1,082.0 million in 1Q17, 2.1% up on 4Q16, but 2.1% down on 1Q16.

Figures 4 and 5 – Fresh Beef Exports

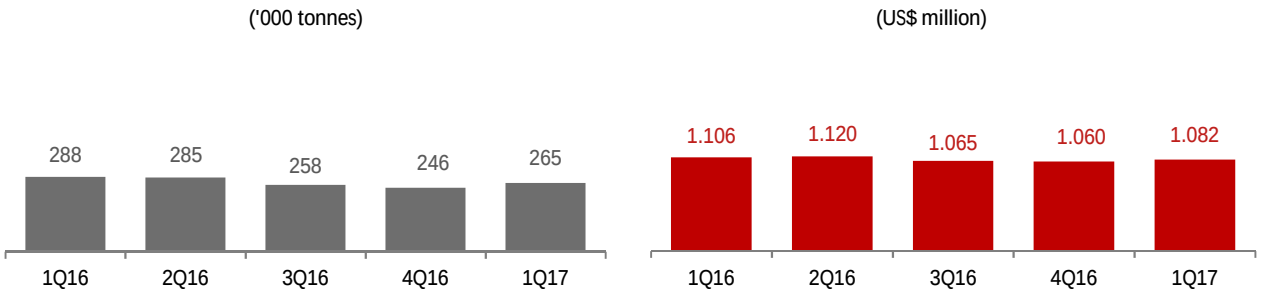



Figure 6 - Average price of fresh beef

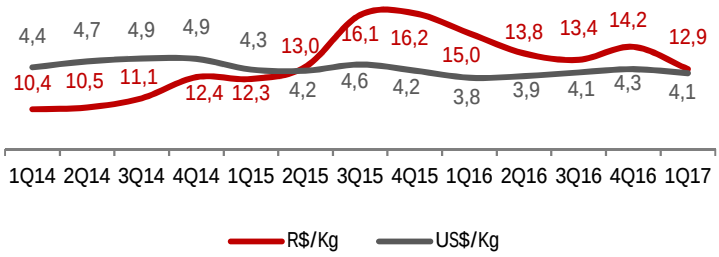
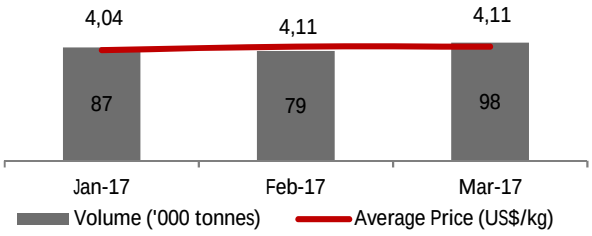



Figure 7 - Brazilian fresh beef exports

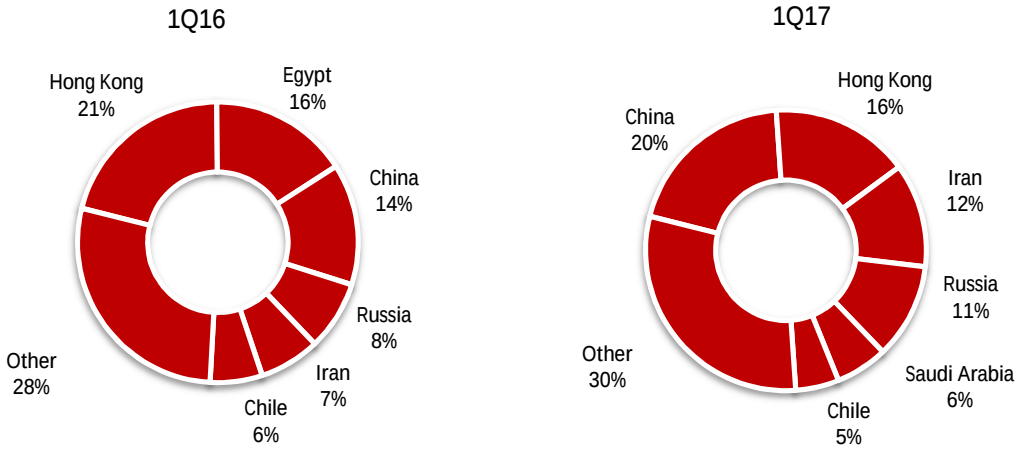



*Source: Ministry of Trade, Industry and Development*

The average dollar price of beef increased 6.3% in 1Q17 over 1Q16, to US$4.1/kg, influenced by the rerouting of Brazilian exports to regions with better prices of beef, even for forequarter cuts, such as the Middle East, Russia and the United States.

In the first quarter, Brazil's main export destinations were China and Hong Kong, which together accounted for 36% of the total, remaining stable over the 1Q16 figure. Iran was the second most important export destination, followed by Russia (11% of the total) and Saudi Arabia (6% of the total). These countries demand more forequarter cuts (lower nominal prices), but at higher prices than in other destinations.

Figures 8 and 9 – Export Destinations (% of Revenue)




*Source: Ministry of Trade, Industry and Development*

Domestic market

Domestic consumption of beef remained in line with the natural seasonality effect for a first quarter, which is historically the weakest quarter of the year. In addition, the effects from the continued pressure from macroeconomic indicators affected local consumers' purchase intention. As a result, beef was replaced by competing proteins (such as poultry, pork, processed meat, etc.), resulting in a depreciation of the price of red meat in 1Q17. In addition, the onset of the Carne Fraca operation also negatively impacted demand for protein in the end of the quarter.

The lower consumption and higher domestic sales reduced the average price of fresh beef, consequently implying a reduction in the capacity utilization of players with limited commercial and operational strategies.

*Carne Fraca* (Weak Meat) Operation

On March 17, 2017, the Federal Police launched the Carne Fraca operation, which investigates the involvement of inspectors of the Ministry of Agriculture in a scheme for illicit granting of licenses to meatpacking companies. After almost two years of investigation, the Federal Police accused the investigated companies of corruption and/or tampering with the meat they were selling in the local and international markets.

The first international reaction to this operation was the temporary embargo and blocking of products which had already been shipped to the following countries: China/Hong Kong, Chile, Algeria and Egypt. In addition, countries such as the United States, Russia, Saudi Arabia and European regions adopted more stringent health inspection criteria for Brazilian products. These embargoes lasted about a week thanks to the prompt intervention of the Ministry of Agriculture, Livestock and Supply, supported by associations of beef producers and exporters, providing all the necessary documentation and clarifications. The access of Brazilian beef is currently normalized. It became clear that certain problems detected were one-off irregularities, restricted to small players, and that this would not compromise the soundness and reliability of Brazil's health control system.

The Brazilian Beef Industry

With 219.2 million head of cattle in 2016, according to the USDA (United States Department of Agriculture), Brazil has the world's largest herd of cattle for commercial purposes. India has the world's largest herd of cattle, but most of it is not intended for commercial purposes and there is no statistical separation between cattle and buffalo.

In addition to the higher volume of beef produced, product quality in the Brazilian beef industry has significantly increased over the years, leading to an increase in the share of Brazilian beef products as a percentage of global exports. Currently, the country's annual slaughter volume totals approximately 40 million head, according to the USDA

The increase in the share of Brazilian beef exports was influenced not only by the growth in Brazilian companies' exports, but also by the reduction in exports from countries and regions known as traditional beef exporters, such as the United States, Australia, Canada and the European Union, whose export volumes have declined for various reasons.

Brazilian beef exports gained representativeness thanks to (i) the country's improved health status (currently more than 99% of the herd is in areas free of foot-and-mouth disease); (ii) the higher productivity of the Brazilian beef sector; (iii) the increase in the number of export destinations; (iv) the relief of the sanitary and commercial barriers; and (v) economic or climate setbacks affecting important competing countries over the past few years.

Brazil has several competitive advantages vis-à-vis its international competitors, including: low production costs; high growth potential of the herd; disease prevention practices; qualitative benefits of beef; and programs to increase the productivity of the herd.

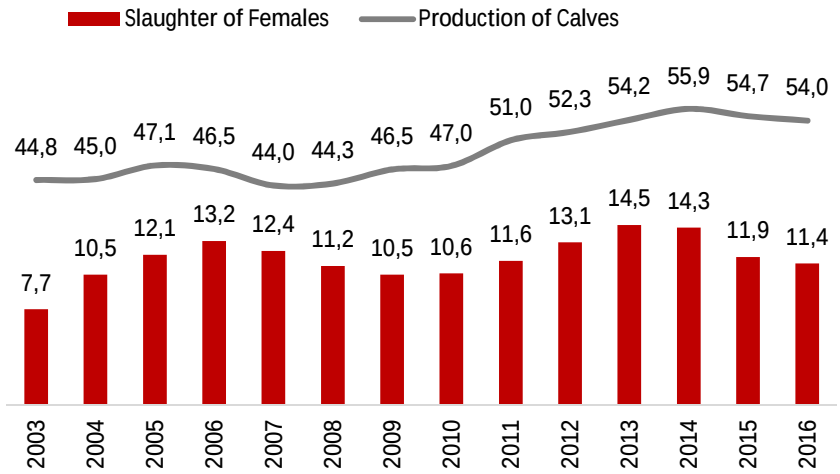
In addition, the increased use of technology in livestock contributes to reduce the seasonality effect on beef supply, consequently ensuring greater price stability. The greater price stability, in turn, allows a better planning of production, as companies can rely on stable prices and raw material volumes, thus ensuring Brazil an increased share of the global beef export market.

Brazilian beef exports grew 13% per year since 2000, to US$14.4 billion in 2016. Brazil is the world's second largest beef exporter, selling to around 140 countries. The animal protein sector is one of the few segments of the economy where Brazil became a global reference, thanks to exports that combine volume, quality, good health standards and affordable prices, in addition to good prospects.

Cattle Cycle

The Brazilian beef cattle industry has been expanding since the 2013/14 season, when cattle producers began to once again retain females in the herd in order to increase the production of calves. The herd has grown year after year as a result of the increased number of calves per season in recent years, not only due to the retention of breeding stock, but also thanks to the productivity gains and improved zootechnic rates. Another factor fueling the growth of the herd is the reduction in slaughter in 2015 and 2016, by 10% and 3%, respectively, when about 4 million head were not slaughtered and, therefore, remained in pasture.

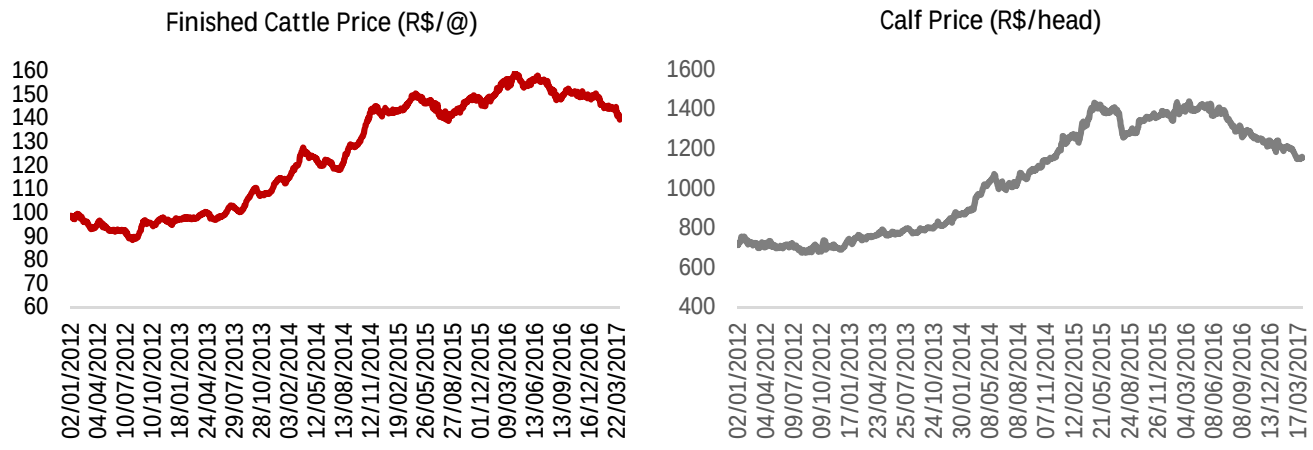
Figure 10 – Production of Calves and Slaughter of Females




Source: Agroconsult, Informa FNP and IBGE

The combination of these three variables – retention of breeding stock, improved productivity and reduced slaughter – is the main factor contributing to increase supply of raw material for the next few years. The prices of replacement animals (calf, steer and unfinished cattle) began to decline in 2016 and continued to follow this trend in 1Q17.

Figures 11 and 12 – Finished Cattle and Calf Price (state of São Paulo)

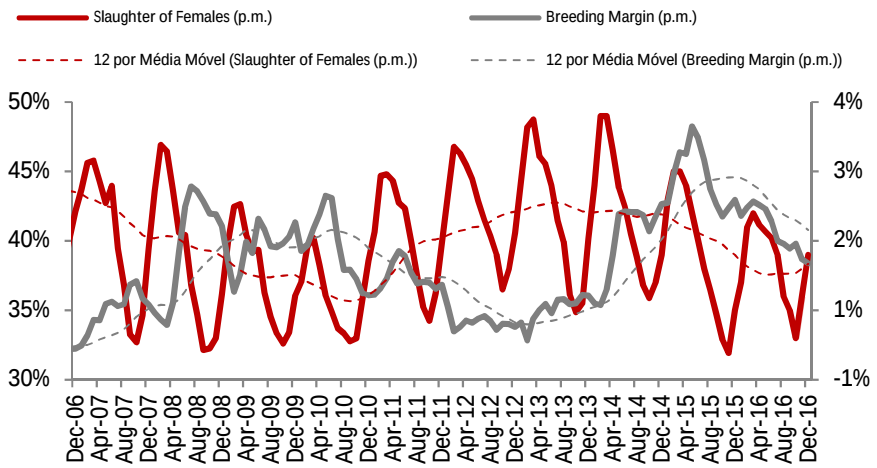



Source: Cepea/Esalq

The counterpart of the higher supply continues to be the still reduced local demand, due to Brazil's economic situation. It is worth noting that historically Brazil has exported about 20% of its production, that is, 80% of Brazil's production remains in the local market.

Despite the early signs of Brazilian economic recovery, it is important mention that beef consumption is affected by the seasonality effect, i.e. it is weaker in the first half of the year, increasing in the second semester, especially in the fourth quarter.
The consequence of a higher animal supply in an environment of weak local demand impacted the arroba price, which recorded a nominal decline by more than 10% over 2016, especially during the season. It is worth noting that the price of calves fell more than that of finished cattle, impacting the breeding margin and, therefore, generating a greater availability of females for slaughter, thus contributing to the reversal of the cattle cycle.

Figure 13 – Breeding Margin x Slaughter of Females




Source: Cepea/Esalq and IBGE

Brazilian Control System

Internationally recognized for its effectiveness and stringent rules, Brazil's system for controlling beef production guarantees products' good quality. The proof is that Brazilian beef is exported to around 140 countries.

Organized by the Ministry of Agriculture, Livestock and Supply (Mapa), this system provides a series of mechanisms and programs for assessing the quality of products delivered to consumers or sold to other countries. We present below the main tools used by the government to ensure the quality control of beef produced in Brazil:

Federal Inspection Service (SIF) - the Federal Inspection Service, internationally known by its acronym (SIF), is responsible for ensuring the quality of edible and inedible animal products sold in the domestic and international markets, as well as imported products. Currently, SIF acts in around 4.8 thousand Brazilian establishments, all supervised by the Department of Inspection of Animal Origin Products (DIOPA).

SIF completed 102 years of existence in 2017 and is internationally recognized for its competence and responsibility in promoting food safety.

The technical staff engaged in supervising establishments, composed of Agricultural Federal Tax Auditors and Animal Product Health and Industrial Inspection Agents, is responsible for the "*ante and post mortem*" inspection of animals for slaughter, the official monitoring of self-control measures implemented by companies, including the evaluation of sanitary and hygienic conditions of their operations, collection of samples for laboratory analyses, and official health certification, among other activities.

– Mapa's official network of laboratories - Mapa has a National Agricultural Laboratory (Lanagro) network composed of a group of laboratory units which carries out technical laboratory activities aimed at protecting the health of Brazilian herds and crops, in addition to certifying agricultural products and inputs. With various units, the laboratories provide valuable information for the inspection and supervision services and cooperate on studies and research projects related to food safety and detecting economic fraud.

– National Pathogen Control Program (PNCP) - the Ministry of Agriculture also has National Pathogen Control Programs which allow it to identify the prevalence of organisms capable of causing diseases in animal products produced by Brazilian establishments registered with SIF. As a result, DIOPA can identify and establish control measures for the danger verified, implement these control measures and monitor the results obtained in order to ensure food safety for consumers regarding these pathogens.

– Conformity Assessment Program of Physical, Chemical and Microbiological Standards of Edible Animal Products - this program aims to obtain data for verifying the conformity index of animal products, evaluate the controls of products and processes carried out by establishments and subsidize the risk management by DIOPA.

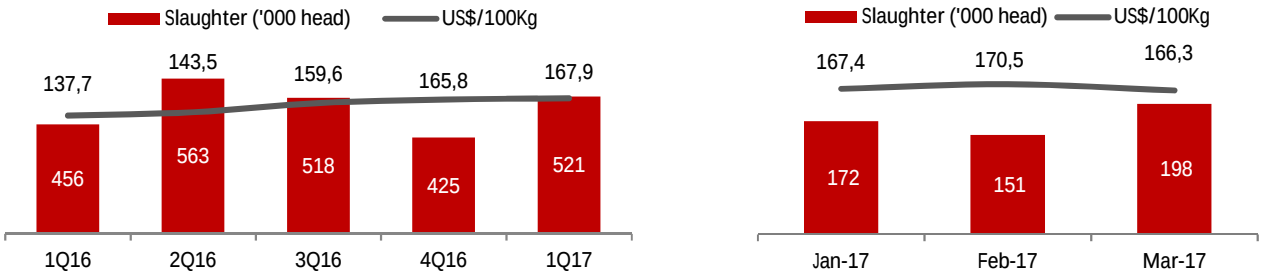
Source: Ministry of Agriculture, Livestock and Supply (Mapa) and *Portal Brasil*

## Paraguay

### Cattle Supply

Slaughter volume totaled 521 thousand heads in 1Q17, increasing by 14% over 1Q16 and 22% over 4Q16. This strong slaughter volume reflects the growing export demand, particularly to Chile, and the more regular rainfall, which allowed the transport of animals which had been held on farms in the previous quarter. In this scenario, the average price of cattle reached US$167.9/100kg, 22% higher than in 1Q16, but in line with the 4Q16 figure, due to the strong resumption of the industry's capacity utilization in 1Q17.

Figures 14 and 15 – Cattle Slaughter and Average Cattle Price

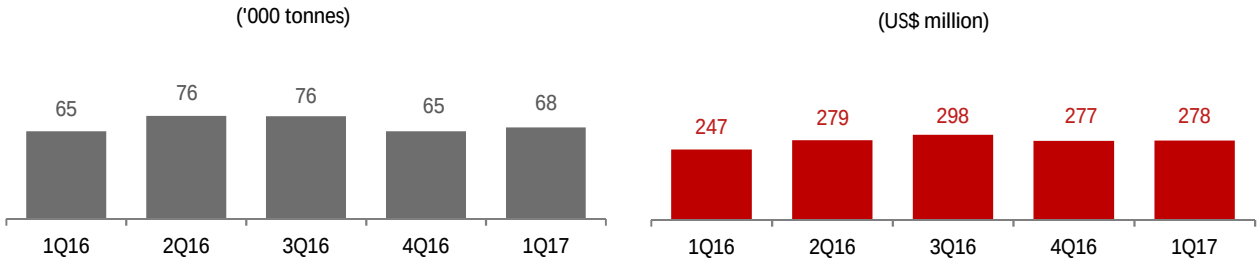



*Source: SENACSA*

### Export market

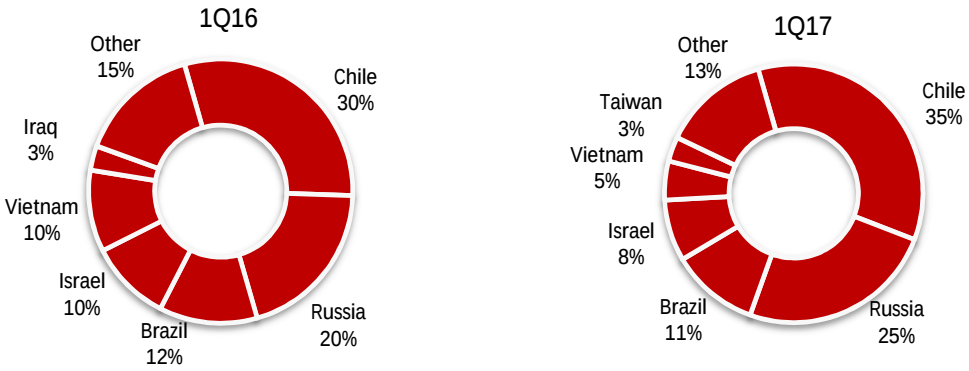
In the first quarter, Paraguay's exports totaled approximately 68 thousand tonnes (4% up on 1Q16), accompanied by export revenue of US$278 million, 13% up year-on-year, thanks to the increased exports to Chile, Russia and the higher export volume to Europe (21% up yoy). Chile and Russia, the country's main export destinations, corresponded to 60% of Paraguayan exports, followed by Brazil, Israel and Vietnam, as shown in the chart below (figures 18 and 19).

Figures 16 and 17 – Fresh Beef Exports




*Source: SENACSA*

Figures 18 and 19 – Export Destinations (% of Revenue)



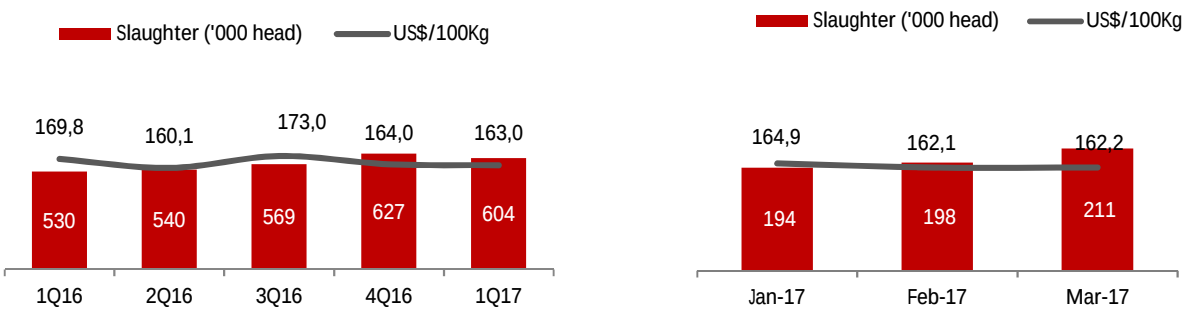

*Source: SENACSA*

## Uruguay

### Cattle Supply

Uruguay's slaughter volume was once again record, totaling approximately 604,000 head in 1Q17, 14% more than in 1Q16. The average price of cattle fell by 4% in 1Q17 over 1Q16, to US$163.0/100kg. The increase in slaughter volume was mainly influenced by exports to China and the Unites States, whose combined revenue grew by 15% over 1Q16.

Figures 20 and 21 – Cattle Slaughter and Average Cattle Price

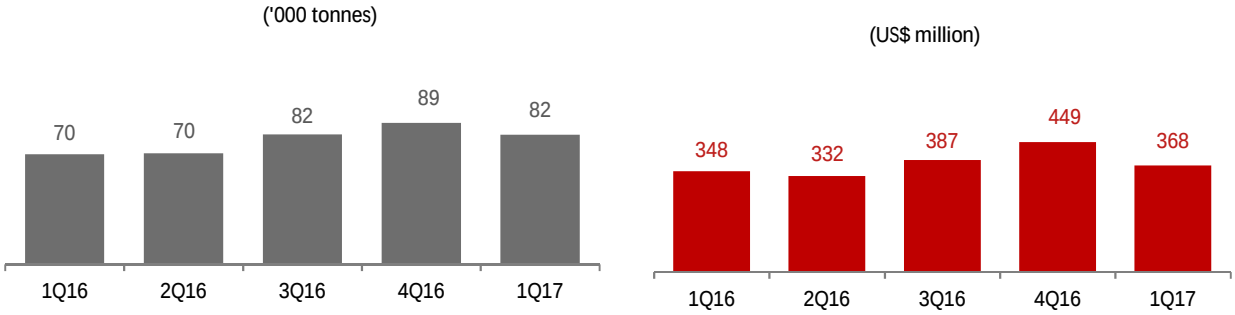



*Source: INAC*

### Export market

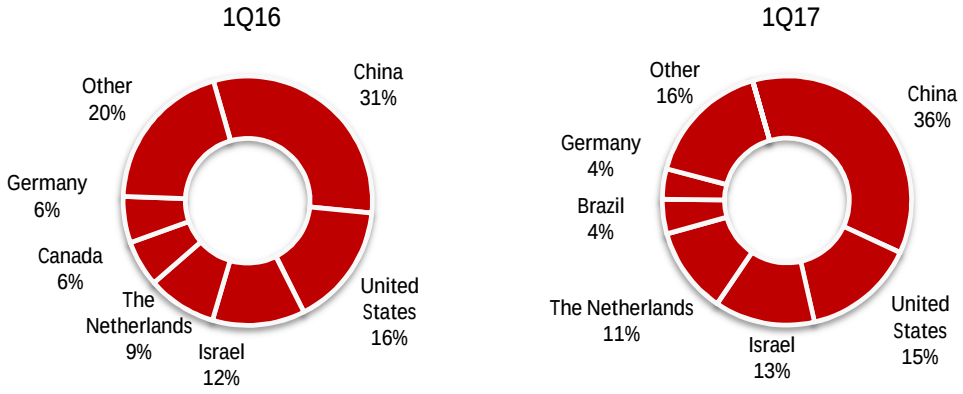
Uruguay's exports totaled 82 thousand tonnes in 1Q17, approximately 17% up on 1Q16, accompanied by revenue of US$368 million (6% up on 1Q16), chiefly fueled by exports to China and the United States. In terms of revenue, the two countries accounted for 36% and 15% of Uruguay's exports, respectively, remaining as the country's main export destinations, followed by Israel and the Netherlands.

Figures 22 and 23 – Fresh Beef Exports




*Source: INAC | Preliminary data*

Figures 24 and 25 – Export Destinations (% of Revenue)



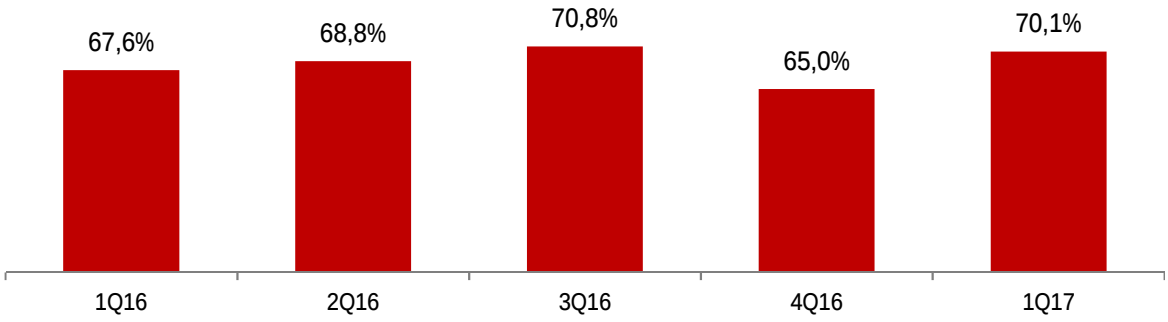

*Source: INAC*

## Minerva – Results Analysis

Slaughter

In 1Q17, the Company's slaughter volume amounted to approximately 522 thousand heads, in line with the 1Q16 figure and 9% up on 4Q16. The capacity utilization rate reached 70.1% in 1Q17, expanding by approximately 2.5 p.p. over 1Q16 and 5.1 p.p. over 4Q16. It is worth remembering that after the climate setbacks faced by Paraguay and Uruguay in 4Q16, operations returned to normal in 1Q17. However, the Company's slaughter was compromised in the end of March and beginning of April due to the onset of the Carne Fraca operation, encouraging Minerva to anticipate the 20-day maintenance stoppage of the Várzea Grande plant, in the state of Mato Grosso, in early April.

Figure 26 - Installed Capacity Utilization




*Source: Minerva*

Consolidated Gross Revenue

Minerva's gross revenue totaled R$2.3 billion in 1Q17, 7.0% less than in the first quarter of 2016.

Revenue from the Beef Division fell 13.8% in 1Q17 over 1Q16, accounting for 79% of consolidated gross revenue, versus 85% in 1Q16. This lower share as a percentage of consolidated gross revenue reflects the reduction in export volume and the lower average price in reais in the local and export markets. Note that domestic sales volume grew by 4.4% in 1Q17 over 1Q16, thanks to the Company's commercial strategy to increase the number of points of sale and focus on improving its Go to Market strategy, giving priority to gaining new food service clients and increasing the number of items per order, which results in an increase in the operation's margin.

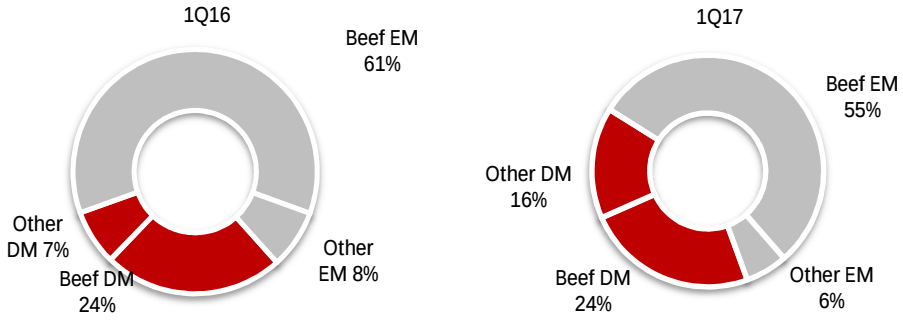
On the other hand, the Others Division grew by 31.7% over 1Q16, to R$492.5 million. The healthy performance chiefly reflects the results of the distribution of third-party products and the new Go to Market strategy, contributing to the Division's domestic revenue of R$357.5 million, 96.8% more than in 1Q16. This performance was offset by the negative impact from the Live Cattle segment on this Division's export revenue, which came to R$134.9 million in 1Q17, 29.8% down on 1Q16.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Gross revenue | 2,302.9 | 2,475.2 | -7.0% | 2,729.3 | -15.6% | 10,090.6 | 10,225.5 | -1.3% |
| Beef Division | 1,810.4 | 2,101.4 | -13.8% | 1,991.5 | -9.1% | 8,100.9 | 8,551.3 | -5.3% |
| Others Division | 492.5 | 373.8 | 31.7% | 737.8 | -33.2% | 1,989.7 | 1,674.2 | 18.8% |

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Domestic market | 909.9 | 772.3 | 17.8% | 1,182.1 | -23.0% | 3,944.4 | 3,086.1 | 27.8% |
| % Gross revenue | 39.5% | 31.2% | 8.3 p.p. | 43.3% | -3.8 p.p. | 39.1% | 30.2% | 8.9 p.p. |
| Beef Division | 552.3 | 590.6 | -6.5% | 697.6 | -20.8% | 2,631.6 | 2,441.4 | 7.8% |
| Others Division | 357.5 | 181.7 | 96.8% | 484.5 | -26.2% | 1,312.8 | 644.7 | 103.6% |

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Export market | 1,393.0 | 1,703.0 | -18.2% | 1,547.4 | -10.0% | 6,146.2 | 7,139.3 | -13.9% |
| % Gross revenue | 60.5% | 68.8% | -8.3 p.p. | 56.7% | 3.8 p.p. | 60.9% | 69.8% | -8.9 p.p. |
| Beef Division | 1,258.0 | 1,510.8 | -16.7% | 1,294.0 | -2.8% | 5,469.2 | 6,109.8 | -10.5% |
| Others Division | 134.9 | 192.2 | -29.8% | 253.4 | -46.7% | 677.0 | 1,029.5 | -34.2% |

Figures 27 and 28 – Breakdown of Consolidated Gross Revenue




*Source: Minerva*

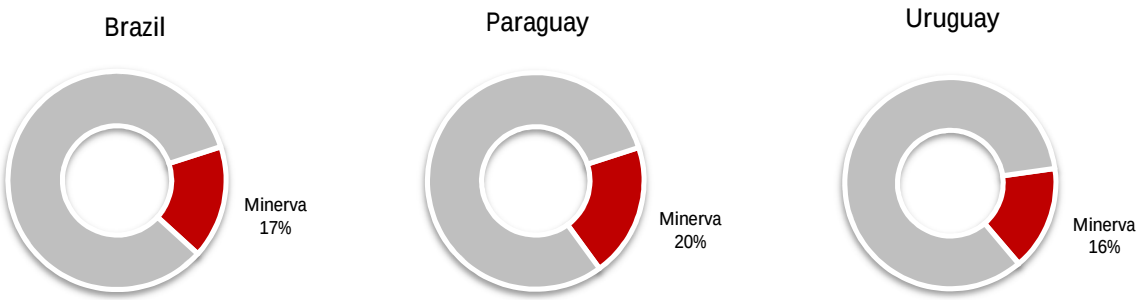
## Beef Division

Revenue from the Beef Division totaled R$1,810 billion in 1Q17, 13.8% less than in 1Q16. The first-quarter year-on-year performance of the Beef Division was influenced by the lower export volume and the nominal reduction in the average sale price of beef in reais in the export (-10.9% yoy) and local (-10.4% yoy) markets, to R$15.1/kg and R$12.2/kg, respectively. The reduction in volume and export price was caused by the strengthening of the real in the period, contributing to the 16.7% decline in gross export revenue from the Beef Division, to R$1,258.0 million in 1Q17. The reduction in the average domestic sale price was influenced by weak demand and the lower price of cattle in the same comparison period, contributing to the 6.5% contraction in gross domestic revenue from the Beef Division, which came to R$552.3 million in 1Q17.

Exports

In the first quarter of 2017, the Company continued to record a relevant market share in the countries where it operates, remaining among the main exporters. Minerva's market share in Brazil came to 17%, versus 20% in Paraguay, continuing to post record market share figures compared to recent years. In Uruguay, the Company's exports corresponded to 16% of the country's total.

Figures 29, 30 and 31 – 1Q17 Market Share (% of Revenue)




*Source: Minerva, Secex, INAC and SENACSA*

We present below the Company's exports by region in LTM1Q17 and LTM1Q16:

Africa: the region's share of Minerva's exports contracted by 4 p.p. in LTM1Q17 over LTM1Q16, accounting for 12% of the total, influenced by the lower exports to Egypt, which has been facing problems due to currency depreciation. However, the Company rerouted a large share of the cuts previously consumed by this region to Asian countries (particularly China and Hong Kong), Russia and Middle Eastern countries, which consume forequarter cuts.

Americas: the region's share of total exports corresponded to 16% in LTM1Q17, up by 4 p.p. on LTM1Q16. Revenue from exports to Chile alone (which has been the region's main export destination) grew 20% in the period. The second most important export destination of the Americas was Brazil, supplied by our plants in Paraguay and Uruguay.

Asia: in LTM1Q17, the region was once again Minerva's main export destination, accounting for 26% of the total, in line with the LTM1Q16 figure. The region's two most important markets are China and Hong Kong, but it is worth mentioning that other Asian countries have been recording steady growth, such as Taiwan, Vietnam, the Philippines and South Korea (the latter supplied by our Uruguayan plants). The combined revenue from these markets grew by approximately 60% over LTM1Q16.

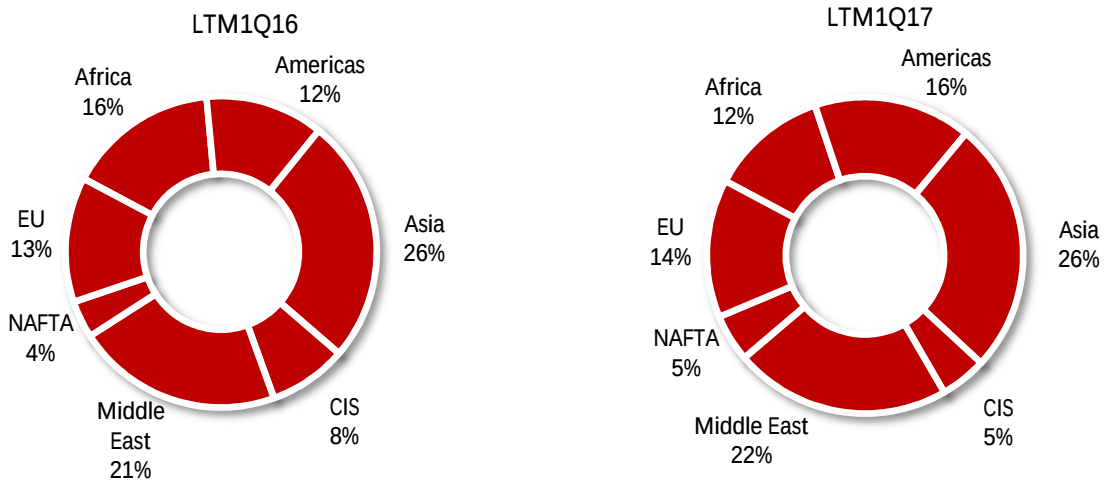
CIS (Commonwealth of Independent States): the share of this region (currently chiefly represented by Russia) corresponded to 5% of the Company's exports in the last twelve months ended March 2017, contracting by 300 bps over LTM1Q16. Although the region's representativeness declined in the last twelve months, Russia's share of Minerva's exports has been recovering quarter over quarter. In 1Q17, export revenue from this country virtually doubled (+102%) compared to 1Q16. This result is in line with the recovery of the Ruble and crude oil – Russia's main revenue source.

Europe: the region's share of the Company's exports in LTM1Q17 accounted for 14% of the total, up by 100 bps on LTM1Q16. The Company has been taking advantage of the fact that Europe is a region with higher demand for nobler cuts (such as hindquarter cuts - whose profitability is higher) to increase its exports to European countries.

NAFTA: in LTM1Q17, the share of the NAFTA region (United States, Canada and Mexico) grew by 100 bps over the previous year, corresponding to 5% of Minerva's exports. The region's main destination is the United States, which is currently supplied by our plants in Uruguay and the authorized Brazilian plants.

Middle East: the region accounted for 22% of Minerva's total export revenue in the last twelve months ended March 2017, growing by 100 bps over LTM1Q16. The Middle East is the second most important region as a percentage of the Company's exports. The main highlights within the region were Saudi Arabia, Israel, Lebanon and Iran.

Figures 32 and 33 – Consolidated Sales Breakdown by Region




*Source: Minerva*

We present below a complete breakdown of the Beef Division:

| Gross Revenue (R$ million) | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Fresh Beef – EM | 1,167.0 | 1,419.1 | -17.8% | 1,192.8 | -2.2% | 5,070.1 | 5,721.2 | -11.4% |
| Processed Beef – EM | 3.3 | 8.0 | -58.7% | 10.0 | -67.0% | 43.6 | 25.4 | 71.8% |
| Others – EM | 87.7 | 83.7 | 4.9% | 91.2 | -3.8% | 355.6 | 363.3 | -2.1% |
| Subtotal – EM | 1,258.0 | 1,510.8 | -16.7% | 1,294.0 | -2.8% | 5,469.2 | 6,109.8 | -10.5% |
| Fresh Beef – DM | 454.2 | 484.4 | -6.2% | 587.5 | -22.7% | 2,159.8 | 1,998.9 | 8.0% |
| Processed Beef – DM | 13.5 | 12.1 | 11.6% | 16.9 | -20.2% | 68.7 | 47.7 | 44.2% |
| Others – DM | 84.6 | 94.1 | -10.0% | 93.1 | -9.1% | 403.1 | 394.8 | 2.1% |
| Subtotal – DM | 552.3 | 590.6 | -6.5% | 697.6 | -20.8% | 2,631.6 | 2,441.4 | 7.8% |
| Total | 1,810.4 | 2,101.4 | -13.8% | 1,991.5 | -9.1% | 8,100.9 | 8,551.3 | -5.3% |

| Volume ('000 tonnes) | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Fresh Beef – EM | 76.4 | 82.2 | -7.1% | 67.3 | 13.5% | 306.5 | 336.3 | -8.9% |
| Processed Beef – EM | 0.1 | 0.3 | -81.0% | 0.4 | -83.7% | 1.7 | 1.0 | 61.9% |
| Others – EM | 6.8 | 6.6 | 3.1% | 7.6 | -10.0% | 30.3 | 30.4 | -0.3% |
| Subtotal – EM | 83.3 | 89.2 | -6.6% | 75.3 | 10.6% | 338.5 | 367.7 | -8.0% |
| Fresh Beef – DM | 37.9 | 35.2 | 7.8% | 45.2 | -16.0% | 173.0 | 155.6 | 11.2% |
| Processed Beef – DM | 0.9 | 0.9 | 2.7% | 1.2 | -26.3% | 4.9 | 3.9 | 26.4% |
| Others – DM | 6.5 | 7.3 | -11.5% | 7.7 | -16.2% | 27.8 | 43.8 | -36.6% |
| Subtotal – DM | 45.3 | 43.4 | 4.4% | 54.1 | -16.3% | 205.7 | 203.3 | 1.2% |
| Total | 128.6 | 132.6 | -3.0% | 129.4 | -0.6% | 544.2 | 571.1 | -4.7% |

| Average price - EM (US$/kg) | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Fresh Beef – EM | 4.9 | 4.4 | 9.7% | 5.4 | -9.6% | 5.0 | 4.7 | 5.7% |
| Processed Beef – EM | 16.5 | 6.1 | 168.9% | 7.7 | 112.6% | 7.9 | 6.8 | 15.4% |
| Others – EM | 4.1 | 3.2 | 26.1% | 3.6 | 12.1% | 3.6 | 3.3 | 6.8% |
| Total | 4.8 | 4.3 | 10.5% | 5.2 | -7.9% | 4.9 | 4.6 | 5.7% |
| Average dollar (Source: Bacen) | 3.15 | 3.90 | -19.3% | 3.30 | -4.6% | 3.30 | 3.59 | -8.0% |

| Average price – EM (R$/Kg) | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Fresh Beef – EM | 15.3 | 17.3 | -11.5% | 17.7 | -13.8% | 16.5 | 17.0 | -2.8% |
| Processed Beef – EM | 51.8 | 23.9 | 116.9% | 25.5 | 102.7% | 26.1 | 24.6 | 6.1% |
| Others – EM | 12.8 | 12.6 | 1.7% | 12.0 | 6.9% | 11.7 | 11.9 | -1.8% |
| Total | 15.1 | 16.9 | -10.9% | 17.2 | -12.1% | 16.2 | 16.6 | -2.7% |

| Average Price – DM (R$/Kg) | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Fresh Beef – DM | 12.0 | 13.8 | -13.0% | 13.0 | -7.9% | 12.5 | 12.8 | -2.8% |
| Processed Beef – DM | 15.3 | 14.1 | 8.6% | 14.2 | 8.3% | 14.0 | 12.3 | 14.1% |
| Others – DM | 13.0 | 12.8 | 1.6% | 12.0 | 8.5% | 14.5 | 9.0 | 60.9% |
| Total | 12.2 | 13.6 | -10.4% | 12.9 | -5.4% | 12.8 | 12.0 | 6.5% |

*EM – Export Market, DM – Domestic Market*

## Others Division

Gross revenue from the Others Division grew 31.7% over 1Q16, to R$492.5 million.

Revenue from the Leather segment increased 9% in 1Q17 over 1Q16. The division's gross domestic revenue grew 115% over the previous year. The Company benefited from the appreciation of the real against the U.S. dollar to reroute a higher volume of leather (particularly rawhide) to the domestic market.

Domestic sales from the Distribution segment continued to record positive performance in 1Q17. The segment's healthy results reflect Minerva's commercial strategy focused on food service and meeting demand from small and medium retailers, segments which are more resilient in adverse scenarios. In addition, Minerva posted record third-party product sales (One-Stop-Shop concept) in the first quarter, both in alternative proteins (poultry, pork and processed products) and imported products.

The Live Cattle segment's performance was weak in 1Q17 (-47% yoy), chiefly influenced by the lower exports to Venezuela.

Net revenue

Minerva's first-quarter net revenue amounted to R$2,141.9 million, while in the last twelve months ended on March 31, 2017, net revenue totaled R$9,453.0 million.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Gross revenue | 2,302.9 | 2,475.2 | -7.0% | 2,729.3 | -15.6% | 10,090.6 | 10,225.5 | -1.3% |
| Sales taxes and deductions | -160.9 | -137.6 | 16.9% | -172.9 | -7.0% | -637.6 | -519.2 | 22.8% |
| Net revenue | 2,141.9 | 2,337.6 | -8.4% | 2,556.4 | -16.2% | 9,453.0 | 9,706.2 | -2.6% |
| % Gross revenue | 93.0% | 94.4% | -1.4 p.p. | 93.7% | -0.7 p.p. | 93.7% | 94.9% | -1.2 p.p. |

Cost of Goods Sold (COGS) and Gross Margin

In 1Q17, COGS accounted for 80.8% of net revenue or a gross margin of 19.2%. In 1Q17, the 6.6% year-on-year reduction in COGS in absolute terms was mainly influenced by the 5% lower average reference arroba price (Finished cattle Esalq/BM&F – state of São Paulo) in the same comparison.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Net revenue | 2,141.9 | 2,337.6 | -8.4% | 2,556.4 | -16.2% | 9,453.0 | 9,706.2 | -2.6% |
| COGS | -1,730.8 | -1,852.5 | -6.6% | -2,098.8 | -17.5% | -7,641.7 | -7,700.4 | -0.8% |
| % Net revenue | 80.8% | 79.2% | 1.6 p.p. | 82.1% | -1.3 p.p. | 80.8% | 79.3% | 1.5 p.p. |
| Gross Profit | 411.1 | 485.1 | -15.3% | 457.6 | -10.2% | 1,811.3 | 2,005.8 | -9.7% |
| Gross margin | 19.2% | 20.8% | -1.6 p.p. | 17.9% | 1.3 p.p. | 19.2% | 20.7% | -1.5 p.p. |

Selling, General and Administrative Expenses

Selling expenses accounted for 7.0% of 1Q17 net revenue, in line with the 1Q16 figure. In 1Q17 over 1Q16, G&A expenses moved up by 0.7 p.p. as a percentage of net revenue, due to the reduction in net revenue and the 20-day maintenance stoppage of the Barretos plant in the first quarter.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Selling expenses (R$ million) | -148.9 | -160.6 | -7.2% | -137.7 | 8.2% | -597.2 | -675.9 | -11.6% |
| % Net revenue | 7.0% | 6.9% | 0.1 p.p. | 5.4% | 1.6 p.p. | 6.3% | 7.0% | -0.6 p.p. |
| G&A expenses (R$ million) | -92.1 | -84.9 | 8.5% | -88.5 | 4.2% | -360.9 | -308.4 | 17.0% |
| % Net revenue | 4.3% | 3.6% | 0.7 p.p. | 3.5% | 0.8 p.p. | 3.8% | 3.2% | 0.6 p.p. |

EBITDA

First-quarter EBITDA totaled R$197.6 million, with a margin of 9.2%, while in LTM1Q17 EBITDA amounted to R$935.3 million, accompanied by a margin of 9.9%.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Net (loss) income | 2.5 | 46.3 | -94.6% | 12.3 | -80.0% | 151.2 | -166.4 | -190.8% |
| (+/-) Deferred and current income and social contribution taxes | 37.3 | 59.5 | -37.3% | -25.9 | n.a. | 33.3 | 111.4 | -70.1% |
| (+/-) Asset impairment (1) | 0.0 | 0.0 | n.a. | 21.9 | -100.0% | 21.9 | 23.5 | -6.8% |
| (+/-) Financial result | 132.6 | 125.6 | 5.6% | 222.6 | -40.4% | 643.5 | 1,037.5 | -38.0% |
| (+/-) Depreciation and amortization | 25.2 | 20.2 | 24.7% | 19.0 | 32.6% | 85.4 | 77.3 | 10.5% |
| EBITDA | 197.6 | 251.6 | -21.5% | 249.9 | -20.9% | 935.3 | 1,083.2. | -13.7% |
| EBITDA margin | 9.2% | 10.8% | -1.5 p.p. | 9.8% | -0.6 p.p. | 9.9% | 11.2% | -1.3 p.p. |

(1) For more information, see note 13 and 14 to the 1Q16 and 1Q17 Quarterly Information.

Financial result

The financial result was negative by R$132.6 million in 1Q17, while in the last twelve months ended March 31, 2017, the financial result totaled R$643.5 million.

The FX variation line recorded (non-cash) revenue of R$138.3 million in 1Q17, due to the 2.8% appreciation of the closing U.S. dollar on assets and liabilities in foreign currency in the first quarter.

"Other financial income/expenses" came in as expense of R$93.1 million, chiefly impacted by costs from the conclusion of financial operations related to the Company's liability management process.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Financial expenses | -205.7 | -194.8 | 5.6% | -226.6 | -9.2% | -842.9 | -819.5 | 2.9% |
| Financial income | 27.8 | 32.8 | -15.2% | 32.4 | -14.0% | 137.6 | 112.2 | 22.6% |
| FX variation | 138.3 | 298.2 | -53.6% | 34.8 | 297.4% | 476.9 | -188.6 | n.a. |
| Other revenue / expenses | -93.1 | -261.8 | -64.4% | -63.1 | 47.5% | -415.0 | -141.6 | 193.1% |
| Financial result | -132.6 | -125.6 | 5.6% | -222.5 | -40.4% | -643.5 | -1,037.5 | -38.0% |
| Average Dollar (R$/US$) (Source: Bacen) | 3.15 | 3.90 | -19.3% | 3.30 | -4.5% | 3.30 | 3.59 | -8.0% |
| Closing Dollar (R$/US$) (Source: Bacen) | 3.17 | 3.56 | -11.0% | 3.26 | -2.8% | 3.17 | 3.56 | -11.0% |

| (*) Other Expenses (R$ million) | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| FX hedge | -3.1 | -246.8 | -98.7% | -12.2 | -74.6% | -214.3 | -52.8 | 305.8% |
| Commodities hedge | -19.6 | 0.5 | n.a. | -16.9 | 16.0% | -51.8 | -16.0 | 223.8% |
| Financial discounts, rates, commissions, commercial discount and other financial expenses | -70.4 | -15.5 | 354.2% | -34.0 | 107.1% | -149.0 | -72.7 | 104.8% |
| Total | -93.1 | -261.8 | -64.4% | -63.1 | 47.5% | -415.1 | -141.5 | 193.4% |

## Net Result

The Company posted net income before income and social contribution taxes of R$39.8 million in 1Q17. Net income after income and social contribution taxes totaled R$2.5 million in the first quarter.

| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg | LTM1Q17 | LTM1Q16 | % Chg |
|---|---|---|---|---|---|---|---|---|
| Net (loss) income before taxes | 39.8 | 105.8 | -62.4% | -13.6 | n.a. | 184.5 | -55.0 | n.a. |
| Income and social contribution taxes | -37.3 | -59.5 | -37.3% | 25.9 | -244.2% | -33.3 | -111.4 | -70.1% |
| Net (loss) income | 2.5 | 46.3 | -94.7% | 12.3 | -80.0% | 151.2 | -166.4 | n.a. |
| % Net margin | 0.1% | 2.0% | -1.9 p.p. | 0.5% | -0.4 p.p. | 1.6% | -1.7% | 3.3 p.p. |

# Cash Flow

## Operating Cash Flow

In the first quarter of 2017, operating cash flow totaled R$53.6 million. The R$36.5 million negative variation in working capital requirements in 1Q17 was chiefly influenced by: (1) the "Suppliers" line (-R$132.0 million), given that the Company acquired a higher volume of raw material to pay on demand compared to the last quarter of 2016 and, therefore, the supplier payment cycle narrowed from 27 days in 4Q16 to 26 days in 1Q17; and (2) the "Inventories" line (-R$82.6 million), given that the inventory cycle widened from 26 days in 4Q16 to 36 days in 1Q17. The "Receivables" line, in turn, returned R$135.1 million to the Company's cash in 1Q17, given the stronger exposure to the domestic market, whose receivables period is shorter.

| R$ Million | 1Q17 | 1Q16 | 4Q16 | LTM1Q17 |
|---|---|---|---|---|
| Net (loss) income | 2.5 | 46.3 | 12.3 | 151.2 |
| (+) Net income adjustments | 87.7 | -81.3 | 231.0 | 526.6 |
| (+) Variation in working capital requirements (1) | -36.5 | 180.7 | 194.6 | -245.5 |
| Operating cash flow | 53.6 | 145.7 | 437.9 | 432.3 |

(1) Excluding equity valuation adjustments and accumulated conversion amounts.

## Free Cash Flow

Recurring free cash flow after investments, interest payments and working capital, excluding the result from FX hedge and before the repurchase of shares, was negative by R$57.3 million in 1Q17. In the last twelve months ended March 31, 2017, recurring free cash flow was negative by R$164.0 million, as shown below:

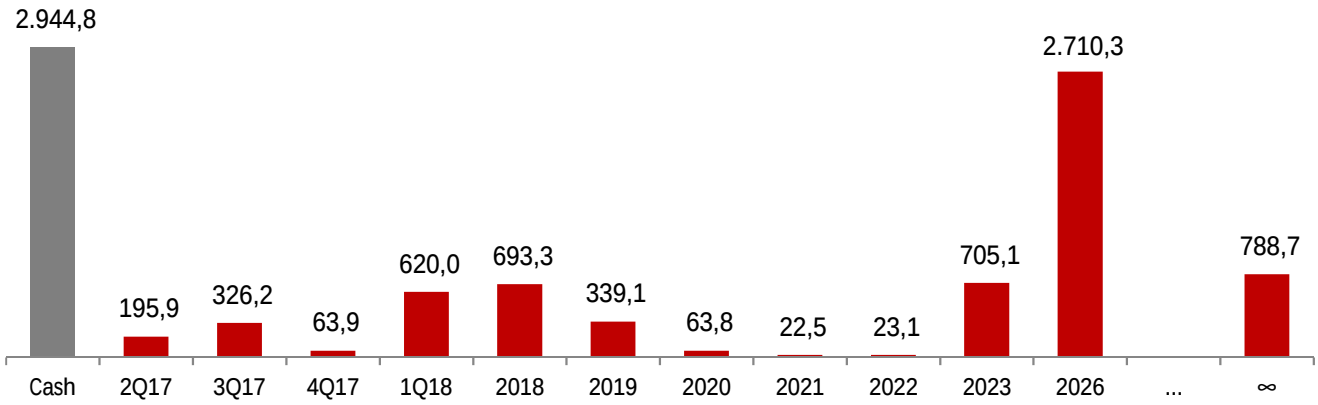
| R$ Million | 1Q17 | 4Q16 | 3Q16 | 2Q16 | LTM1Q17 |
|---|---|---|---|---|---|
| EBITDA | 197.6 | 249.9 | 249.3 | 238.5 | 935.3 |
| (+) Capex (on a cash basis) | -58.5 | -60.8 | -54.1 | -40.8 | -214.2 |
| (+) Financial result (on a cash basis) (1) | -163.0 | -198.0 | -163.9 | -328.9 | -853.8 |
| (+) Variation in working capital requirements (2) | -36.5 | 194.6 | -479.9 | 76.3 | -245.5 |
| Free cash flow | -60.4 | 185.7 | -448.6 | -54.9 | -378.3 |
| (-) FX Hedge Result | -3.1 | -12.2 | -19.9 | -179.1 | -214.3 |
| Recurring free cash flow to shareholders (ex-FX Hedge) | -57.3 | 197.9 | -428.7 | 124.2 | -164.0 |
| Cancellation of Shares | -87.0 | 0.0 | 0.0 | 0.0 | -87.0 |
| Recurring free cash flow to shareholders after cancellation of treasury shares | -144.3 | 197.9 | -428.7 | 124.2 | -251.0 |

(1) Considering the cash from FX hedge.
(2) Excluding equity valuation adjustments and accumulated conversion amounts.

## Capital Structure

Minerva closed the first quarter with cash and cash equivalents of R$2.9 billion, which is sufficient to amortize its debt through 2026. Approximately 76% of total debt was exposed to the exchange rate variation at the end of March 2017. Leverage measured by the net debt/LTM EBITDA ratio was 3.8x on March 31, 2017, with debt duration of 5.8 years. As announced in previous quarters, the Company moved on with its liability management operation and concluded, in 1Q17, the early repurchase of the 2022 Bonds, which paid annual interest of 12.25%, exercising their respective call. There was also the maturity of the 2017 Bonds on January 31, 2017.

Figure 34 – Debt amortization schedule on 3/31/2017
(R$ million)




| R$ Million | 1Q17 | 1Q16 | % Chg | 4Q16 | % Chg |
|---|---|---|---|---|---|
| Short-term debt | 1,206.0 | 1,724.6 | -30.1% | 1,397.1 | -13.7% |
| % Short-term debt | 18.5% | 26.1% | -7.6 p.p. | 20.5% | -2.0 p.p. |
| Local currency | 773.6 | 437.8 | 76.7% | 420.5 | 84.0% |
| Foreign currency | 432.4 | 1,286.8 | -66.4% | 976.6 | -55.7% |
| Long-term debt | 5,310.4 | 4,871.8 | 9.0% | 5,430.7 | -2.2% |
| % Long-term debt | 81.5% | 73.9% | 7.6 p.p. | 79.5% | 2.0 p.p. |
| Local currency | 717.2 | 604.0 | 18.7% | 661.1 | 8.5% |
| Foreign currency | 4,593.2 | 4,267.7 | 7.6% | 4,769.5 | -3.7% |
| Total debt | 6,516.4 | 6,596.4 | -1.2% | 6,827.7 | -4.6% |
| Local currency | 1,490.8 | 1,041.8 | 43.1% | 1,081.6 | 37.8% |
| Foreign currency | 5,025.6 | 5,554.6 | -9.5% | 5,746.1 | -12.5% |
| (Cash and cash equivalents) | -2,944.8 | -3,354.0 | -12.2% | -3,397.9 | -13.3% |
| Net debt (1) | 3,540.8 | 3,215.4 | 10.1% | 3,400.5 | 4.1% |
| Net Debt/LTM EBITDA (x) | 3.8 | 2.9 | 0.9 | 3.4 | 0.4 |

(1) Net debt includes FIDC subordinated shares totaling R$30.7 million in 1Q17, R$29.4 million in 4Q16 and R$26.9 million in 1Q16.

| Local currency (R$ '000) | Mar/17 | Dec /16 |
|---|---|---|
| 1Q17 | 0 | 237,404 |
| 2Q17 | 65,356 | 18,931 |
| 3Q17 | 94,820 | 105,959 |
| 4Q17 | 60,132 | 58,203 |
| 1Q18 | 553,249 | 6,826 |
| 2018 | 514,897 | 489,411 |
| 2019 | 84,309 | 87,265 |
| 2020 | 63,773 | 23,266 |
| 2021 | 22,528 | 22,528 |
| 2022 | 23,108 | 23,221 |
| 2023 | 8,607 | 8,607 |
| 2026 | 0 | 0 |
| ∞ | 0 | 0 |
| TOTAL | 1,490,779 | 1,081,621 |

| Foreign currency (R$ '000) | Mar/17 | Dec /16 |
|---|---|---|
| 1Q17 | 0 | 698,519 |
| 2Q17 | 130,507 | 10,360 |
| 3Q17 | 231,384 | 265,264 |
| 4Q17 | 3,755 | 2,412 |
| 1Q18 | 66,786 | 2,416 |
| 2018 | 178,395 | 138,553 |
| 2019 | 254,821 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 329,786 |
| 2023 | 696,451 | 712,152 |
| 2026 | 2,674,833 | 2,775,352 |
| ∞ | 788,655 | 811,267 |
| TOTAL | 5,025,587 | 5,746,081 |

## Investments

Investments in fixed assets totaled R$58.5 million in 1Q17, R$45.0 million of which went to operational maintenance, while R$13.4 million was allocated to operational improvements.

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

| CAPEX (R$ million) | 1Q17 | 4Q16 | 3Q16 | 2Q16 | LTM1Q17 |
|---|---|---|---|---|---|
| Maintenance | 45.0 | 43.8 | 38.6 | 32.7 | 160.1 |
| Expansion | 13.4 | 17.0 | 15.5 | 8.1 | 54.0 |
| Total | 58.5 | 60.8 | 54.1 | 40.8 | 214.2 |

## Subsequent Event

Merger of Mato Grosso Bovinos S.A.

On April 12, 2017, the Extraordinary Shareholder Meeting approved the Private Instrument of Protocol and Justification for Merger of Mato Grosso Bovinos S.A. by Minerva S.A.

## About Minerva S.A.

Minerva Foods is one of the leading producers and sellers of beef, leather, and exports of live cattle and cattle byproducts in South America, and Brazil's second largest exporter in the industry in terms of gross sales revenue, exporting to over 100 countries, with operations also in the beef, pork and poultry processing segments. On March 31, 2017, the Company had a daily slaughtering capacity of 17,330 head of cattle and daily beef deboning capacity equivalent to 20,316 head of cattle. With a presence in the states of São Paulo, Rondônia, Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul and Minas Gerais, as well as in Paraguay, Uruguay and Colombia, Minerva operates 17 slaughter and deboning plants, one processing unit and 11 distribution centers. In the 12 months ended March 31, 2017, the Company recorded gross sales revenue of R$10.1 billion, virtually in line with the same period last year.

*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 2016 and 1Q17.*

*Statement from Management*

*In compliance with CVM Instructions, Management declares that it has discussed, revised and agreed with the individual and consolidated accounting information related to the fiscal year ended March 31, 2017, and the opinions expressed in the independent auditors' review report, hereby authorizing their disclosure.*

APPENDIX 1 - INCOME STATEMENT (CONSOLIDATED)

| (R$ thousand) | 1Q17 | 1Q16 | 4Q16 |
|---|---|---|---|
| Revenue from domestic sales | 909,861 | 772,239 | 1,182,011 |
| Revenue from exports | 1,392,990 | 1,702,959 | 1,547,338 |
| Gross sales revenue | 2,302,851 | 2,475,198 | 2,729,349 |
| Deductions from Revenue – Taxes and Other | -160,912 | -137,592 | -172,945 |
| Net operating revenue | 2,141,939 | 2,337,606 | 2,556,404 |
| | | | |
| Cost of goods sold | -1,730,836 | -1,852,471 | -2,098,774 |
| Gross profit | 411,103 | 485,135 | 457,630 |
| | | | |
| Selling expenses | -148,942 | -160,556 | -137,705 |
| General and administrative expenses | -92,131 | -84,913 | -88,455 |
| Other operating revenues (expenses) | 2,377 | -8,279 | -580 |
| Result before Financial Expenses | 172,407 | 231,387 | 230,890 |
| | | | |
| Financial expenses | -205,689 | -194,752 | -226,608 |
| Financial revenues | 27,849 | 32,755 | 32,386 |
| FX variation | 138,315 | 298,233 | 34,751 |
| Other expenses | 93,115 | -261,789 | -63,083 |
| Financial result | -132,640 | -125,553 | -222,554 |
| | | | |
| Asset impairment | 0 | 0 | -21,904 |
| | | | |
| Results before taxes | 39,767 | 105,834 | -13,568 |
| Income and social contribution taxes - current | -26,538 | -57,336 | 29,753 |
| Income and social contribution taxes - deferred | -10,767 | -2,186 | -3,891 |
| | | | |
| Net income before non-controlling interest | 2,462 | 46,312 | 12,294 |
| | | | |
| Net income attributed to controlling shareholders | 2,363 | 46,303 | 12,215 |
| Net income attributed to non-controlling shareholders | 99 | 9 | 79 |
| | | | |
| Net (loss) income | 2,462 | 46,312 | 12,294 |

APPENDIX 2 - BALANCE SHEET (CONSOLIDATED)

| (R$ thousand) | 1Q17 | 4Q16 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | 2,944,801 | 3,397,870 |
| Accounts receivable from clients | 528,247 | 673,983 |
| Inventories | 525,559 | 454,459 |
| Biological assets | 163,549 | 141,706 |
| Taxes recoverable | 758,493 | 791,361 |
| Other receivables | 209,794 | 199,901 |
| Total current assets | 5,130,483 | 5,659,280 |
| Taxes recoverable | 190,829 | 196,462 |
| Deferred Tax Assets | 237,259 | 246,757 |
| Other receivables | 39,136 | 38,362 |
| Judicial deposits | 21,117 | 22,212 |
| Fixed assets | 2,209,478 | 2,179,946 |
| Intangible Assets | 615,263 | 616,129 |
| Total non-current assets | 3,313,082 | 3,299,868 |
| Total assets | 8,443,565 | 8,959,148 |
| | | |
| LIABILITIES | | |
| Loans and financing | 1,205,988 | 1,397,051 |
| Suppliers | 493,498 | 625,503 |
| Labor and Tax Liabilities | 122,001 | 97,060 |
| Other accounts payable | 673,428 | 691,414 |
| Total current liabilities | 2,494,915 | 2,811,028 |
| Loans and financing | 5,310,377 | 5,430,652 |
| Labor and Tax Liabilities | 16,227 | 17,095 |
| Provision for contingencies | 37,006 | 36,933 |
| Accounts payable | 41,098 | 42,701 |
| Deferred tax liabilities | 99,715 | 98,672 |
| Total non-current liabilities | 5,504,423 | 5,626,053 |
| Shareholders' Equity | | |
| Capital stock | 128,854 | 128,854 |
| Capital reserves | 187,504 | 294,851 |
| Revaluation reserves | 54,990 | 55,556 |
| Profit reserve | 155,929 | 155,929 |
| Accumulated profit (loss) | 2,929 | 0 |
| Treasury shares | -22,268 | -43,112 |
| Equity valuation adjustments | -65,254 | -71,455 |
| Total shareholders' equity attributed to controlling shareholders | 442,684 | 520,623 |
| Non-controlling interest | 1,543 | 1,444 |
| Total shareholders' equity | 444,227 | 522,067 |
| Total liabilities and shareholders' equity | 8,443,565 | 8,959,148 |

APPENDIX 3 – CASH FLOW (CONSOLIDATED)

| (R$ '000) | 1Q17 | 1Q16 | 4Q16 |
|---|---|---|---|
| Cash Flow from operating activities | | | |
| Net (loss) income | 2,462 | 46,312 | 12,294 |
| Reconciliation of net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 25,179 | 20,178 | 18,993 |
| Net income attributed to non-controlling shareholders | -99 | -9 | -79 |
| Fair value of biological assets | -10,389 | -743 | 2,047 |
| Realization of deferred taxes – temporary differences | 10,767 | 2,186 | 3,891 |
| Asset impairment | 0 | 0 | 21,904 |
| Financial charges | 202,689 | 193,245 | 226,259 |
| FX variation – not realized | -140,567 | -300,279 | -47,431 |
| Provision for contingencies | 73 | 4,088 | 5,398 |
| | | | |
| Accounts receivable from clients and other receivables | 135,069 | 222,960 | -47,568 |
| Inventories | -71,140 | -7,122 | 53,696 |
| Biological assets | -11,454 | 24,634 | 101,675 |
| Taxes recoverable | 38,501 | -27,560 | 133 |
| Judicial deposits | 1,095 | 565 | -12,341 |
| Suppliers | -132,005 | -68,345 | 178,957 |
| Labor and Tax Liabilities | 24,073 | 46,690 | -32,010 |
| Other accounts payable | -20,672 | -11,155 | -47,921 |
| Equity valuation adjustments and accumulated conversion amounts | 6,201 | 59,589 | -59,767 |
| Cash flow from operating activities | 59,783 | 205,234 | 378,130 |
| | | | |
| Cash flow from investments | | | |
| Acquisition of intangible assets | 675 | -358 | -391 |
| Acquisition of fixed assets | -53,663 | -36,831 | -65,372 |
| Cash flow from investments | -52,988 | -37,189 | -65,763 |
| | | | |
| Cash flow from financing activities | | | |
| Loans and Financing | 512,231 | 374,340 | 556,786 |
| Loans and financing settled | -885,691 | -678,869 | -641,029 |
| Variation in minority interest | 99 | 9 | 40 |
| Capital payment in cash | 0 | 740,577 | 0 |
| Dividends | 0 | 0 | -48,728 |
| Treasury shares | -86,503 | 0 | -17,311 |
| Cash flow from financing activities | -459,864 | 436,057 | -150,242 |
| | | | |
| Net Cash - Cash Equivalent Decrease/Increase | -453,069 | 604,102 | 162,125 |
| Cash and cash equivalents | | | |
| Beginning of period | 3,397,870 | 2,749,928 | 3,235,745 |
| End of period | 2,944,801 | 3,354,030 | 3,397,870 |
| Net Cash - Cash Equivalent Decrease/Increase | -453,069 | 604,102 | 162,125 |