OFFERING MEMORANDUM
U.S.$500,000,000

Marfrig Overseas Limited

9.50% Notes due 2020
Unconditionally and Irrevocably Guaranteed by Marfrig Alimentos S.A. and certain of its subsidiaries

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We are offering US$500,000,000 aggregate principal amount of Marfrig Overseas Limited's 9.50% senior unsecured guaranteed notes due 2020. Marfrig Overseas Limited, or the issuer, is a Cayman Islands exempted company. The notes are unconditionally and irrevocably guaranteed by Marfrig Alimentos S.A., or the guarantor, a *sociedade anônima* incorporated under the laws of the Federative Republic of Brazil and by certain subsidiaries of the guarantor (collectively referred as the subsidiary guarantors).

We will pay interest on the notes semi-annually on each May 4 and November 4, commencing on November 4, 2010. The notes will mature on May 4, 2020. Prior to May 4, 2013, we may redeem up to 35% of the notes using proceeds from one or more equity offerings. Prior to May 4, 2015, we may redeem some or all of the notes at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, plus the "make-whole" premium described in this offering memorandum. In addition, we may redeem some or all of the notes on or after May 4, 2015 at the redemption prices set forth in this offering memorandum. There is no sinking fund for the notes.

The notes will rank pari passu with all unsecured and unsubordinated obligations of the issuer. The guarantee of the notes, or the guaranty, will rank *pari passu* with all unsecured and unsubordinated obligations of the guarantor.

This offering memorandum constitutes a prospectus according to the Luxembourg law, dated July 10, 2005 on Prospectuses for Securities.

Investing in the notes involves risks. See "Risk Factors" beginning on page 15.

Price: 98.426%

plus accrued interest, if any, from May 4, 2010.

Delivery of the notes in book-entry form was made on May 4, 2010.

The notes have not been registered under the Securities Act of 1933, as amended. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information on transfer of the notes see "Transfer Restrictions" beginning on page 159.

Global Coordinator

Credit Suisse

Joint Book-running and Joint Lead Managers

Itaú **Santander** **BB Securities** **Bradesco BBI**

The date of this offering memorandum is May 27, 2010.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

In this offering memorandum, references to "Marfrig," the "Company," "Marfrig Group," "we," "us" and "our" as well as the "guarantor" refer to Marfrig Alimentos S.A., a corporation (*sociedade por ações*) incorporated under the laws of the Federative Republic of Brazil, and its direct and indirect subsidiaries, and the guarantor of the notes except where the context requires otherwise. All references to "Marfrig Overseas" or the "issuer" are to Marfrig Overseas Limited, a wholly-owned subsidiary of Marfrig, incorporated in the Cayman Islands as an exempted company with limited liability, and the issuer of the notes. All references to "subsidiary guarantors" are to certain subsidiaries of Marfrig that are from time to time guarantors of the notes pursuant to the terms of the indenture governing the notes, unless the context indicates otherwise. As of the date hereof, União Frederiquense Participações Ltda., or Unifred, a *sociedade limitada* organized under the laws of the Federative Republic of Brazil, Marfrig Holdings (Europe) BV, or Marfrig Holdings, a private limited liability company organized under the laws of The Netherlands, and Seara Alimentos S.A. (formerly Seara Alimentos Ltda.), or Seara, a *sociedade anônima* incorporated under the laws of the Federative Republic of Brazil, are subsidiary guarantors of the notes. When used in this offering memorandum, the term "controlling shareholder" refers to MMS Participações S.A., or MMS Participações, which holds our controlling power. Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos collectively hold all of MMS Participações voting stock and indirectly hold 43.5% of our voting stock.

When used in this offering memorandum, the term "domestic markets" refers to the internal markets of Brazil, Uruguay, Argentina and the United Kingdom, and references to the term "export markets" are to the international markets to which we export our products.

The term “Brazil” refers to the Federative Republic of Brazil. The phrase “Brazilian government” refers to the federal government of the Federative Republic of Brazil, and the term “Central Bank” refers to the *Banco Central do Brasil*, or the Central Bank of Brazil.

All references in this offering memorandum to “*real*,” “*reais*” or “R$” are to the legal currency of Brazil, and all references to “U.S. dollar,” “U.S. dollars” or “US$” are to the legal currency of the United States. All references to “pounds” are to the legal currency of the United Kingdom, and all references to “*pesos*” are to the legal currency of Argentina. This offering memorandum contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the *real* amounts using a rate of R$1.7412 to US$1.00, the U.S. dollar selling rate as of December 31, 2009, as reported by the Central Bank. See “Exchange Rates.”

You should rely only on the information contained in this offering memorandum. Neither we nor Credit Suisse Securities (USA) LLC, Banco Itaú Europa, S.A.—London Branch, Santander Investment Securities Inc., BB Securities Limited or Banco Bradesco S.A,—Grand Cayman Branch, referred to in this offering memorandum as the initial purchasers, have authorized anyone to provide you with information different from, or additional to, that contained in this offering memorandum. The notes are being offered, and offers to purchase the notes are being sought, only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the notes.

Marfrig Overseas and Marfrig, after having made all reasonable inquiries, confirm that the information contained in this listing memorandum with regards to us is true and accurate in all material respects and that there are no omissions of any other facts from this listing memorandum which, by their absence herefrom, make this listing memorandum misleading in any material respect. Marfrig Overseas and Marfrig accept responsibility accordingly.

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes.

We are relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering in the United States. The notes offered through this offering memorandum are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States, except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading “Transfer Restrictions” in this offering memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making investment decisions, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

We and the initial purchasers reserve the right to reject, in whole or part, and for any reason, any offer to purchase notes offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of notes offered hereby.

No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of any of the information set out in this offering memorandum, and nothing contained herein is or shall be relied upon as a promise or representation by the initial purchasers, whether as to the past or to the future.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any European Economic Area Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospective Directive"), this communication is addressed only to and is directed only at qualified investors in that Member State within the meaning of the Prospective Directive.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) no offer to the public will be made of any of the notes in that Relevant Member State, except that we may make an offer to the public in that Relevant Member State of the notes at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000, and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchasers for any such offer;

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; or

(e) provided that no offer of the notes will result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive for us and the initial purchasers.

For the purposes of this provision, the expression an "offer to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any notes to be offered to as to enable an investor to decide to purchase any notes, as the same may be varied in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below. We and the initial purchasers are not making any representation to any purchaser of the securities regarding the legality of an investment in the securities by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the securities.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This document is being distributed only to and is directed only at persons (i) who are outside the United Kingdom, (ii) who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, (iii) who are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, or (iv) to whom an invitation or inducement to engage in investment activity may be communicated without a breach of Section 21 of the Financial Services and Markets Act 2000 (all such persons together being referred to as "relevant persons"). The notes are available only to, and any invitation, offer or agreement to purchase or acquire such notes will be engaged only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

NOTICE TO INVESTORS IN THE CAYMAN ISLANDS

No invitation may be made to the public in the Cayman Islands to subscribe for the notes unless at the time of the invitation, the notes are listed on the Cayman Islands stock exchange.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally in the sections "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business." Our estimates and forward-looking statements are based on our current expectations and projections of future events and trends, which affect or may affect our businesses and results of operations. Words such as "believe," "anticipate," "seek," "expect," "estimate," "will," "plan," "may," "could," "intend," "predict," "project," and other similar words are used in this offering memorandum to identify forward-looking statements.

Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the ones discussed in this offering memorandum, may adversely affect our results, including, but not limited to, the following:

- the effects of the international financial and economic crisis in Brazil and in other countries in which Marfrig operates;
- the macroeconomic conditions, and the political, social and business conditions in Brazil and in other countries in which Marfrig operates;
- changes in market prices, customer preferences and competitive conditions;
- fluctuations of the *real* against the U.S. dollar and the other currencies in the countries in which Marfrig operates;
- Marfrig's ability to implement its business strategy, including its financial strategy and investment plan;
- Marfrig's ability to obtain financing when necessary and on favorable terms;
- government interventions resulting from changes in economic conditions, in taxes or the regulatory frameworks of Brazil and the other countries in which Marfrig operates;
- the conditions of transportation infrastructure in the countries in which Marfrig operates;
- the adoption of customs or sanitary barriers or other import restrictions by countries to which Marfrig exports or plans to export its products;
- the adoption of sanitary barriers in domestic markets;
- Marfrig's ability to develop innovative products and concepts and to implement its products within defined timelines;
- Marfrig's ability to keep a high degree of customer satisfaction;
- Marfrig's ability to compete successfully;
- Marfrig's ability to execute its expansion plans, and to fund the costs and capital expenditures related to these plans;
- Marfrig's level of indebtedness and other financial obligations;
- developments in, or changes to, the tax, social security, labor and environmental laws and regulations, including the regulatory framework, which could make Marfrig's business model or products less attractive;
- developments in, or changes to, Brazilian accounting practices;
- Marfrig's ability to integrate acquired businesses with its business, including Seara, and its businesses in Asia and Europe;
- other factors or trends affecting Marfrig's liquidity, financial condition and results of operations; and
- the factors discussed in the section "Risk Factors" of this offering memorandum.

Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in the estimates and forward-looking statements. In light of these risks and uncertainties, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and performance may differ materially from those expressed in the forward-looking statements, or from our past results and performance, due to the aforementioned or other factors. Because of these risks and uncertainties, you should not make any investment decision based on the estimates and forward-looking statements. The forward-looking statements included in this offering memorandum are made only as of the date of this offering memorandum, and neither we nor the initial purchasers undertake any obligation to update or to revise this information.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We prepare our financial statements in accordance with accounting practices adopted in Brazil that are referred to in this offering memorandum as Brazilian GAAP, which are based on:

- Brazilian corporate law (Law No. 6,404, dated December 15, 1976, as amended, including the provisions of Law No. 11,638/2007 and Provisional Measure No. 449/2008, converted into Law No. 11,941, dated May 27, 2009);
- accounting pronouncements issued by the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC; and
- as we are a public company, rules and regulations issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM.

Our financial information relating to our balance sheets and statements of income as of and for the years ended December 31, 2007, 2008 and 2009 derives from our consolidated financial statements prepared by us in accordance with Brazilian GAAP, included elsewhere in this offering memorandum.

Seara's financial information relating to its balance sheets and statements of operations as of and for the years ended December 31, 2008 and 2009 derives from Seara's financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this offering memorandum. As Seara was a limited liability company in Brazil, the rules and regulations issued by the CVM were not applicable in the preparation of its financial statements. Brazilian GAAP applicable for limited liability companies differs in certain respects from Brazilian GAAP applicable to public companies such as ours. Those differences involve accounting treatments and disclosures in the financial statements. We have not identified or quantified those differences and thus there can be no assurance that reconciliations would not identify quantitative differences as well as disclosure and presentation differences between our financial statements and Seara's financial statements included in this offering memorandum.

In addition, Brazilian GAAP differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP, and from International Financial Reporting Standards, or IFRS. We have not identified or quantified those differences. No reconciliation to U.S. GAAP or IFRS of any of the financial statements presented in this offering memorandum has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosure and presentation differences between our financial statements prepared in accordance with Brazilian GAAP and financial statements prepared under U.S. GAAP or IFRS.

Changes to Brazilian Corporate Law

The enactment of Law No. 11,638/2007 and Provisional Measure No. 449/2008 (later converted into Law No. 11.941/2009), altered, revoked and added new accounting provisions to Brazilian corporate law. These new accounting rules became effective for the year-end financial statements to be prepared relating to any fiscal year starting on or after January 1, 2008, and will be mandatory for all Brazilian publicly held companies.

The purpose of these amendments was to facilitate the transition from Brazilian GAAP to IFRS, and to allow regulatory entities and the CVM to issue new accounting rules and procedures in accordance with IFRS.

In addition, in 2008, as a result of the enactment of these laws, the Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*), or CPC, issued a number of compulsory accounting pronouncements to be applied to the preparation of financial statements as of and for the year ended December 31, 2008 onwards.

Our financial statements as of and for the year ended December 31, 2008 are therefore our first set of financial statements presented in accordance with Law No. 11,638/2007 and Provisional Measure No. 449/2008.

Pursuant to Resolution No. 565/2008, which approved CPC Accounting Pronouncement No. 13 concerning the first financial statements prepared pursuant to the new accounting practices adopted in Brazil, we elected to adjust our balance sheet as of the transition date of January 1, 2008, by applying the rule under paragraph 1 of article 186 of Brazilian corporate law.

As a result, our financial statements as of and for the years ended December 31, 2007, 2008 and 2009 were prepared in accordance with Brazilian GAAP in force at the respective dates of preparation of each of these financial statements and have not been restated for purposes of comparison and are therefore not comparable in certain respects.

For a better understanding of the changes in the accounting practices adopted in Brazil, and adjustments to our net income and shareholders' equity, see Note No. 2 to our financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum.

Moreover, further in this process of convergence to IFRS, the CPC has issued several additional pronouncements which will have to be applied in the preparation of our and Seara's financial statements as of and for the year ending December 31, 2010, with retroactive application for comparison purposes to the financial statements as of and for the year ended December 31, 2009, which could materially affect the way we and Seara prepare our and Seara's financial statements, our and Seara's financial position and our and Seara's results of operations and, thus, the basis for calculation of dividend declarations.

Presentation of Financial Information

We maintain our books and records in Brazilian *reais*. The following financial information is included in this offering memorandum.

Marfrig's Financial Information for the Years ended December 31, 2007, 2008 and 2009

Our unconsolidated and consolidated balance sheets as of December 31, 2007 and our unconsolidated and consolidated income statements, unconsolidated statement of changes in shareholders' equity and the unconsolidated and consolidated statements of changes in financial position for the year ended December 31, 2007, were prepared in accordance with Brazilian GAAP and the rules issued by the CVM, as effective on those dates, and do not include the changes introduced by Law No. 11,638/2007 and Provisional Measure No. 449 /2008.

Our unconsolidated and consolidated balance sheets as of December 31, 2008 and 2009 and our unconsolidated and consolidated income statements, unconsolidated statement of changes in shareholders' equity, unconsolidated and consolidated statements of cash flow and unconsolidated and consolidated statements of value added for the years ended December 31, 2008 and 2009, were prepared in accordance with Brazilian GAAP and the rules issued by the CVM, and include the changes introduced by Law No. 11,638/2007 and Provisional Measure No. 449/2008.

Since the financial information as of and for the years ended December 31, 2008 and 2009 includes the changes introduced by Law No. 11,638/2007 and Provisional Measure No. 449/2008 and the financial information as of and for the year ended December 31, 2007 does not, there is limited comparability between the financial information as of and for the year ended December 31, 2007 and the financial information as of and for the years ended December 31, 2008 and 2009. For further information on the changes introduced to Brazilian corporate law, see Note No. 2 to our financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum.

The financial statements as of and for the years ended December 31, 2007, 2008 and 2009 have been audited by our independent auditors, BDO Auditores Independentes, in accordance with Brazilian auditing standards.

Seara's Financial Information for the Years ended December 31, 2008 and 2009

Seara's balance sheets as of December 31, 2008 and 2009, the statements of operations, the statement of changes in shareholders' equity and the statements of cash flows for the years ended December 31, 2008 and 2009, were prepared in accordance with Brazilian GAAP. As Seara was a limited liability company in Brazil, the rules and regulations issued by the CVM were not applicable in the preparation of its financial statements. Brazilian GAAP applicable for limited liability companies differs in certain respects from Brazilian GAAP applicable to public companies such as ours. Those differences involve accounting treatments and disclosures in the financial statements. We have not identified or quantified those differences and thus there can be no assurance that reconciliations would not identify quantitative differences as well as disclosure and presentation differences between our financial statements and Seara's financial statements included in this offering memorandum.

EBITDA

Marfrig EBITDA consists of net income before interest, taxes, depreciation and amortization. Seara's EBITDA consists of net loss before net financial expenses, taxes, depreciation and amortization. We use EBITDA as an additional measure to monitor our operating and economic performance. We reconcile EBITDA to net income as follows: net income (loss) before income tax and social contribution tax, plus results of non-consolidated equity holdings, plus net financial income, plus net non-operating income, less minority interest, plus depreciation and amortization. EBITDA is not a measure recognized under Brazilian GAAP, IFRS or U.S. GAAP and should not be considered individually as an alternative to net income, as a measure of operating performance, as an alternative to cash flow or as a measure of liquidity. Other companies may calculate EBITDA in a manner that is different from ours. We publish EBITDA because we use it as a measure of performance, and we consider EBITDA a useful measure because it is frequently used by capital markets analysts, investors and other parties interested in evaluating companies in our industry. Because EBITDA does not reflect financial revenues or expenses, taxes, social contribution tax or depreciation and amortization, it is an indicator of our general financial performance, which is not affected by changes in interest rates, indebtedness, taxes, social contribution tax rates or rates of depreciation and amortization. As a result, we believe that EBITDA is a useful tool to compare our operating performance in different periods, and as a basis for certain management decisions. In addition to our general financial performance, we believe that EBITDA also enables us to better understand our ability to discharge our liabilities and to finance our capital expenses and working capital. However, the usefulness of EBITDA as a measure of profitability is limited, since it does not reflect a number of the costs and expenses involved in doing business, such as financial expenses, taxes, depreciation, capital expenses and other related costs, any of which may have a significant effect on our net income.

Unless expressly indicated otherwise, the information contained in this offering memorandum does not include information of the Seara Business Acquired nor on 51% of the Zenda Group. This offering memorandum contains audited financial information of Seara for the years ended December 31, 2008 and 2009, certain operating information relating to the Seara Business Acquired and certain operating information relating to the Zenda Group. For further information on the risks involved in the Acquisition of Seara and the acquisition of 51% of the Zenda Group, see "Risk Factors—Risks Relating to Our Business and Industry—We have sought rapid growth, diversification and internationalization, including through acquisitions, and we face risks resulting from this strategy, including risks relating to integration of acquisitions, management of our operations, and the effectiveness of our internal controls and compliance procedures." and "—We may not be successful in capturing the synergies from our acquisitions."

Rounding

Certain amounts and percentages included in this offering memorandum have been rounded to facilitate their presentation. The totals presented in certain tables therefore may not be exactly the sum of the preceding amounts.

Market Information

We have obtained the market and competitive position data, including market forecasts, used throughout this offering memorandum from internal surveys, market research, publicly available information and industry publications. We include data from reports prepared by us; the United States Department of Agriculture, or the USDA; the Brazilian Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA; the Brazilian Ministry of Development, Industry and Foreign Commerce (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*), or MDIC; the Brazilian Ministry of Labor and Employment (*Ministério do Trabalho e Emprego*), or MTE; the Brazilian Foreign Trade Office (*Secretaria de Comércio Exterior*), or SECEX; the Brazilian Association of Industrialized Meat Exporting Companies (*Associação Brasileira das Indústrias Exportadoras de Carnes Industrializadas*), or ABIEC; the Uruguayan National Beef Institute (*Instituto Nacional de Carnes*), or INAC; ABEF; ABIPECS; Agra FNP, a consulting firm specialized in agribusiness information that is a division of the Agra Informa Inc.; AC Nielsen; World Organization for Animal Health, or OIE; the National Supply Company (*Companhia Nacional de Abastecimentos*), a Brazilian state-owned entity in charge of agricultural and supply policy, associated with MAPA; Dom Cabral Foundation (*Fundação Dom Cabral*), an educational institution located in the city of Belo Horizonte, state of Minas Gerais; the Secretary of Agriculture, Stockbreeding, Fishing and Food (*Secretaría de Agricultura, Ganadería, Pesca y Alimentos*), or SAGPYA; Center for Advanced Studies on Applied Economics (*Centro de Estudos Avançados em Economia Aplicada*), or CEPEA; the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or the IBGE; School of Agronomy Luiz de Queiroz (*Escola Superior de Agronomia Luiz de Queiroz*), or ESALQ; and the Food and Agriculture Organization, or FAO, among others. Industry publications, including the ones referred to in this offering memorandum, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor the initial purchasers make any representation as to the accuracy of the information.

SUMMARY

We present below a summary of our activities, financial and operating information, strengths and strategies. This summary does not contain all the information that a potential investor should consider before investing in the notes or in us. Before investing in the notes, potential investors should carefully read this entire offering memorandum to best understand our business and this offering, including our financial statements and related notes, as well as the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Unless expressly indicated otherwise, the information contained in this summary does not include information on the Seara Business Acquired nor 51% of the Zenda Group. We present in this summary certain operating and financial information of the Seara Business Acquired and the acquisition of the 51% of the Zenda Group for informational purposes only. You should not rely on this information as indicative of our future results of operations. For further information on the risks involved in the Acquisition of Seara and the acquisition of the 51% of the Zenda Group, see "Risk Factors—Risks Relating to Our Business and Industry—We have sought rapid growth, diversification and internationalization, including through acquisitions, and we face risks resulting from this strategy, including risks relating to integration of acquisitions, management of our operations, and the effectiveness of our internal controls and compliance procedures." and "—We may not be successful in capturing the synergies from our acquisitions."

Introduction

We are a multinational business founded and based in Brazil that produces, processes and sells a diversified range of food products, both in Brazil and internationally, focusing on food derived from animal protein. We are one of the largest exporters of beef in Brazil and in Uruguay, according to the annual reports of SECEX and INAC, and we believe we are one of the largest exporters of beef in the world. With more than two decades of experience in the food industry, we have a vertical business model covering a wide and varied portfolio of proteins and products, together with a strong and growing presence in the processed foods segment, which we believe will be one of our main drivers of growth in volumes and margins in the coming years.

We have built an integrated and geographically diversified business model, consisting of production facilities in locations that offer significant cost advantages combined with a distribution network that covers more than 100 countries and accesses the world's principal consumer markets. Our business is organized strategically into five divisions, each with its own independent infrastructure: (i) Beef and Food Service—Brazil, (ii) Poultry, Pork and Processed Foods; (iii) Argentina; (iv) Uruguay; and (v) Europe. We operate 84 processing plants and offices in 13 countries in South America, North America, Europe, Asia and Africa and have a daily slaughtering capacity of 30,150 head of cattle, 1,847,000 chickens, and 4,200 head of pork, 30,000 turkeys and 10,400 lambs. Our monthly production capacity of processed food is equal to 53,569 metric tons. Together, this production platform gives us significant growth capacity as well as the ability to hedge against industry risks.

Since our initial public offering in 2007, we have implemented a strategy of deliberate and consistent operational growth based on an internationalized and diversified business model. From our initial public offering in 2007 through the end of 2009, our volume of products sold increased by approximately 129.8%. From 2006 through 2009, our volume of products sold increased from 617,000 metric tons to 2,186,243 metric tons, representing a compound annual growth rate of 52.5%. At the same time we continued to upgrade our internal processes, seeking both improvements in efficiency and strict cost control, which we believe resulted in an increase in our profitability.

In 2009, the EBITDA of the subsidiary guarantors represented 85.3% of our EBITDA. In addition, for the last three years the average of the EBITDA of the subsidiary guarantors was 80.0% of our EBITDA. In addition, while the acquisition of the Zenda Group was strategically important to the Marfrig Group, we do not believe that this acquisition was a significant acquisition because the Zenda Group represented in 2009 and in the three-month period ended March 31, 2010, 3.4% of our consolidated shareholders' equity.

Financial Information

The table below shows financial information derived from our consolidated financial statements for the periods indicated:

	For the year ended December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
	(in millions, except as indicated)			
Domestic Markets	1,533.8	3,312.8	5,943.3	3,413.3
Export Markets(1)	1,806.1	2,891.0	3,672.4	2,109.2
Net Operating Revenue	**3,339.9**	**6,203.8**	**9,615.7**	**5,522.5**
EBITDA(2)	380.2	884.3	819.5	470.7
EBITDA Margin(3)	11.4%	14.3%	8.5%	8.5%
Net Income (Loss)(4)	**85.0**	**(35.5)**	**679.1**	**389.9**
Cash and Cash Equivalents	1,049.8	1,071.7	3,033.4	1,742.1
Short-term Debt	428.1	1,232.1	1,473.6	846.3
Long-term Debt	1,645.9	3,081.4	3,680.5	2,113.8
Net Debt	1,024.2	3,241.8	2,120.7	1,218.0
Total Debt/EBITDA (last 12 months)	5.45	4.88	6.29	6.29
Net Debt/EBITDA (last 12 months)	2.69	3.67	2.59	2.59

(1) Exports between group companies are eliminated in consolidation and accounted for as revenues in the market of final sale.
(2) See “Presentation of Financial Information and Other Information—EBITDA.”
(3) EBITDA divided by net operating revenue.
(4) Net income excluding costs associated with issuances of shares or indebtedness.

Portfolio of Products

Our portfolio of products includes the production, processing and/or sale of the following:

- Processed products such as cold cuts, sausages, smoked meats, hamburgers, meatballs and keftas, ready-made meals and snacks, empanadas and pasta, among others;
- Specialized, portioned and traditional cuts of non-processed meat (beef, pork, poultry and lamb);
- Processed beef products such as frozen pre-cooked meat, canned meats and dried beef jerky;
- Processed chicken products such as empanadas, ready-made meals, and frozen or refrigerated products, among others;
- Ocean fish such as cod, hake and salmon, among others;
- Pre-cooked potatoes, pulses and frozen vegetables, sourced from the principal producing regions in South America;
- Wet blue, semi-finished, finished and cut leather for the automobile, aviation and upholstery industries; and
- Cleaning products.

Operating Information

The table below shows operating information for our business in the periods indicated:

	For the year ended December 31,		
	2007	2008	2009
		(tons per year)	
Cattle(1)	21,100	21,100	30,150
Poultry(1)	—	1,726,000	1,847,000
Pork(1)	4,200	4,200	4,200
Lamb(1)	8,400	9,400	10,400
Processed Foods(2)	12,350	49,100	53,569

(1) Average slaughtering capacity in heads/day.
(2) Average capacity in metric tons/month.

Competitive Strengths

We believe our proven capacity for organic growth and history of quality acquisitions puts us in a privileged position to continue to build out our client base, seize business opportunities in the processed foods, specialized meat cuts and food service segments, and create value for our shareholders. As evidence of this, our processed food capacity increased by 333.7% between 2007 and 2009. In addition, we believe we have the following strengths:

- ***Capacity for organic growth.*** Each of our processing facilities has been leased, purchased or constructed in the last nine years and was designed (or is being upgraded) to produce a wide range of beef, pork, lamb and poultry products, including high value-added products such as specialized cuts of beef, frozen pre-cooked beef, and pork in smoked, sausage or salted form. Our modern facilities provide us with ample access to customers such as global supermarket chains that require the highest quality standards from their suppliers. We believe the production capacity of our beef, poultry and pork platform can be substantially increased with investments in existing plants.
- ***Proven capacity to successfully identify, acquire and integrate target businesses.*** We have a history of success in acquiring and integrating companies, both in Brazil and elsewhere, carrying out the expansion process efficiently and generating synergies. In the last three years, we have successfully completed and integrated 37 acquisitions with a high growth potential, including corporations, assets and brands in various segments of our industry. Accordingly, we believe we possess the necessary experience to identify, acquire, and integrate target businesses and generate synergies from each acquisition, enabling us to combine volume growth with operational synergies, driving consistent and increasing profitability as we add more brands and products to our portfolio.
- ***A diversified global platform.*** Our global platform covers five continents and consists of 84 processing facilities and offices in South America, North America, Europe, Asia and Africa together with a distribution network that gives us access to more than 100 countries. The strategic location of our facilities in Brazil, Argentina and Uruguay, countries that have plentiful land and longstanding traditions of animal husbandry, leads to low production costs, competitive pricing and increased export volumes. We believe that these factors, when combined with our market position for value-added processed foods in high-income markets such as Europe and the United States, help us to maintain our margins. Our sales volumes, combining export and domestic markets sales, give us the necessary scale to maintain and expand our activities in competitive markets. In addition, through our diversified product portfolio we are able to offer customers a wide variety of products, which we believe results in increased customer loyalty. Lastly, our strategy of geographic and product diversification creates a natural hedge against industry risks.
- ***Strong reputation and well-positioned brands.*** We believe we possess strong regional brands that are recognized as symbols of the highest quality and consistency in food products, such as Bassi, Mabella, DaGranja, Pena Branca and Palatare. We also possess some of the principal Brazilian export brands such as GJ for beef, DaGranja Exports and PenaSul for chicken, and Westphalen for pork. We hold a number of other prestigious brands, including Paty, which is the leading Argentine hamburger brand; Aberdeen Angus, a symbol of quality meat in Argentina; and Mirab, which is an important brand in Argentina for meat snacks such as beef jerky and exports to a number of countries including the United States, Japan, and the United Kingdom. In Uruguay we own Tacuarembó, Viva and Bernina. We also own Moy Park Ltd., or Moy Park, in Europe and Pemmican, a major meat snacks brand in the United States. After the Acquisition of Seara, we also own the Seara brand, which we believe has a strong reputation in the Brazilian and international markets. We believe that our solid reputation and brand recognition allow us to build long-term relationships with our customers.
- ***Sustained growth and strong commitment to environmental protection.*** We are deeply concerned by the need to pursue growth in a sustainable fashion, and have therefore joined the Task Force for Sustainable Ranching, an initiative introduced by the World Bank and the International Finance Corporation, or IFC, to promote environmental sustainability throughout the chain of cattle raising. We have a commitment to build partnerships with state governments dedicated to promoting the Meat Certificate of Origin program, and we have undertaken not to produce or acquire cattle in areas listed by the Brazilian Institute of Environment and Renewable Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*), or IBAMA, and other regulatory agencies as endangered or deforested, or in the Amazon.
- ***Experienced and entrepreneurial management.*** Our management team has extensive experience, with a combined total of more than 150 years in the food sector, which has given us significant strength when exploring market opportunities and adjusting our business plans to meet demand, and enabled us to generate value for our shareholders since we were founded. In recent years, our current management team has driven our sales growth, upgraded our operations, successfully integrated our recent acquisitions and implemented our strategic planning. Our international operations benefit from local management with significant experience. Our founder and current CEO, Marcos Molina, has more than 20 years of experience in the food industry.

Our Strategy

Our goals are (i) to increase our international presence, our share of our current markets and our volume of exports and (ii) to continue to focus on higher value-added products, thereby increasing our margins and profitability. To achieve these goals, we have implemented and will continue to leverage the following strategic objectives:

- ***Invest in organic growth.*** We intend to continue investing in increasing capacity in our poultry and pork processing plants, in order to continue to balance revenue from these segments with revenue from beef products. We believe we can achieve substantial increases in production capacity using our current facilities without the need for major investments. We also intend to invest in the growth of our distribution and logistics network.
- ***Continue to pursue acquisitions and partnerships in our industry.*** Our industry is fragmented and has undergone a consolidation trend worldwide and we believe that this trend will continue in the foreseeable future. In the three years ended December 31, 2009 we carried out 37 acquisitions. We recently completed the acquisition of the Seara Business Acquired, among other acquisitions, and the integration of these acquisitions is our focus in 2010. We continue to take advantage of our experience in acquiring and integrating target businesses and to actively purse acquisition and partnership opportunities in Brazil and globally, at all levels of the chain of production, which could bring us new markets, additional products, economies of scale and operating synergies. We expect to continue making acquisitions, as part of the consolidation in the global protein industry, and we regularly review specific acquisition possibilites. We are at different levels of discussions with potential targets but have not reached agreements with any of them. One or more of these potential acquisitions, if consummated, would be material. Should we enter into any definitive agreement, the acquisition could be financed by equity, debt, internally generated cash or a combination thereof.
- ***Expand our focus on high value-added products.*** We intend to continue to increase our range of processed foods and specialized cuts of non-processed meat, such as cold cuts, sausages, frozen foods, canned meat, hamburgers, pasta and premium cuts, among others. Since these products generate higher added value than non-processed meat, they generally permit us to realize higher margins.
- ***Leverage and develop our brands.*** In the markets where we operate, we intend to gain market positions similar to those held by Paty, the leading hamburger brand in Argentina and a reference in its category, Moy Park in the United Kingdom, and now Seara in the Brazilian and international markets. We are investing to strengthen the Seara brand in the Brazilian market and worldwide, particularly by using it in healthy products and by sponsoring sports, especially soccer, which is the main national sport in Brazil. Each of these brands is recognized as a symbol of the highest quality products. We are reviewing our portfolio of brands, both in Brazil and elsewhere, in order to create an overall brand architecture that is recognized by consumers as synonymous with superior quality and reliability, allowing us to increase our price differential and increase shareholder value.
- ***Maximize our global platform and our commercial relationships.*** We intend to expand our presence in the Brazilian and international markets, seeking out new opportunities on a regional and business line basis, exploring markets that we do not currently serve, and growing and consolidating our operations in markets where we already operate. Certain of our products are not yet sold in all of our more than 100 markets, which presents growth opportunities. At the same time, we will also continue to invest in the expansion and consolidation of our position in the domestic markets where we operate. In the other markets where we are already present, whether in South America, Europe or the United States, we intend to seek out new partnerships and increase our customer base. As of December 31, 2009, we had more than 45,000 customers recorded in our portfolio; we intend to strive continuously to increase this number.
- ***Expand our food service activities.*** We intend to increase direct sales of our products through restaurants, supermarkets, corporate catering facilities, specialty beef outlets and fast food chains, since these sales generate greater margins. We constantly seek to broaden our product offering in the food service segment and maximize our existing distribution network, so as to provide our food service customers with a “one-stop” option consisting of a complete range of food products for their daily needs.
- ***Add value in semi-finished, finished and cut leather***. We intend to increase our sales of semi-finished, finished and cut leather in Europe, the United States, Asia, Africa and the Mercosul region, selling to our customers in the automobile, aviation and upholstery and related industries. This will enable us to cover more value-added stages in leather production and, therefore, in the cattle slaughter value chain. The recent acquisition of the Zenda Group is part of this strategy.

Recent Developments

Acquisition of Seara

On January 4, 2010, we completed the purchase of all of the Brazilian animal protein business (comprised of poultry, pork and processed foods) of Cargill Inc., or Cargill, represented by Seara, plus certain European and Asian businesses of Cargill (the "Seara Business Acquired") (the "Acquisition of Seara"). The audited financial information of Seara does not represent the financial information of the Seara Business Acquired, as it does not include the financial information of certain European and Asian businesses of Cargill acquired. For more information regarding the audited information prepared for Seara as of and for the years ended December 31, 2008 and 2009, see "Summary of Financial Information and Other Information—Seara's Financial Information and Other Information" and Seara's financial statements as of and for the years ended December 31, 2008 and 2009 included elsewhere in this offering memorandum.

The Seara Business Acquired includes:

- eight industrial units for poultry with a slaughtering capacity of 1,223,000 chickens per day and two industrial units for pigs with a slaughtering capacity of 6,200 head of pork per day;
- three plants for industrialized and value-added processed products with production capacity of approximately 17,160 metric tons per month;
- a private port terminal for meat packing and dried meat (Braskarne) cargo in the city of Itajaí, state of Santa Catarina;
- the Seara brand and other brands;
- international sale and distribution operations, with units located in the United Kingdom, Japan and Singapore, each one holding exporting quotas from Brazil to several other countries;
- nine feed mills, located in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul; and
- six hen farms in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul with approximately 3,000 integrated producers of poultry and pork.

The purchase price for the Acquisition of Seara was US$899.0 million, consisting of US$705.2 million in cash and US$193.8 million in debt Marfrig assumed. On February 24, 2010, we made an additional payment of US$32.4 million in order to reflect changes in Seara's working capital. The Acquisition of Seara has increased our daily slaughtering capacity by approximately 6,200 head of pork and 1,223,000 million chickens, and our monthly production capacity of processed food by approximately 17,160 metric tons, thereby reinforcing our strategy of expansion through the addition of production capacity with potential for synergies with our existing operations in South America and Europe.

This offering memorandum contains audited financial information of Seara for the years ended December 31, 2008 and 2009 and certain operating information relating to the Seara Business Acquired. This offering memorandum does not contain financial information of the Seara Business Acquired. No audited or unaudited financial statements have been prepared for the Seara Business Acquired.

Based on information published by AC Nielsen Brasil Ltda., or AC Nielsen, the Brazilian Chicken Producers and Exporters Association (*Associação Brasileira de Produtores e Exportadores de Frangos*), or ABEF; and the Brazilian Association of Pork Producers and Exporters (*Associação Brasileira da Indústria Produtora e Exportadora de Carne Suína*), or ABIPECS, we believe that since the Acquisition of Seara, we have been the second-largest Brazilian company in the poultry and pork export markets and one of the largest in the poultry and pork domestic markets.

The Zenda Group

On January 22, 2010, we completed the acquisition of 51% of Zendaleather S.A., a company organized under the laws of Uruguay, or the Zenda Group, with an option to acquire the remaining 49% by July 31, 2013. The purchase price for this acquisition was US$38.1 million. The balance to be paid for the remaining 49% will correspond to seven times the average of the annual EBITDA of the Zenda Group from 2010 to 2012, less its net debt (as defined in the agreement), multiplied by 49%, plus an additional amount (as defined in the agreement). The remaining 49% will be paid in semi-annual installments. The first installment will be paid within 12 months from the date of the closing of the acquisition of the remaining 49%, and the final installment within 42 months from the date of closing of the acquisition of the remaining 49% or July 31, 2013, whichever occurs first. The Zenda Group produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries. With a daily production capacity of 7,000 finished and cut hides, it has production facilities in Argentina, Mexico, the United States, Germany, South Africa, Chile, Hong Kong and China, and is headquartered in Uruguay.

Other Developments

On January 27, 2010, our Argentine subsidiary Quickfood S.A., or Quickfood, acquired a 200 hectares plot in Alta Gracia, province of Córdoba, Argentina. We intend to build a cattle confinement facility for 22,000 head of cattle in this terrain. We estimate that we will invest R$6.4 million in the development of this project.

On February 11, 2010, we entered into a definitive agreement with the Martins Group in Brazil to share the Martins Group's distribution and logistics channels with Marfrig for a one-year term that may be extended for an additional five years. The goal of this agreement is to enhance the distribution and penetration of Marfrig's products, reduce administrative costs related to the management of Marfrig's receivables from food service customers, and facilitate access to Marfrig's products. This agreement with the Martins Group will also allow the Martins Group to offer its products to Marfrig's clients and will allow Marfrig to use Martins Group's logistics and distribution networks to distribute Marfrig's products to Martins Group's clients. This arrangement is consistent with Marfrig's strategy to expand its operations in the food service segment, expand its geographical presence within Brazil and reach new customers with its cattle, poultry, pork and lamb products in Brazil and elsewhere. The Martins Group is one of the largest wholesale distributors in the Brazilian market, where it has operated since 1953. It has three warehouses (in the cities of Uberlândia (state of Minas Gerais), João Pessoa (state of Paraíba) and Manaus (state of Amazonas)), 39 distribution centers throughout Brazil, its own fleet with 1,170 vehicles and a fleet operated by third parties with an additional 200 vehicles. The Martins Group offers more than 16,000 food and non-food items to its customers, which are principally small and medium-sized retailers. It has 260,000 active clients and 5,800 commercial representatives, responsible for approximately three million orders per year.

On March 1, 2010, our subsidiary DaGranja Agroindustrial Ltda., or DaGranja, acquired certain assets from Grupo Globoaves, or Globoaves. These assets include all of Globoaves' operations of free range chicken (*frango caipira*), the brand-name Nhô Bento and one poultry slaughterhouse in the city of Veríssimo, state of Minas Gerais, with a slaughtering capacity of 20,000 chickens a day. The purchase price for this acquisition was R$9.2 million. The acquisition will improve the diversification of our animal protein products offered in Brazil. The production capacity of the leasing of this plant has not yet been added to our current capacity.

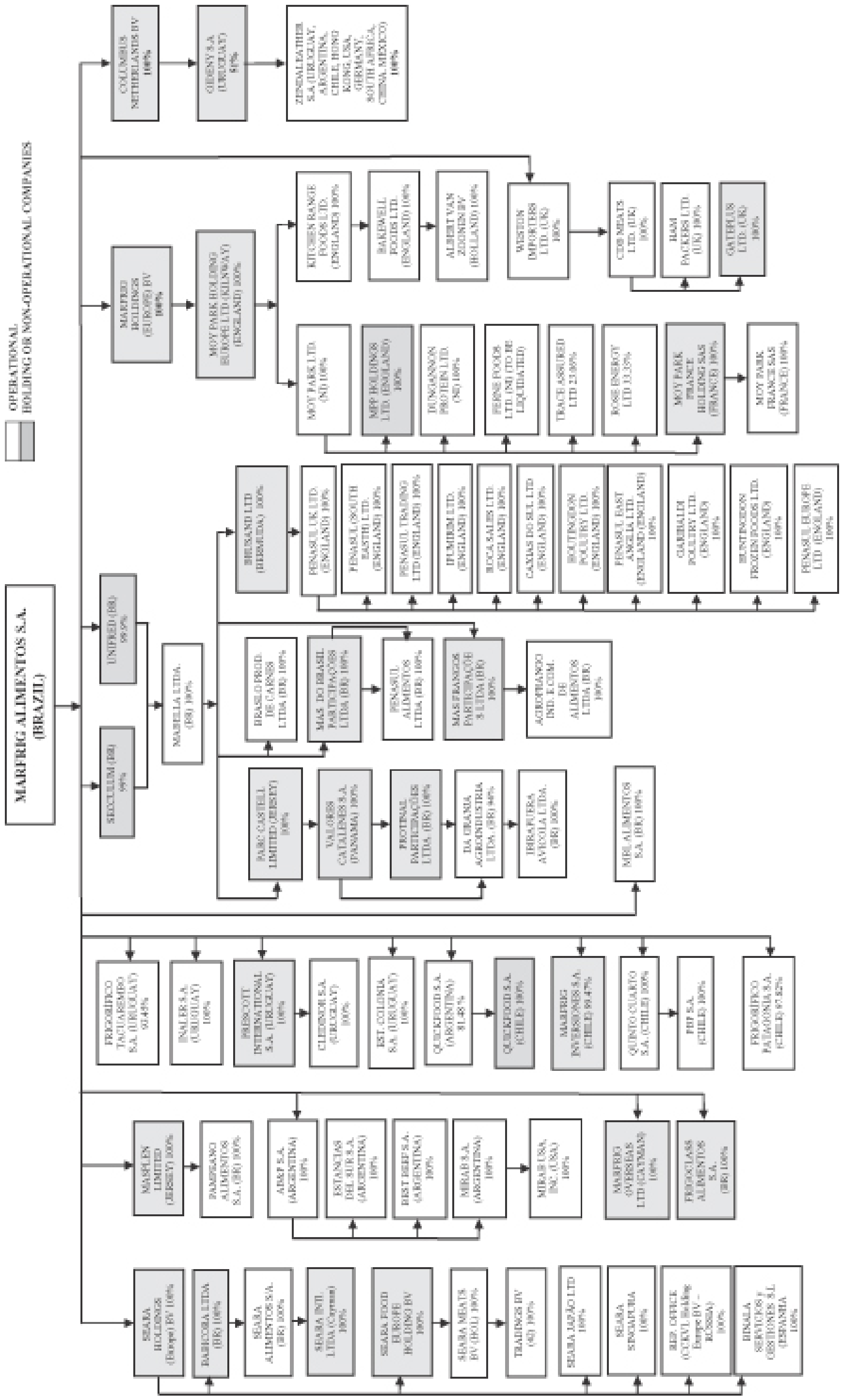
On March 16, 2010, we and Marfrig Overseas solicited consents from the holders of the senior notes issued by Marfrig Overseas, guaranteed by us, in the aggregate principal amount of US$375,000,000 due 2016 (the "2016 Notes") to (i) amend certain of the restrictive covenants and definitions in the indenture governing the 2016 Notes and (ii) waive any past non-compliance by Marfrig Overseas, we and our subsidiaries with certain covenants under the indenture that would otherwise be permitted by the amendments that we and Marfrig Overseas solicited. On March 25, 2010, we executed a supplemental indenture to the indenture governing the 2016 Notes after obtaining the required consents from the holders of the 2016 Notes. Our subsidiaries União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A. became subsidiary guarantors of the 2016 Notes. We also solicited waivers of non-compliance with covenants under, and amendments to, certain other debt instruments of the Marfrig Group. We executed the necessary waivers and amendments related to other debt instruments.

On March 31, 2010, Seara Alimentos S.A. executed an export credit note with Banco do Brasil S.A., in the total amount of R$265.0 million, guaranteed by MMS Participações and Marfrig. Repayment of the principal amount under the note will be made in five successive annual installments, ending in March 2017, accruing interest at a rate of 118% of the CDI per year.

On April 23, 2010, MMS Participações acquired an additional 2.72% of our capital stock in an auction. As of the date of this offering memorandum, MMS Participações has 43.5% of our capital stock. In addition, on April 23, 2010, MMS Participações issued R$250,000,000 in aggregate principal amount of debentures (the "MMS Debentures"). The MMS Debentures were issued to finance MMS Participações acquisition of the participation of 2.72% in our voting stock. The MMS Debentures bear interest of CDI plus 3.5% per year and interest payments are made in annual installments on December 23 of each year, beginning on December 23, 2010. The MMS Debentures will mature on December 23, 2016. According to the fiduciary sale of shares agreement entered into on April 15, 2010, MMS gave 24,497,795 of our shares in guarantee for the payment of its obligations under the MMS Debentures.

Corporate Structure

The chart below shows our corporate structure as of December 31, 2009. For further information, see "—Recent Developments" and "Business—History of Our Organic Growth and Acquisitions."



Our corporate headquarters are located at Avenida Brigadeiro Faria Lima 1912, #7B, São Paulo, SP, Brazil. Our telephone and fax number is +55-11-3093-4700. Our website address is www.marfrig.com.br. The information on our website is not incorporated by reference into this offering memorandum and should not be relied upon for any purpose related to an investment in the notes.

THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes, see “Description of the Notes” in this offering memorandum. Terms, which are defined in other sections of the offering memorandum, have the same meaning when used in this summary.

Issuer	Marfrig Overseas Limited
Notes offered	US$500,000,000 in aggregate principal amount of 9.50% Senior Notes due 2020.
Guarantee	Marfrig will irrevocably and unconditionally guarantee on a senior unsecured basis the full and punctual payment of principal, interest, Additional Amounts and all other amounts that may become due and payable in respect of the notes. The indenture governing the notes provides for guarantees by subsidiaries of Marfrig that meet specified criteria. Unifred, Marfrig Holdings and Seara will be subsidiary guarantors at the time of the issuance of the notes and as such will irrevocably and unconditionally guarantee on a senior unsecured basis the full and punctual payment of principal, interest, Additional Amounts and all other amounts that may become due and payable in respect of the notes.
Issue price	98.426% of the principal amount of the notes.
Maturity date	May 4, 2020.
Interest	Interest at 9.50% per annum will be payable semi-annually in arrears each May 4 and November 4 of each year, commencing on November 4, 2010.
Indenture	The notes will be issued under an indenture among Marfrig Overseas, Marfrig, Unifred, Marfrig Holdings and Seara, The Bank of New York Mellon Trust (Japan) Ltd, as principal paying agent, The Bank of New York Mellon, as trustee, registrar, New York paying agent and transfer agent, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg special paying agent, transfer agent and listing agent.
Ranking of the Notes	The notes will be Marfrig Overseas’ senior unsecured obligations and will rank equally with any unsecured indebtedness of Marfrig Overseas (except those obligations preferred by operation of law) and will be senior to any subordinated indebtedness of Marfrig Overseas. As of the date of this offering memorandum, the issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than the notes issued on November 16, 2006, as amended. For more information on these notes, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes” and “—Covenants.”
Ranking of the Guarantee	The guarantee will be a general irrevocable and unconditional senior obligation of Marfrig, Unifred, Marfrig Holdings and Seara and is not secured by any collateral. The guarantee will rank equally with the senior unsecured indebtedness of Marfrig, Unifred, Marfrig Holdings and Seara (except those obligations preferred by operation of law) and will be senior to the subordinated indebtedness of Marfrig, Unifred, Marfrig Holdings and Seara. The guarantee will effectively be subordinated to the secured indebtedness of Marfrig and the subsidiary guarantors, to the extent of the value of the assets securing such indebtedness.

As of December 31, 2009, Marfrig had an aggregate outstanding amount of R$2,882.6 million of consolidated secured indebtedness, of which R$2,138.1 million represented the aggregate principal amount of pre-export financing agreements. As of the same date, Marfrig had an aggregate outstanding amount of R$5,154.1 million of consolidated indebtedness (secured and unsecured).

The claims of holders of the notes will be structurally subordinated, with regard to assets and cash flows of our subsidiaries that are not guarantors, to claims of creditors of those subsidiaries. The amount of these claims as of December 31, 2009 was R$103.0 million.

Optional Redemption .... Prior to May 4, 2015, we may redeem some or all of the notes at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, plus a "make whole" premium as described in this offering circular. We may redeem any of the notes at any time on or after May 4, 2015 in whole or in part, in cash, at the redemption prices described in this offering circular, plus accrued and unpaid interest to the date of redemption.

At any time prior to May 4, 2013 we may redeem up to 35% of the aggregate principal amount of the notes issued under the indenture with the net proceeds of certain equity offerings at a redemption price equal to 109.50% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption. We may make that redemption only if, after the redemption, at least 65% of the aggregate principal amount of notes issued under the indenture remains outstanding.

Optional Tax Redemption .... We may redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, at any time upon the occurrence of specified events relating to tax laws. See "Description of the Notes—Optional Tax Redemption" and "Taxation—Brazilian Tax Considerations."

Restrictive Covenants .... The notes will be issued under an indenture with The Bank of New York Mellon, as trustee. The indenture governing the notes will contain covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness,
- pay dividends on, redeem or repurchase our Capital Stock,
- make investments,
- issue or sell Capital Stock of restricted subsidiaries,
- sell assets,
- enter into sale and leaseback transactions,
- engage in transactions with affiliates,
- create unrestricted subsidiaries,
- create certain liens, and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications that are described under the heading "Description of the Notes—Restrictive Covenants" in this offering memorandum.

Use of Proceeds .... We intend to use the net proceeds from the notes for general corporate purposes, including to repay part of our indebtedness maturing in 2010 and 2011, extending our debt maturity profile, and to fund working capital needs.

Additional Amounts	All payments of principal and interest by Marfrig Overseas in respect of the notes will be made without withholding or deduction for any Cayman Islands taxes or other governmental charges unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts as are necessary to ensure that the holders of the notes receive the same amount as such holders would have received without such withholding or deduction, subject to certain exceptions. See "Description of the Notes—Additional Amounts."
Events of Default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see "Description of the Notes—Events of Default."
Additional Notes	We may, from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering, subject to satisfaction of the conditions set forth in the indenture.
Risk Factors	See "Risk Factors" and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Form and Denomination	The notes sold in the United States in reliance on Rule 144A will be evidenced by a note in global form called a restricted global note, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or DTC. The notes sold outside the United States in reliance on Regulation S will be evidenced by a separate note in global form called a Regulation S global note, which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfers of beneficial interests between the restricted global note and the Regulation S global note are subject to certification requirements. The notes will be issued in fully registered form in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. See "Description of the Notes."
Trading and Listing	Application has been made to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market.
No Registration Rights	We are not required to register the notes for resale under the Securities Act, or the securities laws of any other jurisdiction, and are not required to offer to exchange the notes for notes registered under the Securities Act or the laws of any other jurisdiction.
Governing Law	The indenture and the notes will be governed by, and will be construed in accordance with, the laws of the State of New York.
Principal paying agent	The Bank of New York Mellon Trust (Japan) Ltd.
Trustee, registrar, paying agent and transfer agent	The Bank of New York Mellon.
Luxembourg special paying agent and transfer agent	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg listing agent	The Bank of New York Mellon (Luxembourg) S.A.

SUMMARY OF FINANCIAL AND OTHER INFORMATION

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum as well as with the information in the sections "Presentation of Financial and Other Information," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." You should also read and analyze the information below in conjunction with Seara's financial statements and related notes included elsewhere in this offering memorandum.

Our financial information relating to our balance sheets and statements of income as of and for the years ended December 31, 2007, 2008 and 2009 derives from our consolidated financial statements prepared by us in accordance with Brazilian GAAP , included elsewhere in this offering memorandum.

Seara's financial information relating to its balance sheets and statements of operations as of and for the years ended December 31, 2008 and 2009 derives from Seara's financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this offering memorandum. As Seara was a limited liability company in Brazil, the rules and regulations issued by the CVM were not applicable in the preparation of its financial statements. Brazilian GAAP applicable for limited liability company differs in certain respects from Brazilian GAAP applicable to public companies such as ours. Those differences involve accounting treatments and disclosures in the financial statements. We have not identified or quantified those differences and thus there can be no assurance that reconciliations would not identify quantitative differences as well as disclosure and presentation differences between our financial statements and Seara's financial statements included in this offering memorandum.

Solely for your convenience, certain *real* amounts in this offering memorandum as of and for the year ended December 31, 2009 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, published by the Central Bank on December 31, 2009 of R$1.7412 to US$1.00. On May 27, 2010, the exchange rate was R$1.8328 per US$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate. For further information on exchange rate instability, see "Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us" and "Exchange Rates."

Marfrig's Financial Information and Other Information

Income Statement Data

	Year ended December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
		audited (in millions)		
Domestic	1,869.7	3,838.5	6,571.5	3,774.1
Foreign	1,856.5	2,936.7	3,707.7	2,129.4
Gross sales	3,726.2	6,775.2	10,279.2	5,903.5
Deductions from gross revenue	(386.3)	(571.4)	(663.5)	(381.0)
Deductions from gross revenue—Domestic markets	(335.9)	(525.7)	(628.2)	(360.8)
Deductions from gross revenue—Export markets	(50.4)	(45.7)	(35.3)	(20.2)
Domestic	1,533.8	3,312.8	5,943.3	3,413.3
Foreign	1,806.1	2,891.0	3,672.4	2,109.2
Net sales	3,339.9	6,203.8	9,615.7	5,522.5
Cost of goods sold	(2,673.1)	(4,876.8)	(8,234.3)	(4,729.1)
Gross income	666.9	1,327.0	1,381.4	793.4
Operating revenues (expenses)	(590.7)	(1,563.5)	(812.9)	(466.9)
Commercial expenses	(219.8)	(393.4)	(641.5)	(368.4)
Administrative and general expenses	(103.6)	(179.7)	(287.5)	(165.1)
Goodwill	(10.1)	(37.1)	—	—
Other operating revenues (expenses)	(0.2)	7.8	92.7	53.2
Financial income (expenses)	(257.0)	(961.1)	23.4	13,14
Operating income (loss)	76.2	(236.5)	568.5	326.5
Non-operating loss	(2.0)	—	—	—
Income (loss) before taxes	74.2	(236.5)	568.5	326.5
Income tax	(22.7)	144.2	(34.1)	(19.6)
Social contribution tax	(5.4)	67.6	(17.0)	(9.8)
Income (loss) before reversal of interest on equity capital	46.1	(24.7)	517.4	297.1
Reversal of interest on equity capital	41.3	—	169.7	97.5
Income (loss) before minority interest	87.4	(24.7)	687.1	394.6
Minority interest	(2.4)	(10.8)	(8.0)	(4.6)
Net income	85.0	(35.5)	679.1	390.09

Balance Sheet Data

	December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
		(audited)		
		(in millions)		
Cash and cash equivalents	1,049.8	1,071.7	3,033.4	1,742.1
Trade accounts receivable—domestic	387.2	686.0	758.8	435.8
Trade accounts receivable—foreign	350.2	315.9	228.9	131.5
Inventories of goods and merchandise	594.5	1,581.9	1,726.5	991.6
Recoverable taxes	—	—	719.4	413.2
Deferred taxes	297.9	689.4	19.5	11.2
Prepaid expenses	1.8	25.2	37.6	21.6
Other receivables	—	0.3	9.6	5.5
Current assets	2,681.4	4,370.4	6,533.7	3,752.5
Long-term assets	43.3	385.4	620.4	356.3
Financial investments	3.3	4.2	2.8	1.6
Compulsory deposits	5.5	23.4	25.0	14.3
Notes receivable	2.6	0.4	3.1	1.8
Deferred taxes	20.3	303.6	225.0	129.2
Recoverable taxes	2.8	44.6	339.0	194.7
Other receivables	8.8	9.2	25.5	14.6
Noncurrent assets	1,649.3	4,784.8	4,917.9	2,824.4
Investment	647.0	1.2	0.7	0.4
Property, plant and equipment	947.9	2,235.7	2,415.1	1,387.0
Intangible assets	—	2,144.2	1,870.3	1,074.1
Deferred charges	11.1	18.3	11.4	6.6
Permanent assets	1,606.0	4,399.4	4,297.5	2,468
Total assets	**4,330.7**	**9,155.2**	**11,451.6**	**6,576.9**
Trade accounts payable	335.4	748.5	833.6	478.8
Accrued payroll and related charges	71.5	269.8	205.3	117.9
Taxes payable	40.5	274.5	138.8	79.7
Loans and financing	428.1	1,232.1	1,473.6	846.3
Lease payable	—	62.6	61.7	35.4
Dividends payable	269.7	11.7	15.2	8.7
Interest on equity capital	32.1	—	146.1	83.9
Notes payable	—	—	31.0	17.8
Other payables	30.0	200.3	71.7	41.2
Current liabilities	1,207.3	2,799.5	2,977.0	1,709.7
Loans and financing	1,645.9	3,081.4	3,680.5	2,113.8
Lease payable	—	142.1	96.5	55.4
Taxes payable	61.8	78.7	254.5	146.2
Deferred charges	57.3	109.0	95.3	54.7
Provisions	48.1	108.5	38.8	22.3
Other payables	4.6	88.2	111.2	63.9
Noncurrent liabilities	1,817.7	3,607.9	4,276.8	2,456.3
Minority interest	23.4	17.9	13.5	7.8
Offering costs	—	(34.1)	(71.6)	(41.4)
Capital stock	1,183.8	2,559.7	4,061.5	2,332.6
Income reserves	3.2	155.1	651.5	374.1
Legal reserve	3.2	3.2	37.2	21.3
Retained earnings	—	164.9	625.0	358.9
Treasury stock	—	(13.0)	(10.7)	(6.1)
Asset and liability valuation adjustments	—	49.2	(457.1)	(262.5)
Net income	95.3	—	—	—
Shareholders' equity	1,282.3	2,729.9	4,184.3	2,403.1
Total liabilities and shareholders' equity	**4,330.7**	**9,155.2**	**11,451.6**	**6,576.9**

Marfrig EBITDA Reconciliation

	Year ended December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
	(in millions)			
Net income (loss)	85.0	(35.5)	679.1	390.0
Interest on equity capital	(41.3)	—	(169.7)	(97.5)
Income tax and social contribution tax	28.1	(211.9)	51.1	29.3
Non-operating income	2.0	—	—	—
Financial income	257.0	961.1	(23.4)	(13.4)
Depreciation and amortization	47.0	159.8	274.5	157.6
Minority interest	2.4	10.8	8.0	4.6
EBITDA(1)	380.2	884.3	819.6	470.6
EBITDA margin(2)	11.4%	14.3%	8.5%	8.5%
Net debt	1,024.2	3,241.8	2,120.7	1,218.0
Total Debt/EBITDA (last 12 months)	5.45	4.88	6.29	6.29
Net Debt/EBITDA (last 12 months)	2.69	3.67	2.59	2.59

(1) See "Presentation of Financial Information and Other Information—EBITDA."
(2) EBITDA divided by net operating revenue.

Seara's Financial Information and Other Information

	For the year ended December 31,		
	2008	2009	2009
	(R$)	(R$)	(US$)
	(in millions, except as indicated)		
Gross revenues	3,082.2	2,994.9	1,720.0
Net revenues	2,886.9	2,771.9	1,591.9
Gross profit	477.0	92.6	53.1
Loss before taxes	(54.6)	(331.8)	(190.6)
EBITDA(1)	225.7	(161.0)	(92.5)
EBITDA Margin(2)	7.8%	-5.8%	-5.8%
Net loss	(72.5)	(332.6)	(191.0)
Short-term financing and loans	177.4	385.1	221.2
Long-term financing and loans	219.0	21.5	12.3
Total financing and loans	396.4	406.6	233.5
Total assets	1,812.7	1,774.2	1,019.0

(1) See "Presentation of Financial Information and Other Information—EBITDA."
(2) EBITDA divided by net operating revenue.

Seara EBITDA Reconciliation

	For the year ended December 31,		
	2008	2009	2009
	(R$)	(R$)	(US$)
	(in millions, except as indicated)		
Net loss	(72.5)	(332.6)	(191.0)
Income tax and social contribution tax	17.9	0.8	0.5
Financial expenses, net	184.8	55.5	31.9
Depreciation and amortization	95.5	115.3	66.1
EBITDA	225.7	(161.0)	(92.5)
EBITDA Margin	7.8%	-5.8%	-5.8%

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider all the risks set forth in this section before making an investment decision. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks. The market price of the notes may decrease due to any of these risks or other factors, and you may lose all or a substantial part of your investment. The risks described in this section are those that we currently believe may materially affect us. Additional risks and uncertainties not currently known to us, or those that we currently deem to be immaterial, may also materially affect us.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence as well as Brazilian political and economic conditions may adversely affect us and the market price of the notes.

The Brazilian government frequently intervenes in the economy and occasionally makes significant changes in economic policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved increases in interest rates, changes in tax policies, price and salary controls, currency devaluations, capital controls and limits on imports, among other measures. We may be materially and adversely affected by changes in policy or regulations involving or affecting factors, such as:

- interest rates;
- currency fluctuations;
- inflation;
- liquidity in the domestic financial and capital markets;
- tax policies and laws;
- exchange controls and restrictions on remittances abroad; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty as to whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and the securities issued by Brazilian companies.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm our business.

Brazil has in the past experienced extremely high rates of inflation and, as a result, has adopted monetary policies that have resulted in one of the highest real interest rates in the world. Between January 2005 and December 2009, the Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*), or SELIC rate, in Brazil varied between 16.50% p.a. and 8.75% p.a. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business. In addition, we may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure.

Exchange rate instability and the devaluation of the real may adversely affect the Brazilian economy and us.

As a result of inflationary pressures, the Brazilian currency has been devalued periodically in the past in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* depreciated against the U.S. dollar by 18.5% in 2001 and 53.2% in 2002. Although the *real* appreciated 18.3%, 8.1%, 12.1%, 8.5% and 16.7% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively, in 2008, the *real* depreciated approximately 31.9% against the U.S. dollar. In 2009, the *real* appreciated against the U.S. dollar by 25.5%. There can be no assurance that the *real* would not depreciate or be devalued against the U.S. dollar again. As of December 31, 2009, the U.S. dollar-*real* exchange rate was R$1.7412 per US$1.00. As of March 31, 2010 the U.S. dollar-*real* exchange rate was R$1.781 per US$1.00. As of May 27, 2010, the U.S. dollar-*real* exchange rate was R$1.8328 per U.S.$1.00.

Devaluations of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil, lead to increases in interest rates, limit our access to foreign financial markets and prompt the adoption of recessionary policies by the Brazilian government. Conversely, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of Brazil's current account and balance of payments and cause a decrease of Brazilian exports. Any of the foregoing developments may negatively affect the Brazilian economy as a whole, and, consequently, our results of operations and the market price of the notes.

Developments and the perception of risk in other countries, especially in the United States and emerging market countries, may adversely affect the market price of Brazilian securities, including the notes.

The market price of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States and other Latin American and emerging market countries. Investors' reactions to developments in these other countries may have an adverse effect on the market price of securities of Brazilian issuers, including the notes. Crises in the United States and emerging market countries or economic policies of other countries may diminish investors' interest in securities of Brazilian issuers, including the notes. This could adversely affect the market price of the notes and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Risks Relating to Our Business and Industry

Our level of indebtedness may harm our business.

We have a significant level of indebtedness and we may incur additional significant amounts of debt. As of December 31, 2009, our outstanding indebtedness was R$5,154.1 million, of which approximately 24.8% (or R$1,282.1 million) was in *reais* and approximately 75.2% (or R$3,872.1 million) was denominated in U.S. dollars. In addition, R$0.1 million of our indebtedness was denominated in *pesos*. For the year ended December 31, 2009, we had a positive cash flow from operations in the amount of R$121.0 million. In the three years ended December 31, 2009, we financed part of our operations through the issuance of debt.

If we are not able to incur additional debt, we may be impaired to make necessary investments and capital expenditures in our business, which could reduce our future sales and negatively affect our financial position. In addition, the required capital resources to fulfill our debt obligations may reduce the capital amount that is available for our operations, which could harm us.

If our cash flow from operations does not grow as expected or significantly decreases for any reason, we will not be able to fulfill our debt obligations. If we are not able to fulfill our debt obligations, we may renegotiate them, seek additional capital or even sell some of our assets. In any of these scenarios, we may not be able to obtain financing or sell our assets on favorable terms, or at all, which could have a material adverse effect on us.

Covenant breaches under our material financial contracts may adversely affect us.

The contracts that govern a large portion of our debt contain cross-default or cross-acceleration clauses that provide that a default in one of our debt obligations may be considered a default in our other debt obligations or may result in the acceleration of the maturity date of this debt. Therefore, a default in any of our debt obligations may cause other debt obligations to become immediately due, which, in turn, would adversely affect us and the price of the notes.

In late 2009, we determined that we were in breach of covenants under the indenture governing the 2016 Notes. In particular, we failed to comply with covenants by incurring indebtedness at certain subsidiaries without causing them to become guarantors, and by incurring indebtedness secured by liens upon the property and assets of Marfrig and certain subsidiaries in violation of the indenture. In March 2010, we obtained waivers from a majority of the holders of the 2016 Notes and amended the terms of the related indenture, and we obtained waivers under the instruments governing other indebtedness of potential consequences of the breaches of the 2016 Notes and of breaches under these instruments. We have implemented procedures to monitor compliance with our covenants, but there can be no assurance that these procedures will be successful in preventing breaches in the future.

We have sought rapid growth, diversification and internationalization, including through acquisitions, and we face risks resulting from this strategy, including risks relating to integration of acquisitions, management of our operations, and the effectiveness of our internal controls and compliance procedures.

Since our initial public offering in 2007, we have pursued a growth strategy based on acquisitions and internal growth, and we have grown more international and more diversified. In the three years ended December 31, 2009, we have successfully completed and integrated 37 acquisitions, including corporations, assets and brands in various segments of our industry. We are regularly analyzing and looking for opportunities for further strategic acquisitions.

We are at different levels of discussions with potential targets but have not reached agreements with any of them. One or more of these potential acquisitions, if consummated, would be material. Should we enter into any definitive agreement, the acquisition could be financed by equity, debt, internally generated cash or a combination thereof. Future acquisitions may be financed with debt or with equity, and they could affect our balance sheet, our financial performance and our risk profile.

This strategy presents significant risks and challenges. Acquisitions, especially involving larger corporations, present financial, managerial and operational challenges. They may also create problems for us due to losses, contingencies, risks or other factors of which we were not aware at the time we completed the transactions. International acquisitions present additional difficulties, such as compliance with foreign laws and regulations and the integration of staff with different managerial practices, which may increase our exposure to risks associated with international operations.

Our growth and our acquisitions strategy also present a challenge relating to internal control over financial reporting and monitoring compliance with the terms of our agreements. We have focused on strengthening these controls and procedures, but we cannot assure you that they are sufficient. We have not obtained an auditors' report on the effectiveness of our internal control over financial reporting, as we would be required to do if our securities were registered with the U.S. Securities and Exchange Commission. We depend on the effectiveness of these controls and compliance procedures, and if they prove to be insufficient, this could have a negative impact on our business because we might not be able to report timely and accurate financial results, to prevent fraud or to avoid breaching material agreements.

Any of these factors could have a material adverse effect on our results of operations and on the market price of the notes.

The global financial crisis may adversely affect us.

Several companies that operate in our industry have been materially and adversely affected by the global financial crisis, which heightened the volatility in the markets where we operate. In addition, the global financial crisis has had significant direct and indirect consequences in Brazil and all markets in which we operate, such as stock and credit market volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates and inflationary pressure, among others, which have adversely affected and may continue, directly or indirectly, to adversely affect us.

Our export sales are subject to a broad range of risks associated with international operations.

Export sales account for a significant portion of our net sales, representing 46.6% and 38.1% of our total net sales in 2008 and 2009, respectively. Our major export markets are subject to the same risks described in "Risk Relating to Brazil." Our future financial performance will depend, to a significant extent, on economic, political and social conditions in our main export markets. Moreover, our export operations may be significantly affected by trade restrictions, import taxes or any other protective measure or requirement of import and export licences.

Our future ability to conduct business in export markets could be adversely affected by factors beyond our control, such as:

- exchange rate fluctuations and inflation in countries where we operate and to which we export our products;
- exchange controls;
- changes in the economic and political conditions of a specific country or region, particularly in emerging markets;
- negative consequences resulting from regulatory changes;
- the difficulty and costs related to compliance with complex foreign laws, treaties and regulations, including, without limitation, foreign corrupt practices laws;
- adverse consequences from changes in tax laws; and
- distribution costs, transportation interruptions or reduction in the availability of freight.

The occurrence of any of these risks, as well as other factors beyond our control, may adversely affect us.

Health risks related to the food industry could adversely affect our ability to sell our products.

We are subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of a product recall.

Any actual or perceived health risks associated with our products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of our products, reducing the level of consumption of those products, which could cause a material adverse effect on us. Even if our own products are not affected by contamination, our industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for our products in the affected category. We maintain systems designed to comply with food safety regulations. However, our systems for compliance with governmental regulations may not be fully effective in mitigating risks related to food safety. Any product contamination could have a material adverse effect on us.

Our results of operations are subject to cyclicality and volatility affecting both our raw material prices and our selling prices.

Our business is largely dependent on the cost and supply of corn, soy meal, soybeans, pigs, cattle, milk and other raw materials, as well as the selling prices of our poultry, pork, beef and dairy products, and protein products. The raw material prices and the selling prices of our products are determined by constantly changing market forces of supply and demand, which may fluctuate significantly, even in the absence of a global economic crisis, and by other factors over which we have little or no control. These other factors include, among others, fluctuations in local and global poultry, hog, cattle and milk production levels, environmental and conservation regulations, economic conditions, weather, animal and crop diseases, the cost of international freight and exchange rate fluctuations. Our industry, both in Brazil and abroad, is also characterized by cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability. We are not able to mitigate these risks by entering into long-term contracts with our customers and most of our suppliers because long-term contracts are not customary in our industry. Our financial performance is also affected by domestic and international freight costs, which are vulnerable to volatility in the price of oil. We may not be successful in addressing the effects of cyclicality and volatility on costs and expenses or the pricing of our products, and our overall financial performance may be adversely affected.

Raising animals and meat processing involve animal health and disease control risks, which could have an adverse impact on us.

Our operations involve raising cattle, pork, lamb and poultry, which require us to maintain animal health and control disease. We could be required to destroy animals or suspend the sale of some of our products to customers in Brazil and abroad in the event of an outbreak of disease affecting animals, such as (i) the recent A(H1N1) influenza, also called “swine flu,” (ii) in the case of poultry, avian influenza, (iii) in the case of pigs, cattle and certain other animals, foot-and-mouth disease, classic swine fever “blue ear” disease and (iv) in the case of cattle, foot-and-mouth disease and bovine spongiform encephalopathy, known as “mad cow disease.” Destruction of pork, poultry, pigs or other animals would preclude recovery of costs incurred in raising or purchasing these animals and result in additional expense for the disposal of the animals.

Outbreaks, or fears of outbreaks, of any of these or other animal diseases may have an adverse effect in our principal export markets and in Brazil. An outbreak of large proportions would adversely and materially affect us.

More stringent trade barriers in key export markets may adversely affect us.

Because of the growing market share of Brazilian poultry, pork and beef products in the international markets, Brazilian exporters have been increasingly affected by measures taken by importing countries to protect local producers. The competitiveness of Brazilian companies has led certain countries to establish trade barriers to limit the access of Brazilian companies to their markets or even to subsidize local producers. Some countries impose quotas on Brazilian pork and poultry products, and delays in allocating these quotas or changes in laws or policies regarding these quotas can adversely affect our exports.

Any of the aforementioned restrictions may affect our export volume and, as a result, our operating revenues from export markets and financial condition. In the case of newly created trade barriers in our key export markets, it may be difficult for us to sell our products in other markets at favorable conditions, which may cause a material adverse effect upon us.

We are subject to extensive governmental legislation and regulations in Brazil and in the other domestic markets in which we operate as well as in countries to which we export our products.

Our principal business activities—the production, processing and selling of food products, both in our domestic and export markets—and our facilities are subject to regular federal, state and local laws and regulations of Brazil and other domestic markets in which we operate as well as foreign regulations and inspections with respect to processing, conditioning, storage, distribution, publicity and labeling. Our products are often inspected by foreign food safety officials, and any failure to pass those inspections can result in our being required to return all or part of a shipment to its country of origin, destroy all or part of a shipment or incur costs because of delays in delivering products to our customers, all of which may cause a material adverse effect on us.

Some of our facilities and some of our labels are not registered with MAPA, which may cause us to be subject to penalties that vary from apprehension of raw materials and products, fines, suspension of activities and cancellation of the registration of sites. Some of Seara's facilities do not have the necessary license to operate. In addition, changes in government regulations relating to our principal business activities, both in Brazil, in other domestic markets in which we operate and in the export markets, may impose a significant burden on us, including requirements to make additional investments or incur other unforeseen costs to meet the necessary specifications for our products, which may cause a material adverse effect on us.

Environmental laws and regulations may require increased expenditures for compliance, and non-compliance with these laws and regulations may result in civil, criminal and administrative penalties.

We, like other food producers in Brazil and in other domestic markets in which we operate, are subject to extensive federal, state and local environmental laws, regulations, authorizations and licenses concerning, among other things, the handling and disposal of waste, discharges of pollutants into the air, water and soil, and clean-up of contamination, all of which affect our business. We are also required to environmentally preserve certain land on own properties and these areas must be registered on the property deed. We have some properties whose deeds do not identify these areas. Notwithstanding the fact that based on the advice of our internal counsel we believe that Seara is in substantial compliance with all material Brazilian governmental environmental laws and regulations, Seara is currently in the process of obtaining certain environmental licenses. Any failure to comply with these laws and regulations or any lack of authorizations or licenses could result in civil, administrative and criminal penalties, such as fines, cancellation of authorizations or revocation of licenses, in addition to negative publicity and liability for remediation for environmental damage.

We have incurred, and will continue to incur, capital and operating expenditures to comply with these laws and regulations. Because of the possibility of unanticipated regulatory measures or other developments, particularly as environmental laws become more stringent in Brazil and in other domestic markets in which we operate, the amount and timing of future expenditures required to maintain compliance could increase from current levels and could adversely affect the availability of funds for capital expenditures and other purposes. Compliance with existing or new environmental laws and regulations could result in increased costs and expenses.

We may not be successful in capturing the synergies from our acquisitions.

In the last few years, we made numerous acquisitions and have recently acquired the Seara Business Acquired. We have also recently acquired a 51% interest of the Zenda Group. These acquisitions could involve a number of risks including integration problems with the acquired businesses, operations in markets in which we have no, or limited, experience, potential loss of clients and key executives and employees of the acquired businesses as well as the risk of being exposed to liabilities of the acquired companies. These risks could have an adverse effect on us.

The financial statements of Seara Alimentos Ltda. were prepared using different accounting standards than those used in our financial statements.

The financial statements of Seara Alimentos Ltda. included in this offering memorandum were prepared in accordance with Brazilian GAAP applicable to limited liability companies and do not comply with the rules and regulations issued by the CVM, which are only applicable to public companies. We have not identified or quantified the differences that will result when we follow CVM accounting rules in order to consolidate Seara's financial statements into our financial statements. The financial information of Seara that will be consolidated in our financial statements could differ materially from the information presented in this offering memorandum.

Any deterioration of labor relations with our employees could adversely affect us.

We depend on intensive use of labor in our activities. Most of our employees are represented by unions and their employment contracts are regulated by collective bargaining agreements. New collective bargaining agreements may have shorter terms than our previous agreements and, if we are not able to negotiate collective bargaining agreements on acceptable terms to us, we may be subject to a significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages, which could have a material adverse effect on us and the market price of the notes.

The consolidation trend in our customers' industries may have an adverse effect on us.

Some of our customers, such as supermarket chains, club stores and wholesale food distributors were involved in consolidations over the last years. The consolidation trend created large and sophisticated customers who have increased purchase power and, therefore, greater ability to operate with smaller inventories, resist price increases and demand lower prices, discounts and tailor-made products. The customers may also use the spaces where our products are currently displayed to display their own products. If we cannot react to this market trend, we may face a slower increase in our sales volume or may be forced to decrease prices or increase promotional expenditures. Any of the aforementioned factors could have a material adverse effect on us.

We depend on members of our senior management and on our ability to recruit and retain qualified professionals.

We depend on members of our senior management and other qualified professionals to implement our business strategies and carry out our operations. We also depend on our ability to recruit and retain qualified professionals. We cannot assure you that we will not incur substantial costs to hire qualified professionals. The loss of key professionals may adversely affect us.

Our management and employees may focus excessively on the price of our common shares, since stock options are part of their compensation packages.

On May 11, 2009, the board of directors revised and consolidated our stock option plan, which was approved by our shareholders at the special shareholders' meeting held on May 29, 2009. Our stock option plan allows our management, employees and service providers to acquire our common shares. The stock option plan seeks to (i) stimulate the expansion, success and fulfillment of our objectives; (ii) align the interests of our and our subsidiaries' managers, employees and service providers to our own interests; and (iii) enable us and our subsidiaries to recruit and retain qualified managers, employees and service providers.

The stock option plan has three different programs, each one setting different prices and conditions for the exercise of the options. In 2009, our employees and managers received 710,930 options through these three programs, among which 128,600 options vest in 2009, 158,083 options vest in 2010 and the remaining options will vest by 2013.

The fact that our management and employees may receive, as part of their compensation packages, stock options at an exercise price below market may cause them to focus on the price of our common shares, as opposed to our long-term goals. For further information on our stock options, see "Management—Stock Option Plan."

We face strong competition from Brazilian and foreign companies in the production, industrialization and sales of our products.

We operate in a highly competitive market. We face strong competition from Brazilian and foreign companies in the production, industrialization and sales of our products regarding the cost and quality of raw material and workforce. Some of our competitors have more financial resources and larger product and client portfolios than we do. If we are not able to keep our competitive position in the market, we will face a decrease in our market share, which, in turn, may adversely affect our results of operations and the price of the notes.

We are subject to risks relating to South American countries.

In addition to our operations in Brazil, it is part of our strategy to diversify the risk of our operations to also have operations in other countries in South America, such as Argentina, Chile and Uruguay. In the year ended December 31, 2009, our net sales from our Argentine and Uruguayan divisions represented in the aggregate 21.4% of our total net sales, of which 10.4% derived from the domestic markets of these countries. We are subject to risks relating to the economic, political and social conditions in the other domestic markets in South America in which we operate. We may be adversely affected by factors that are beyond our control in these markets, such as:

- the interference of local governments in economic policies;
- exchange rate instability and devaluation of local currencies;
- the deterioration of economic conditions;
- inflation and interest rates;
- exchange controls and restrictions on remittances abroad;
- tax policies and laws;
- liquidity in the financial and capital markets; and
- other political, social and economic developments in or affecting the domestic markets in South America in which we operate.

The occurrence of any of the aforementioned factors as well as any other factor that affects the economic, political and social conditions of the domestic markets in which we operate in South America may adversely and materially affect us.

Risks Relating to the Notes

Marfrig Overseas has no operations of its own, so that holders of the notes must depend on Marfrig to provide Marfrig Overseas with sufficient funds to make payments on the notes when due.

Marfrig Overseas is a special purpose, direct wholly-owned subsidiary of Marfrig and is an exempted company incorporated with limited liability under the laws of the Cayman Islands on October 25, 2006. Marfrig Overseas was established to issue notes in 2006 and act as a finance subsidiary of Marfrig. Accordingly, the ability of Marfrig Overseas to pay principal, interest and other amounts due on the notes will depend upon Marfrig's financial condition and results of operations. In the event of an adverse change in Marfrig's financial condition or results of operations, Marfrig Overseas may not have sufficient funds to repay all amounts due on or with respect to the notes.

The foreign exchange policy of Brazil may affect the ability of Marfrig to make money remittances outside Brazil in respect of the guarantee.

Under Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments in U.S. dollars outside Brazil under guarantees in favor of foreign persons, such as the holders of the notes. We cannot assure you that these regulations will continue to be in force at the time Marfrig may be required to perform its payment obligations under the guarantee. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, Marfrig would need to seek an authorization from the Central Bank to transfer the amounts under the guarantee out of Brazil or, alternatively, make payments with funds held by Marfrig outside Brazil. We cannot assure you that the authorization will be obtained or that funds will be available.

An active trading market for the notes may not develop.

The notes constitute a new issuance of securities, for which there is no existing market. Although we intend to apply to admit the notes to trading on the Luxembourg Stock Exchange (Euro MTF). Furthermore, no assurance can be provided regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes or the price at which these holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors. These factors include prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, risk associated with Brazilian issuers of this type of securities and the market for similar securities. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of the payment at the exchange rate as published by the Central Bank on (i) the date of actual payment, (ii) the date on which the judgment is rendered, or (iii) the actual due date of the obligations. There can be no assurance that the rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

The guarantees will be unsecured and will be effectively junior to our and the subsidiary guarantors' existing and future secured indebtedness.

The guarantees will be unsecured and will constitute our and the subsidiary guarantors' unsubordinated and unsecured obligation that we and they have agreed will rank *pari passu* in priority of payment with all our and their other present and future unsubordinated and unsecured obligations. Although the guarantees will provide noteholders with a direct, but unsecured, claim on our and the subsidiary guarantors' assets and property, the guarantees will be effectively junior to our and their secured debt, to the extent of the assets and property securing this debt. As of December 31, 2009, we had total indebtedness outstanding of R$5,154.1 million, of which R$2,882.6 million was secured.

The guarantees will also be junior to the indebtedness of any subsidiaries that are not subsidiary guarantors. As of December 31, 2009, such indebtedness represented R$103.0 million.

In addition, we and the subsidiary guarantors may, in the future, grant additional liens to secure indebtedness without equally and ratably securing the guarantees. If we or the subsidiary guarantors become insolvent or are liquidated, or default in the payment of these obligations, these secured creditors will be entitled to exercise the remedies available to them under applicable law. These creditors will have a prior claim on our and the subsidiary guarantors' assets covered by their liens. Our subsidiaries may also incur additional indebtedness without providing guarantees to the notes.

Our and the subsidiary guarantors' obligations under the guarantees will be subordinated to certain statutory liabilities.

Under Brazilian law, our and the subsidiary guarantors' obligations under the guarantees are subordinated to certain statutory preferences. In the event of our or the subsidiary guarantors' liquidation or bankruptcy, these statutory preferences, including motions for restitution, post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference and priority over any other claims, including any claims in respect of the guarantees.

The notes will be issued by the issuer and guaranteed by the guarantors. The issuer is incorporated under the laws of the Cayman Islands. The Company and the subsidiary guarantors are organized under the laws of Brazil and The Netherlands. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in the Cayman Islands, Brazil and The Netherlands. Your rights under the notes and the guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

In addition, the bankruptcy, insolvency, administrative and other laws of such jurisdictions of organization may be materially different from, or in conflict with, one another and those in other jurisdictions with which you may be familiar in certain area, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the notes.

USE OF PROCEEDS

The net proceeds from the sale of the notes are expected to amount to approximately US$487.6 million after deducting certain expenses and commissions to be paid to the initial purchasers in connection with the offering. The issuer will make the net proceeds available to us. We intend to use the proceeds from this offering for general corporate purposes, including to repay part of our indebtedness maturing in 2010 and 2011 and to fund working capital needs.

CAPITALIZATION

The table below sets forth consolidated information on our cash and cash equivalents, short-term and long-term debt, shareholders' equity and total capitalization as of December 31, 2009.

The information below derives from our consolidated financial statements for year ended December 31, 2009 on an actual historical basis.

You should read the table below in conjunction with the information in the sections "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our financial statements and notes, included elsewhere in this offering memorandum.

	As of December 31, 2009			
	Actual		As Adjusted(1)	
	(R$)	(US$)(2)	(R$)	(US$)(2)
	(in millions)			
Short-term debt				
Notes payable	31.0	17.8	31.0	17.8
Loans and financing	1,473.6	846.3	1,473.6	846.3
Total short-term debt	1,504.6	864.1	1,504.6	864.1
Long-term debt				
Loans and financing	3,680.5	2,113.8	4,551.1	2,613.8
Total long-term debt	3,680.5	2,113.8	4,551.1	2,613.8
Shareholders' equity				
Capital stock	4,061.5	2,332.6	4,061.5	2,332.6
Share issue expenses	(71.6)	(41.1)	(71.6)	(41.1)
Income reserves	651.5	374.1	651.5	374.1
Legal reserve	37.2	21.3	37.2	21.3
Treasury shares	(10.7)	(6.1)	(10.7)	(6.1)
Retained earnings (accumulated losses)	625.0	358.9	625.0	358.9
Accumulated translation adjustments	—	—	—	—
Asset and liability valuation adjustments	(457.1)	(262.5)	(457.1)	(262.5)
Total shareholders' equity	4,184.3	2,403.1	4,184.3	2,403.1
Total capitalization(3)	9,369.4	5,381.0	10,240.0	5,881.0

(1) As adjusted for this note offering.
(2) Solely for the convenience of the reader, Brazilian *real* amounts as of and for year ended December 31, 2009 have been translated into U.S. dollars at the exchange rate as of December 31, 2009 of R$1.7412 to US$1.00. See "Exchange Rates."
(3) Total capitalization corresponds to total debt plus total shareholders' equity.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and, since then, the *real*/U.S. dollar exchange rate has fluctuated considerably. Until early 2003, the value of the *real* declined in relation to the U.S. dollar and then began to stabilize. The *real* appreciated against the U.S. dollar in 2004-2007. In 2008, as a result of the worsening of the global financial and economic crisis, the *real* depreciated 24.2% against the U.S. dollar. In 2009, the *real* appreciated 25.5% against the U.S. dollar. On December 31, 2009, the *real*/U.S. dollar exchange rate was R$1.7412 per US$1.00. In the past, the Central Bank has intervened occasionally to control unstable movements of exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate through a currency band system or otherwise. The *real* may fluctuate against the U.S. dollar substantially in the future. For more information on these risks, see "Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us."

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated:

Year	Period-end	Average(1)	Low	High
2005	2.34	2.43	2.16	2.76
2006	2.14	2.18	2.06	2.37
2007	1.77	1.95	1.73	2.16
2008	2.34	1.84	1.56	2.50
2009	1.74	1.99	1.70	2.45

Month	Period-end	Average(1)	Low	High
October 2009	1.74	1.74	1.70	1.78
November 2009	1.76	1.73	1.70	1.76
December 2009	1.74	1.75	1.73	1.78
January 2010	1.87	1.78	1.72	1.87
February 2010	1.81	1.84	1.80	1.88
March 2010	1.78	1.79	1.76	1.82
April 2010	1.73	1.76	1.73	1.78
May 2010 (through May 27)	1.83	1.81	1.73	1.88

Source: Central Bank.

(1) Represents the average of the exchange rates on the closing of each business day during the period.

On May 27, 2010, the exchange rate published by the Central Bank was R$1.8328 per US$1.00.

SELECTED FINANCIAL AND OTHER INFORMATION

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum as well as with the information in "Presentation of Financial and Other Information," "Summary Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." You should also read and analyze the information below in conjunction with Seara's financial statements and related notes included elsewhere in this offering memorandum.

Our financial information relating to our balance sheets and statements of income as of and for the years ended December 31, 2007, 2008 and 2009 derives from our consolidated financial statements prepared by us in accordance with Brazilian GAAP, included elsewhere in this offering memorandum.

Seara's financial information relating to its balance sheets and statements of operations as of and for the years ended December 31, 2008 and 2009 derives from Seara's financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this offering memorandum. As Seara was a limited liability company in Brazil, the rules and regulations issued by the CVM are not applicable in the preparation of its financial statements. Brazilian GAAP applicable for limited liability companies differs in certain respects from Brazilian GAAP applicable to public companies such as ours. Those differences involve accounting treatments and disclosures in the financial statements. We have not identified or quantified those differences and thus there can be no assurance that reconciliations would not identify quantitative differences as well as disclosure and presentation differences between our financial statements and Seara's financial statements included in this offering memorandum.

Solely for your convenience, certain *real* amounts in this offering memorandum as of and for the year ended December 31, 2009 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, published by the Central Bank on December 31, 2009 of R$1.7412 to US$1.00. On May 27, 2010, the exchange rate was R$1.8328 per US$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate. For further information on the exchange rate instability, see "Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economies" and "Exchange Rates."

Marfrig's Financial Information and Other Information

Income Statement Data

	Year ended December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
	(audited) (in millions)			
Domestic	1,869.7	3,838.5	6,571.5	3,774.1
Foreign	1,856.5	2,936.7	3,707.7	2,129.4
Gross sales	3,726.2	6,775.2	10,279.2	5,903.5
Deductions from gross revenue	(386.3)	(571.4)	(663.5)	(381.0)
Deductions from gross revenue—Domestic markets	(335.9)	(525.7)	(628.2)	(360.8)
Deductions from gross revenue—Export markets	(50.4)	(45.7)	(35.3)	(20.2)
Domestic	1,533.8	3,312.8	5,943.3	3,413.3
Foreign	1,806.1	2,891.0	3,672.4	2,109.2
Net sales	3,339.9	6,203.8	9,615.7	5,522.5
Cost of goods sold	(2,673.1)	(4,876.8)	(8,234.3)	(4,729.1)
Gross income	666.9	1,327.0	1,381.4	793.4
Operating revenues (expenses)	(590.7)	(1,563.5)	(812.9)	(466.9)
Commercial expenses	(219.8)	(393.4)	(641.5)	(368.4)
Administrative and general expenses	(103.6)	(179.7)	(287.5)	(165.1)
Goodwill	(10.1)	(37.1)	—	—
Other operating revenues (expenses)	(0.2)	7.8	92.8	53.2
Financial income (expenses)	(257.0)	(961.1)	23.4	13.4
Operating income (loss)	76.2	(236.5)	568.5	326.5
Non-operating loss	(2.0)	—	—	—
Income (loss) before taxes	74.2	(236.5)	568.5	326.5
Income tax	(22.7)	144.2	(34.1)	(19.6)
Social contribution tax	(5.4)	67.6	(17.0)	(9.8)
Income (loss) before reversal of interest on equity capital	46.1	(24.7)	517.3	297.1
Reversal of interest on equity capital	41.3	—	169.7	97.5
Income (loss) before minority interest	87.4	(24.7)	687.1	394.6
Minority interest	(2.4)	(10.8)	(8.0)	(4.6)
Net income	85.0	(35.5)	679.1	390.0

Balance Sheet Data

	December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
		(audited) (in millions)		
Cash and cash equivalents	1,049.8	1,071.7	3,033.4	1,742.1
Trade accounts receivable—domestic	387.2	686.0	758.8	435.8
Trade accounts receivable—foreign	350.2	315.9	228.9	131.5
Inventories of goods and merchandise	594.5	1,581.9	1,726.5	991.6
Recoverable taxes	—	—	719.4	413.2
Deferred taxes	297.9	689.4	19.5	11.2
Prepaid expenses	1.8	25.2	37.6	21.6
Other receivables	—	0.3	9.6	5.5
Current assets	2,681.4	4,370.4	6,533.7	3,752.5
Long-term assets	43.3	385.4	620.4	356.3
Financial investments	3.3	4.2	2.8	1.6
Compulsory deposits	5.5	23.4	25.0	14.3
Notes receivable	2.6	0.4	3.1	1.8
Deferred taxes	20.3	303.6	225.0	129.2
Recoverable taxes	2.8	44.6	339.0	194.7
Other receivables	8.8	9.2	25.5	14.6
Noncurrent assets	1,649.3	4,784.8	4,917.9	2,824.4
Investment	647.0	1.2	0.7	0.4
Property, plant and equipment	947.9	2,235.7	2,415.1	1,387.0
Intangible assets	—	2,144.2	1,870.3	1,074.1
Deferred charges	11.1	18.3	11.4	6.6
Permanent assets	1,606.0	4,399.4	4,297.5	2,468
Total assets	**4,330.7**	**9,155.2**	**11,451.6**	**6,576.9**
Trade accounts payable	335.4	748.5	833.6	478.8
Accrued payroll and related charges	71.5	269.8	205.3	117.9
Taxes payable	40.5	274.5	138.8	79.7
Loans and financing	428.1	1,232.1	1,473.6	846.3
Lease payable	—	62.6	61.7	35.4
Dividends payable	269.7	11.7	15.2	8.7
Interest on equity capital	32.1	—	146.1	83.9
Notes payable	—	—	31.0	17.8
Other payables	30.0	200.3	71.7	41.2
Current liabilities	1,207.3	2,799.5	2,977.0	1,709.7
Loans and financing	1,645.9	3,081.4	3,680.5	2,113.8
Lease payable	—	142.1	96.5	55.4
Taxes payable	61.8	78.7	254.5	146.2
Deferred charges	57.3	109.0	95.3	54.7
Provisions	48.1	108.5	38.8	22.3
Other payables	4.6	88.2	111.2	63.9
Noncurrent liabilities	1,817.7	3,607.9	4,276.8	2,456.3
Minority interest	23.4	17.9	13.5	7.8
Offering costs	—	(34.1)	(71.6)	(41.4)
Capital stock	1,183.8	2,559.7	4,061.5	2,332.6
Income reserves	3.2	155.1	651.5	374.1
Legal reserve	3.2	3.2	37.2	21.3
Retained earnings	—	164.9	625.0	358.9
Treasury stock	—	(13.0)	(10.7)	(6.1)
Asset and liability valuation adjustments	—	49.2	(457.1)	(262.5)
Net income	95.3	—	—	—
Shareholders' equity	1,282.3	2,729.9	4,184,3	2,403.1
Total liabilities and shareholders' equity	**4,330.7**	**9,155.2**	**11,451.6**	**6,576.9**

Marfrig EBITDA Reconciliation

	Year ended December 31,			
	2007	2008	2009	2009
		(R$)	(R$)	(US$)
		(in millions)		
Net income (loss)	85.0	(35.5)	679.1	390.0
Interest on equity capital	(41.3)	—	(169.7)	(97.5)
Income tax and social contribution tax	28.1	(211.9)	51.1	29.3
Non-operating income	2.0	—	—	—
Financial income	257.0	961.1	(23.4)	(13.4)
Depreciation and amortization	47.0	159.8	274.5	157.6)
Minority interest	2.4	10.8	8.0	4.6
EBITDA(1)	380.2	884.3	819.6	470.6
EBITDA margin(2)	11.4%	14.3%	8.5%	8.5%
Net debt	1,024.2	3,241.8	2,120.7	1,218.0
Total Debt/EBITDA (last 12 months)	5.45	4.88	6.29	6.29
Net Debt/EBITDA (last 12 months)	2.69	3.67	2.59	2.59

(1) See "Presentation of Financial Information and Other Information—EBITDA."
(2) EBITDA divided by net operating revenue.

Seara's Financial Information and Other Information

	For the year ended December 31,		
	2008	2009	2009
	(R$)	(R$)	(US$)
	audited (in millions, except as indicated)		
Gross revenues	3,082.2	2,994.9	1,720.0
Net revenues	2,886.9	2,771.9	1,591.9
Gross profit	477.0	92.6	53.1
Loss before taxes	(54.6)	(331.8)	(190.6)
EBITDA(1)	225.7	(161.0)	(92.5)
EBITDA Margin(2)	7.8%	-5.8%	-5.8%
Net loss	(72.5)	(332.6)	(191.0)
Short-term financing and loans	177.4	385.1	221.2
Long-term financing and loans	219.0	21.5	12.3
Total financing and loans	396.4	406.6	233.5
Total assets	1,812.7	1,774.2	1,019.0

(1) See "Presentation of Financial Information and Other Information—EBITDA."
(2) EBITDA divided by net operating revenue.

Seara EBITDA Reconciliation

	For the year ended December 31,		
	2008	2009	2009
	(R$)	(R$)	(US$)
	audited (in millions, except as indicated)		
Net loss	(72.5)	(332.6)	(191.0)
Income tax and social contribution tax	17.9	0.8	0.5
Financial expenses, net	184.8	55.5	31.9
Depreciation and amortization	95.5	115.3	66.1
EBITDA	225.7	(161.0)	(92.5)
EBITDA Margin	7.8%	-5.8%	-5.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including, without limitation, those set forth in the sections "Forward-Looking Statements" and "Risk Factors."

The discussion below is based on, and should be read in conjunction with, our consolidated audited financial statements and related notes as of and for the years ended December 31, 2007, 2008 and 2009, included elsewhere in this offering memorandum and discussed in this section.

Our consolidated audited financial statements and related notes as of and for the years ended on December 31, 2007, 2008 and 2009, included elsewhere in this offering memorandum and discussed in this section, were prepared in accordance with Brazilian GAAP.

Overview

We are a multinational business founded and based in Brazil that produces, processes and sells a diversified range of food products, both in Brazil and internationally, focusing on food derived from animal protein. We are one of the largest exporters of beef in Brazil and in Uruguay, according to the annual reports of SECEX and INAC, and we believe we are one of the largest exporters of beef in the world. According to the Dom Cabral Foundation, we were the most internationalized Brazilian agribusiness company in 2008. With more than two decades of experience in the food industry, we have a vertical business model covering a wide and varied portfolio of proteins and products, together with a strong and growing presence in the processed foods segment, which we believe will be one of our main drivers of growth in volumes and margins in the coming years.

We have built an integrated and geographically diversified business model, consisting of production facilities in locations that offer significant cost advantages combined with a distribution network that covers more than 100 countries and accesses the world's principal consumer markets. Our business is organized strategically into five divisions, each with its own independent infrastructure: (i) Beef Brazil and Food Service—Brazil, (ii) Poultry, Pork and Processed Foods; (iii) Argentina; (iv) Uruguay; and (v) Europe. We operate 84 processing plants and offices in 13 countries in South America, North America, Europe, Asia and Africa and have a daily slaughtering capacity of 30,150 head of cattle, 1,847,000 chickens, 4,200 head of pork, 30,000 turkeys and 10,400 lambs. Our monthly production capacity of processed food is equal to 53,569 metric tons. Together, this production platform gives us significant growth capacity as well as the ability to hedge against industry risks.

Since our initial public offering in 2007, we have implemented a strategy of deliberate and consistent operational growth based on an internationalized and diversified business model. From our initial public offering in 2007 through the end of 2009, our volume of products sold increased by approximately 129.8%. From 2006 through 2009, our volume of products sold increased from 617,000 metric tons to 2,186,243 metric tons, representing a compound annual growth rate of 52.5%. At the same time we continued to upgrade our internal processes, seeking both improvements in efficiency and strict cost control, which we believe resulted in an increase in our profitability.

We had R$9,615.7 million in net operating revenue in 2009, with 61.8% of this total arising from the domestic markets in which we operate, and the remaining 38.2% from exports. The segment that contributed the most to our net operating revenue was our European division with 31.4%, followed by Poultry, Pork and Industrialized Products with 24.2%, Beef and Food Service – Brazil with 23.0%, Argentina with 11.6% and Uruguay with 9.8%.

For information on recent developments, see "Summary—Recent Developments."

Acquisition of Seara

On January 4, 2010, we completed the Acquisition of Seara. Seara had R$2,886.9 million and R$2,771.9 million in net revenues and R$72.5 million and R$332.6 million in losses for the years ended December 31, 2008 and 2009, respectively. As of December 31, 2008 and 2009, Seara had assets of R$1,812.7 million and R$1,774.2 million, short-term financing and loans of R$177.4 million and R$385.1 million, long-term financing and loans of R$219.0 million and R$21.5 million, and cash and cash equivalents of R$7.7 million and R$33.2 million, respectively. The audited financial information of Seara does not represent the financial information of the Seara Business Acquired, as it does not include the financial information of the Seara Business Acquired outside of Brazil. No audited or unaudited financial statements have been prepared for the Seara Business Acquired.

The Acquisition of Seara has increased our daily slaughtering capacity by approximately 6,200 head of pork and 1,223,000 million chickens, and our monthly production capacity of processed food by approximately 17,160 metric tons, thereby reinforcing our strategy of expansion through the addition of production capacity with potential for synergies with our existing operations in South America and Europe. We intend to improve the operating performance of the Seara Business Acquired by taking advantage of our well-established structure in different areas:

Marketing . We plan on introducing the well-known brand "Seara" in our beef products and launch higher value-added products under this brand. We will seek to profit from the reputation of the brand "Seara" in the Brazilian market by sponsoring local soccer teams, such as Santos Futebol Clube, and the Brazilian soccer team in the World Cup.

Logistics. We intend to promote increased use of our logistics infrastructure by providing Seara's plants with access to our existing logistics infrastructure for supply of grains and transportation of products.

Operations. In order to gain operating efficiency and reduce costs, we plan on integrating our poultry and pork and beef and food service—Brazil divisions with Seara's operations and share the infrastructure of our international offices with Seara's offices outside of Brazil.

We engaged a consultancy firm to assist us in implementing operating changes in Seara, which is similar to what we did in previous acquisitions in which we successfully improved operations. The areas in which change will occur comprise the industrial area, logistics, grains and other supplies and selling and general and administrative expenses. We have already implemented part of these changes and we intend to implement the remainder by the end of the third quarter.

Brazilian Macroeconomic Scenario

Our financial condition and results of operations are influenced by the Brazilian macroeconomic environment, which has improved significantly in recent years. Inflation has remained within the policy goals over the five years ended December 31, 2009, interest rates have diminished, according to data from the Central Bank, and Brazil's average gross domestic product, or GDP, growth was 4.9% from 2006 through 2008, according to data from the IBGE. During the six-month period ended June 30, 2009 Brazilian GDP decreased 1.5%.

The inflation rate for consumer goods, or IPCA, as published by the IBGE, was 4.5%, 5.9% and 4.3%, in 2007, 2008 and 2009, respectively. From January 2006 through December 2009, the *real* appreciated 21.4% against the dollar and unemployment fell from 9.2% to 6.8% in the same period. International reserves increased from US$56.9 billion to US$239.1 billion and the ratio of net public debt to GDP decreased from 47.9% to 44.1% during the same period.

On April 30, 2008, Brazil received an investment grade rating from Standard & Poor's, joining the group of countries considered to be at low risk of default. On May 29, 2008, Fitch Ratings, another agency that evaluates risk, also rated Brazil as investment grade. On September 22, 2009, the credit rating agency Moody's also rated Brazil as investment grade. The better rating underscores the favorable economic environment for Brazil over the medium term, reflecting the maturity of its financial institutions and the political structure of the country, as well as advances in fiscal policy and control of the public debt.

In the second half of 2008, global economic conditions worsened significantly due to the global financial crisis. The immediate effect on the Brazilian economy was evidenced by reduced expectations of growth and depreciation of the currency, which fell 45.9% relative to the dollar between August and October 2008 (from R$1.57/US$ on August 4 to R$2.29/US$ on October 10). Stocks of Brazilian issuers were also adversely affected, as reflected by the depreciation of the Ibovespa index, which declined 48.9% between May 19 and December 30, 2008.

However, the Brazilian economy was less significantly affected by the global financial crisis in 2009. Despite the expected slowdown in Brazilian GDP growth for 2009, macroeconomic indicators improved. The Focus report from the Central Bank, which was released on January 8, 2010, reported an expected decrease of 0.3% in Brazilian GDP in 2009, and estimated a substantial growth in Brazilian GDP of 5.2% for 2010.

In addition, solid macroeconomic fundamentals and more economic stability allowed the Central Bank to further reduce interest rates, with the SELIC rate reaching a historical low of 8.75% since the end of July 2009. As of December 31, 2009, the SELIC rate continued at 8.75%. Accordingly, the *real* appreciated 25.5% in relation to the U.S. dollar in 2009.

The table below shows GDP growth, inflation rates and average interest rates in Brazil and the *real*/dollar exchange rate for the periods indicated:

	Year ended December 31,		
	2007	2008	2009
GDP growth(1)	5.7%	5.1%	n.a.
Inflation (IGP-M)(2)	7.7%	9.8%	(1.7)%
Inflation (IPCA)(3)	4.5%	5.9%	4.3%
CDI(4)	11.8%	12.4%	9.8%
TJLP(5)	6.3%	6.3%	6.1%
Appreciation (depreciation) of the *real* against the U.S. dollar	17.2%	(31.9)%	25.5%
Exchange rate at end of period (US$1.00)	R$ 1.771	R$ 2.337	R$ 1.741
Average exchange rate (US$1.00)(6)	R$ 1.948	R$ 1.837	R$ 1.994

(1) Calculated in accordance with new methodology adopted by the IBGE.
(2) The inflation rate for the General Market Prices Index (*Índice Geral de Preços de Mercado*), or IGP-M, as measured by Fundação Getulio Vargas, a private foundation.
(3) The inflation rate for consumer goods as published by the IBGE.
(4) The CDI is the average rate for intraday, interbank deposits in Brazil through the Custody and Settlement System (*Câmara de Custódia e Liquidação*), or CETIP.
(5) Long-term interest rate (*Taxa de Juros de Longo Prazo*), or TJLP, published quarterly by the Central Bank (average of period).
(6) Average of the exchange rates during the period, as published by the Central Bank.

Principal Factors Affecting our Results of Operations

Effects of Acquisitions

Fiscal Year 2007

- As of January 2007 we have consolidated the financial statements of MFB Marfrig Frigoríficos Brasil S.A., formerly Frigoclass Alimentos S.A. (Brazil);
- In April 2007, we started consolidating the financial statements of Pampeano Alimentos S.A. (Brazil);
- As of June 2007 we have consolidated the financial statements of Cledinor S.A (Uruguay), or Cledinor; and
- In the last quarter of 2007, we started to consolidate the financial statements of Quickfood S.A. (Argentina), Establecimientos Colonia S.A. (Uruguay), or Establecimientos Colonia, and Frigorífico Mabella Ltda. (Brazil), or Mabella.

Fiscal Year 2008

- As of April 2008 we have consolidated DaGranja Agroindustrail Ltda. and Carroll's Food do Brasil S.A. (Brazil), subsequently renamed MBL Alimentos S.A. (Carroll's) (Brazil), or MBL; and
- As of the last quarter of 2008 we have consolidated Moy Park Holdings Europe Limited (Northern Ireland), which controls Moy Park Limited (Northern Ireland) and Kitchen Range Foods Limited (United Kingdom), or Kitchen Range; and MAS do Brasil Participações Ltda. (Brazil), which directly controls Braslo Produtos de Carnes Ltda. (Brazil), or Braslo, Penasul Alimentos Ltda. (Brazil), or Penasul, and indirectly controls Agrofrango Indústria e Comércio de Alimentos Ltda. (Brazil), or Agrofrango.

Fiscal Year 2009

- As of August 2009, we have consolidated in our financial statements the assets of Doux Frangosul S.A., or Doux Frangosul, in the turkey meat segment in Brazil;

Fiscal Year 2010

- On January 4, 2010, we completed the Acquisition of Seara. As of the first quarter of 2010 we will have consolidated Seara in our financial statements.

Growth of Brazil's Gross Domestic Product and Demand for our Products

Sales in our domestic markets accounted for 61.8% of our net income in 2009. Historically, an important part of our operations has been located in Brazil, and accordingly we are significantly affected by economic conditions in Brazil. Our results of operations and financial situation have been, and will continue to be, affected by the rate of growth of Brazil's GDP. Given our significant share in the Brazilian fresh, processed and industrialized animal protein markets, fluctuations in Brazilian demand for these products affect our production levels and our net operating revenue.

Our management believes that economic growth in Brazil would positively affect our future revenues and results of operations, and conversely economic contraction would negatively affect us.

Effects of Fluctuations in the Prices of Raw Materials (Cattle and Grain)

Fluctuations in the prices of cattle and grain in the domestic and international markets in which we operate significantly affect our net operating revenue and our cost of goods sold, as discussed below.

Effects on Net Operating Revenue

The domestic and international prices of our products are generally determined by conditions in the markets in which we operate, which we do not control. Our domestic prices are also affected by the prices we are able to charge our various wholesale and food service customers who resell our products, some of which are negotiated on a case-by-case basis. Among the main factors that influence the prices of our products are cattle and grain prices, outbreaks of diseases and sanitary, trade and customs restrictions imposed in Brazil and abroad.

Effects on Cost of Goods Sold

Cattle and grain are our main raw materials. Purchases of cattle and grain (including vaccination, vitamins, purchases of carcasses from third parties and purchases of poultry and pork) represented approximately 63.4% of our total cost of goods sold in 2009. Among other material costs are direct and indirect labor, direct and indirect industrial costs, packaging materials and electric power.

We do not control cattle or grain prices in the markets in which we operate. The costs of cattle and grain vary in accordance with domestic and export markets prices, which fluctuate depending on supply and demand. We generally purchase cattle and grain to be delivered in 30 days, and the prices we pay for them are based on market prices. As a result, fluctuations in the market price directly affect our cost of goods sold.

Effect of Export Levels on our Financial Performance

We generally obtain higher prices and margins outside domestic markets for our products than prevailing prices and margins in domestic markets. The difference in prices and margins between the domestic and export markets results in part from generally higher demand for higher value-added products in export markets, particularly with respect to premium cuts, processed products and the higher purchasing power in developed countries.

In 2009, approximately 38.2% of our net operating revenue was derived from export sales of fresh and processed products. Our net operating revenue from export sales increased 27.0%, from R$2,891.0 million in 2008 to R$3,672.4 million in 2009.

Effects of Exchange Rate Variations

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar and the pound, because a substantial portion of our revenue is linked to U.S. dollars and the pound. We also have U.S. dollar-denominated debt that requires us to make principal and interest payments in this currency.

Practically all of our export sales are denominated in U.S. dollars. In addition, as a result of our domestic market in the United Kingdom, a significant part of our revenues are denominated in pounds. When the *real* depreciates against the U.S. dollar, our revenue from exports increases, assuming the international market prices of our products remain constant. Conversely, when the *real* appreciates against the U.S. dollar and the international market prices for our products remain constant, our revenue from exports decreases. When the *real* depreciates against the pound, our revenue from the European segment increases. Conversely, when the *real* appreciates against the pound, these revenues decrease.

Our U.S. dollar-denominated indebtedness represented 75.1% of our indebtedness outstanding on December 31, 2009. As a result, when the *real* depreciates against the U.S. dollar, the service costs on our U.S. dollar-denominated indebtedness increases in *reais*, which negatively affects our results of operations in *reais* because our total liabilities and debt service obligations in *reais* increase. Conversely, when the *real* appreciates against the U.S. dollar, the service costs of our U.S. dollar-denominated indebtedness decrease in *reais*, which positively affects our results of operations in *reais* because our total liabilities and debt service obligations in *reais* decrease. As a consequence, our financial expenses tend to decrease as a result of foreign exchange gains.

Export sales, which enable us to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations, but they do not fully match them.

With approximately 38.2% of our net operating revenue generated in currencies other than the *real* in 2009, we believe we have a natural hedge against maturities of our future obligations in foreign currencies. Furthermore, we have a solid financial policy, maintaining high balances of cash and short-term financial investments with first-rate institutions.

We do not enter into leveraged transactions with derivatives or similar instruments. We only use derivatives or similar instruments to provide protection against our exposure to debt denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments or transactions that could jeopardize our financial position.

Effect of Level of Indebtedness

As of December 31, 2009, our total consolidated outstanding indebtedness was approximately R$5,154.1 million. The level of our indebtedness results in significant financial expenses, which consist of interest expense, exchange variations of U.S. dollar and other foreign currency denominated debt, and other items as set forth in the Note No. 16 to our consolidated financial information as of and for the year ended December 31, 2009.

During 2009, we recorded net financial revenue of R$23.4 million, consisting of (i) R$(792.1) million in fees, charges and interest paid, (ii) R$643.5 million in gains on foreign exchange variation and (iii) R$172.0 million of financial revenue.

Changes to Brazilian Accounting Practices

The enactment of Law No. 11,638/2007 and Provisional Measure No. 449/2008 (later converted into Law No. 11.941/2009), altered, revoked and added new accounting provisions to Brazilian corporate law. These new accounting rules became effective for the year-end financial statements to be prepared relating to any fiscal year starting on or after January 1, 2008, and will be mandatory for all Brazilian publicly held companies.

The purpose of these amendments was to facilitate the transition from Brazilian GAAP to IFRS, and to allow regulatory entities and the CVM to issue new accounting rules and procedures in accordance with IFRS.

In addition, in 2008, as a result of the enactment of these laws, the CPC issued a number of compulsory accounting pronouncements to be applied to the preparation of financial statements as of and for the year ended December 31, 2008 onwards.

Our financial statements as of and for the year ended December 31, 2008 are, therefore, our first set of financial statements presented in accordance with Law No. 11,638/2007 and Provisional Measure No. 449/2008. Pursuant to Resolution No. 565/2008, which approved CPC Accounting Pronouncement No. 13 concerning the first financial statements prepared pursuant to the new accounting practices adopted in Brazil, we elected to adjust our balance sheet as of the transition date of January 1, 2008, by applying the rule under paragraph 1 of article 186 of Brazilian corporate law.

As a result, our financial statements as of and for the years ended December 31, 2007, 2008 and 2009 were prepared in accordance with Brazilian GAAP in force at the respective dates of preparation of each of these financial statements and have not been being restated for purposes of comparison and are therefore not comparable in certain respects.

For a better understanding of the changes in the accounting practices adopted in Brazil, and adjustments to our net income and shareholders' equity, see Note No. 2 to our financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum.

Moreover, further in this process of convergence to IFRS, the CPC has issued several additional pronouncements which will have to be applied in the preparation of our financial statements as of and for the year ending December 31, 2010, with retroactive application for comparison purposes to the financial statements as of and for the year ended December 31, 2009, which could materially affect the way we prepare our financial statements, our financial position and our results of operations and, thus, the basis for calculation of dividend declarations.

Accounting Practices

For a summary of our significant accounting practices, see Note No. 3 to our financial statements included elsewhere in this offering memorandum.

Presentation of Financial Information

We maintain our books and records in Brazilian *reais*. The following financial information is included in this offering memorandum.

Marfrig's Financial Information for the Years ended December 31, 2007, 2008 and 2009

Our unconsolidated and consolidated balance sheets as of December 31, 2007, and the unconsolidated and consolidated income statements, the unconsolidated statement of changes in shareholders' equity, the unconsolidated and consolidated statements of changes in financial position for the year ended December 31, 2007, were prepared in accordance with Brazilian GAAP and the rules issued by the CVM, as effective on those dates, and do not include the changes introduced by Law No. 11,638/2007 and Provisional Measure No. 449/2008.

Our unconsolidated and consolidated balance sheets as of December 31, 2008 and 2009, the unconsolidated and consolidated income statements, the unconsolidated statement of changes in shareholders' equity, the unconsolidated and consolidated statements of cash flow and the unconsolidated and consolidated statements of value added for the years ended December 31, 2008 and 2009, were prepared in accordance with Brazilian GAAP and the rules issued by the CVM, and include the changes introduced by Law No. 11,638/2007 and Provisional Measure No. 449/2008.

Since the financial information as of and for the years ended December 31, 2008 and 2009 includes the changes introduced by Law No. 11,638/2007 and Provisional Measure No. 449/2008 and the financial information as of and for the year ended December 31, 2007 do not, there is limited comparability between the financial information as of and for the year ended December 31, 2007 and the financial information as of and for the years ended December 31, 2008 and 2009. For further information on the changes introduced to Brazilian corporate law, see Note No. 2 to our financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum.

Seara's Financial Information for the Years ended December 31, 2008 and 2009

Seara's balance sheets as of December 31, 2008 and 2009, the statements of operations, the statement of changes in shareholders' equity and the statements of cash flows for the years ended December 31, 2008 and 2009, were prepared in accordance with Brazilian GAAP. As Seara was a limited liability company in Brazil, the rules and regulations issued by the CVM were not applicable in the preparation of its financial statements. Brazilian GAAP applicable for limited liability companies differs in significant respects from Brazilian GAAP applicable to public companies such as ours. Those differences involve accounting treatments and disclosures in the financial statements. We have not identified or quantified those differences and thus there can be no assurance that reconciliations would not identify quantitative differences as well as disclosure and presentation differences between our financial statements and Seara's financial statements included in this offering memorandum.

Our Financial Statements

We present and discuss in this section the financial information derived from our consolidated audited financial statements as of and for the years ended December 31, 2007, 2008 and 2009, which reflect the results of operations of our subsidiaries and the evolution of the business of the group during those years and periods.

To analyze our financial statements, potential investors should consider our different shareholding structures and the companies we control during the periods indicated.

As a result of these acquisitions our financial statements are not comparable in certain respects for certain years. Our management believes that the discussion of consolidated financial information is therefore the best way to explain our financial condition, results of operations and business for these years and periods.

For further information on acquisitions, see "Presentation of Financial and Other Information – Acquisition of Seara and Zenda Group," "Summary—Recent Developments" and "Business—History of Our Organic Growth and Acquisitions."

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Operating Revenue

Net operating revenue increased 55.0%, from R$6,203.8 million in 2008 to R$9,615.7 million in 2009. The increase was principally due to: (i) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, which in the aggregate increased our revenue by R$2,896.4 million; and (ii) organic growth of our operations, which increased our net operating revenue by R$515.5 million.

The tables below show our net operating revenue and sales volumes for each of our segments:

Net Revenue by Segment	Year ended December 31,	
Segments	2009	2008
	(in millions of R$)	
Beef	1,782.3	1,269.7
Food Service	430.9	403.5
Poultry	1,276.6	638.1
Pork	240.2	323.7
Industrialized Products	804.8	623.7
Argentina	1,116.0	1,048.5
Uruguay	944.7	1,069.6
Europe/Tradings	3,020.2	827.0
Net Operating Revenue	9,615.7	6,203.8

Volume sold by Segment	Year ended December 31,	
Segments	2009	2008
	(in metric tons)	
Beef	490,309	386,376
Food Service	85,587	68,711
Poultry	403,184	202,535
Pork	112,111	98,317
Industrialized Products	173,741	114,979
Argentina	320,846	285,580
Uruguay	218,365	220,970
Europe/Tradings	382,100	103,299
Total Volume	2,186,243	1,480,767

Domestic Markets

Our net operating revenue from sales in our domestic markets increased 79.4%, from R$3,312.8 million in 2008 to R$5,943.3 million in 2009. The increase was principally due to: (i) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, which in the aggregate increased our net operating revenue by R$2,256.6 million; and (ii) the organic growth of our operations through increased market share, representing an increase of R$374.0 million in our net operating revenue.

Export Markets

Our net operating revenue from sales in our export markets increased 27.0%, from R$2,891.0 million in 2008 to R$3,672.4 million in 2009. The increase was principally due to: (i) the positive effect of resumed exports from Argentina during the first half of 2009 (the Argentine government had imposed export restrictions in the first half of 2008 and again in the second half of 2009); (ii) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, which in the aggregate increased our revenue by R$639.9 million; and (iii) our organic growth from increased export sales of both chicken, to the Middle East and Asia, and beef, to new markets such as Chile, where the import of meat from Brazil had been restricted until April 2009, which represented an increase of R$141.5 million.

Net operating revenue in 2009 was adversely affected by the global crisis and associated price corrections in January and February of 2009, with decreases in volumes and prices. Since March 2009, while the world economy has improved, with an increase in volumes and prices in the domestic and export markets in which we operate, prices have not yet reached the levels of 2008.

In 2009, our export markets were influenced by a slow recovery in the international market. In this period, our export markets showed a decrease in average prices, which was substantially offset by a 25.5% appreciation of the *real* against the dollar, resulting in a 13.6% decrease in average prices in *reais*. Our net operating revenue linked to the dollar during the period represented approximately 21.4% of our net operating revenue in our export markets. Part of the depreciation of the dollar was offset by the geographic diversification of our businesses and revenues effect of the currency in other currencies which were not as affected, as was the case with the pound, which for the year ended December 31, 2009 accounted for approximately 31.4% of our net operating revenue.

We discuss below the changes in net operating revenue by business segment.

Beef and Food Service—Brazil

Net operating revenue from beef in Brazil increased 35.7%, from R$1,690.2 million in 2008 to R$2,293.0 million in 2009. The volume of sales reached 663.0 metric tons and increased 25.6% in 2009 compared to 528.0 metric tons in the 2008. Since the beginning of 2008, we have implemented a strategy to privilege the best distribution channels, which led to an average price increase of 6.1%, reaching R$4.04/kg in 2009, compared to R$3.81/kg in 2008.

Net operating revenue from the food service segment increased 23.8%, from R$467.2 million in 2008 to R$578.2 million in 2009. The variation was due to the increase of 13.7% in volume of metric tons sold, and to the 8.98% increase in average prices, from R$5.54/kg in 2008 to R$6.03/kg in 2009.

Poultry, Pork and Industrialized Products

Net operating revenue from chicken operations (Brazil) increased 85.3%, from R$733.0 million in 2008 to R$1,358.0 million in 2009. This increase is principally due to the acquisition of the Brazilian operations of OSI Group (Braslo, Penasul and Agrofrango) in the last quarter of 2008 and the acquisitions of DaGranja and Penapaulo, most of which were included in our results in April 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009. Metric tons sold increased 75.5% and average prices decreased 13.9% from 2008 to 2009.

Net operating revenue from pork decreased 17.0%, from R$368.3 million in 2008 to R$305.7 million in 2009. The decrease was principally due to (i) the 27.1% decrease of the average price (23.3% decrease in the domestic markets and a 27.6% decrease in the export markets) and (ii) a decrease in the demand of export markets, especially due to the effects of the world financial crisis in the Russian economy (Russia was responsible for approximately 50% of the exports of pork from Brazil, according to ABIPECS). This was partially offset by (i) the 25.5% appreciation of the *real* against the dollar during 2009 compared to 2008, (ii) the increase of 20.0% in volume of metric tons sold in the Brazilian domestic market, and (iii) growth in the relative participation of industrialized products derived from pork in our product portfolio, which reached approximately 3.2%.

Argentina

Net operating revenue from the Argentine segment increased 6.4%, from R$1,048.5 million in 2008 to R$1,115.9 million in 2009. The increase was due in part to a 12.3% increase in volume of metric tons sold, partially offset by a 5.3% decrease in the average price (8.3% increase in the Argentine domestic market and a 34.8% decrease in the export markets).

Uruguay

Net operating revenue from the Uruguayan segment decreased 11.7%, from R$1,069.6 million in 2008 to R$944.7 million in 2009. The decrease was principally due to (i) a 1.2% decrease in volume of metric tons sold and (ii) a 10.6% decrease in the average price (2.0% decrease in the Uruguayan domestic market and a 15.0% decrease in the export markets).

Europe

Net operating revenue from the European segment increased 265.2%, from R$827.0 million in 2008 to R$3,020.2 million in 2009, contributing 31.4% of the net operating revenue of the Marfrig Group during the period. The increase is principally due to the acquisitions of Moy Park and Kitchen Range, which we consolidated in the financial statements for the last quarter of 2008. Metric tons sold also increased 269.9%, due to the aforementioned acquisitions, reaching 382.100 metric tons in 2009. Despite the global crisis, internal levels of consumption in Europe remained stable in 2009.

Cost of Goods Sold

The cost of goods sold increased 68.8%, from R$4,876.8 million in 2008 to R$8,234.3 million in 2009. The increase was principally due to (i) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, accounting in the aggregate for an increase of R$2,686.6 million, or 32.6%, in the cost of goods sold; and (ii) costs associated with increased sales at the other companies in our group, which affected our costs by R$670.9 million.

In terms of the composition of the costs of goods sold the increase was due to: (i) the 37.1% increase in purchases of carcasses from third parties, from R$314.5 million in 2008 to R$431.1 million in 2009; (ii) the 20.1% increase in purchases of grain and soy bean, from R$55.1 million in 2008 to R$66.2 million in 2009; (iii) the 30.4% increase in direct labor costs, from R$240.5 million in 2008 to R$313.5 million in 2009; and (iv) the 13.6% increase in indirect labor costs, from R$98.5 million in 2008 to R$111.9 million in 2009.

Depreciation and amortization expenses increased 145.6%, from R$103.1 million in 2008 to R$253.1 million in 2009. The increase was principally due to the consolidation of the acquisitions that occurred from the first quarter through the last quarter of 2008, which in the aggregate represented an increase of R$107.3 million in depreciation and amortization expenses.

Gross Profit and Gross Margin

Gross profit increased 4.1%, from R$1,327.0 million in 2008 to R$1,381.4 million in 2009, while gross margin decreased from 21.4% in 2008 to 14.4% in 2009.

The increase in gross profit was principally due to the consolidation of the acquisitions that occurred from the first quarter through the last quarter of 2008, increasing gross profit by R$98.0 million

The decrease in our gross margin was due to (i) lower volumes exported as well as lower average export prices, stemming from the global crisis; (ii) the 25.5% appreciation of the *real* against the dollar in 2009, compared to 2008; (iii) consolidation of the aforementioned acquisitions, representing a 5.7% decrease in our gross margin; and (iv) a change in the mix of our portfolio products.

Without considering the effects of our acquisitions in 2008 and 2009, our gross margin was 20.1% at the end of 2009. We believe that there will be opportunities to increase our gross margin from the synergies we will obtain from the companies we acquired.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 62.1%, from R$573.1 million, or 9.2% of net operating revenue, in 2008, to R$929.0 million, or 9.7% of net operating revenue, in 2009, due to:

- an increase of R$107.8 million, or 60.0%, in administrative expenses, due to (i) increased labor costs, up from R$59.7 million in 2008 to R$75.1 million in 2009; and (ii) increased costs of third party service providers, from R$17.0 million in 2008 to R$23.5 million in 2009. The consolidation of administrative expenses from the acquisitions that occurred from the first quarter through the last quarter of 2008 as well as from companies partially consolidated in the financial statements as of and for the year ended December 31, 2008 increased administrative expenses by R$95.7 million, or 33.3%;
- an increase of R$248.1 million, or 63.1%, in selling expenses, due to: (i) the consolidation of the selling expenses from the acquisitions that occurred from the first quarter through the last quarter of 2008 as well as from the companies partially consolidated in 2008, which in the aggregate increased selling expenses by R$194.8 million, or 30.4%; and (ii) freight expenses, which increased from R$115.7 million in 2008 to R$149.7 million in 2009; and
- an increase of R$1.2 million, or 6.0%, in depreciation and amortization expenses relating to assets that we use in our administrative and selling activities, which increased from R$20.1 million in 2008 to R$21.3 million in 2009.

Other Operating Revenues (Expenses)

Amortization of goodwill for the year ended December 31, 2008 was R$37.1 million. This amount represented amortization of the premium paid for expected future profits of acquisitions made in 2007 and in the first half of 2008. For the year ended December 31, 2009 there was no amortization of goodwill because of changes in Law No. 11,638/2007 and Provisional Measure No. 449/2008, which modified Brazilian accounting standards, prohibiting the amortization of goodwill.

In 2009, we recorded a gain in the amount of R$68.5 million, which resulted from a new settlement that we entered into with the tax authorities relating to taxes due under the new Tax Recovery Program (REFIS) established by Law No. 11,941/09. In 2008, we did not record a similar gain.

Financial Income (Expenses)

The *real* appreciated sharply against the dollar in 2009. On December 31, 2009, the dollar was trading at R$1.7412 to US$1.00, compared to R$2.3370 to US$1.00 on December 31, 2008, representing an appreciation of 25.5% in the period. Since most of our debt is denominated in dollars (approximately 75.1% as of December 31, 2009), the appreciation of the Brazilian currency relative to the dollar generated net exchange gains of R$643.5 million, resulting in a positive financial result of R$23.4 million for the year ended December 31, 2009. In 2008, high exchange rate volatility caused net exchange losses of R$743.6 million, which contributed to a negative financial result of R$961.1 million.

The 37.9% increase in financial expenses reflects the increase of 19.5% in our debt in 2009 compared to 2008. The increase in our indebtedness was principally due to (i) the loans we contracted to finance our acquisitions and (ii) the consolidation of debt of the companies we acquired.

The table below shows the breakdown of our net financial result:

	Year ended December 31,	
	2009	2008
	(in millions of R$)	
Financial income	172.0	234.1
Financial expenses	(622.4)	(451.6)
Equity capital interest	(169.7)	—
Exchange gains	728.7	479.2
Exchange losses	(85.2)	(1,222.8)
Net financial result	23.4	(961.1)

Income and Social Contribution Taxes

We recorded income and social contribution taxes in the amount of R$51.1 million representing 0.5% from net income sales in 2009, due to the recording of (i) current income tax in the amount of R$28.2 million; (ii) tax gain in other countries of R$25.4 million; (iii) deferred taxes of R$31.1 million and (iv) deferred social contribution tax of R$17.0 million. Since we had a loss in 2008, we recorded deferred taxes, which generated revenue of R$211.8 million in 2008.

Net Income (Loss)

Net income in the amount of R$679.1 million represented 7.1% of net sales in 2009 compared to a net loss of R$35.5 million in 2008, principally due to (i) increased sales of higher value-added products and (ii) greater efficiency in our production during the period of 2009 compared to 2008. In addition, in 2009 the positive financial result deriving from the appreciation of the *real* against the U.S. dollar resulted in an exchange gain for the year ended December 31, 2009, while in 2008 there was a depreciation of the *real* against the U.S. dollar.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Operating Revenue

Net operating revenue increased 85.7%, from R$3,339.9 million in 2007 to R$6,203.8 million in 2008, due to (i) the consolidation of the acquisitions that occurred in 2008, which together increased our net operating revenue by R$2,718.8 million, or 43.8%; and (ii) our organic growth, which increased our net operating revenue by R$145.1 million.

The tables below show our net operating revenue and sales volume for each of our segments:

Net Revenue by Segment	Year ended December 31,	
Segments	2008	2007
	(in millions of R$)	
Beef	1,269.7	1,651.7
Food Service	403.5	282.2
Poultry	638.1	—
Pork	323.7	51.5
Industrialized Products	623.7	341.3
Argentina	1,048.5	346.0
Uruguay	1,069.6	588.9
Europe/Tradings	827.0	78.3
Net operating revenue	6,203.8	3,339.9

Volume sold by Segment	Year ended December 31,	
Segments	2008	2007
	(in metric tons)	
Beef	386,376	590,303
Food Service	68,711	58,232
Poultry	202,535	—
Pork	98,317	15,730
Industrialized Products	114,979	38,270
Argentina	285,580	95,046
Uruguay	220,970	122,069
Europe/Tradings	103,299	20,514
Total volume	1,480,767	940,164

Domestic Markets

Net operating revenue from sales in our domestic markets increased 116.0%, from R$1,533.8 million in 2007 to R$3,312.8 million in 2008. The increase was principally due to (i) the consolidation of the acquisitions that occurred in 2008, which in the aggregate increased our net operating margin by R$1,528.9 million, and (ii) increased contributions from new operations oriented towards our domestic markets, such as the European division (Moy Park).

Export Markets

Net operating revenue from sales in our export markets increased 60.1%, from R$1,806.1 million in 2007 to R$2,891.0 million in 2008. The increased exports were principally due to the consolidation of the acquisitions that took place during 2008, which increased net operating revenue by R$1,189.8 million. Exports represented 46.6% of net operating revenue in 2008, compared to 54.1% in 2007. The decreased contribution of exports to our net operating revenue mainly resulted from export barriers on fresh meat imposed by the European Union, Argentina’s introduction of new rules for exports in the first half of 2008, and the fall in international prices in the last quarter of 2008, offset in part by our diversification strategy and the consolidation of new companies with greater market share in our domestic markets.

We discuss the changes in net operating revenue by segment below.

Beef and Food Service—Brazil

Net operating revenue from beef decreased 12.7%, from R$1,935.1 million in 2007 to R$1,690.2 million in 2008. The decrease was principally due to the fact that we maintained the number of cattle slaughtered to meet market demand, and the strategy of benefiting from distribution channels with sustainable margins. Besides the European embargo on fresh Brazilian beef, the decrease of sales to Russia in the last quarter of 2008 (due to the global credit crisis) also affected exports of this segment, which led to fewer metric tons being sold.

Net operating revenue from the food service segment increased 41.3%, reaching R$467.2 million in 2008, due to our strategy of increased diversification, which, together with the synergies obtained among segments, resulted in increased metric tons sold.

Poultry, Pork and Industrialized Products

Net operating revenue from pork increased 504.1%, reaching R$368.3 million in 2008. The increase was due to the incorporation of Mabella's operations in the last quarter of 2007 and the acquisition of MBL in February 2008, all of which contributed to the increased productive capacity of this segment. In addition, there was an average price increase of 1.1% during 2008.

Net operating revenue from the poultry segment reached R$733.0 million. Operations in this division began in the second quarter of 2008 with the acquisitions of DaGranja and Penapaulo, and expanded in the last quarter of 2008 when we merged the assets of Braslo, Penasul and Agrofrango into our Company.

Argentina

Net operating revenue from the Argentine segment increased 203%, reaching R$1,048.5 million in 2008. The mergers of Vivoratá, Estancias del Sur and Quickfood into our Company in 2007 were important components of this increase.

Uruguay

Net operating revenue from the Uruguayan segment was R$1,069.6 million in 2008, an increase of 81.6% compared to 2007. This performance reflected the acquisitions of the refrigerated warehouses in Salto – Cledinor (in June 2007) and Colônia (in October 2007), together with a 20.3% increase in sales prices during 2008.

During this period, we reorganized our trading companies. The trading company in Chile was consolidated into the Uruguayan segment, and the trading companies in Europe were consolidated into the European segment.

Net operating revenue of the trading companies reached R$317.6 million in 2008, an increase of 72% compared to 2007. This growth mainly reflected the acquisitions of Quinto Quarto (in July 2007) and Frigorifico Patagonia (in August 2007), and the inclusion of chicken and pork products in the portfolio of sales of this segment.

Europe

The European segment generated net operating revenue of R$827.0 million in 2008, its first year of operations. The European operations (Moy Park and Kitchen Range) were included in our results of operation beginning in the last quarter of 2008. This segment has comprehensive chicken operations, and approximately 49% of its revenue came from processed and industrialized products.

Cost of Goods Sold

Cost of goods sold increased 82.4%, from R$2,673.1 million in 2007 to R$4,876.8 million in 2008, principally due to the increase in our sales as a result of our acquisitions in the period, which in the aggregate increased the cost of goods sold by R$1,762.0 million, or 36.1%.

As a percentage of net operating revenue, the cost of goods sold decreased from 80.0% in 2007 to 78.6% in 2008 due to the decrease in purchase of raw material (animals and input for feed, which represent the great part of the costs of good sold). Purchase of raw material represented 79.4% of costs of good sold in 2007, compared to 77.2% in 2008, a decrease of 2.2 percentage points.

Depreciation and amortization expenses increased 273.3%, from R$27.6 million in 2007 to R$103.1 million in 2008, due to the consolidation of the acquisitions that took place during this period, which in the aggregate represented an increase of R$41.6 million.

Gross Profit

Gross profit increased 99.0%, from R$666.9 million in 2007 to R$1,327.0 million in 2008. The increase was due to (i) the consolidation of the acquisitions that took place during 2008, which in the aggregate increased gross profit by R$464.0 million in 2008; and (ii) our organic growth, which increased our gross profit by R$196.1 million in 2008.

Growth in gross margin, which closed 2008 at 21.4%, compared to 20.0% in 2007, reflects the expansion of our operations, economies of scale and synergies among our segments.

We maintained our strategy of preserving the profitability of our group of businesses, principally through (i) geographic diversification (Brazil, Argentina, Uruguay, Chile, the United States and, since 2008, Europe); (ii) increasing the share of industrialized products, which reached 22.3% in 2008 and 30.8% in the last quarter of 2008; (iii) increasing sales of poultry and pork products; and (iv) resuming Argentine exports to previous levels.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 77.2%, from R$323.4 million in 2007 to R$573.1 million in 2008, due to:

- an increase of R$173.6 million, or 79.0%, in selling expenses, due to: (i) labor costs, which increased from R$16.3 million in 2007 to R$24.5 million in 2008; (ii) marketing expenses, which increased from R$2.6 million in 2007 to R$7.7 million in 2008 and (iii) the consolidation of the selling expenses from acquisitions that took place during 2008, which in the aggregate increased selling expenses by R$147.7 million, or 37.5%;
- an increase of R$76.1 million, or 73.5%, in administrative expenses, due to (i) the increase in labor costs, from R$32.9 million in 2007 to R$50.0 million in 2008; and (ii) the increase in costs from third party service providers, from R$13.2 million in 2007 to R$16.4 million in 2008. The consolidation of the administrative expenses from acquisitions that took place during 2008 represented an increase of R$51.5 million, or 28.6%, in administrative expenses; and,
- depreciation and amortization expenses of fixed assets used in administrative and selling activities, which increased 114.1%, from R$9.2 million in 2007 to R$20.1 million in 2008, due to the consolidation of the acquisitions that took place during this period, which in the aggregate represented an increase of R$5.8 million.

As a percentage of net operating revenue, selling, general and administrative expenses decreased from 9.7% in 2007 to 9.1% in 2008. The decrease was principally due to our focus on controlling costs and reducing expenses. Since 2007, we have hired a consulting service company to help us achieve this goal.

Amortization of Goodwill

Amortization of goodwill increased 266.8%, from R$10.1 million in the year ended December 31, 2007 to R$37.1 million on December 31, 2008. This increase was due to the amortization of the premium paid for expectations of future profitability from acquisitions in the last quarter of 2007 and during 2008.

Financial Income (Expenses)

In 2008, our financial income (expenses) was affected by an appreciation of approximately 31.9% of the dollar against the *real*. 81.6% of our debt was denominated in foreign currency in 2008, compared to 87.1% in 2007. The exchange rate variation directly affected our results in 2008, generating a net loss of R$743.6 million.

The table below shows the breakdown of the components of our net financial result:

	Year ended December 31,	
	2008	2007
	(in millions of R$)	
Financial income	234.1	65.4
Financial expenses	(451.6)	(260.6)
Expenses related to hedges and swaps	—	(30.3)
Interest on equity capital	—	(41.2)
Exchange gains	479.2	220.7
Effect of exchange variation—conversion	—	(2.3)
Exchange losses	(1,222.8)	(208.7)
Net financial result	(961.1)	(257.0)

In the year ended December 31, 2007, we distributed R$41.2 million in the form of interest on equity capital. In 2008, we did not distribute interest on equity capital because there was a net loss for the year.

Income and Social Contribution Taxes

Since we had a loss in 2008, we recorded deferred taxes, which generated revenue of R$211.8 million in 2008. This amount will be reversed in future years, to the extent results are positive and we have a profit. In 2007, income and social contribution taxes represented an expense of R$28.1 million, stemming from our profits during the year.

Reversion of Interest on Equity Capital

Interest on equity capital recorded in the financial income (expenses) was reversed so that the distribution would instead be recorded in the account for accumulated profit. In 2007, we distributed R$41.2 million of interest on equity capital. In 2008, we did not distribute interest income (expenses) on equity capital due to the net loss in that year.

Net Income (Loss)

In 2008 we had a net loss of R$35.5 million, which was mainly caused by the depreciation of the *real* in 2008. In 2007, we had net income of R$85.0 million, with net margin of 2.3%.

Liquidity and Capital Resources

Sources and Uses of Cash

Our main sources of cash are (i) our cash flow from operations, and (ii) our long- and short-term indebtedness. Our main uses of cash are costs and expenses related to our operations, cash requirements for capital expenditures related to investments in expansion and/or modernization of our plants, and repayment of debt.

Our cash flows used in operations in the years ended December 31, 2007 and 2008 were R$204.8 million and R$728.5 million, respectively. In December 31, 2009, our cash flow used in operations was R$121.0 million. Besides financing our operations, we needed cash to acquire new businesses, make investments and pay our debts. Our cash needs in these periods were mainly supplied by short- and long-term indebtedness. In addition, our cash needs were also supplied by issuance of shares in June 2007 and November 2009.

The table below shows our cash flows for the periods indicated:

	Year ended December 31,		
	2007	**2008**	**2009**
Net cash provided by (used in) operations	(204.8)	(728.5)	121.0
Net cash used in investments	(1,129.8)	(2,006.6)	(731.1)
Net cash provided by (used in) financing activities	2,092.7	2,701.0	2,639.8
Exchange rate effect on cash and cash equivalents	—	56.0	(67.9)
Increase (decrease) in available cash	758.1	21.9	1,961.8

Cash Used for Investments

Capital used for investments, purchases of fixed assets, intangibles and pre-operating expenses in the years ended December 31, 2007, 2008 and 2009, were R$1,129.8 million, R$2,006.6 million and R$731.1 million, respectively.

In 2007, 2008 and 2009, our allocations of resources were directed mainly to the expansion of our operations. In 2007, 2008 and 2009, we invested R$553.9 million, R$284.8 million and R$535.5 million, respectively, in the construction, acquisition, maintenance, modernization and/or expansion of our plants. In addition, in 2008, we invested R$1,477.7 million in acquiring companies in Brazil and abroad. In 2009 we did not invest in acquiring companies in Brazil and abroad. We made a payment of R$190.3 million for acquisitions made prior to December 31, 2008.

On January 4, 2010, we completed the Acquisition of Seara. The purchase price was US$899.0 million, consisting of US$705.2 million in cash and US$193.8 million in debt Marfrig assumed. On February 24, 2010, we made an additional payment of US$32.4 million in order to reflect changes in Seara's working capital.

Other Applications of Funds

In 2007, we made payments of interest on equity capital in the amount of R$41.2 million. In the year ended December 31, 2008, no dividends or interest on equity capital were paid. In the year ended December 31, 2009, we made payments of interest on equity capital in the amount of R$169.7 million.

Indebtedness

Our outstanding indebtedness as of December 31, 2009 was R$5,154.1 million, compared to R$4,313.5 million as of December 31, 2008, representing an increase of 19.5% in the period. This debt was composed of R$1,473.6 million in short-term debt (or 28.6% of the total, compared to 28.6% as of December 31, 2008) and R$3,680.5 million of long-term debt (or 71.4% of the total, compared to 71.4% as of December 31, 2008).

In 2009, our debt increased due to new net debt (new debt, less retired debt) of R$2,977.6 million, but was offset by R$702.7 million in exchange rate gains generated by the 25.5% appreciation of the *real* against the dollar, such that our overall indebtedness in the period was essentially flat.

As of December 31, 2009, 24.9% of our gross debt was denominated in Brazilian currency (18.4% as of December 31, 2008) and 75.1% in foreign currency (81.6% as of December 31, 2008). Our new funding operations have allowed us to refinance *real* and dollar debt with attractive lines of credit, lowering the average cost of our dollar-denominated debt to 7.6% annually, compared to 9.1% as of December 31, 2008, and lowering the cost of our *real*-denominated debt to 10.8% per year, from 14% as of December 31, 2008. The average cost of our debt decreased to 8.4% as of December 31, 2009 compared to 9.9% as of December 31, 2008.

Our net debt as of December 31, 2009 was R$2,120.7 million, which was stable compared to net debt as of December 31, 2008, when net debt was R$3,241.8 million. This stability was mainly due to a greater cash balance, as well as the decrease in our foreign-currency denominated debt. The ratio of net debt to EBITDA for 2009 was 2.59x, as shown in the table below:

	Year ended December 31,		
Indebtedness and Cash	**2007**	**2008**	**2009**
	(in millions of R$)		
Gross Debt	2,074.0	4,313.5	5,154.1
Cash	1,049.8	1,071.7	3,033.4
Net Debt	1,024.2	3,241.8	2,120.7
Net Debt / EBITDA (last 12 months)	2.69	3.67	2.59

The table below describes our consolidated debt as of December 31, 2009, as well as changes in our loans and financings for the years indicated:

	Charges (% per year)	Average Interest Rate (per year)	Average Maturity (years)	As of December 31, 2009
				(in millions of R$)
Credit Facility				
Domestic currency				
FINAME(1)	TJLP(4) + Fixed Rate	6.01	2.29	8.9
BNDES(2) Exim	TJLP + Fixed Rate	10.19	0.00	0
BNDS Finem	TJLP + 1.80	8.05	3.13	11.0
FINEP(3)	TJLP + 1%	7.25	3.81	37.6
NCE	Fixed Rate + % CDI	11.34	1.52	1,064.3
Working Capital (R$)	Fixed Rate + % CDI	8.36	1.38	133.6
Rural Bank Note (R$)	Fixed Rate	6.77	0.44	25.0
Pre-payment (interest)	% CDI	9.85	0.5	1.6
Others		—	—	—
Total Domestic Currency		**10.75**		**1,282.1**
Foreign Currency				
Advances for Foreign Exchange Contracts (US$)	Fixed Rate + V.C	6.83	0.52	503.8
Financing Industrial Estate	Libor(5) + Fixed Rate + V.C	3.66	2.12	20.8
Pre-payment (US$)	Libor + Fixed Rate + V.C	7.26	4.87	2,138.1
BNDES Exim (US$)	Basket of currencies + Fixed Rate	11.55	0.00	—
Bonds (US$)	Fixed Rate + V.C	9.63	6.94	643.6
BNDES Finem	Basket of currencies + 1.30	1.3	3.13	2.1
NCE (US$)	% CDI + Fixed Rate + V.C. (US$) + Libor	8.53	1.99	398.1
Swap	Premium + V.C	—	—	42.5
Working Capital (US$)	Fixed Rate + Libor	5.19	2.85	31.9
Working Capital (*Pesos*)	Furtherance Unit	5.10	0.30	0.1
Bank Loan (US$)	Fixed Rate	5.21	2.52	21.4
PAE (US$)	Fixed Rate	4.8	0.2	8.4
Financings (US$)	Fixed Rate	5.96	0.44	4.7
Current Account Overdrafts (US$)	LIBOR + Fixed Rate	2.52	0.77	3.9
Others				
Bonds (US$)—Holdings	Fixed Rate	6.70	4.30	52.8
Total Foreign Currency		**7.58**	**—**	**3,872.1**
Total Indebtedness		**8.37**	**—**	**5,154.1**
Current Liabilities				**1,473.6**
Noncurrent Liabilities				**3,680.5**

(1) Finance for Machinery and Equipments (*Financiamento de Máquinas e Equipamentos*), or FINAME.
(2) The Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES.
(3) Studies and Projects Financing Entity (*Financiadora de Estudos e Projetos*), or FINEP.
(4) Long-term interest rate.
(5) London Interbank Offered Rate, or Libor.

The table below shows the maturity of our consolidated short-term and long-term debt as of December 31, 2009, in thousands of *reais*:

Maturity Schedule	Consolidated December 31, 2009
Domestic Currency	
Current	
First quarter 2010	189.7
Second quarter 2010	198.1
Third quarter 2010	140.4
Last quarter 2010	184.9
Non-current	
2011	454.2
2012	55.0
2013	30.0
2014	24.6
2015	4.6
2016	0.6
	1,282.1
Foreign Currency	
Current	
First quarter 2010	227.4
Second quarter 2010	134.7
Third quarter 2010	214.2
Last quarter 2010	184.1
Non-current	
2011	577.9
2012	533.1
2013	591.2
2014	418.4
2015	215.2
2016	775.6
	3,872.1
Total Indebtedness	5,154.148

Derivatives

We are exposed to market risks related to exchange rate, interest rate and commodity price fluctuations of a nature considered normal to our business. In order to minimize these risks, we maintain certain policies and procedures and may use hedging instruments, as long as they have been previously approved by our board of directors.

Among these policies, we highlight the following: monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of our debt, cash flows and interest rates.

Our management is authorized to take the actions mentioned below, up to the amount equivalent to 10% of our equity based on the last publicly-available financial statements. In the case of amounts higher than 5%, an additional authorization from our Finance Committee is necessary.

Our management is authorized to: (i) guarantee the liabilities of our wholly-owned subsidiaries and/or controlled companies; (ii) approve acquisitions and/or disposals of permanent asset items; (iii) approve financial transactions, including leases; and (iv) approve a transaction or group of transactions involving us and related parties, whether directly or indirectly.

We do not enter into leveraged transactions with derivatives or similar instruments. We use derivatives or similar instruments only to provide protection against our exposure to debt denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments transactions that could jeopardize our financial position.

We also have a sound financial policy, maintaining a high level of cash balances and short-term financial investments. At the same time, the maturity of our long-term indebtedness is such that it does not affect a single year or period.

Interest Rate Risk Management

Interest rate risk refers to our risk of incurring economic losses due to negative changes in interest rates. This exposure refers to changes in market interest rates that affect our assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR or CDI (interbank deposit rate).

In order to reduce debt service costs, which were R$5,154.1 million for the year ended December 31, 2009, we monitor market interest rates on a continuous basis to assess the need to enter into new derivative contracts to hedge our operations against the risk of fluctuations of these rates.

Commodity Price Risk Management

In the course of our activities, we purchase commodities, such as corn, soybean meal, live cattle and pork, which are the biggest individual components of our production costs and are subject to certain variables.

The price of cattle and pork acquired from third parties is directly related to market conditions, and is influenced by domestic availability and export markets demand.

Corn and soybean meal are subject to volatility resulting from weather conditions, crop yield, transportation costs, warehousing costs, agricultural policy, exchange rates, and international prices, among others.

So as to reduce fluctuation of the prices we pay for commodities, we manage inventory levels, keep cattle confined and, when we deem appropriate, we enter into cattle sale agreements at BM&FBOVESPA.

Exchange Risk Management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading us to incur losses and causing a reduction in the value of our assets or an increase in the value of our liabilities. Our main current exchange rate exposure relates to the U.S. dollar fluctuating against the Brazilian *real*.

In 2009, approximately 70.1% of our revenues were denominated in currencies other than the Brazilian *real*. Therefore, we have a natural hedge against the maturities of future obligations in foreign currencies.

We enter into hedging operations in the ordinary course of business, principally to cover exchange rate risks related to receivables denominated in foreign currencies, our financings and loans, and investments, through derivative instruments such as currency and interest rate swap contracts (dollar to *real*, dollar to CDI, LIBOR to CDI) and futures contracts traded on the BM&FBOVESPA.

Contractual Obligations

As of December 31, 2009, our contractual obligations amounted to R$5,298.8 million, of which (i) R$5,154.1 million was bank indebtedness; and (ii) R$144.7 million consisted of outstanding balances for acquisitions of plant or other investments.

The table below sets forth the outstanding balance of our contractual obligations as of December 31, 2009:

	Maturity by period			Maturity by period	
	Total	**2010**	**2011**	**2012**	**From 2013 to 2016**
			(in millions of R$)		
Bank indebtedness	5,154.1	1,473.6	1,032.2	588.2	2,060.1
Outstanding balances for acquisitions	144.7	77.7	32.2	34.8	—
Total contractual obligations	5,298.8	1,551.3	1,064.4	623.0	2,060.1

Ability to Pay Our Debts

We currently have significant indebtedness and we may incur more debt in the future. As of December 31, 2009 our outstanding indebtedness was R$5,154.1 million, of which 24.9% or R$1,282.0 million was denominated in *reais* and 75.1% or R$3,872.0 million was denominated in dollars. In addition, R$0.1 million of our debt was denominated in *pesos*.

Over the three years ended December 31, 2009, we financed part of our activities with debt, and our ability to pay our debt is linked to our ability to raise capital through debt or equity issuances. The inability to incur additional debt may limit our ability to invest in our business and to make necessary or advisable capital expenditures, which may cause a decrease in our future sales, adversely affecting our financial condition. Moreover, the resources we will have to spend to pay our outstanding debt may reduce the amount available for capital expenditures, which may negatively affect our results of operations.

If for any reason our operating cash flow decreases, slows down or does not grow as we expect, we may not be able to pay our debts. If we cannot pay our debt we may have to renegotiate our debt, look for additional capital or even sell assets. We may be unable to obtain new financing or sell our assets at a fair price or at all, which would negatively affect our results of operations.

As of December 31, 2009, we had R$3,033.4 million in cash and cash equivalents, which was 105.8% higher than our R$1,473.6 million of short-term debt. Considering our indebtedness profile and our historical ability to raise capital and generate cash in dollars, pounds and *reais*, we believe we will not face obstacles in paying our debts, by using a combination of different capital resources, such as our cash, the cash generated from our operating activities, debt and equity issuances and credit lines with our suppliers.

We also believe that the investments we made in past years, together with the investments we plan to make in future years will allow us to increase our generation of cash. This, in turn, may gradually enhance our cash and credit flow metrics and will improve our ability to repay our financial obligations.

Material Contracts

The table below shows our material financing agreements as of December 31, 2009:

Financial Institution	Type of Operation	Original Amount		Date	Cost (per year)	Outstanding Balance
		(in millions)				(in millions of R$)
ABN AMRO Bank(1)	Pre-payment	US$	200.0	10/24/2007	7.30%	353.0
ABN AMRO Bank(1)	Pre-payment	US$	100.0	03/12/2008	LIBOR + 2.75%	176.1
CEF(11)	Working capital	R$	50.0	11/19/2009	129.5% CDI	50.2
Banco do Brasil(2)	Pre-payment	US$	100.0	09/08/2009	LIBOR + 5.16%	174.7
Banco do Brasil(2)	Pre-payment	US$	160.0	09/08/2009	LIBOR + 5.50%	278.2
Bonds	Bonds	US$	375.0	11/16/2006	9.625%	643.6
Banco Bradesco(4)	Pre-payment	US$	75.0	03/06/2009	LIBOR + 7.25%	131.3
Banco Bradesco(4)	Pre-payment	US$	300.0	12/21/2009	8.75%	523.3
Banco do Brasil(2)	Export Credit Note	R$	60.0	09/23/2008	124.95% CDI	61.5
Banco do Brasil(2)	Export Credit Note	R$	250.0	08/29/2009	11.25%	254.7
Banco do Brasil(2)	Export Credit Note	R$	150.0	09/30/2009	12.40%	150.0
Banco do Brasil(2)	Export Credit Note	R$	100.0	12/30/2009	118% CDI	100.8
Citibank(5)	Export Credit Note	US$	30.0	09/04/2007	7.35%	53.5
Citibank(5)	Export Credit Note	US$	45.0	10/16/2007	7.28%	79.6
Credit Suisse(6)	Pre-payment	US$	100.0	03/31/2008	102% CDI	171.9
Credit Suisse(6)	Pre-payment	US$	100.0	09/01/2009	116% CDI	173.9
HSBC Bank(7)	Export Credit Note	US$	50.0	08/27/2008	121.5% CDI	89.3
ING BANK(8)	Pre-payment	US$	30.0	12/24/2007	LIBOR + 2%	52.3
Banco Bradesco(4)	Export Credit Note	R$	150.0	01/24/2008	CDI + 1.35%	156.8
Banco Bradesco(4)	Export Credit Note	R$	100.0	08/29/2008	125% CDI	117.0
Banco Safra(9)	Export Credit Note	US$	30.0	08/19/2008	16.1719%	55.4
Société Générale(10)	Export Credit Note	US$	30.0	12/10/2007	7.90%	52.6
Total						**3,949.2**
Subsidiaries						
Credit Suisse	Pre-payment	US$	50.0	06/05/2008	LIBOR + 3%	87.1
Banco Itaú	Export Credit Note	R$	100.0	06/29/2009	130% CDI	100.1
Total						**187.2**

(1) ABN AMRO Bank N.V.
(2) Banco do Brasil S.A., London Branch.
(3) Banco Itaú BBA S/A
(4) Banco Bradesco S.A.
(5) Banco Citibank S.A.
(6) Credit Suisse Brazil (Bahamas) Ltd.
(7) HSBC Bank Brasil S.A.—Banco Múltiplo
(8) ING Bank N.V.
(9) Banco Safra S.A.
(10) Banco Société Générale Brasil S.A.
(11) Caixa Econômica Federal.

The loans and financings mentioned above can be described as follows:

Export Credit Note (Nota de Crédito de Exportação—NCE)

The export credit note is an export facility agreement with tax benefits. This kind of transaction is used mainly for working capital and it may be *real*-denominated or denominated in foreign currencies. As of December 31, 2009, we had executed the main export credit notes as described below:

- *Export credit notes with Banco do Brasil S.A.* We executed export credit notes with Banco do Brasil S.A. in September 2008. Repayment of the principal amount under the note will be made in one installment in September 2011, accruing interest at a rate of 124.95% of the CDI per year. We executed three additional export credit notes with Banco do Brasil S.A. in August, September and December 2009. Repayment of the principal amount under the two first notes will be made in 12 successive monthly installments, ending in May and June 2011, accruing interest at a rate of 11.25% and 12.40% per year, and the repayment of the principal amount under the last note will be made in five successive annual installments, ending in December 2014, incurring interest at a rate of 118% of the CDI per year. As of December 31, 2009, the aggregate outstanding amount under the notes was R$567.0 million.
- *Export credit notes with Banco Bradesco S.A.* We executed export credit notes with Banco Bradesco S.A. in January and August 2008. Repayment of the principal amount will be made in one installment in March 2010 and January 2001, respectively, accruing interest at a rate of CDI plus 1.35% and 125% of the CDI per year, depending on the terms of the note. As of December 31, 2009, the aggregate outstanding amount under the notes was R$273.8 million.
- *Export credit notes with Citibank.* Repayment of the principal amount will be made in five semi-annual installments, ending in September and October 2012, accruing interest at a rate of 7.35% and 7.28% per year, depending on the terms of the note. As of December 31, 2009, the aggregate outstanding amount under the notes was R$133.1 million.
- *Export credit notes with HSBC Bank.* Repayment of the principal amount will be made in one installment, ending in August 2011, accruing interest at a rate of 121.5% of the CDI per year. As of December 31, 2009, the aggregate outstanding amount under the note was R$89.3 million.
- *Export credit note with Banco Safra.* Repayment of the principal amount will be made in one installment in August 2011, accruing interest at a rate of 16.1719% per year. As of December 31, 2009, the aggregate outstanding amount under the note was R$55.4 million.
- *Export Credit Note with Société Générale.* Repayment of the principal amount will be made in one installment in December 2010, accruing interest at a rate of 7.90% per year. As of December 31, 2009, the aggregate outstanding amount under the notes was R$52.6 million.
- *Export Credit Note with Banco Itaú BBA S.A.* Our subsidiary Penasul executed an export credit note with Banco Itaú BBA S.A on June 29, 2009. We guarantee the payment of this note. Repayment of the principal amount will be made in one installment on June 25, 2010, accruing interest at a rate of 130.0% of the CDI per year. As of December 31, 2009, the aggregate outstanding amount under the note was R$100.1 million.

As of December 31, 2009, the average interest rate of the export credit notes was 10.57% per year and the average maturity was 1.65 years.

Working Capital

We have also entered into an agreement to raise working capital with Caixa Econômica Federal. As of December 31, 2009, the aggregate outstanding amount was R$50.2 million.

Advances for Foreign Exchange Contracts (Adiantamento de Contrato de Câmbio—ACC)

Advances for foreign exchange contracts are also lines of credit designed to finance our exporting activities. These transactions are denominated in foreign currencies, and are paid with resources deriving from exports. As of December 31, 2009, we had executed an advance for foreign exchange contract with Banco Itaú BBA S.A, dated February 2009, with repayment due in March 2010, and a discount rate of 7.40% per year.

As of December 31, 2009, the average interest rate of the advances for foreign exchange contracts was 6.83% per year, the average maturity was 0.52 years and the balance was R$503.7 million.

Pre- export payment Agreements (Pré-Pagamento)

Pre-payment agreements are also lines of credit designed to finance our exporting activities. These transactions are denominated in foreign currencies. As of December 31, 2009, we had executed the main pre-export payment agreements as described below:

- *Pre-export payment agreements with ABN AMRO.* Repayment of the principal amount will be made in 21 quarterly installments, ending in October 2015, or in one installment in February 2012, depending on the terms of the agreement. The principal amount accrues interest at a rate of 7.30% and Libor plus 2.75%, depending on the terms of the agreement. As of December 31, 2009, the aggregate outstanding amount was R$529.1 million.
- *Pre-export payment agreements with Banco Bradesco S.A.* Repayment of the principal amount will be made in 20 quarterly installments, beginning in June 2010 and ending in March 2015. The principal amount accrues interest at a rate of Libor plus 7.25% per year and repayment of the principal amount will be made in 16 quarterly installments, beginning in March 2013 and ending in December 2016. The principal amount accrues interest at a rate of 8.75% per year. As of December 31, 2009, the aggregate outstanding amount was R$654.6 million.
- *Pre-export payment agreement with ING.* Repayment of the principal amount will be made in five semi-annual installments, beginning in December 2010 and ending in December 2012. The principal amount accrues interest at a rate of Libor plus 2.00% per year. As of December 31, 2009, the aggregate outstanding amount was R$52.3 million.
- *Pre-export payment agreements with Banco do Brasil.* Repayment of the principal amount will be made in semi-annual installments, beginning in October 2010 and October 2011, depending on the terms of the agreement. There is a two-year grace period in both agreements and the principal amount accrues interest at a rate of Libor plus 5.5% and Libor plus 5.16% per year, depending on the terms of the agreement. As of December 31, 2009, the aggregate outstanding amount was R$452.8 million.
- *Pre-export payment agreements with Credit Suisse.* Under the first agreement, repayment of the principal amount will be made in five semi-annual installments, beginning in June 2010 and ending in March 2015. The principal amount accrues interest at a rate of 102% of the CDI per year. Under the second agreement, repayment of the principal amount will be made in five years, with a two-year grace period. The principal amount accrues interest at a rate of 116% of the CDI per year. As of December 31, 2009, the aggregate outstanding amount was R$345.8 million.

As of December 31, 2009, the average interest rate of the pre-payment agreements was 7.26% per year and the average maturity was 4.87 years.

BNDES

We have entered into several line of credit agreements with BNDES, as described below:

- *BNDES-Finem lines of credit.* These lines of credit are designed to assist investment projects for the implementation, expansion of productive capacity and modernization of companies, including acquisition of new machines and equipment, manufactured in Brazil, as well as the import of new machinery, not manufactured in Brazil, and related working capital, among other factors. In July 2007, we entered into several Exim lines of credit with BNDES, pursuant to which repayments of the principal amount will be made in 60 monthly installments, ending in 2013. The principal amount accrues interest at a rate varying from TJLP plus 1.80% per year to variations in the exchange rate plus 1.30% per year. As of December 31, 2009, the average interest rate of these lines of credit was 6.94% per year and the average maturity was 3.13 years. As of December 31, 2009, the aggregate outstanding amount was R$13.1 million.

FINAME/FINEP

We have also entered into FINAME/FINEP financing agreements, as described below:

- *FINEP financing agreement.* In March 2007, we entered into a financing agreement with FINEP, pursuant to which repayment of the principal amount will be made in 49 monthly installments, beginning in October 2009 and ending in October 2013. The principal amount accrues interest at a rate of TJLP plus 1% per year. As of December 31, 2009, the average interest rate of this financing agreement was 7.25% per year and the average maturity was 3.81 years. As of December 31, 2009, the aggregate outstanding amount was R$37.6 million.
- *FINAME financing agreement.* We entered into two financing agreements with FINAME. As of December 31 2009, the average interest rate of these financing agreements was 6.01% per year and the average maturity was 2.29 years. As of December 31, 2009, the aggregate outstanding amount was R$8.9 million.

Senior Notes

On November 16, 2006, our subsidiary Marfrig Overseas Limited, an exempted company incorporated under the laws of the Cayman Islands, issued US$375,000,000 in aggregate principal amount of senior notes. The 2016 Notes were issued to finance our acquisitions in Argentina and Uruguay. The 2016 Notes were not registered under the Securities Act or under any U.S. state securities laws, and were offered pursuant to Rule 144A and Regulation S under the Securities Act. The 2016 Notes bear interest of 9.625% per year and interest payments are made in semi-annual installments on May 16 and November 16 of each year, beginning on May 16, 2007. The 2006 Notes will mature on November 16, 2016. The 2016 Notes are denominated in U.S. dollars and there is no collateral. We, União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A. unconditionally and irrevocably guaranteed the 2016 Notes.

On March 16, 2010, we and Marfrig Overseas solicited consents from the holders of the 2016 Notes to (i) amend certain of the restrictive covenants and definitions in the indenture governing the 2016 Notes and (ii) waive any past non-compliance by Marfrig Overseas, we and our subsidiaries with certain covenants under the indenture that would otherwise be permitted by the amendments that we and Marfrig Overseas solicited. We also solicited waivers of non-compliance with covenants under, and amendments to, certain other debt instruments of the Marfrig Group. On March 25, 2010, we executed a supplemental indenture to the indenture governing the 2016 Notes after obtaining the required consents from the holders of the 2016 Notes. Simultaneously, we executed the waiver and amendments related to the other debt instruments.

In late 2009, we determined that we were in breach of covenants under the indenture governing the 2016 Notes. In particular, we failed to comply with covenants by incurring indebtedness at certain subsidiaries without causing them to become guarantors, and by incurring indebtedness secured by liens upon the property and assets of Marfrig and certain subsidiaries in violation of the indenture. In March 2010, we obtained waivers from a majority of the holders of the 2016 Notes and amended the terms of the related indenture, and we obtained waivers under the instruments governing other indebtedness of potential consequences of the breaches of the 2016 Notes and of breaches under these instruments. We have implemented procedures to monitor compliance with our covenants, but there can be no assurance that these procedures will be successful in preventing breaches in the future.

Covenants

We are subject to restrictive covenants under the debt agreements evidencing or governing our outstanding indebtedness, such as limitations on additional incurrences of debt, limitation on liens, limitation on restricted payments, such as payment of dividends and investments, among other restrictive covenants that are standard in the types of debt instruments that we executed.

Off Balance Sheet Arrangements

We do not have any operations, contracts, obligations or other types of agreements in unconsolidated companies or other operations generating material current or future effects on our financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are not recorded on our balance sheet.

EBITDA and EBITDA Margin

The table below sets forth our EBITDA and our EBITDA margin for the stated periods:

	Year ended December 31,			
	2007	2008	2009	2009
	(R$)	(R$) (in millions)	(R$)	(US$)
Net income (loss)	85.0	(35.5)	679.1	390.0
Interest on equity capital	(41.3)	—	—	—
Income tax and social contribution tax	28.1	(211.8)	51.1	29.4
Non-operating income	2.0	—	—	—
Financial income	257.0	961.1	(193.1)	(110.9)
Depreciation and amortization	47.0	159.8	274.5	157.6
Minority interest	2.4	10.8	8.0	4.6
EBITDA(1)	380.2	884.3	819.5	470.7
EBITDA margin(2)	11.4%	14.3%	8.5%	8.5%

(1) See "Presentation of Financial Information and Other Information—EBITDA."
(2) EBITDA divided by net operating revenue.

Qualitative and Quantitative Disclosure about Market Risks

We are exposed to market risks arising from the ordinary course of our business. These market risks, which are beyond our control, mainly involve the possibility that changes in interest rates, exchange rates and inflation will adversely affect the value of our financial assets and liabilities or future cash flows and earnings.

Exchange Rate Risk

A substantial portion of our debt is denominated in U.S. dollars, which exposes us to foreign currency exchange rate risk. To partially offset the risk of any devaluation of the *real* against the U.S. dollar and for risk management purposes, we attempt to reduce our foreign exchange exposure by exporting beef products, which generates receivables payable in foreign currencies. We also occasionally enter into derivative contracts to hedge exchange rate variations related to specific contractual obligations.

We do not enter into leveraged transactions with derivatives or similar instruments. We only use derivatives or similar instruments to provide protection against our exposure to debts denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments transactions that could jeopardize our financial position.

With approximately 70.1% of our net operating revenue generated in currencies other than the *real* in 2009, we believe we have a natural hedge against maturities of our future obligations in foreign currencies. Furthermore, we have a solid financial policy, maintaining high balances of cash and short-term financial investments with first-rate institutions.

Commodity Price Risk

The availability and prices of cattle and beef fluctuate significantly due to unpredictable factors, such as weather, worldwide government agricultural programs and policies, changes in global demand, fluctuations in the amount of cattle offered by the producers, the relative cost of feed, cattle diseases and changes in standards of living.

Interest Rate Risk

Part of our debt is subject to variable interest rates, such as TJLP, CDI and LIBOR, which can raise the cost of our financing. Accordingly, our results of operations are affected by the changes in these rates to the extent that a possible increase in the rates would result in increased costs and debt service.

Additional Information Relating to Our Financial Statements Prepared Under Brazilian GAAP

The individual and consolidated financial statements are expressed in Brazilian *reais* and have been prepared in accordance with Brazilian accounting practices, which comprise Brazilian Corporate Law (Law No. 6,404/76), the Pronouncements, Guidelines and Interpretations issued by the Committee of Accounting Pronouncements – CPC, approved by the Brazilian Securities and Exchange Commission (CVM) as well as other pronouncements issued by that federal agency.

New legislation and changes in the accounting practices adopted in Brazil starting January 1, 2008

In alignment with the changes brought by Law No. 11,638/07 and Executive Act No. 449/08, the Federal Accounting Council, together with the Committee of Accounting Pronouncements issued Technical Pronouncements along the year 2008 that introduced some changes to the accounting practices adopted in Brazil.

Such amendments aimed mainly to update the Brazilian Corporate Law and align the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS), allowing new accounting procedures and standards to be established by Brazilian regulating agencies according to the mentioned international set of rules.

Adoption of accounting pronouncements (CPC's) in effect starting January 1, 2010

Until the date of preparation of these financial statements, 26 new Pronouncements, 12 Interpretations and 3 Technical Guidelines had been issued by CPC and approved by decisions of the Brazilian Securities and Exchange Commission – CVM and Federal Accounting Council decisions.

The pronouncements and changes were published in 2009 and are mandatory for accounting periods started on January 1, 2010and subsequent periods. The Company and its controlled companies have not adopted those pronouncements and changes in advance.

The Pronouncements, Interpretations and Technical Guidelines applicable to the Company and its controlled companies are the following:

CPC	Title
15	Business combinations
16	Inventories
17	Building agreements
18	
20	Investment in affiliated and controlled companies
Loan costs	
21	Interim statements
22	Information per segment
23	Accounting policies, changes in estimates and adjustment of misstatements
24	Subsequent events
25	Provisions and contingent assets and liabilities
26	Presentation of the financial statements
27	Property, plant and equipment
29	Biological assets and agricultural products
30	Revenues
31	Noncurrent assets held for sale and discontinued operations
32	Taxes on income
33	
36	Employee benefits
Consolidated statements	
37	Initial adoption of international accounting standards
38	Financial instruments: recognition and measurement
39	Financial instruments: presentation
40	Financial instruments: supporting documentation
43	Initial adoption of technical pronouncements CPC 15 to 40

The Company's management is analyzing the effects of the application of those new Technical Pronouncements. In case adjustments stem from the adoption of the new accounting practices starting January 1, 2010, the Company will evaluate the need of re-measuring the effects that would have been produced to the financial statements of 2009 if the new procedures had already been in effect at the beginning of year ended December 31, 2009.

Summary of Significant Accounting Practices

Significant accounting practices

The significant accounting practices adopted to prepare these financial statements are as follows:

a. Result of operations

Results of operations are recorded under the accrual basis.

b. Accounting estimates

The preparation of the individual and consolidated financial statements in accordance with Brazilian accounting practices requires management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include the determination of the residual value of property, plant, and equipment, and the recognition of deferred income and social contribution taxes, allowances for doubtful accounts, inventory valuation allowances and provisions for tax, labour and civil risks. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its controlled companies review estimates and assumptions at least quarterly.

c. Financial instruments

Non-derivative financial instruments include financial investments, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at fair value in operations, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured according to their respective classification:

- Held-to-maturity instruments

If the Company intends and is able to hold its debt instruments until maturity they are classified as held-to-maturity instruments. Held-to-maturity investments are stated at their amortized cost using the effective interest rate method, less possible impairment charges.

- Available-for-sale instruments

The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After initial recognition, they are stated at fair value and their fluctuations, except impairment charges, and the foreign currency differences of these instruments, are recognized directly in equity, net of tax effects. When an investment fails to be recognized, the gain or loss accumulated in equity is transferred to the statement of operations.

- Loans and receivables

They are non-derivative financial assets with fixed or determinable payments, not quoted in the market.

- Financial instruments stated at fair value in the statement of income

An instrument is carried at fair value in the statement of operations if it is held for trading, i.e. classified as such upon initial recognition. Financial instruments are carried at fair value in the statement of operations if the Company manages these investments and takes purchasing and sales decisions according to their fair value and the investment and risk management strategy documented by the Company. After initial recognition, attributable transaction costs are recognized in the statement of operations when incurred. Financial instruments stated at fair value in the statement of operations are determined according to their fair value and their fluctuations are recognized in the statement of operations.

- Other

Other non-derivative financial instruments are stated at amortized cost using the effective interest rate method, adjusted for possible impairment charges.

d. Foreign currency

The Company’s management established that its functional currency is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 2 – Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534/08.

Foreign currency transactions, i.e., all those not performed in functional currency, are translated into Brazilian reais at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Brazilian reais at the exchange rate prevailing at the balance sheet date. Exchange gains and losses on monetary assets and liabilities are recognized in the income statement. Non-monetary assets or liabilities acquired or contracted in foreign currency are translated into functional currency at the exchange rate prevailing at the date of the transactions or the date of the valuation at fair value, when applicable.

e. Current and noncurrent assets

• Trade accounts receivable

Trade accounts receivable are recorded at the billed amount and when applicable, discounted to present value.

The allowance for doubtful accounts was set up in an amount the management deems sufficient to cover possible losses on the realization of receivables.

• Inventories

Inventories are stated at the average purchase or production cost, which are lower than market or realizable values.

• Investments

Investments in controlled and affiliated companies are valued under the equity method.

• Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less depreciation under the straight-line method at the rates mentioned in note 11 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements entered into by the Company when property, plant and equipment items are being built are capitalized.

Investments in breeding stock (animals for reproduction) are booked in property, plant and equipment. Costs with labour, feed and medicines are taken into property, plant and equipment during the formation period of breeding stock, which lasts approximately six months. After such period, the Company starts depreciating the cost based on the production cycle, considering the estimated number of eggs and offspring of approximately fifteen months for poultry, thirty months for pigs and between 6 and 7 years for cattle (cows).

Other expenses are capitalized only when economic benefits of property, plant, and equipment increase. Any other type of expense is recognized in operations as an expense when incurred.

• Lease

Finance lease

Certain lease agreements substantially transfer the risks and benefits pertaining to the property of an asset. Those agreements are finance leases.

Intangible assets with an indefinite useful life and goodwill resulting from expected future profitability as from January 1, 2009are not amortized.

• Deferred charges

In the years ended December 31, 2009 and 2008, the Company has not incurred any pre-operating expenses.

Pursuant to CVM Decision No. 565/2008, the balance of deferred charges (consolidated) will be maintained until fully amortized.

f. Impairment

Property, plant and equipment, intangible assets and deferred charges are tested for impairment at least annually, if events and circumstances have occurred that indicate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually regardless of whether or not events and circumstances have occurred that indicate possible impairment.

g. Current and noncurrent liabilities

These are stated at known or estimated amounts, plus related charges, exchange and/or monetary variations incurred through the balance sheet date, when applicable.

h. Provisions

Provisions are recognized because of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognized when losses are rated as probable, based on the best estimates of risks involved.

i. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognized in the balance sheet and the statement of operations as contract conditions are met and as commented in note 21.

j. Income and social contribution taxes

Income tax is based on the taxable income method. Income and social contribution taxes are monthly paid, on an estimation basis, according to prevailing law.

Deferred assets recognized for income and social contribution tax losses and temporary differences are recognized pursuant to tax legislation and CVM Instruction No. 371 of June 27, 2002. They take into consideration the Company's history of profitability and the expected generation of taxable income in the future supported by a technical feasibility study annually reviewed.

The Company and its controlled companies opted for the Temporary Tax Regimen (RTT) established by Executive Act No. 449/08, converted into Law No. 11,941 of May 27, 2009, declaring its irrevocable option for RTT in the Corporate Income Tax Return of 2009.

k. Earnings per share

Earnings per share are based on the number of outstanding shares at balance sheet date.

l. Discount to Present Value

Certain non-current assets and liabilities, as well as current assets and liabilities, when material, must be discounted to present value at the dates of the respective transactions, according to rates that reflect the cost of money borne by the Company over time, as well as the specific risks related to the cash flows expected for the respective accounts. These adjustments were made in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564 of December 17, 2008. The corresponding item of adjustments to present value is booked against the accounts that gave rise to the mentioned assets or liabilities. The difference between the present value of a transaction and the par value of an asset or liability is appropriated against income along the contract period, based on the amortized cost method and effective interest rate.

The discount to present value had as basis the average value between the SELIC rate (Special System for Settlement and Custody) (rate established for return on equity capital) and the average fund raising rate in the financial market (rate established for the return on third party capital) as of December 31, 2008.

The periods used in the determination of the discount to present value vary according to operating activity involved, corresponding to the average expected period for settlement, such as the average period to receive amounts from sales, average payment period, period for settlement of taxes paid in instalments and other necessary ones.

The rates used and established periods in relation to the risk factors involved in the Company's operations are perfectly reflected in the discount to present value.

m. Share issuance expenses

In accordance with Technical Pronouncement CPC No. 8, approved by CVM Decision No. 556/2008, transaction costs incurred the raising of funds through the issuance of securities should be separately booked in an account reducing shareholders' equity, less possible tax effects.

n. Treasury shares

Refer to shares of the Company that were acquired by the own Company. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

o. Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in the previous year.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of controlled companies;
- Elimination of income and expenses as well as unrealized profits resulting from intercompany transactions

INDUSTRY OVERVIEW

The Global Beef Industry

Consumption

Beef is a source of nutrition rich in protein and is the world's third most consumed type of meat, after pork and poultry. According to the USDA, in 2009, approximately 56.1 million metric tons of beef were consumed globally. The largest consumer of beef in the world is the United States, followed by the European Union, Brazil and China. Argentina is the fifth largest consumer of beef in the world, but in per capita terms, is the largest consumer, at approximately 65.6 kilograms of beef per person, per year, according to the USDA. The table below shows the largest consumers per capita of beef:

Country	Beef Consumption Per Capita				
	2005	2006	2007	2008(p)	2009(e)
	(in Kilograms per year)				
Argentina	62.6	64.4	69.2	69.3	65.6
Uruguay	55.5	53.4	51.7	54.6	52.4
United States	42.8	43.0	42.6	41.2	40.7
Brazil	36.0	36.4	36.8	37.2	37.3
Australia	37.5	36.5	34.7	34.7	34.7
Canada	33.3	33.3	32.4	32.2	31.7
New Zealand	22.7	31.1	29.8	27.6	27.3
Mexico	22.7	23.3	23.6	24.1	24.1
Russia	17.1	16.3	16.6	16.3	16.3
Hong Kong	15.1	15.1	15.6	16.2	16.2
European Union(1)	16.1	16.3	16.3	16.0	15.9
South Africa	14.8	15.5	14.5	14.2	14.2
South Korea	9.2	10.3	10.8	11.6	12.2
Ukraine	11.2	11.7	10.9	10.4	10.8
Japan	9.3	9.1	9.3	9.3	9.4

(p) Preliminary results.
(e) Estimate.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Despite having remained stable in recent years, world beef consumption is expected to grow in the medium- and long-term according to the FAO. This growth is expected to be driven by the growing world population and higher incomes in developing countries since beef consumption per capita is strongly correlated with economic growth. In addition, beef consumption is expected to increase worldwide as sanitary concerns over beef, including Bovine Spongiform Encephalopathy, or BSE, and Foot and Mouth Disease, or F&M disease, have generally been allayed and health concerns have diminished, and because beef's nutritional benefits are now established in most major consumer markets.

The following table illustrates beef consumption in the indicated countries from 2005 through 2010 (estimated):

Country	Global Beef Consumption					
	2005	2006	2007	2008	2009(p)	2010(e)
	(in thousands of metric tons)					
United States	12,664	12,833	12,829	12,452	12,310	12,158
European Union(1)	8,550	8,649	8,690	8,352	8,310	8,280
Brazil	6,795	6,969	7,144	7,252	7,410	7,445
China	5,614	5,692	6,065	6,080	5,751	5,530
Argentina	2,451	2,553	2,771	2,732	2,642	2,420
India	1,633	1,694	1,735	1,853	1,985	2,095
Russia	2,492	2,361	2,392	2,441	1,968	2,033
Mexico	2,028	1,894	1,961	1,966	1,880	1,920
Pakistan	1,009	1,090	1,132	1,174	1,232	1,256
Japan	1,188	1,159	1,182	1,174	1,189	1,195
Canada	1,026	1,023	1,068	1,034	1,080	1,090
Others	10,382	10,887	10,978	10,940	10,359	10,550
Total	**55,832**	**56,804**	**57,947**	**57,450**	**56,116**	**55,972**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Production

In 2009, Brazil had the largest herd of cattle in the world for commercial purposes consisting of approximately 179.8 million head of cattle. India has the largest cattle herd in the world, but does not raise significant numbers of cattle for commercial purposes due to religious reasons. The table below shows the significant herds of cattle worldwide, by country and year:

Country	2005	2006	2007	2008	2009(p)	2010(e)
India	282,500	282,300	282,000	281,700	281,400	281,100
Brazil	169,567	172,111	173,830	175,437	179,788	185,243
China	112,354	109,908	104,651	105,948	105,722	104,900
United States	94,018	96,342	96,573	96,035	94,491	93,000
European Union(1)	89,319	89,672	88,463	89,043	88,945	88,630
Argentina	53,767	54,266	55,664	55,662	54,260	50,158
Colombia	27,370	28,452	29,262	30,095	30,775	31,167
Australia	27,270	27,782	28,400	28,040	27,321	27,436
Mexico	24,309	23,669	23,316	22,850	22,700	22,168
Russia	21,100	19,850	19,000	18,370	17,900	17,464
Canada	14,925	14,655	14,155	13,895	13,180	12,820
Others	75,513	77,121	76,743	70,738	60,790	42,604
Total	**994,012**	**996,128**	**992,057**	**987,813**	**977,272**	**956,690**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

The United States is the largest producer of beef in the world. Beef production is expected to increase worldwide to meet demand. The table below illustrates the global production of beef in the indicated countries, from 2005 through 2010 (estimated):

	Global Beef Production					
Country	2005	2006	2007	2008	2009(p)	2010(e)
	(in thousands of metric tons)					
United States	11,318	11,980	12,096	12,163	11,816	11,631
Brazil	8,592	9,025	9,303	9,024	8,935	9,290
European Union(1)	8,090	8,150	8,188	8,090	8,000	7,950
China	5,681	5,767	6,134	6,132	5,764	5,530
Argentina	3,200	3,100	3,300	3,150	3,200	2,800
India	2,250	2,375	2,413	2,525	2,660	2,795
Australia	2,102	2,183	2,172	2,159	2,100	2,075
Mexico	1,725	1,550	1,600	1,600	1,625	1,630
Canada	1,470	1,329	1,278	1,288	1,300	1,275
Russia	1,525	1,430	1,370	1,315	1,280	1,265
Pakistan	1,005	1,057	1,113	1,168	1,226	1,250
Others	9,325	9,590	9,392	9,436	8,876	8,914
Total	**56,283**	**57,536**	**58,359**	**58,050**	**56,782**	**56,405**

(p) Preliminary results.
(e) Estimates
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

The slaughter rate is the ratio of the number of slaughtered cattle to the size of the herd for a one-year period. The table below sets forth the annual slaughter rates in the indicated countries between 2005 and 2009 (estimated):

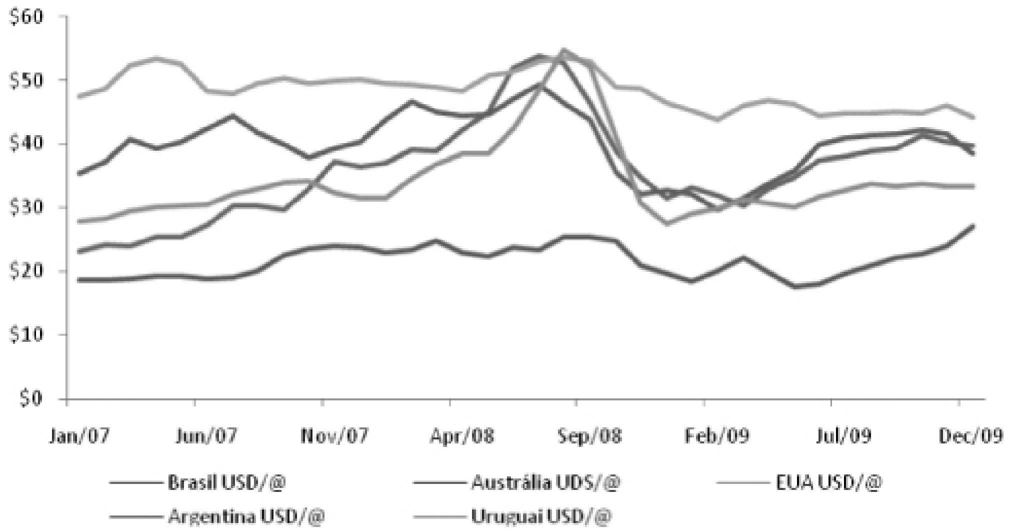
	Cattle Slaughter Rate				
Country	**2005**	**2006**	**2007**	**2008(p)**	**2009(e)**
Russia	42.7%	41.9%	41.8%	41.3%	41.4%
China	36.9%	38.4%	41.7%	41.2%	40.2%
United States	35.4%	35.9%	36.5%	36.7%	36.2%
European Union(1)	32.7%	32.6%	32.6%	32.3%	33.1%
Australia	31.2%	31.7%	31.5%	31.3%	30.4%
Argentina	27.2%	25.2%	27.3%	26.6%	25.7%
Mexico	23.1%	24.1%	24.8%	24.9%	24.7%
Brazil	23.3%	24.0%	24.4%	23.1%	22.5%
South Africa	22.5%	23.9%	22.4%	22.1%	22.2%
Colombia	13.6%	13.7%	13.6%	13.3%	13.0%
India	7.9%	8.3%	8.4%	8.6%	8.6%

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

The graph below presents historical data on the price of cattle in the principal beef producing countries in the world. The prices were converted into U.S. dollars for comparison purposes, and therefore reflect the influence of exchange rate variations on the prices presented.

Price of Cattle U.S.$/@ (Carcasses)



Exports

According to a report issued by the FAO, exports of beef will increase in the next years to meet the increasing global demand, especially in developing countries. Since 2004, Brazil has been the largest exporter of beef in the world, followed by the United States and Australia. The following table sets forth the world's leading beef exporting countries from 2005 through 2010 (estimated):

	World's Leading Beef Exporting Countries					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
Brazil	1,845	2,084	2,189	1,801	1,555	1,870
Australia	1,388	1,430	1,400	1,407	1,390	1,350
United States	316	519	650	856	785	837
India	617	681	678	672	675	700
New Zealand	577	530	496	533	525	517
Canada	596	477	457	494	475	490
Argentina	754	552	534	422	560	390
Uruguay	417	460	385	361	310	360
Paraguay	193	240	206	233	210	230
European Union(1)	253	218	140	203	160	160
Nicaragua	59	68	83	89	90	95
Others	300	244	353	419	375	207
Total	**7,315**	**7,503**	**7,571**	**7,490**	**7,110**	**7,206**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Imports

The United States and Russia are currently the world's largest beef importers. Over the next few years, the European Union, which is currently the fourth largest importer of beef in the world, is expected to increase its beef imports as farmers in the European Union are required to reduce their production in accordance with European Union regulations. The following table sets forth the world's leading beef importing countries from 2005 through 2010 (estimated):

	World's Leading Beef Importing Countries					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
United States	1,632	1,399	1,384	1,151	1,254	1,304
Russia	978	939	1,030	1,137	700	780
Japan	686	678	686	659	672	678
European Union(1)	711	717	642	463	470	490
Mexico	335	383	403	408	300	335
Vietnam	20	29	90	200	250	300
South Korea	250	298	308	295	290	295
Canada	151	180	242	230	270	290
Egypt	215	313	361	195	150	175
Chile	200	124	151	129	145	155
Hong Kong	88	89	90	118	145	155
Others	1,527	1,687	1,840	1,941	1,793	1,700
Total	**6,793**	**6,836**	**7,227**	**6,928**	**6,439**	**6,657**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Competition

The competitiveness of a beef producer in the international market is significantly affected by its cost structure. The two main components of the overall cost structure are raw materials and industrialization costs. The net effective cost of a producer takes into account revenues generated from the sale of by- products from beef production, such as wet blue finished hides and offal. The competitiveness of a plant servicing the international market is also affected by transportation and distribution costs. According to ABIEC, Brazil has one of the lowest cost structures among its competitors, an important competitive advantage.

The revenues generated from sales of the edible and non edible by-products extracted from cattle following slaughter are an important factor that reduces a beef producer's net operating costs. Revenues from these products, generally known as the "fifth quarter," can be substantial, and in certain cases can cover a significant portion of the fixed costs of operating a slaughterhouse. Fifth quarter products can be divided into the following categories: white sausage meat, red sausage meat (liver, heart and tongue), other sausage meat (pancreas, intestine and stomach), inedible fats and others (blood, bone and hides).

Trade Restrictions and Sanitary Risks

The international beef market is divided into the Pacific block (North and Central America, Australia, New Zealand and the Far East) and the Atlantic block (Europe, Africa, the Middle East and South America). This division reflects historical and geographical ties and also certain sanitary criteria. The Pacific block prohibits imports of beef (except for pre-cooked and industrial products) from countries or regions where there are active F&M disease vaccination programs. Europe allows imports of fresh meat from certain regions within countries that have been affected by F&M disease if those regions have not been directly affected. However, the European Union has restricted the free trade of fresh meat through an import quota system and also has banned the import of beef treated with hormones and anabolic steroids. Accordingly, the European Union has banned U.S. beef, which is treated with hormones used to promote growth, citing health concerns.

In 2008, the European Union restricted the import of Brazilian beef, alleging problems in the tracking system, the system of registration and identification of cattle and buffalo herds on national territory, that makes it possible to track an animal from birth to slaughter, making reports available for decision-making on the quality of domestic and international herds. During 2008, European technical inspectors visited Brazil several times to inspect and evaluate the Brazilian tracking system. According to ABIEC, through January 2010, approximately 1,875 ranches were qualified to supply fresh meat for export to the European Union, which is a much lower number of ranches than were exporting before the embargo.

Sanitary risks include outbreaks of illnesses in cattle. Bilateral sanitation agreements vary from country to country. Outbreaks can result in the imposition of trade barriers between countries. The main outbreaks in cattle are the following:

F&M disease: F&M disease is a contagious illness affecting cattle and pork. The virus is transmitted by air, water and food. Affected animals have a high fever and lesions in the mouth and on their hooves. Although it does not affect people, when detected, an outbreak of F&M disease can lead to sanitary barriers being imposed by some countries. The last case in Brazil occurred in 2005 in the states of Mato Grosso do Sul and Paraná, and lead to restrictions in some countries against Brazilian meat. In 2008, 17 Brazilian states that had lost their status as free from F&M disease through vaccination were reinstated by the World Organization for Animal Health. Santa Catarina is the only Brazilian state categorized as free of F&M disease without vaccination. Argentina and Uruguay are free from F&M disease through vaccination.

BSE: According to OIE, the risks of countries, such as Brazil, Argentina and Uruguay to be exposed to BSE are under control and are viewed as less vulnerable to the disease because their cattle herds graze freely in pastures or are fed with vegetable based feed free of animal byproducts. In addition, Brazil is classified by the Scientific Steering Committee, or SSC of the European Commission (Regulation (EC) No 999/2001) as a Level II country for the occurrence of BSE. This classification means that the occurrence of BSE in Brazil is "improbable, but not impossible."

The Brazilian Beef Industry

Consumption

According to the USDA, Brazil has a very large domestic market, which currently consumes approximately 80% of the country's beef production. Domestic market sales increase revenue through an optimization of the value of the carcass. However, the growth of Brazilian exports has driven the overall increase in domestic production.

Production

The USDA estimates that Brazil had 179.8 million head of cattle in 2009, making it the largest cattle herd in the world for commercial purposes. India has the largest cattle herd in the world, but does not raise significant numbers of cattle for commercial purposes due to religious reasons.

The productivity of Brazilian cattle farmers, as measured by the slaughter rate, has increased in recent years. According to the USDA, it reached 23% in 2009. The slaughter rate represents the percentage of the entire Brazilian herd that has reached the required maturity for slaughter in a given year. However, this percentage is low when compared to other countries. Russia, China, the United States and the European Union have slaughter rates above 30%.

Brazil benefits from the significant availability of land and because the cost of land in Brazil is lower than in other beef producers countries that raise cattle, such as countries in North America, Europe and Asia as well as Australia and New Zealand. Brazil also benefits from favorable weather, from low production costs, from the largest herd in the world with potential to increase productivity, from high consumption in the domestic market, and because its cattle is predominantly raised on fields and grass fed, which mitigates the risk of diseases outbreaks. Also the sector has received support from the Brazilian government, mainly though BNDES.

The year 2008 was marked by the low availability of cattle as a result of cow slaughters in previous years. The scarcity of cattle led to a substantial increase in beef prices in the country. In 2009 the low availability of cattle continued. Nonetheless, given that refrigerated warehouses representing approximately 25% of the installed capacity for slaughter in Brazil filed for bankruptcy or suspended their operations due to liquidity problems, there was an increase in the supply of cattle beginning March 2009, with prices decreasing. In 2009, cattle prices fell gradually over the course of the year, with the arroba price, which stood at over R$80.0 at the beginning of 2009, ending the year at R$75.0 and below R$70.0 in some regions. The lower global demand also contributed to the lower cattle prices in the year.

The lower arroba price reflects the closure of installed capacity due to the reduction in the number of companies in the industry caused by the financial difficulties brought about by the international crisis, combined with the lower global demand resulting from this scenario.

The cutbacks and closures at certain companies in the industry enabled the remaining companies to gain significant market share. The year was also marked by mergers and acquisitions between large companies, reinforcing the move to consolidate installed capacity in Brazil. In December, the government granted incentives to the sector by exempting the levying of PIS and COFINS taxes on domestic sales of cattle products (animals, beef and leather), which should generate positive effects for the sector in 2010.

According to preliminary data from MAPA, in 2009, 21.4 million head of cattle were slaughtered (only counting animals inspected by the Federal Inspection Services of the Ministry of Agriculture), compared to 22.3 million in 2008. The decrease of 4.0% reflects the lower supply of animals and lower utilization of installed capacity in the sector.

Cattle producers that filed for bankruptcy or suspended their operations represented approximately 25% of the installed capacity for slaughter in Brazil, and the market share of these producers in fresh meat exports is 35% (estimates from Consultoria Agro-Econômica). The global financial crisis led certain importing countries, especially Russia, Brazil’s main export market, to reduce demand from Brazilian exports. The decrease in the demand related to the reduction in the installed capacity for slaughter caused a decrease in the price of the arroba for cattle. In the first quarter of 2009, the average price of beef fell by approximately 7.7% compared to the last quarter of 2008, to an average of R$70.19 per arroba in March 2009 (average of 17 markets). In mid-2008, the average price of beef per arroba was above R$90.00 in some markets, according to CEPEA/ESALQ.

In order to remedy the difficulties encountered by the sector and reestablish better conditions for its companies, the Brazilian government decided to improve access to credit, granting some benefits such as special lines of credit (loans, working capital and advances for foreign exchange contracts) and a R$10 billion package for agribusinesses (refrigerator warehouses, alcohol factories, and rural cooperatives), according to the CMN.

Exports

Over the last 15 years, the Brazilian beef industry has undergone intense internationalization, and beef exports have grown from a level of 7.5% of national production in 1994, to approximately 24% in 2008, decreasing in 2009 to approximately 22% due to the global crisis. Furthermore, Brazil’s market share of global beef exports increased from approximately 5% in the early 90s, to approximately 25% in 2009, according to MDIC and the USDA, despite the fact that Brazil has access to less than 50% of the markets for fresh meat in the world (the Pacific Block, including the countries in North America, prohibit importing fresh meat from Brazil, according to ABIEC.

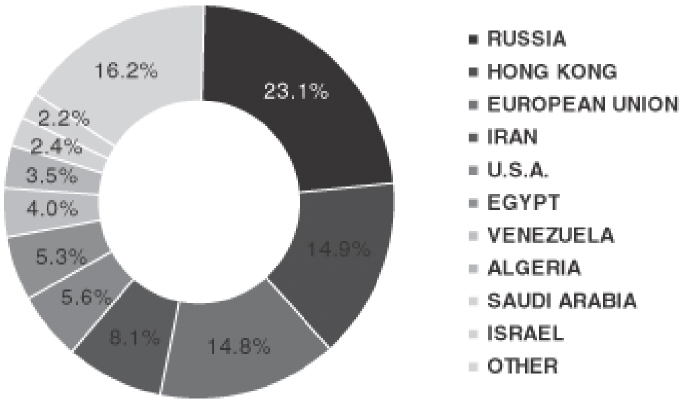
According to Agra FNP’s 2009 Brazilian Beef Industry Directory (*Anuario da Pecuaria Brasileira*), or ANUALPEC 2009, a Brazilian consulting firm specialized in agrobusiness and ABIEC (the Brazilian Beef Export Association), Brazil’s beef exports have increased approximately 256% in volume and 441% in revenue in ten years from 1999 through 2009 as a result of:

- increased productivity in the Brazilian beef sector, and decreased production costs;
- expanded marketing and advertising efforts;

- an increased number of export destinations; and
- a reduction in sanitary and trade barriers.

In the international markets, the slow recovery and the depreciation in the U.S. dollar against the Brazilian *real* affected exports, reducing beef export volumes by 10.1% to 1.24 million metric tons in 2009 from 1.38 million metric tons in 2008. According to SECEX, the average export price in 2009 was US$3,308/metric ton, a 14.0% decrease from 2008 (US$3,848/metric ton). In view of the lower volumes and prices, export revenue fell by 23.0% to US$4.1 billion.

The graph below shows the principal export markets for Brazilian beef in 2009:



Source: ABIEC

Although Brazil is the largest exporter of beef in the world, there is still opportunity for the country to increase its exports, given that there have been a series of embargos and trade restrictions affecting Brazilian products. According to the USDA and Bradesco Corretora, among the 20 largest importers of beef (representing approximately 90% of the total volume of imports), Brazil has a strong presence in ten of them. The Brazilian exports to these ten markets account for from 22% to 90% of their total import volume. Brazil does not export to countries such as Japan, South Korea, and Mexico, and its presence in the United States is basically limited to canned meat with low value added.

Prices and volume began 2009 in low levels and increased gradually during the year. In January 2009, average prices were US$3,125 per metric ton, closing the year at US$3,576 per metric ton. Volumes also increased, starting the year at 81,812 metric tons and closing the year at 105,652 metric tons per month. Some important destinations such as European Union, Russia, Middle East have increased their demand for beef from Brazil. In addition, Chile has reopened its market for fresh Brazilian beef. Other countries, such as Iran, have increasingly become important destinations for fresh Brazilian beef.

Competitive Advantages

Brazil offers several competitive advantages in producing beef when compared to its competitors in the international market, including:

- Low production cost: according to Moody’s, Brazil has more arable land available than any other country in the world and the cost of land in Brazil is lower than in most beef producers countries, such as countries in North America, Europe and Asia as well as Australia and New Zealand. In Brazil, producers use the extensive production model, which has a lower cost than the confinement model used in the United States, Canada and countries in the European Union. In addition, the natural feed in Brazil has a lower cost compared to feed made out of grain that is generally used in other beef producers countries.
- Disease resistant breeding practices: unlike most other major beef producers (including the United States, the European Union and Australia), the Brazilian cattle are grass fed, which is a factor that reduces the risk of an outbreak of BSE disease in the country.
- Health and quality advantages: raising cattle on the fields, which is the most common practice in Brazil, has been viewed as one of the most nutritious cattle raising practices, according to data from ABIEC. The meat of cattle raised on fields has less fat that cattle raised in confinement. Several studies have concluded that Brazilian beef has significant concentrations of substances that are favorable to human health.

Trade Restrictions and Sanitary Risks

The same factors that confer one of the most important competitive advantages to Brazil—the low cost of production—are also the main reasons why Brazilian beef is subject to trade restrictions in some of the most important international markets. Despite being the largest exporter of beef in the world, Brazil's products are substantially available in only ten of the 20 largest importing markets. Countries like the United States, Mexico, Canada, Japan and South Korea are among the most important markets where Brazilian beef is still not sold.

Sanitary risks are very important factors that are taken into consideration by any country's meat sector. Brazil currently has sanitary regulations that take into account regional distinctions. This method of sanitary regulation is called zoning (or regionalization) and establishes that in the case of the occurrence of a disease in the territory of a certain country, the geographical location of the disease is taken into consideration, so that the country can continue to export products (from animal and vegetable sources) from the regions that are free of the disease. Zoning has been recognized by, for example, the European Union, Egypt, Argentina, the Philippines, Romania, Russia and Hong Kong. Zoning has not yet been accepted, however, by other important beef importers, and, as a consequence, Brazil does not export fresh meat to those countries.

F&M Disease

Brazil is divided into zones with respect to the presence of F&M disease. In the last seven years, Brazil made significant progress in its control of F&M disease, especially when considering that practically the entire Brazilian territory was affected by the disease in 1998. According to MAPA, 59% of Brazilian cattle are free of F&M disease and 89% are located in areas that are free of F&M disease. This success is due to government efforts to eradicate the disease, and the major concern of Brazilian cattle farmers, leading to increases in the levels of vaccination (in 2009, it is expected that Brazil will vaccinate approximately 96.8% of its cattle). MAPA developed the National Program of Eradication or Prevention of F&M Disease (*Programa de Erradicação e Prevenção da Febre Aftosa*) within the goals of the limitation in the South American continent until 2009, according to the Hemispheric Plan of Eradication of F&M Disease. It is important to note that F&M disease is an animal health problem and does not affect humans. Fresh meat exports are limited during a breakout in order to prevent economic losses in export markets.

These efforts, however, did not prevent the discovery of a case of F&M disease in early October 2005 in the southern part of the state of Mato Grosso do Sul, an area located in the F&M disease-free zone with vaccination. As a result, approximately 57 countries indefinitely suspended or restricted fresh meat imports from Brazil, according to *O Estado de São Paulo* newspaper, dated November 10, 2006. Several of these countries (including Egypt) have banned imports only from the state of Mato Grosso do Sul, while other countries (including the member countries of the European Union) also banned imports of fresh meat from the neighboring states of Paraná and São Paulo. Certain other countries (including Chile and South Africa) have suspended imports of fresh meat from all of Brazil.

In 2007 and 2008, 17 Brazilian states that had lost their status as free from F&M disease with vaccination had that status restored to them by the World Organization for Animal Health. Santa Catarina is the only Brazilian state categorized as free from F&M disease without vaccination.

At the end of 2008, Chile suspended its embargo of Brazilian meat (according to MAPA). The next steps to restart exports to Chile are inspections of ranches, which are underway.

The Argentine Beef Industry

Consumption

According to the USDA, Argentina is the fifth largest consumer of beef in the world. According to the *Instituto de Promoción de la Carne Vacuna Argentina* (IPCVA), from 2005 through 2009, Argentines were the largest per capita consumers of beef in the world, averaging 70.0 kilograms per capita in 2009.

Production

According to the USDA preliminary data, Argentina has a substantial cattle herd for commercial purposes, with an estimated 54.3 million head of cattle in 2009, more than Australia, Mexico and Russia. Argentina has been an important player in the international beef market for many years and currently ranks either sixth or seventh in the ranking of beef exporting countries. Argentine exports have been regulated in recent years, privileging supply of the country's domestic market, which has the highest per capital consumption of beef in the world (69.3 kg/ habitant in 2008, according to the USDA). According to OIE, Argentine cattle are currently classified as free of F&M disease with vaccination.

The price of cattle has remained stable in recent years due to government policies to control inflation and guarantee domestic supply.

The year 2009 was marked by impacts on cattle supply from the severe drought in Argentina. Live cattle, which were quoted at US$2.25 Argentine pesos/kg at the beginning of 2009, increased 60% to US$3.60 Argentine pesos/kg at the end of 2009. This shortage of cattle led the sector to invest in feedlot operations in order to guarantee a sustainable supply of raw material and minimize variations in cattle supply and prices in the coming years.

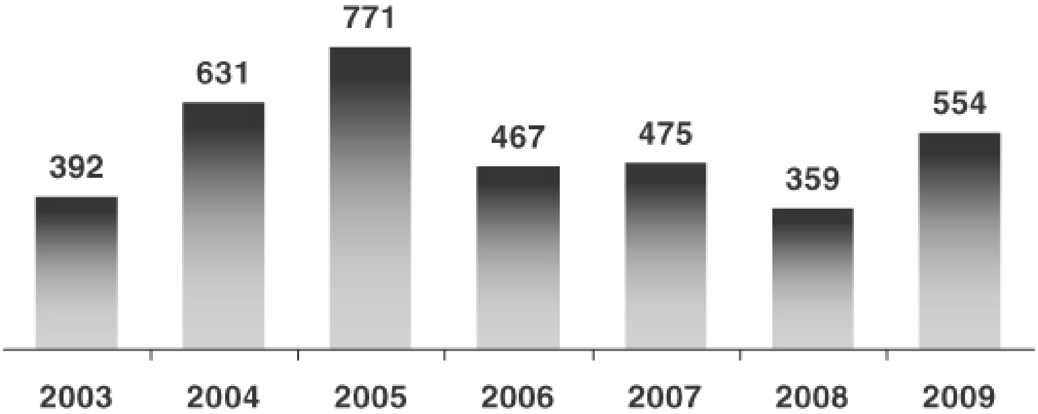
Despite the crisis and the lower cattle supply, the sector was sustained by domestic consumption and remained buoyant even during the peak of the crisis. With average annual per-capita beef consumption of 70.5 kg, compared with 68.7 kg in 2008, Brazil consolidated itself as the world's largest per-capita beef consumer.

Exports

Currently, the Argentine government is limiting beef exports to 550,000 metric tons per year, according to the Argentinean government. In 2008, Argentine exports fell compared to previous years due to changes in the export rules that were implemented during the year, and also due to the impact of protests in the agricultural sector at the beginning of the year, involving roadblocks. In 2009, beef exports returned to normal levels.

The chart below shows the evolution of Argentine beef exports from 2003 to 2009.

Argentine Beef Exports (in thousands of metric tons)



Source: SENASA

Export volume was 554,200 metric tons in the year, 54.3% from 359,100 metric tons in 2008. The average price in the year was US$3,395/metric ton, a decrease of 29.3% from US$4,802/metric ton in 2008. Export revenue increased 9.1% from the previous year to US$1.8 million. Russia was the main destination of Argentina's fresh beef, representing around 40% of exports. For cuts exported under the Hilton quota, Germany was the main destination and the United Kingdom accounted for the largest share of processed beef exports.

According to ONCCA, Argentina has the highest European Union reduced tariff import quota for beef, or Hilton Quota, and accordingly benefits from the best prices within the quota, where the cuts sold incur a tariff of 20%, while the extra quota incurs a tariff of 12.8%, plus Euro 3,041 per metric ton.

Competitive Advantages

- Argentina has the highest per capita consumption of beef in the world, according to the USDA;
- Approximately 55.7 million head of cattle, according to the USDA; and
- Slaughter rate of approximately 27%, lower than the rate in the United States, the European Union and Australia, according to the USDA.

Trade Restrictions and Sanitary Risks

- Sanitary risks: an outbreak of disease such as F&M disease can lead to trade barriers and affect exports from Argentina.
- Trade barriers: the economic crisis has lead to increased protectionism by some governments seeking to protect their local economies. Trade barriers and industry subsidies by importing countries can affect Argentine exports and diminish the competitive advantage of Argentine products.

The Uruguayan Beef Industry

Consumption

Uruguay's production is substantially oriented towards the export market, and has in recent years been among the top ten beef exporters in the world. From 2005 through 2009, Uruguayans were also the second largest per capita consumers of beef in the world, averaging 52.4 kilograms per capita in 2009, according to the USDA.

Production

According to INAC, Uruguay, with an estimated 11.8 million head of cattle in 2009 (approximately 3.6 head of cattle per inhabitant), is also an important beef exporter (the eighth largest beef exporter in the world). Uruguay exports approximately 70% of its beef production, according to INAC the USDA.

The world economic crisis and the drought in 2008 influenced the cattle market, affecting beef prices in the Uruguayan market. One of the measures taken by the Uruguayan government was to create special funds to support the agricultural sector.

The cattle industry in Uruguay had an unusual year in 2008. Benefiting from the European Union's restrictions on fresh Brazilian meat and the mid-year problems affecting Argentine exports, Uruguay exported part of its production to the European Union at record prices. The country also reallocated part of its exports to the United States to Russia, which was paying higher prices for beef.

Increases in prices for beef in the international markets were accompanied by increases in prices for cattle in 2008. However, the effects of the global crisis established a new level of prices in the fourth quarter, in which cattle prices trended downward.

In 2009, although Uruguay's beef consumption remained stable, the lower international demand for beef caused by the global financial crisis and the depreciation of the U.S. dollar against other currencies affected Uruguay more than Argentina, since Uruguay exports approximately 75% of its production.

In 2009, in light of the aftermath of the crisis, cattle prices returned to historical levels, accompanied by lower international meat prices.

Exports

Export volume was 389.7 metric tons in 2009, an increase of 3.6% from 376.1 metric tons in 2008. Export revenue was affected by lower prices and stood 20.6% below the previous year. In 2009, export revenue was US$969.9 million, compared to US$1.2 billion in 2008. In 2009, the average price per metric ton was US$2,489 a decrease of 23.4% from US$3,249 in 2008. Russia remained the main destination of Uruguayan beef, accounting for 26.6% of its exports, followed by the European Union (23.9%).

Competitive Advantages

- Approximately 12 million head of cattle (approximately 3.5 head of cattle per inhabitant), according to the USDA;
- Free of FMD;
- The country is allowed to export fresh beef to Pacific North, including countries such as USA, Canada and Mexico;
- Strong domestic market with the second largest per capita consumption of beef in the world.

Trade Restrictions and Sanitary Risks

- Sanitary risks: an outbreak of disease such as F&M disease can lead to trade barriers and affect exports from Uruguay.
- Trade barriers: the economic crisis has lead to increased protectionism by some governments seeking to protect their local economies. Trade barriers and industry subsidies by importing countries can affect Uruguayan exports and diminish the competitive advantage of Uruguayan products.

The Global Chicken Industry

Consumption

According to the USDA, chicken is the second most consumed meat in the world, following pork. In 2009, 71.2 million metric tons of chicken were consumed, an increase of 13.9% over 2005. The largest consumers of chicken are the United States, followed by China, the European Union, Brazil and Mexico. The table below shows the largest chicken consumers in the world:

	Global Chicken Consumption					
Country	2005	2006	2007	2008	2009(p)	2010(e)
	(in thousands of metric tons)					
United States	13,430	13,671	13,581	13,427	13,058	13,402
China	10,087	10,371	11,415	11,954	12,220	12,606
European Union(1)	8,082	7,655	8,358	8,504	8,610	8,640
Brazil	6,612	6,853	7,384	7,792	7,831	8,076
Mexico	2,868	3,016	3,067	3,289	3,290	3,377
Russia	2,139	2,373	2,578	2,744	2,665	2,795
India	1,899	2,000	2,239	2,489	2,549	2,649
Japan	1,880	1,970	1,945	1,926	1,960	1,960
Iran	1,223	1,326	1,464	1,460	1,539	1,614
South Africa	1,069	1,202	1,239	1,340	1,382	1,424
Argentina	941	1,109	1,200	1,270	1,331	1,400
Others	12,260	12,649	13,607	14,537	14,737	15,211
Total	**62,490**	**64,195**	**68,077**	**70,732**	**71,172**	**73,154**

(p) Preliminary results.
(e) Estimates.

Source: USDA.

Production

According to the USDA, the United States is the largest producer of chicken, followed by China, Brazil and the European Union. The table below shows global chicken production in the indicated countries from 2005 through 2010 (estimated):

	Global Chicken Production					
Country	2005	2006	2007	2008	2009(p)	2010(e)
	(in thousands of metric tons)					
United States	15,870	15,930	16,225	16,561	159,800	16,222
China	10,200	10,350	11,291	11,840	12,100	12,500
Brazil	9,350	9,355	10,305	11,033	10,980	11,420
European Union(1)	8,169	7,740	8,320	8,535	8,620	8,650
Mexico	2,498	2,592	2,683	2,853	2,810	2,880
India	1,900	2,000	2,240	2,490	2,550	2,650
Russia	900	1,180	1,350	1,600	1,790	1,975
Argentina	1,030	1,200	1,320	1,430	1,500	1,600
Iran	1,237	1,327	1,423	1,450	1,525	1,600
Japan	1,166	1,258	1,250	1,255	1,260	1,255
Thailand	950	1,100	1,050	1,170	1,200	1,250
Others	9,847	10,262	10,809	11,278	11,400	11,736
Total	**63,117**	**64,294**	**68,266**	**71,435**	**71,715**	**73,738**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Exports

Since 2004, Brazil has been the largest exporter of chicken in the world. In 2009, Brazilian exports represented approximately 38.5% of global chicken exports. The second largest exporter is the United States, followed by the European Union and Thailand. The table below shows the main exporters from 2005 through 2010 (estimated):

	World's Leading Chicken Exporting Countries					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
Brazil	2,739	2,502	2,922	3,242	3,150	3,345
United States	2,360	2,361	2,678	3,157	2,997	2,858
European Union(1)	696	690	635	743	720	720
Thailand	240	261	296	383	385	420
China	332	322	358	285	250	254
Argentina	92	94	125	164	174	204
Canada	102	110	139	152	147	153
Chile	60	64	39	63	110	125
Kuwait	97	38	60	70	70	70
Australia	18	16	25	27	35	40
Jordan	2	2	3	20	37	40
Others	93	98	105	112	108	110
Total	**6,831**	**6,558**	**7,385**	**8,418**	**8,183**	**8,339**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Imports

Russia is the largest importer of chicken in the world and represented nearly 11.3% of global imports in 2009, according to the USDA. The European Union and Japan are the second and third largest importers, respectively. The Middle East, and mainly Saudi Arabia and the United Arab Emirates, have increased imports of chicken in recent years. Another country that increased its imports in 2008 was Venezuela, which more than doubled its import volume compared to 2007. The table below shows the main importers of chicken from 2005 through 2010 (estimated):

	World's Leading Chicken Importing Countries					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
Russia	1,225	1,189	1,222	1,159	855	820
European Union(1)	609	605	673	712	710	710
Japan	748	716	696	737	700	680
Saudi Arabia	484	423	470	510	625	650
Mexico	374	430	393	447	490	505
China	219	343	482	399	370	360
Iraq	127	119	176	211	265	290
United Arab Emirates	167	182	238	289	290	290
Hong Kong	222	243	215	236	250	260
Venezuela	104	124	163	352	230	240
United States	15	21	28	35	36	36
Others	1,939	1,998	2,353	2,717	2,752	2,873
Total	**6,233**	**6,393**	**7,109**	**7,804**	**7,573**	**7,714**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Competition

The competitiveness of a chicken producer in the international market depends on its cost structure. The main production cost of poultry is grains, accounting for approximately 60% of the total cost, according to CONAB. Other factors include transport and distribution costs, as well as trade barriers imposed by importing markets.

Trade Barriers and Sanitary Risks

Trade barriers range from import quotas for Brazilian products (e.g. Russia), protective tariffs (e.g. the European Union), direct and indirect subsidies to local producers, licensing requirements (e.g. China) and complete import bans. Most countries demand sanitation agreements from Brazil before importing Brazilian products (as is the case with the United States, which does not have such agreements in place with Brazil for poultry or pork products).

Sanitary risks involve outbreaks of diseases in poultry. Bilateral sanitation agreements vary from country to country. Outbreaks of disease can lead to trade barriers between countries. The main outbreaks of disease among poultry are as follows:

- Newcastle disease: a contagious disease, affecting birds at any age. The virus can affect and cause lesions in the digestive tract and respiratory and nervous systems, leading to the death of the bird. The disease is combated with vaccinations.
- Bird flu: this contagious disease affects birds and can infect people that consume contaminated chicken. Currently, cases of the disease are concentrated in Southeast Asia. The bird flu virus can be destroyed through cooking meat or eggs to 71ºC. Some poultry-producing countries such as Thailand responded to outbreaks of bird flu by changing production to cooked products. Global chicken sales can be negatively affected by the development of the more virulent H1N1 bird flu virus, especially in Asia, but also more recently in Europe and Africa. Since the beginning of 2003, there have been more than 330 confirmed cases of bird flu in people and more than 200 deaths, according to the World Health Organization, with the number having increased each year. Human cases were reported in various Asian countries, in the Middle East and in Africa in 2006, and various European countries reported cases of bird flu in birds. Currently the bird flu has not been detected in Brazil or anyplace else in the Americas.

The Brazilian Chicken Industry

Consumption

According to the USDA, Brazilian chicken consumption totaled 7.8 million metric tons in 2009, an increase of 18.4% compared to 2005. Brazil is the fourth largest consumer of chicken in the world, accounting for approximately 11% of global consumption. In 2009, Brazil consumed approximately 71.3% of its chicken production.

Production

According to data compiled by the USDA, Brazil is the third largest producer of chicken (in terms of metric tons produced), and the largest exporter of poultry, in the world. The volumes of production, consumption and export of poultry have increased considerably in the last five years, since Brazil became the largest exporter in the world in 2004. In 2009, Brazilian chicken production reached 11 million metric tons, an increase of 17.4% compared to 2005.

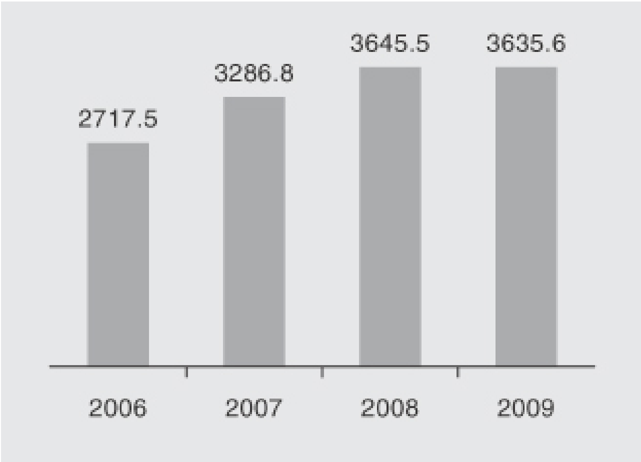
In 2009, the poultry segment was affected by difficulties during the year, with lower export volumes and prices combined with the currency depreciation in the year, which affected prices denominated in U.S. dollar. A gradual recovery was observed as of the second half of the year, however, prices ended the year at lower levels in relation to 2008.

Brazil's domestic market proved flexible in relation to chicken consumption, though the higher domestic supply resulting from lower exports and the strong depreciation in the U.S. dollar also reduced domestic prices in the first half of the year.

Exports

Chicken exports totaled 3.6 million metric tons, a decrease of 0.3% compared to 2008. Revenue was US$5.8 billion, a decrease of 16.3% from 2008, as a result of the 16.1% decrease in the average price, from US$1,906/metric ton in 2008 to US$1,600/metric ton in 2009. In addition to the slow economic recovery in certain important destinations, the high exchange rate volatility also led to a protracted recovery in the poultry export market.

The charts below show the evolution of Brazilian chicken exports, in million metric tons:



Source: SECEX

Despite being the largest chicken exporter in the world, Brazil still has room to increase its exports by developing new sales channels abroad, including, for example, in Malaysia or the United States.

The main chicken importers continue to be Hong Kong, Saudi Arabia, Japan and the European Union.

	Year ended December 31,	
	2008	2009
Volume (in thousands of metric tons)	3,646	3,636
Revenue (in millions of US$)	6,949	5,817
Price (US$/ton)	1,906	1,600

Source: SECEX

Competitive Advantages

The main competitive advantages of Brazilian chicken producers are as follows:

- Potential growth in the domestic and export markets;
- Improved margins relative to other large producers such as Europe, the United States and Thailand, due to the combination of (i) ample access to the grain used to feed poultry (in terms of both quantity and price) and (ii) lower labor costs than more developed countries.

Trade Barriers and Sanitary Risks

Brazilian chicken producers reported increased experiences with protectionism in early 2009. This year, there were attempts to ban Brazilian meat from Spain, South Africa, Canada and the European Union. The protectionist impulses began to be observed in October 2008, but became more visible this year, although the proposals were defeated (with the exception of the discussion in the European Union). Currently, one of the main concerns of the Brazilian chicken export sector is the movement in the European Union to heighten barriers to Brazilian production. Recently, the European Union reopened discussions on fresh chicken to prevent producers of “fresh” products from using that term for frozen chicken.

The United States does not have sanitation agreements with Brazil related to poultry and pork products.

With regard to sanitary risks, Brazil currently does not have Newcastle Disease or bird flu, although ANVISA is increasingly concerned about abuses of antibiotics.

The Chicken Industry in Europe

The European Union (27 country members) plays an important role in the global chicken industry. According to the USDA, the European Union is the third consumer of chicken in the world, after the United States and China, with an annual consumption of 8,610 metric tons in 2009. In the European Union market, chicken consumption has increased 6.5% from 2005 to 2009, according to the USDA. The USDA estimates that the European Union consumed 8,595 metric tons of chicken. The European Union is the fourth largest producer of poultry (8,620 metric tons in 2009), the second largest importer and the third largest exporter of poultry in the world.

A material aspect of the European Union market is its concern with the environment and with animal well-being. In recent years, concerns with the climate change led to an intensification in the use of bio-fuels, which caused an increase in the price of grain. The European Commission has been adopting measures to standardize the productive process, assuring the well-being of the animals, the quality of the products and avoiding plague spreads.

Performance in 2009

The global crisis affected the European economy in 2009. Climate change also affected European politics and the European economy, causing some pressures in the food industry. With respect to the chicken industry in Europe, the main changes are:

- the growing consumer concern with the environment;
- the adoption of political measures aimed to decrease climate change and minimize the environmental impact of the industry;
- growth of the population and of the global demand for food and fuel;
- investments in the chicken industry and a trend of consolidation;
- increase in protective measures and in exchange volatility; and
- migration to cheaper products, like chicken protein.

Europeans clearly changed their habits during the crisis. The lower purchasing power led consumers to have meals at home instead of eating out, benefiting sales of cheaper proteins, such as chicken, whose prospects remain positive for 2010. According to Europe’s Association of Poultry Processors (AVEC), chicken production in the United Kingdom remained stable at 1,216,000 metric tons in 2009, compared with 1,214,000 metric tons in 2008. Chicken consumption per capita also remained stable, at approximately 23.6 kg/year.

In exports, the European Union faces competition from other exports with lower production costs, such as Brazil, Thailand, China and the United States. AVEC estimates Europe’s chicken exports will reach 610,000 metric tons, representing a reduction of 17.6% from the 740,000 metric tons projected for 2008. This decline is due to the effects of the crisis on important markets, such as Russia and Ukraine. Russia established new sanitary regulations, which required the approval of all exporting companies and consequently delayed export shipments. Ukraine, which was affected by the crisis and currency depreciation, imposed a 13% duty on imported products.

The Global Pork Industry

Consumption

According to the USDA, pork is the most consumed protein in the world. In 2009, more than 100.0 million metric tons of pork were consumed globally, compared to 71.2 million metric tons of chicken and 56.1 million metric tons of beef. The largest consumers of pork in the world are the Chinese, representing approximately 48.3% of all pork consumption in 2009, followed by the European Union, the United States, Russia and Japan. The table below shows the largest consumers of pork in the world:

	Global Pork Consumption					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
China	45,139	46,051	42,726	46,412	48,300	50,300
European Union(1)	20,632	20,632	21,507	21,025	20,800	20,750
United States	8,660	8,643	8,965	8,806	8,925	8,557
Russia	2,486	2,639	2,803	3,112	2,954	3,039
Brazil	1,949	2,191	2,260	2,390	2,478	2,549
Japan	2,509	2,452	2,473	2,487	2,494	2,487
Vietnam	1,583	1,731	1,855	1,880	1,894	1,889
Mexico	1,556	1,538	1,523	1,605	1,664	1,700
South Korea	1,311	1,420	1,502	1,519	1,415	1,430
Philippines	1,198	1,239	1,275	1,270	1,267	1,268
Taiwan	944	928	926	945	958	963
Others	6,081	6,378	6,619	6,906	6,873	6,935
Total	**94,048**	**95,842**	**94,434**	**98,357**	**100,022**	**101,867**

(p) Preliminary results.
(e) Estimates
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Production

According to the USDA, China is the largest consumer and producer of pork in the world, producing almost all of its domestic consumption. The European Union is the second largest producer, followed by the United States and Brazil. The table below illustrates global pork production in the countries indicated from 2005 through 2010 (estimated):

	Global Pork Production					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
China	45,553	46,505	42,878	46,205	48,500	50,300
European Union(1)	21,676	21,791	22,858	22,596	22,000	21,900
United States	9,392	9,559	9,962	10,599	10,446	10,185
Brazil	2,710	2,830	2,990	3,015	3,123	3,249
Russia	1,735	1,805	1,910	2,060	2,205	2,290
Vietnam	1,602	1,713	1,832	1,850	1,850	1,850
Canada	1,765	1,748	1,746	1,786	1,790	1,660
Japan	1,245	1,247	1,250	1,249	1,285	1,270
Philippines	1,175	1,215	1,250	1,225	1,225	1,225
Mexico	1,195	1,158	1,152	1,161	1,150	1,175
South Korea	1,036	1,000	1,043	1,056	1,016	1,009
Others	5,336	5,504	5,714	5,726	5,646	5,770
Total	**94,420**	**96,075**	**94,585**	**98,528**	**100,236**	**101,883**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Exports

Currently, the United States is the largest exporter of pork in the world. The USDA estimates that the United States exported 1.9 million metric tons of pork in 2008, or 34.5% of global exports. The second largest exporter is the European Union, followed by Canada and Brazil. The table below shows the main exporters from 2005 through 2010 (estimated):

	World's Leading Pork Exporting Countries					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
United States	1,209	1,359	1,425	2,117	1,887	2,018
European Union(1)	1,143	1,284	1,286	1,726	1,250	1,200
Canada	1,084	1,081	1,033	1,129	1,130	1,100
Brazil	761	639	730	625	645	700
China	502	544	350	223	230	240
Chile	128	130	148	142	142	150
Mexico	59	66	80	91	86	95
Australia	56	60	54	48	45	48
South Korea	16	14	13	11	20	25
Vietnam	19	20	19	11	10	11
Croatia	1	2	2	3	5	6
Others	28	25	22	21	15	15
Total	**5,006**	**5,224**	**5,162**	**6,147**	**5,465**	**5,608**

(p) Preliminary results.
(e) Estimates.
(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

Source: USDA.

Imports

According to the USDA, Japan is the largest importer of pork in the world, representing approximately 23.3% of all pork imports in 2009, followed by Russia, Mexico and South Korea. The table below shows the main pork importers from 2005 through 2010 (estimated):

	World's Leading Pork Importing Countries					
Country	**2005**	**2006**	**2007**	**2008**	**2009(p)**	**2010(e)**
	(in thousands of metric tons)					
Japan	1,314	1,154	1,210	1,267	1,240	1,210
Russia	752	835	894	1,053	750	750
Mexico	420	446	451	535	600	620
South Korea	345	410	447	430	375	400
United States	464	449	439	377	373	390
Hong Kong	263	277	302	346	345	348
Canada	139	145	171	194	170	200
Ukraine	62	62	82	238	240	200
Australia	105	109	141	152	170	175
China	88	90	198	430	150	120
Singapore	85	98	97	91	99	102
Others	703	846	655	802	841	897
Total	**4,740**	**4,921**	**5,087**	**5,915**	**5,323**	**5,412**

(p) Preliminary results.
(e) Estimates.

Source: USDA.

Competition

The competitiveness of a pork producer in the international market depends on its cost structure. The main cost in raising pigs is feed, accounting for more than 70% of costs, according to data from CONAB. Other factors affecting competitiveness are transport and distribution costs, and trade barriers imposed by import markets.

Trade Barriers and Sanitary Risks

As with cattle and chicken, trade barriers and the risk of disease in pigs threaten the performance of companies in the industry. Trade barriers range from import quotas on Brazilian products, protectionist tariffs, direct and indirect subsidies to local producers, licensing requirements and complete bans on imports. Most countries demand sanitation agreements with Brazil before accepting Brazilian products (as is the case with the United States, which does not have sanitation agreements with Brazil for pork products or poultry).

- The H1N1 flu, or flu A: in 2009, various cases of flu A, originally known as “swine flu,” have been reported in humans, principally in Mexico and the United States and, to a lesser degree, in other countries, including Brazil. This virus is highly transmissible between people, and since the media does not always explain that the consumption of properly prepared pork does not transmit the flu, people have immediately curtailed in the short term their consumption of pork products.
- F&M disease: Brazil’s territory is divided in zones according to the identification of F&M disease in a certain location. In the last seven years, Brazil made significant progress in the control of F&M disease, especially taking into account that practically the entire territory was affected by F&M disease in 1998. According to MAPA, 59% of the Brazilian territory is free of F&M disease and 89% of Brazilian cattle are located in areas that are free of F&M disease. This success is due to the Brazilian government’s efforts to increase vaccination (in 2009, it is expected that Brazil will vaccinate approximately 96.8% of its cattle). MAPA developed the National Program of Eradication or Prevention of F&M Disease within the goals of the limitation in the South American continent until 2009, according to the Hemispheric Plan of Eradication of F&M Disease. F&M disease does not affect human beings. Exports of fresh meat during outbreaks are restricted to avoid economic damages in the export markets.
- Porcine Reproductive and Respiratory Syndrome (“Blue Ear Disease”), or PRRS: PRRS is a sickness that can cause perinatal abortions, premature births, fetal mummification, weak and dead piglets, infertility and respiratory symptoms in various age groups, and is endemic (persisting for much time in a population) in various countries. Brazil does not have any evidence of the presence of this disease, but should undertake measures to prevent its introduction, most likely though imported animals. The disease is on the List of the World Organization for Animal Health (combining old lists A e B) requiring mandatory reporting.
- Classic Swine Plague, or CSP: CSP, also known as swine fever or pig cholera, is a contagious disease that is frequently fatal to pigs. It was first recognized in the 19th century and its viral etiology was established in the beginning of the 20th century. Currently, some of the most important pork-producing areas or countries are free of CSP, but despite eradication efforts, the disease remains endemic or recurring in other areas. The probability of propagation of the disease is highest in areas densely populated with pigs. In countries where CSP is endemic, vaccines are generally extensively utilized to prevent losses, although it is ineffective to eradicate the disease.

The Pork Industry in Brazil

Consumption

According to the USDA, Brazilian pork consumption was 2.5 million metric tons in 2009, an increase of 27.1% compared to 2005. Brazil is the sixth largest consumer of pork in the world, representing approximately 2.5% of global pork consumption. Data from the USDA shows that pork consumption has increased in Brazil. It is expected that in 2010 the consumption in Brazil will be higher than in Japan, reaching 2,549 million metric tons. In 2009, Brazil consumed approximately 77% of its production of pork. In the domestic market, per capita consumption has been increasing in recent years reaching 13.8 kg per capita per year, according to the ABIPECS.

Production

According to data compiled by the USDA, Brazil is the fourth largest producer and exporter, and sixth largest consumer of pork in the world, and despite being highly competitive in its production processes, Brazil suffers from sanitary restrictions in the principal markets. As an alternative, Brazil mainly exports to other markets, such as Russia and Hong Kong.

In 2009, the hog industry was affected by lower export volumes and prices combined with the currency depreciation in the year, which affected prices denominated in U.S. dollar. A gradual recovery was observed as of the second half of the year, however, prices ended the year at lower levels in relation to 2008.

Brazil's domestic market proved flexible in relation to chicken and pork consumption, though the higher domestic supply resulting from lower exports and the strong depreciation in the U.S. dollar also reduced domestic prices in the first half of the year.

According to the Brazilian Pork Producers and Exporters Association (ABIPECS), the main fundamentals of Brazil's pork chain in 2009 were: the robust increase in production resulting basically from higher productivity due to technological advances, the higher supply of meat at competitive prices, the adverse effect on sales from the financial crisis, the sharp drop in prices, the appreciation in the Brazilian *real* and the strong pressure on costs in the first half of the year.

Exports

Pork exports reached 607,500 metric tons, an increase of 14.7% from 2008. Export revenue was US$1.2 billion, a decrease of 17.0% from 2008, due to the 27.7% reduction in the average price, from US$2,794/metric ton in 2008 to US$2,019/metric ton in 2009. The main importers of Brazilian pork continue to be Russia, Hong Kong and Angola.

	Total Brazilian Pork Exports	
	Year ended December 31,	
	2008	2009
Volume (in thousands of metric tons)	530.8	630.8
Revenue (in millions of US$)	1,479.4	1,247.7
Price (US$/ton)	2,792.2	1,978.1

Source: SECEX

Decreases in inventories in certain important importers and improved availability of credit in Russia produced positive effects for exports in the first quarter of the year. Volumes trended upward but prices have not yet begun to recover.

Trade Barriers and Sanitary Risks

According to ABIEC and pursuant to directives established by OIE, Brazil is divided into zones relating to the presence of F&M disease. Over the last seven years, Brazil has made much progress in controlling F&M disease, especially considering that nearly the whole country was affected in 1998.

Global demand for Brazilian poultry, pork and beef is significantly affected by trade barriers, sanitary requirements and barriers related to diseases, religious matters and economic conditions, among other factors, depending on the market to which the product is exported. Trade barriers range from import quotas on Brazilian products (e.g. Russia), protectionist tariffs (e.g. the European Union), direct and indirect subsidies for local products, licensing requirements (e.g. China) and complete bans on imports. Most countries demand sanitation agreements with Brazil before accepting Brazilian products (as is the case with the United States, which does not have sanitation agreements with Brazil for pork and poultry products).

In addition, outbreaks of animal diseases can lead to import barriers (as is the case in Russia, which banned Brazilian pork products after F&M disease affected cattle in two Brazilian states). The Middle East, an active region for Brazilian poultry producers, does not import pork products because of Islamic religious restrictions. Above all else, economic conditions in a particular export market (national or regional) influence demand for all types of pork, beef and poultry products, as well as processed products.

Raw Materials

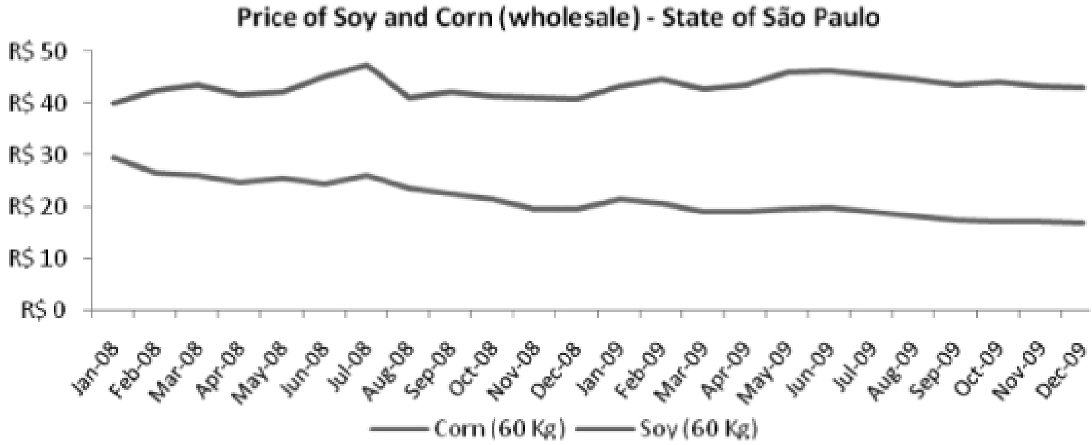
Grain

According to the Institute of Agricultural Economics (*Instituto de Economia Agrícola*), or IEA, from January through December 2009, the average price of a corn sack (60kg) in the wholesale in the state of São Paulo reached R$18.77/sack, a decrease of 21.8% compared to the same period of 2008, when the corn sack was R$ 24.01/sack. The average price of soy reached R$44.15/sack from January through December 2009, an increase of 4.0% compared to the same period of 2008 when the price of soy was R$42.43/sack.

	Year ended December 31,	
	2008	2009
Sack of 60kg		
Corn (R$/sack)	24.01	18.77
Soy (R$/sack)	42.43	44.15

Source: IEA

The chart below shows prices of corn and soy:



According to the last research carried out by CONAB in the period from March 15 through 26, 2010 soy had the largest production in 2009/2010, in addition to an increase in the cultivated area. The expectation is that there will be a 6.8% increase in the cultivated area and a 17.9% increase in the production, reaching 67.39 million metric tons or 10.22 million metric tons higher than 57.17 million metric tons in 2008/2009. In addition, for corn the expectation is that there will be a 13.3% reduction in the cultivated area during the production in 2009/2010 as a result of the negative impact caused by low prices and high levels of production in stock. For 2009/2010, CONAB estimates a production of 33,409.1 thousand tonnes, a 0.7% decrease in the production of corn when compared to 2008/2009.

BUSINESS

Introduction

We are a multinational business founded and based in Brazil that produces, processes and sells a diversified range of food products, both in Brazil and internationally, focusing on food derived from animal protein. We are one of the largest exporters of beef in Brazil and in Uruguay, according to the annual reports of SECEX and INAC, and we believe we are one of the largest exporters of beef in the world. With more than two decades of experience in the food industry, we have a vertical business model covering a wide and varied portfolio of proteins and products, together with a strong and growing presence in the processed foods segment, which we believe will be one of our main drivers of growth in volumes and margins in the coming years.

We have built an integrated and geographically diversified business model, consisting of production facilities in locations that offer significant cost advantages combined with a distribution network that covers more than 100 countries and accesses the world's principal consumer markets. Our business is organized strategically into five divisions, each with its own independent infrastructure: (i) Beef and Food Service—Brazil, (ii) Poultry, Pork and Processed Foods; (iii) Argentina; (iv) Uruguay; and (v) Europe. We operate 84 processing plants and offices in 13 countries in South America, North America, Europe, Asia and Africa and have a daily slaughtering capacity of 30,150 head of cattle, 1,847,000 chickens, 4,200 head of pork, 30,000 turkeys and 10,400 lambs. Our monthly production capacity of processed food is equal to 53,569 metric tons. Together, this production platform gives us significant growth capacity as well as the ability to hedge against industry risks.

Since our initial public offering in 2007, we have implemented a strategy of deliberate and consistent operational growth based on an internationalized and diversified business model. From our initial public offering in 2007 through the end of 2009, our volume of products sold increased by approximately 129.8%. From 2006 through 2009, our volume of products sold increased from 617,000 metric tons to 2,186,243 metric tons, representing a compound annual growth rate of 52.5%. At the same time we continued to upgrade our internal processes, seeking both improvements in efficiency and strict cost control, which we believe resulted in an increase in our profitability.

Financial Information

The table below shows financial information derived from our consolidated financial statements for the periods indicated:

	For the year ended December 31,			
	2007	2008	2009	2009
	(R$)	(R$)	(R$)	(US$)
	(in millions, except as indicated)			
Domestic Markets	1,533.8	3,312.8	5,943.3	3,413.3
Export Markets(1)	1,806.1	2,891.0	3,672.4	2,109.2
Net Operating Revenue	**3,339.9**	**6,203.8**	**9,615.7**	**5,522.5**
EBITDA(2)	380.2	884.3	819.5	470.7
EBITDA Margin(3)	11.4%	14.3%	8.5%	8.5%
Net Income (Loss)(4)	**85.0**	**(35.5)**	**679.1**	**389.9**
Cash and Cash Equivalents	1,049.8	1,071.7	3,033.4	1,742.1
Short-term Debt	428.1	1,232.1	1,473.6	846.3
Long-term Debt	1,645.9	3,081.4	3,680.5	2,113.8
Net Debt	1,024.2	3,241.8	2,120.7	1,218.0
Total Debt/EBITDA (last 12 months)	5.45	4.88	6.29	6.29
Net Debt/EBITDA (last 12 months)	2.69	3.67	2.59	2.59

(1) Exports between group companies are eliminated in consolidation and accounted for as revenues in the market of final sale.
(2) See "Presentation of Financial Information and Other Information—EBITDA."
(3) EBITDA divided by net operating revenue.
(4) Net income excluding costs associated with issuances of shares or indebtedness.

Portfolio of Products

Our portfolio of products includes the production, processing and/or sale of the following:

- Processed products such as cold cuts, sausages, smoked meats, hamburgers, meatballs and keftas, ready-made meals and snacks, empanadas and pasta, among others;
- Specialized, portioned and traditional cuts of non-processed meat (beef, pork, poultry and lamb);

- Processed beef products such as frozen pre-cooked meat, canned meats and dried beef jerky;
- Processed chicken products such as empanadas, ready-made meals, and frozen or refrigerated products, among others;
- Ocean fish such as cod, hake and salmon, among others;
- Pre-cooked potatoes, pulses and frozen vegetables, sourced from the principal producing regions in South America;
- Wet blue, semi-finished, finished and cut leather for the automobile, aviation and upholstery industries; and
- Cleaning products.

Operating Information

The table below shows operating information for our business in the periods indicated:

	For the year ended December 31,		
	2007	2008	2009
		(tons per year)	
Cattle(1)	21,100	21,100	30,150
Poultry(1)	—	1,726,000	1,847,000
Pork(1)	4,200	4,200	4,200
Lamb(1)	8,400	9,400	10,400
Processed Foods(2)	12,350	49,100	53,569

(1) Average slaughtering capacity in heads/day.
(2) Average capacity in metric tons/month.

Competitive Strengths

We believe our proven capacity for organic growth and history of quality acquisitions puts us in a privileged position to continue to build out our client base, seize business opportunities in the processed foods, specialized meat cuts and food service segments, and create value for our shareholders. As evidence of this, our processed food capacity increased by 333.7% between 2007 and 2009. In addition, we believe we have the following strengths:

- ***Capacity for organic growth.*** Each of our processing facilities has been leased, purchased or constructed in the last nine years and was designed (or is being upgraded) to produce a wide range of beef, pork, lamb and poultry products, including high value-added products such as specialized cuts of beef, frozen pre-cooked beef, and pork in smoked, sausage or salted form. Our modern facilities provide us with ample access to customers such as global supermarket chains that require the highest quality standards from their suppliers. We believe the production capacity of our beef, poultry and pork platform can be substantially increased with investments in existing plants.
- ***Proven capacity to successfully identify, acquire and integrate target businesses.*** We have a history of success in acquiring and integrating companies, both in Brazil and elsewhere, carrying out the expansion process efficiently and generating synergies. In the last three years, we have successfully completed and integrated 37 acquisitions with a high growth potential, including corporations, assets and brands in various segments of our industry. Accordingly, we believe we possess the necessary experience to identify, acquire, and integrate target businesses and generate synergies from each acquisition, enabling us to combine volume growth with operational synergies, driving consistent and increasing profitability as we add more brands and products to our portfolio.
- ***A diversified global platform.*** Our global platform covers five continents and consists of 84 processing facilities and offices in South America, North America, Europe, Asia and Africa together with a distribution network that gives us access to more than 100 countries. The strategic location of our facilities in Brazil, Argentina and Uruguay, countries that have plentiful land and longstanding traditions of animal husbandry, leads to low production costs, competitive pricing and increased export volumes. We believe that these factors, when combined with our market position for value-added processed foods in high-income markets such as Europe and the United States, help us to maintain our margins. Our sales volumes, combining export and domestic markets sales, give us the necessary scale to maintain and expand our activities in competitive markets. In addition, through our diversified product portfolio we are able to offer customers a wide variety of products, which we believe results in increased customer loyalty. Lastly, our strategy of geographic and product diversification creates a natural hedge against industry risks.

- ***Strong reputation and well-positioned brands.*** We believe we possess strong regional brands that are recognized as symbols of the highest quality and consistency in food products, such as Bassi, Mabella, DaGranja, Pena Branca and Palatare. We also possess some of the principal Brazilian export brands such as GJ for beef, DaGranja Exports and PenaSul for chicken, and Westphalen for pork. We hold a number of other prestigious brands, including Paty, which is the leading Argentine hamburger brand; Aberdeen Angus, a symbol of quality meat in Argentina; and Mirab, which is an important brand in Argentina for meat snacks such as beef jerky and exports to a number of countries including the United States, Japan, and the United Kingdom. In Uruguay we own Tacuarembó, Viva and Bernina. We also own Moy Park in Europe and Pemmican, a major meat snacks brand in the United States. After the Acquisition of Seara, we also own the Seara brand, which we believe has a strong reputation in the Brazilian and international markets. We believe that our solid reputation and brand recognition allow us to build long-term relationships with our customers.
- ***Sustained growth and strong commitment to environmental protection.*** We are deeply concerned by the need to pursue growth in a sustainable fashion, and have therefore joined the Task Force for Sustainable Ranching, an initiative introduced by the World Bank and the IFC to promote environmental sustainability throughout the chain of cattle raising. We have a commitment to build partnerships with state governments dedicated to promoting the Meat Certificate of Origin program, and we have undertaken not to produce or acquire cattle in areas listed by the IBAMA, and other regulatory agencies as endangered or deforested, or in the Amazon.
- ***Experienced and entrepreneurial management.*** Our management team has extensive experience, with a combined total of more than 150 years in the food sector, which has given us significant strength when exploring market opportunities and adjusting our business plans to meet demand, and enabled us to generate value for our shareholders since we were founded. In recent years, our current management team has driven our sales growth, upgraded our operations, successfully integrated our recent acquisitions and implemented our strategic planning. Our international operations benefit from local management with significant experience. Our founder and current CEO, Marcos Molina, has more than 20 years of experience in the food industry.

Our Strategy

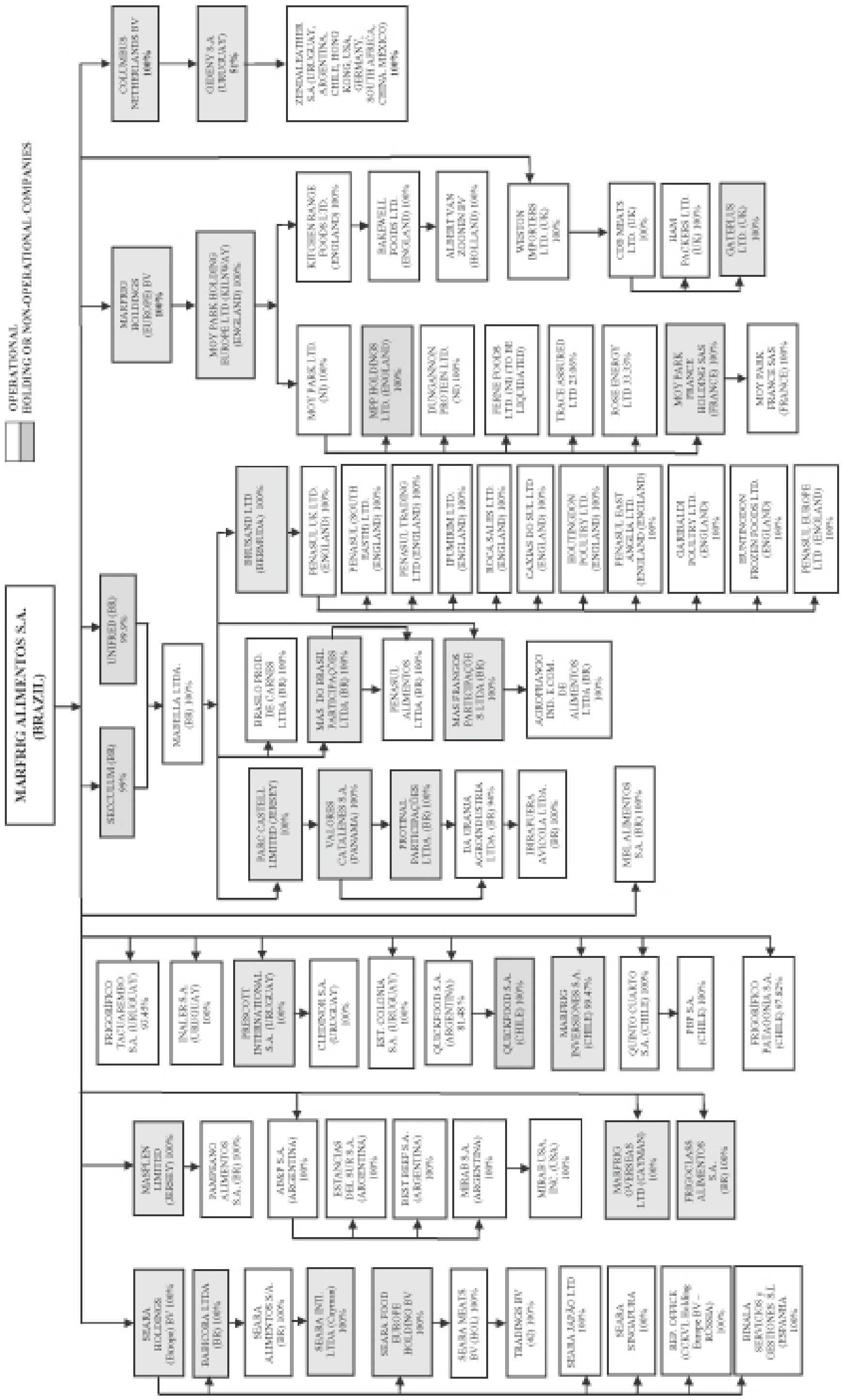
Our goals are (i) to increase our international presence, our share of our current markets and our volume of exports and (ii) to continue to focus on higher value-added products, thereby increasing our margins and profitability. To achieve these goals, we have implemented and will continue to leverage the following strategic objectives:

- ***Invest in organic growth.*** We intend to continue investing in increasing capacity in our poultry and pork processing plants, in order to continue to balance revenue from these segments with revenue from beef products. We believe we can achieve substantial increases in production capacity using our current facilities without the need for major investments. We also intend to invest in the growth of our distribution and logistics network.
- C***ontinue to pursue acquisitions and partnerships in our industry.*** Our industry is fragmented and has undergone a consolidation trend worldwide and we believe that this trend will continue in the foreseeable future. In the three years ended December 31, 2009 we carried out 37 acquisitions. We recently completed the acquisition of the Seara Business Acquired, among other acquisitions, and the integration of these acquisitions is our focus in 2010. We continue to take advantage of our experience in acquiring and integrating target businesses and to actively purse acquisition and partnership opportunities in Brazil and globally, at all levels of the chain of production, which could bring us new markets, additional products, economies of scale and operating synergies. We expect to continue making acquisitions, as part of the consolidation in the global protein industry, and we regularly review specific acquisition possibilities. We are at different levels of discussions with potential targets but have not reached agreements with any of them. One or more of these potential acquisitions, if consummated, would be material. Should we enter into any definitive agreement, the acquisition could be financed by equity, debt, internally generated cash or a combination thereof.
- ***Expand our focus on high value-added products.*** We intend to continue to increase our range of processed foods and specialized cuts of non-processed meat, such as cold cuts, sausages, frozen foods, canned meat, hamburgers, pasta and premium cuts, among others. Since these products generate higher added value than non-processed meat, they generally permit us to realize higher margins.
- ***Leverage and develop our brands.*** In the markets where we operate, we intend to gain market positions similar to those held by Paty, the leading hamburger brand in Argentina and a reference in its category, Moy Park in the United Kingdom, and now Seara in the Brazilian and international markets. We are investing to strengthen the Seara brand in the Brazilian market and worldwide, particularly by using it in healthy products and by sponsoring sports, especially soccer, which is the main national sport in Brazil. Each of these brands is recognized as a symbol of the highest quality products. We are reviewing our portfolio of brands, both in Brazil and elsewhere, in order to create an overall brand architecture that is recognized by consumers as synonymous with superior quality and reliability, allowing us to increase our price differential and increase shareholder value.

- ***Maximize our global platform and our commercial relationships.*** We intend to expand our presence in the Brazilian and international markets, seeking out new opportunities on a regional and business line basis, exploring markets that we do not currently serve, and growing and consolidating our operations in markets where we already operate. Certain of our products are not yet sold in all of our more than 100 markets, which presents growth opportunities. At the same time, we will also continue to invest in the expansion and consolidation of our position in the domestic markets where we operate. In the other markets where we are already present, whether in South America, Europe or the United States, we intend to seek out new partnerships and increase our customer base. As of December 31, 2009, we had more than 45,000 customers recorded in our portfolio; we intend to strive continuously to increase this number.
- ***Expand our food service activities.*** We intend to increase direct sales of our products through restaurants, supermarkets, corporate catering facilities, specialty beef outlets and fast food chains, since these sales generate greater margins. We constantly seek to broaden our product offering in the food service segment and maximize our existing distribution network, so as to provide our food service customers with a "one-stop" option consisting of a complete range of food products for their daily needs.
- ***Add value in semi-finished, finished and cut leather***. We intend to increase our sales of semi-finished, finished and cut leather in Europe, the United States, Asia, Africa and the Mercosul region, selling to our customers in the automobile, aviation and upholstery and related industries. This will enable us to cover more value-added stages in leather production and, therefore, in the cattle slaughter value chain. The recent acquisition of the Zenda Group is part of this strategy.

Corporate Structure

The chart below shows our corporate structure as of December 31, 2009.



Our Divisions

The subsidiary and affiliated companies presented in the corporate chart above should be considered within the operational context of the integrated activities of our divisions and their respective subsidiaries.

Beef and Food Service—Brazil

Marfrig Alimentos S.A.

Marfrig Alimentos S.A. comprises ten cattle slaughterhouses and three beef processing units, one leather processing plant, one hygiene and cleaning product plant and four fattening facilities located in the states of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a distribution center in the state of São Paulo;

MFB Marfrig Frigorificos Brasil S.A., formerly Frigoclass Alimentos S.A., is composed of 13 cattle slaughtering units, of which one is also used for slaughtering lamb, as well as two beef processing and industrialization units, one of which is located in the slaughtering unit of Rio Verde—state of Goiás. The units are located in the state of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rodônia.

Masplen Ltd. (Isle of Jersey), or Masplen

Masplen owns 100% of Pampeano Alimentos S.A. (Brazil), or Pampeano. Pampeano produces canned meats and other industrialized products in the state of Rio Grande do Sul.

Poultry, Pork and Industrialized Products—Brazil

Secculum Participações Ltda. (Brazil) , or Secculum and União Frederiquense Participações Ltda. (Brazil).

We own 99% of Secculum and 99.99% of União Frederiquense Participações Ltda. These companies together hold 100% of Frigorífico Mabella Ltda. (Brazil).

Mabella operates a pork-slaughtering unit in the state of Santa Catarina and a pork slaughtering and pork processing unit in the state of Rio Grande do Sul. Mabella is also responsible for Marfrig’s poultry and pork operations, and has the following percentages of ownership interest in the companies as indicated below:

DaGranja Agroindustrial Ltda. – 94%;

Braslo Produtos de Carnes Ltda. – 100%;

MAS do Brasil Participações Ltda. – 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda.;

Penasul Alimentos Ltda.; 100%;

Poultry operations consist of seven poultry slaughtering plants and seven poultry processing units in the states of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and Distrito Federal;

MBL Alimentos S.A. (Carroll’s) – 100%. This company is engaged in pig raising.

The poultry and pork division produces and sells products under the trademark Pena Branca, which belongs to Marfrig Alimentos S.A.

Seara Holdings (Europe) B.V. (The Netherlands), which Marfrig Alimentos S.A. acquired with the purpose of acquiring the control of Seara Alimentos S.A.

MBL Alimentos S.A. (Carroll’s), or MBL

MBL is a full subsidiary of Mabella and its activities are focused on the raising of pigs.

Argentina

Argentine Breeders & Packers S.A., or AB&P

AB&P is comprised of three cattle slaughterhouses, including its 100% ownership of Best Beef S.A., Estâncias Del Sur S.A. and Mirab S.A. (Argentina and the United States), which produces and distributes beef jerky for the United States and various other export markets.

Quickfood S.A.

Quickfood is a publicly held company that owns the Paty brand, which is the hamburger market leader in Argentina, Uruguay and Chile. It has two slaughterhouses and three processed and industrialized beef product units.

Uruguay

Frigorífico Tacuarembó S.A., or Tacuarembó

Tacuarembó operates a cattle slaughterhouse and a beef industrializing plant.

Inaler S.A., or Inaler

Inaler is a cattle and lamb slaughterhouse.

Marfrig Chile Inversiones Ltda. (Chile), or Marfrig Chile

Marfrig Chile operates a lamb refrigerator warehouse in Patagonia and a deboning plant and trading company that operates in the Chilean market.

Prestcott International S.A., or Prescott International

Prescott International owns 100% of Cledinor S.A., which has a cattle and lamb slaughterhouse located in the city of Salto.

Establecimientos Colonia S.A.

Establecimientos Colonia is a cattle refrigerated warehouse located in the city of Colonia.

Fray Bentos

Fray Bentos leases to us one industrialized products plant with installed capacity of 4,400 metric tons per month.

Europe

Weston Importers Ltd. (United Kingdom), or Weston

Weston is a trading company that operates in the European market and owns 100% of CDB Meats Ltd. (United Kingdom), an industrialized meat producer.

Marfrig Holdings (Europe)—BV (Netherlands), or Marfrig Holdings (Europe)

Marfrig Holdings (Europe) owns 100% of Moy Park Holdings (Europe) Limited (headquartered in northern Ireland), which owns 100% of Moy Park group and Kitchen Range Foods Ltd. (England), which operates three poultry slaughterhouses and eight processed products plants in England, Northern Ireland, France and the Netherlands.

Marfrig

We are a Brazilian publicly held corporation (*sociedade anônima*), founded in 2000 with an undetermined term and are headquartered at Avenida Brigadeiro Faria Lima 1912, #7B, São Paulo, SP, Brazil. We were registered at CVM on September 18, 2007. Our corporate purposes are (i) to explore cold storage activities, the slaughter of bulls, horses, pigs, goats, lamb, birds, buffalos and the processing and sale of animal products and subproducts, consumable or not, including, but not limited to, the processing and sale of leather products and subproducts, in our own establishments or third parties' establishments; (ii) the purchase, sale, distribution, representation, import and export of food products in general, including beverages, alcoholic or not, and others; (iii) purchase and sale of bulls, horses, pigs, goats, lamb, birds, buffalos alive; (iv) supply of manpower together with other companies; (v) exploration of agricultural activity; (vi) interest as a partner of shareholder in any business or civil company; (vii) distribution and commercialization of food products in general; (viii) production, distribution and commercialization of soaps, washing preparations, antiseptics, softeners and other cleaning and hygiene products; (ix) cogeneration, production and commercialization of energy and biodiesel; (x) interest in the financial market, as well as carbon credit market; (xi) commercialization and production of products derived from vegetables, as well as of all derivatives and succedaneums thereof; feed, canned food and fats; and (xii) transport of our products and third party's products; representations and other related transactions necessary to accomplish our corporate purposes.

History of Our Organic Growth and Acquisitions

In 1986, at the age of 16, Mr. Marcos Antonio Molina dos Santos opened his first business. Just two years later, he had already established himself as an important distributor of cuts of beef, pork, poultry and fish, as well as imported frozen vegetables, to a wide array of customers in the state of São Paulo, including well-known restaurants. In 1998 he opened his first distribution center in the city of Santo André, state of São Paulo, to meet the growing demand for those products. In 2000, our founding shareholders established Marfrig Frigoríficos e Comércio de Alimentos Ltda. which would later be transformed into us, and we leased our first slaughterhouse and processing plant (which we later acquired) in the city of Bataguassu, state of Mato Grosso do Sul. Our export business was launched in the following year when we leased our second slaughterhouse and processing plant in the city of Promissão, state of São Paulo, or Promissão I, together with the acquisition of the GJ brand, which is recognized in the international markets.

In 2003, we acquired the Tangará da Serra plant and, in the following year, we leased the Paranatinga plant (which we later acquired). Both plants are located in the state of Mato Grosso. In April 2006, we acquired the plant in Mineiros, state of Goiás. In July 2006 we founded Marfrig Chile, and in September 2006 we bought 50% of the capital stock of Quinto Cuarto. In August 2006, we acquired the plants at Chupinguaia, in the state of Rondônia, and the plant in São Gabriel, in a state of Rio Grande do Sul. In October 2006, we acquired 75.22% of the company Tacuarembó in Uruguay, and 100% of the capital stock of AB&P, which has a slaughterhouse in Argentina. In December 2006 we concluded the construction of a plant in Porto Murtinho, in the state of Mato Grosso do Sul. Also in December 2006, we acquired control of the company Inaler, our second plant in Uruguay.

In January 2007 we acquired our second plant in Promissão, state of São Paulo, or Promissão II. Through the course of 2007, 2008 and 2009, we acquired an additional participation of 17.52% of Tacuarembó, increasing our participation in the company to 93.45%. On January 23, 2007, we paid in capital in the amount of US$2.2 million in Weston. On January 29, 2007, we acquired an additional participation of 42% in Inaler, becoming the owners of 100% of its capital stock.

On May 5, 2007 we entered into a purchase and sale agreement for the acquisition of the Kilo Certo brand and the assets of its processing plant in the state of São Paulo. These assets were transferred to us on September 1, 2007.

On May 10, 2007 we entered into a private purchase and sale agreement for the acquisition of the totality of the capital stock of Masplen.

On September 2, 2007 we acquired 100% of the capital stock of Prestcott International. Cledinor conducts business under the trade name “Frigorífico La Caballada.”

On July 6, 2007 we concluded our primary and secondary public offering, in which 60,030,000 of our common shares were sold, for a total of R$1,020.5 million.

On July 18, 2007 we leased a cattle feedlot in the city of Pereira Barreto, state of São Paulo, with capacity to hold 15,000 head of cattle.

On July 23, 2007 we acquired, through our subsidiary Marfrig Chile, the remaining 50% of the capital stock of Quinto Cuarto. Also, on August 13, 2007, we, through our subsidiary Marfrig Chile, entered into an agreement to acquire a 97.82% stake in Frigorífico Patagonia, located in Comuna Porvenir, Tierra del Fuego, Chile, with slaughter capacity of 300,000 head of lamb per year.

On August 17, 2007 we entered into a purchase and sale agreement for the real estate and equipment of tannery, located in the city of Promissão, state of São Paulo, with capacity to process 1,500 hides per day. The purpose of this acquisition was to increase our position in the leather sector, taking advantage of the leather resulting from the slaughter at our units in the city of Promissão.

On October 4, 2007 we leased a cattle feedlot in the city of Guapiaçu, state of São Paulo, with the capacity to hold 12,500 head of cattle.

On October 31, 2007 we acquired, through our wholly-owned subsidiary in Argentina, AB&P, the Argentine companies Best Beef S.A. and Estancias del Sur S.A.

On November 13, 2007 we entered into a purchase and sale agreement to acquire the company that held 100% of the capital stock of Establecimientos Colonia whose main activities are the slaughter, production, processing and export of beef and byproducts.

On November 20, 2007 we completed the acquisition of 70.51% of the shares of the Argentine company Quickfood from its controlling shareholders. Quickfood is one of the most important producers of foods derived from beef in Argentina. Its main activities include the slaughter, production, processing and export of beef and derivative products.

On November 30, 2007 we entered into a quota purchase and sale agreement through which we acquired 100% control of Mabella. At that time, Mabella had two pork slaughterhouses with a total capacity of 4,200 head per day in the states of Santa Catarina and Rio Grande do Sul.

On January 2, 2008 we, through our wholly-owned subsidiary AB&P, acquired 100% of the capital stock of Mirab, located in Buenos Aires, Argentina. Mirab is one of the most important manufacturers of meat snacks in Argentina, and it also controls 100% of Mirab USA, Inc, located in the state of Michigan. Mirab USA is one of the largest processor and distributor of private label beef jerky.

On February 25, 2008 we, through our subsidiary Mabella, entered into a purchase and sale agreement for the acquisition of 100% of Carroll's. Carroll's, which is now called MBL, raises and markets high quality pork, and also has one of the largest feed mills in the state of Mato Grosso.

On March 6, 2008 we began our activities in the poultry segment with the acquisition of the entire poultry segment operation of Moinhos Cruzeiro do Sul, including 100% of the capital stock of Penapaulo and the brand Pena Branca and all the activities and products related to it. At that time Penapaulo had two slaughterhouses, both located in the state of São Paulo, with a combined slaughter capacity of 300,000 chickens a day, three feed mills, one grandparent stock farm (poultry), two hen farms and three incubators, which were subsequently incorporated into Mabella.

On April 15, 2008 we acquired all the quotas of DaGranja. With 30 years' experience in the slaughter, refrigerating and marketing of poultry and pork, DaGranja had three chicken slaughterhouses of which two are located in the state of Minas Gerais, in the cities of Uberaba and Passos and one in the state of Paraná, in the city of Lapa with a capacity to slaughter 480,000 chickens a day. DaGranja also had three feed mills, two industrialized products factories, with one in São Jose do Rio Preto, state of São Paulo, and one in the city of Lapa, state of Paraná, one grandparent stock farm, three hen farms and two incubators, as well as a pork farm in the city of Ponta Grossa, state of Paraná.

On March 12, 2008 Marfrig entered into a contract to buy, through its wholly-owned subsidiary Weston, 100% of the capital stock of the controlling group of C.D.B. Meats Limited, or CDB, located in Dartford, Kent, United Kingdom. CBD is one of the main importers and distributors of food products in the United Kingdom. This acquisition also includes Ham Packers Limited, a wholly-owned subsidiary of the CBD, which controls and operates a modern canning factory, also located in the United Kingdom.

On July 23, 2008 we entered into an agreement to acquire the Pemmican brand through our subsidiary Mirab USA Inc., as well as equipment for the production of beef jerky from ConAgra Foods.

During 2008 and 2009 we acquired another 2,350,162 shares of Quickfood. With these acquisitions our ownership interest in Quickfood's capital stock increased from 70.51% to 81.48%.

On November 3, 2008 we completed the acquisition of the companies of the Moy Park group in England, Northern Ireland, France and the Netherlands, and which are controlled by our subsidiary Marfrig Holding (Europe). This acquisition includes 15 plants in the poultry and other animal protein industrialized and processed product segment. This acquisition included the following companies in Brazil: Braslo (an important supplier of value-added meat and poultry products to fast food chains), Penasul (with activities in the poultry and pork industrialized products segment; this company has vertically integrated production and owns the Pena Branca brand in the south of Brazil) and Agrofrango (with activities in the chicken slaughter segment and vertically integrated production). Depending on the financial performance of the European business of Moy Park, we may be required to make an additional payment to the selling shareholders in an amount up to US$220 million. We would be entitled to choose the method for paying the amount, if it becomes due, either by paying cash or by issuing shares to the selling shareholders of the Moy Park group.

On July 31, 2009, we acquired the assets of Doux Frangosul in the turkey meat segment in Brazil. These assets include one poultry slaughterhouse in the city of Caxias do Sul, state of Rio Grande do Sul, with a slaughtering capacity of 30,000 head of turkey per day, one feed factory, one incubator and four farms. The turkey plant located in Caxias do Sul commenced operations on August 8, 2009.

On September 26, 2009, we entered into an agreement with the Margen Group for the lease of six refrigerated warehousing plants, consisting of five plants located in the cities of Paranaíba (state of Paraná), Rio Verde (state of Goiás), Rolim de Moura (state of Rondônia), Arquemes (state of Rondônia) and Mãe do Rio (state of Pará), each for a period of 63 months, and the remaining plant in the city of Paranavaí (state of Paraná) for a period of 27 months. The total slaughtering capacity of the six plants is 4,000 head per day. These refrigerated warehousing plants are located close to cattle producing areas. Also, this arrangement will increase Marfrig's production capacity for Europe, since its plants in Paranaíba, Rio Verde, Rolim de Moura and Paranavaí are registered to export to that market. As of March 31, 2010, we operated three of these refrigerated warehousing plants.

On September 21, 2009, we entered into a lease agreement with Mercosul S.A., a company organized under the laws of Brazil, for the leasing of seven refrigerated warehousing plants for a period of 60 months. The total slaughtering capacity of the six plants is 4,800 head per day. As of March 31, 2010, we operated all of these plants.

In November 2009, we sold 79,040,000 common shares in a primary public offering in Brazil and in a concurrent offering outside Brazil pursuant to exemptions from registration provided under the Securities Act, and rules and regulations thereunder, at the price of R$19.00 per share. The proceeds of the offering were used primarily to finance part of the acquisition by Marfrig of all of the Seara Business Acquired, to finance the expansion of our industrialized and processed food production capacity and to improve our capital composition. Banco Bradesco BBI S.A., BB Banco de Investimento S.A., Banco de Investimentos Credit Suisse (Brasil) S.A., Banco Itaú BBA S.A. and Banco Santander (Brasil) S.A. acted as joint bookrunners for the offering.

On December 1, 2009, we entered into a lease agreement with Frigorífico 4 Rios S.A. for the leasing of a corned beef plant located in the city of Votuporanga, state of São Paulo, for a period of 60 months. The monthly production capacity of this plant is 4,800 metric tons of corned beef. As of December 31, 2009, the production capacity of the leasing of this plant has not yet been added to our current capacity, since we were not yet operating this unit.

On December 29, 2009, we entered into a lease agreement with Frigorífico Boivi Ltda., a company organized under the laws of Brazil, for the leasing of one refrigerated warehousing plant for a period of 60 months. The total slaughtering capacity of this plant is 500 head per day. The production capacity of the leasing of this plant had not yet been added to our current capacity, since we were not yet operating this unit.

On January 4, 2010, we completed the Acquisition of Seara. This acquisition includes the Seara Business Acquired, which is mainly comprised of the Seara brand, eight processing plants that produce value-added processed poultry and pork products, and a port terminal. The purchase price for this acquisition was US$899.0 million, consisting of US$705.2 million in cash and US$193.8 million in debt we assumed. On February 24, 2010, we made an additional payment of US$32.4 million in order to reflect changes in Seara's working capital. Marfrig believes that this acquisition will increase our daily slaughtering capacity by approximately 6,200 head of pork and 1,223,000 million chickens, and our monthly production capacity of processed food by approximately 17,160 metric tons, thereby reinforcing our strategy of expansion through the addition of production capacity with potential for synergies with our existing operations in South America and Europe. Seara had R$2,886.9 million and R$2,771.9 million in net revenues and R$72.5 million and R$332.6 million in losses for the years ended December 31, 2008 and 2009, respectively. As of December 31, 2008 and 2009, Seara had assets of R$1,812.7 million and R$1,774.2 million, short-term financings and loans of R$177.4 million and R$385.1 million, long-term financing and loans of R$219.0 million and R$21.5 million, and cash and cash equivalents of R$7.7 million and R$33.2 million, respectively. The audited financial information of Seara does not represent the financial information of the Seara Business Acquired, as it does not include the financial information of the Seara Business Acquired outside of Brazil. No audited or unaudited financial statements have been prepared for the Seara Business Acquired. For more information regarding the audited information prepared for Seara as of and for the years ended December 31, 2008 and 2009, see "Summary of Financial Information and Other Information—Seara's Financial Information and Other Information" and Seara's financial statements as of and for the year ended December 31, 2008 and 2009 included elsewhere in this offering memorandum. Based on information published by AC Nielsen, ABEF and ABIPECS, we believe that since the Acquisition of Seara, we have been the second-largest Brazilian company in the poultry and pork export markets and one of the largest in the poultry and pork domestic markets.

On January 22, 2010, we completed the acquisition of 51% of the Zenda Group, with an option to acquire the remaining 49% by July 31, 2013. The purchase price for this acquisition was US$38.1 million. The balance to be paid for the remaining 49% will correspond to seven times the average of the annual EBITDA of the Zenda Group from 2010 to 2012, less its net debt (as defined in the agreement), multiplied by 49%, plus an additional amount (as defined in the agreement). The remaining 49% will be paid in semi-annual installments. The first installment will be paid within 12 months from the date of the closing of the acquisition of the remaining 49%, and the final installment within 42 months from the date of closing of the acquisition of the remaining 49% or July 31, 2013, whichever occurs first. The Zenda Group produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries. With a daily production capacity of 7,000 finished and cut hides, it has production facilities in Argentina, Mexico, the United States, Germany, South Africa, Chile, Hong Kong and China, and is headquartered in Uruguay.

On January 27, 2010, our subsidiary Quickfood acquired a 200 hectares plot in Alta Gracia, province of Córdoba, Argentina. We intend to build a cattle confinement facility for 22,000 head of cattle in this terrain. We estimate that we will invest R$6.4 million in the development of this project.

On February 11, 2010, we entered into a definitive agreement with the Martins Group in Brazil to share the Martins Group's distribution and logistics channels with Marfrig for a one-year term that may be extended for an additional five years. The goal of this agreement is to enhance the distribution and penetration of Marfrig's products, reduce administrative costs related to the management of Marfrig's receivables from food service customers, and facilitate access to Marfrig's products. This agreement with the Martins Group will also allow the Martins Group to offer its products to Marfrig's clients and will allow Marfrig to use Martins Group's logistics and distribution networks to distribute Marfrig's products to Martins Group's clients. This arrangement is consistent with Marfrig's strategy to expand its operations in the food service segment, expand its geographical presence within Brazil and reach new customers with its cattle, poultry, pork and lamb products in Brazil and elsewhere. The Martins Group is one of the largest wholesale distributors in the Brazilian market, where it has operated since 1953. It has three warehouses (in the cities of Uberlândia (state of Minas Gerais), João Pessoa (state of Paraíba) and Manaus (state of Amazonas)), 39 distribution centers throughout Brazil, its own fleet with 1,170 vehicles and a fleet operated by third parties with an additional 200 vehicles. The Martins Group offers more than 16,000 food and non-food items to its customers, which are principally small and medium-sized retailers. It has 260,000 active clients and 5,800 commercial representatives, responsible for approximately three million orders per year.

On March 1, 2010, our subsidiary DaGranja acquired certain assets from Grupo Globoaves, or Globoaves. These assets include all of Globoaves' operations of free range chicken (*frango caipira*), the brand-name Nhô Bento and one poultry slaughterhouse in the city of Veríssimo, state of Minas Gerais, with a slaughtering capacity of 20,000 chickens a day. The purchase price for this acquisition was R$9.2 million. The acquisition will improve the diversification of our animal protein products offered in Brazil. The production capacity of the leasing of this plant has not yet been added to our current capacity.

In the last two years, we did not launch any tender offer to acquire another company and we were not subject to any offer to change of control.

The table below sets forth the contribution of each of our subsidiaries to our net revenues:

Subsidiaries	**For the year ended December 31, 2009**	**%**
	(in millions of R$)	
Argentine Breeders & Packers S.A.	432.6	4.5%
MFB Marfrig Frigoríficos do Brasil S.A.	17.2	0.2%
Marfrig Chile Inversiones Ltda	123.6	1.3%
Inaler S.A.	129.9	1.4%
Frigorífico Tacuarembó S.A.	243.6	2.5%
Weston Importers Ltd	1,429.8	14.9%
Masplen Ltd.	139.3	1.4%
Prestcott International S.A.	186.3	1.9%
Secculum Participações Ltda	94.4	1.1%
União Frederiquense Participações Ltda	1,859.3	19.3%
QuickFood S.A.	683.3	7.1%
Establecimientos Colonia S.A.	261.2	2.7%
Marfrig Holdings (Europe) BV	1,590.4	16.5%
Holding Company		
Marfrig S.A.	2,424.8	25.2%
Net consolidated sales revenue	**9,615.7**	**100.0%**

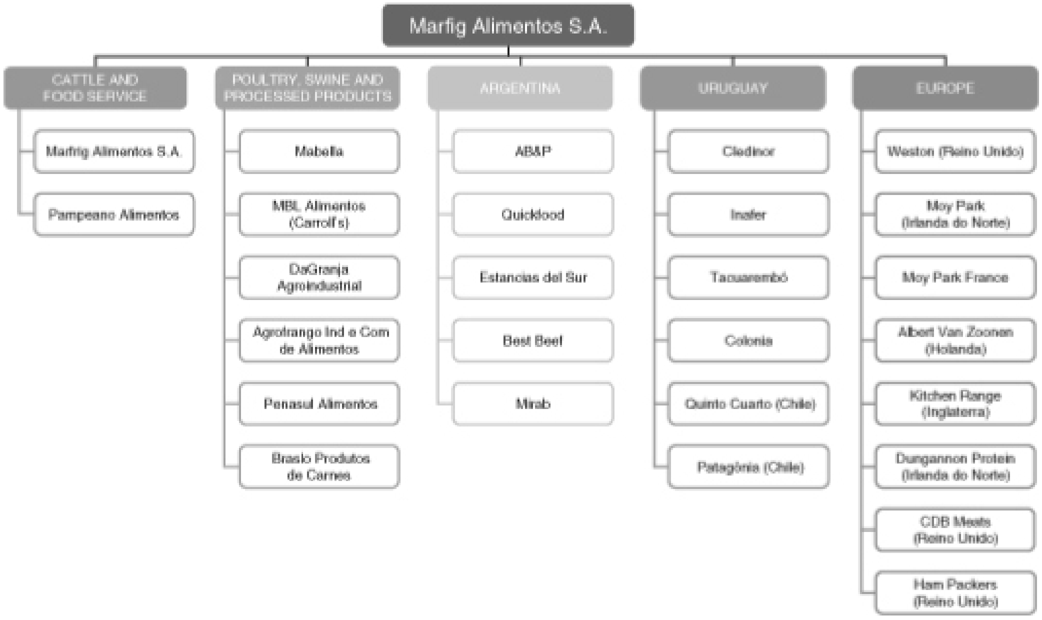
Geographic Presence

As of the date of this offering memorandum, we operate the following units:

- 31 cattle slaughterhouses (22 in Brazil, five in Argentina and four in Uruguay);
- ten chicken slaughterhouses (seven in Brazil and three in Europe);
- 33 industrialized and processed product plants (15 in Brazil, five in Argentina, three in Uruguay, one in the United States and nine in Europe);
- two pork slaughterhouses in Brazil;
- one turkey slaughterhouse in Brazil;
- four lamb slaughterhouses (one in Brazil, two in Uruguay and one in Chile); and
- four chicken and pork feed mills and two trading companies (in Chile and the United Kingdom).

Description of Our Business Divisions

Our businesses are divided into five different divisions, each of which with its own structure, as follows:



Beef and Food Service—Brazil

Products and Sales

The beef and food service division is directly connected to the beginning of our operations. This division began its activities in 2000 with a beef refrigerated warehouse through the lease of a slaughterhouse and processing plant in the city of Bataguassu, state of Mato Grosso do Sul. This business unit is comprised of 22 cattle slaughterhouses in Brazil, distributed in eight states (Rio Grande do Sul, São Paulo, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraná and Rondônia). It has a total slaughter capacity of 22,350 head a day. It also has a production capacity for 12,540 metric tons of industrialized and processed products a month in five different plants and a tannery in the city of Promissão, state of São Paulo, with daily capacity of 1,500 hides a day. Since April 2009, this division has also conducted the slaughter of lamb in the city Promissão, state of São Paulo, with capacity of 1,000 head a day.

Our cattle plants are fully integrated and designed to carry out slaughter, deboning, butchering (traditional, premium and export cuts), packing and transportation both to our own distribution centers and directly to our customers. Our plants are capable of producing frozen cooked beef, meat in portions, canned meats, ready-made meals and beef jerky.

Our plants are strategically located close to cattle suppliers and near the largest consumer markets and export channels. This geographic diversity is important in mitigating the risks related to restrictions and trade barriers imposed by importing countries.

The brands known for the quality of our Brazilian unit include Bassi (*haute cuisine*), Palatare (traditional products), GJ (for export) and Pampeano (canned meat).

In addition to distribution directly from operational plants, we have a distribution center in the city of Santo André, in the state of São Paulo, which handles about 300 metric tons per day with its own fleet of refrigerated trucks. Our trucks have modern logistics systems to optimize routes and allocate products based on the delivery schedule. The Santo André distribution center also has an operational production capacity of five metric tons a day of industrialized and processed products. Our retail chain customers include Wal-Mart, Pão de Açucar, Tesco, Carrefour, Waitrose, Sainsbury's, Sodexho, Sendas, Echo and Accor, and our industrial customers include Kraft, ConAgra Foods, Nestle, Heinz, Marba and Hormel Foods.

We believe we are one of the leaders in the food service segment, with a diverse portfolio of brands that are recognized and respected in Brazil and abroad. We believe we are one of the leaders in importing and distributing premium beef cuts and other food products (lamb cuts, premium beef cuts (such as rump cover steak, *ancho* steak, *chorizo* steak), salmon and fish, etc.) to retailers, as well as being one of the largest distributors of pre-cooked, frozen potatoes. We supply more than 800 products to more than 45,000 customers, with a strong presence in the states of São Paulo and Rio de Janeiro and in the South and Northeast of Brazil. Our customer base in this business unit includes restaurants and fast food chains such as Fogo de Chão, McDonald's, Habib's, KFC, Porcão, Barbacoa, Outback, Montana Grill and Churrascaria Novilho de Prata.

We have also entered into partnerships with food distributors, such as the Santista and Canaã Groups, to increase the presence of our products throughout almost all of the Northeast of Brazil.

We hire third-party carriers to deliver containers with our products to port facilities for export. We export through the port of Santos in São Paulo and, to a lesser extent, through the ports of Paranaguá and Itajaí in the states of Paraná and Santa Catarina, respectively.

Poultry, Pork & Industrialized Products—Brazil

Products and Sales

In 2008 we took our first step toward establishing a structured and diversified production base of animal protein (cattle, poultry, pork and lamb) with our entry into the chicken market. We also consolidated our position in the pork market. We believe that to increase the portion of our revenue corresponding to industrialized and processed products it was necessary to enter the chicken market. Our operations in this segment are currently 100% verticalized and integrated. Through our plants in Brazil, we export chicken and pork meat to approximately 100 countries.

On December 31, 2009, in this segment we had seven chicken slaughterhouses located in five states with a slaughter capacity of 1.2 million chickens a day. We also have one turkey slaughterhouse located in the state of Rio Grande do Sul with a slaughter capacity of 30,000 turkeys a day; two pork slaughterhouses located in two states with a slaughter capacity of 4,200 pigs a day; eight plants for industrialized and processed products with a production capacity of 14,772 metric tons a month; pig farms in the state of Mato Grosso with a capacity of 12,200 sows and 1,200 pigs a day; a 100% integrated chicken operation and feed mills. In this segment we own the brands DaGranja, Pena Branca and Mabella.

We entered the chicken market with the acquisition of the companies DaGranja and Penapaulo (owner of the Pena Branca brand in the Southeast) in the second quarter of 2008. Our acquisition of Moy Park in Europe and of the assets of the OSI Group in Brazil was announced to the market in June 2008, and their activities were incorporated into our business beginning October 2008. In Brazil, our poultry segment was strengthened by the acquisition of Penasul (the owner of the Pena Branca brand in the South of Brazil), Braslo (a supplier of industrialized chicken and beef to fast food chains), and Agrofrango, which slaughters and processes chickens.

Our activity in the pork market began in 2007, with our acquisition of Mabella, which has a total slaughter capacity of 4,200 head a day. Mabella focuses on adding value with sausages, smoked and salted meat products and has a significant export presence.

We strengthened our participation in the pork segment with the acquisition of Carroll’s in February 2008, and through our subsidiary Mabella. We were able to vertically integrate Mabella’s slaughter of fresh pork and manufacture of industrialized products with Carroll’s raising and marketing high-quality pork. In addition to our slaughterhouses, we own four feed mills for chickens and pork.

Argentina

As part of our geographical diversification strategy, in 2007 we acquired 70.51% (later increased to 81.48%) of the capital stock of Quickfood, one of the most-recognized beef slaughter, production and marketing companies in Argentina. Quickfood is the market leader in hamburgers in Argentina. It also exports frozen cuts to more than 100 countries, including high-quality meat and hamburgers for the demanding Asian market. Quickfood is listed on the Buenos Aires Stock Exchange and trades under the symbol “PATY.”

The acquisition consolidated our position in Argentina, where in 2006 we had already acquired AB&P, providing a gateway to an important beef-producing country that is known worldwide for its excellent products and which has ideal conditions for raising cattle. In 2007, AB&P acquired Estancias del Sur and Best Beef, increasing its cattle slaughter capacity and, through Best Beef, increasing its portfolio of industrialized products in Argentina.

Also in 2006, our diversification strategy was ratified with the purchase of Mirab, a producer of meat snacks in Argentina (including beef jerky) that exports its products to countries such as the United States (where its subsidiary Mirab USA operates), Japan and the United Kingdom. Through this acquisition we were able to increase our presence in the United States market, where we now count with a solid importer and distributor, with access to major retail chains.

Our Argentine division is the largest company in Argentina for the slaughter, sale and export of beef. Our operation in Argentina has five slaughterhouses with a slaughter capacity of 3,900 head a day and five industrialized product plants with a capacity of 5,566 metric tons a month.

Our brands in Argentina include Paty, which leads the Argentine meat snacks and hamburgers market with a 62% market share and is present in several other South American countries, and the Aberdeen Angus and La Morocha brands. We believe that these brands are all known in Argentina as being of the highest quality. In 2008, through our subsidiary Mirab USA, we bought Pemmican from ConAgra Foods. Pemmican is a well-known meat snack brand in the United States. In addition to the acquisition, an agreement was entered into for the distribution of Pemmican products to ConAgra's customer base for five years.

Uruguay

The Uruguayan division has four beef slaughterhouses, two lamb slaughterhouses, and one lamb slaughterhouse in Chile and three industrialized products plants. The slaughtering capacity of our Uruguay division is of 3,900 head of cattle a day and 8,400 head of lamb a day, and industrialization capacity is 5,885 metric tons a month.

We began diversifying geographically in 2006 in Uruguay, when we acquired Tacuarembó which produces frozen cooked beef, beef jerky, bresaola (also known as *beef prosciutto, a* product made for the Italian community in the United States) and organic meat (a certified product produced to meet demand mainly from the United States). Also in 2006, we strengthened this business unit with the acquisition of Inaler to begin our Uruguayan lamb operations.

Our expansion continued in 2007 with the acquisitions of the La Caballada refrigerated warehouse, for the slaughter of cattle and lamb, and Colonia, with the Paty brand. In 2008, we began producing canned industrialized products and beef jerky in a new unit leased from Fray Bentos in Uruguay, with a slaughtering capacity of 200 metric tons a day.

In 2008 we were responsible for approximately 26% of all beef slaughter and 28% of all beef export of Uruguay. The excellent sanitary conditions in Uruguay give the country, and consequently us, the status of a producer that is able to export fresh meat from South America to practically every location around the world.

Our main brands in Uruguay are Tacuarembó, Viva, Paty and Bernina.

Our Uruguayan division encompasses our operations in Chile, which includes one of Chile's largest importers of beef cuts, and one lamb slaughterhouse. Our production capacity in Chile is 3,000 head of lamb a day.

Europe

The acquisition of Moy Park at the end of 2008 (which previously belonged to the OSI Group that later became one of our shareholders) was an important step in our strategy to diversify geographically and in the animal proteins segment. The Moy Park group has an important participation in the 'cold roasted' and 'cooked' products in Europe. In the United Kingdom sales are mainly concentrated on large retailers and distributors such as Tesco, Sainsbury's and Waitrose, and large fast food networks such as McDonald's and KFC.

Our European division also includes CDB, a United Kingdom-based producer and distributor of food products, with a capacity to produce 220 metric tons of industrialized products a month; and the trading company Weston, which distributes food products throughout the United Kingdom.

Our European division is comprised of Moy Park, which is well-known in the United Kingdom as the largest integrated, industrialized, fresh meat products and added-valued chicken business, and in Northern Ireland as its fourth largest private company. The subsidiaries Moy Park France SAS (France), Dungannon Proteins Ltd. (Republic of Ireland) and Kitchen Range Foods Ltd., also of the United Kingdom, produce and distribute industrialized and processed food products, including frozen foods, vegetables and breads. The Albert Van Zoonen BV subsidiary in the Netherlands produces and distributes higher added-value frozen products.

Moy Park is a leader in the chicken segment, with a market share of approximately 30% of the United Kingdom market according to the appraisal report of the OSI Group companies prepared by Banco Rabobank International Brazil. Moy Park operates three chicken slaughterhouses (two in England and one in Northern Ireland) with a daily capacity of 647,000 head of chicken, eight processed and industrialized products plants in four countries (four in England, two in France, one in Northern Ireland and one in the Netherlands) with a monthly industrialized product capacity of 14,806 metric tons; one import and distribution unit in England; one canning factory in England; and sales concentrated in large retailers and distributors in the United Kingdom such as Tesco and Sainsbury's.

There are 13 different types of industrialized products, including chicken wings and drumsticks, roast saddle, diced chicken tikka, breast fillets, mini breast fillets, chick'n dixie portions, children's chick'n teddies, breaded onion ring, breaded mushrooms, breaded cheese, breaded vegetables, donuts and fruit pies. We operate under the Moy Park brand in Europe.

Sales

Domestic Markets

Our net revenues from domestic markets' sales increased 79.4% to R$5,943.3 million in 2009 from R$3,312.8 million in 2008. The increase was mainly due to: (i) the partial consolidation of the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo in our financial statements as of and for the year ended December 31, 2008 and the partial consolidation of the assets of Doux Frangosul in the turkey meat segment in our financial, and (ii) the organic growth in our operations from our increased participation in the domestic markets.

Export Markets

Our geographic diversification, through our presence in 13 countries, helps us overcome trade and sanitary barriers that importing countries impose. This diversification is a tool to minimize risks and to maximize operational efficiency, which we believe is the road to sustainable profitability. In 2008, we shifted our supplies to our European customers from Brazil to Argentina and Uruguay to overcome the barriers imposed by the European Union against fresh Brazilian beef. This illustrates the advantage of having a diversified operational structure.

Net sales to export markets increased 27.0%, to R$3,672.4 million in 2009 from R$2,891.0 million in 2008. Net sales to export markets represented 38.2% of our net revenues in 2009, compared to 46.6%, of our net revenues in 2008.

We export our products to over 100 countries, supplying customers in Latin and North America, Europe, Asia, Africa and Oceania. Our geographic diversity means we can cater to all customers, minimizing sanitary risks and trade barriers.

We have our own sales force that markets our products abroad. In addition, we have subsidiary trading companies such as Weston and Quinto Cuarto. We also have the Mirab USA Inc. unit that distributes our products in the United States. We have trained professionals in export sales and support, and we are studying whether to open new sales offices in other countries to increase our sales abroad and our portfolio of international customers.

We sell our products abroad through several distribution channels, including national and regional retailers in the importing countries (supermarket chains, independent grocers, club stores and distributors), food processors and food service industry (food product distributors, fast food, restaurant and hotel chains, as well as other institutional customers).

Export Destinations

In order to reduce our exposure to any specific country or customer, we try to balance our sales to the domestic and export markets and to limit the participation of any single country and customer in our income.

Beef and Food Service—Brazil

We have exported fresh meat since 2001. In 2004 we began to export frozen cooked beef that allowed us to penetrate international markets that had imposed sanitary restrictions on fresh Brazilian beef exports, such as the markets in the United States and European Union. We are one of the largest beef exporters in Brazil. In 2009, our exports of beef from Brazil generated total revenue of R$1,083.9 million. We export fresh, cooked, processed and industrialized beef. Our principal export brand is GJ, which is internationally recognized for the quality of the meat.

This division's main export destinations are Russia, Europe and the Middle East. At the beginning of 2009 Russia had reduced its demand due to the global financial crisis, but starting from November 2009, Russia's demand began to increase gradually. At the beginning of 2008, Europe banned imports of fresh Brazilian beef. In 2009, more Brazilian farms were approved by European authorities, increasing fresh meat exports. In addition to fresh meat, we export industrialized, cooked and frozen meat.

This division's sales to export markets increased 38.2%, to R$1,083.9 million in 2009 from R$784.4 million in 2008. Shipping volume was 158.1 metric tons in 2009, an increase of 49.1% compared to 2008. The increase in revenue results from increased volume of exports.

Poultry, Pork and Industrialized Products

We have exported pork and chicken meat since 2007 and 2008, respectively. According to the USDA data, pork and chicken meat are the two most consumed proteins worldwide. We export pork and chicken meat such as fresh cuts, industrialized meat, sausages, smoked meats, breaded meat, ready-made meals and byproducts. The main destination for our exports in this division is the Middle East, which represents approximately 50% of the export revenue of this division. Other important destinations are Asia, Europe and Russia.

This division's sales to export markets increased 52.6%, to R$886.2 million in the 2009 from R$582.2 million in 2008. In the period the volume of exports increased 62.6%, to 242.6 metric tons in the 2009 from 149.2 metric tons in 2008.

Argentina

Argentina is an important player in the global beef market that is internationally recognized due to the quality and flavor of its meat. We have exported Argentine meat since 2007, when we began operating in that country. Since 2006, the government in Argentina has imposed restrictions on beef exports in order to control price increases and to guarantee domestic supply. During the first six months of 2008 there were conflicts between farmers and the government and changes in export regulations. After the implementation of Resolution No. 6,687/2009, the government adopted new procedures relating to the Registration of Export Transactions, or *Roe Rojo*. Previously, the tax on exported products was up to 65%, but the current limit is up to 30%. The following seven cuts of meat remain tax-exempt: striploin, tenderloin, cube roll, rump, rump cover, topside cap on, and knuckle. The following are also tax exempt: offal, intestines and high-quality processed beef products.

Our Argentine division decreased sales to export markets by 7.9%, to R$393.3 million in 2009 from R$427.1 million in 2008. In 2009, the volume of exports was 58.5 metric tons, an increase of 41.3% compared to 2008.

We export fresh meat, including cooked frozen beef, which contributes to increasing our margins due to its higher added value. On acquiring Mirab, we began exporting beef jerky to the United States through our wholly-owned subsidiary that distributes to large North American retail chains, including through its own brands Pecos Bill's, Farmers Market and Ranchers Brand. The main export destination is Europe, which represents approximately 46% of the revenues from exports from Argentina.

Uruguay

We have exported meat from Uruguay since 2006, when we entered the lamb segment in that country. In 2007 we also entered the beef market. Uruguay is not subject to trade or sanitary restrictions and is able to export beef throughout the world. Our Uruguayan division had sales to export markets in the amount of 93.8 metric tons in 2009, an increase of 0.7% compared to 2008. Revenues were R$663.4 million in 2009, a decrease of 14.4% compared to 2008.

We export fresh and processed beef and lamb meat to more than 50 countries, including the NAFTA region (United States, Canada and Mexico). In 2009 the main destination for our exports was Europe, representing approximately 41.7% of export revenues.

Europe

Since 2006 we have operated in Europe through our trading subsidiary in the United Kingdom. Our operations in the chicken meat segment began at the end of 2008 through Moy Park in the United Kingdom, France and the Netherlands. We produce and export fresh and processed chicken meat, including breaded chicken and ready-made meals. The main destinations for our exports are European countries that represent approximately 93% of this division's export revenues. Revenue from exports increased 100.4%, to R$645.7 million in 2009 compared to R$322.2 million in 2008. Revenues obtained during the 2008 period resulted exclusively from our trading subsidiary's transactions.

Production Process

Raw Materials

Cattle

The purchase of cattle for slaughter accounted for approximately 80.0% of our cost of goods sold in cattle operations for 2009. Except for our activities in feedlots of termination (a feedlot for fattening in the last three or four months before slaughter), we do not raise cattle. We purchase cattle from more than 20,000 cattle ranchers in Brazil, Argentina and Uruguay. Cattle is then transported in a combination of proprietary and third-party trucks to our plants, where they are slaughtered, deboned, processed and industrialized. We purchase cattle from ranchers located within a radius of 300 km of our slaughtering facilities to minimize transportation costs and to improve meat quality by reducing stress on cattle.

Our cattle purchasers are located throughout the principal cattle producing areas in Brazil, Argentina and Uruguay. These purchasers visit ranches and buy cattle on the open spot market. They are trained to select high-quality, disease-free animals, and their performance is continually monitored by us. We purchase cattle only from select, registered producers based on a rigorous animal selection process. Our cattle suppliers are required to document the quality of their operations and verify that their use of antibiotics and agricultural chemicals follows the respective manufacturer's standards.

Cattle purchases are paid within a 30-day period from delivery, or with cash upon delivery with a discount of up to 4% on the price, depending on market conditions at the time of purchase. Our strategy is to lower our purchase costs by favoring purchases made with cash as long as the discount is financially attractive to us. In line with industry practice, we do not enter into long-term arrangements for the purchase of cattle. Historically, cattle prices have been subject to substantial fluctuations. Cattle supplies and prices are affected by factors such as land prices, weather and farmers' access to capital. Supply is also affected by cycles, when there is a high rate of the slaughtering of cows causing a fall in the supply of calves in the next period. During these periods there is a tendency for cattle prices to increase, and when the cattle restocking process begins until the equilibrium returns to normal.

We also carry out feedlot of termination activities in Brazil, Argentina and Uruguay. During this operation, the cattle is bought thin, approximately three months before it is slaughtered. The animal is kept confined for approximately three months and fed to reach its fit-for-slaughter weight. The feedlots provide a greater supply of cattle and improved price control during drought periods when pasture lands dries up, which reduces the supply of cattle of a weight fit for slaughter.

Moreover, we acquire cattle carcasses from third parties. In this operation, cattle is slaughtered by a third party and we acquire only the animal carcass. The decision to acquire carcasses from third parties is essentially a financial-economic decision that we make when it is the most profitable option.

We believe we are able to pass on increased cattle prices to the end consumer in each of our markets because our beef product prices tend to mirror cattle prices.

Poultry

Our chicken operations are 100% integrated. We raise poultry and hens, and we have incubators and animal feed plants. We also produce fresh and industrialized chicken meat for sale in the domestic and export markets. We buy eggs and chicks at the beginning of the poultry production cycle. The eggs are sent to our incubators while the chicks go to our grandparent stock poultry farms. The complete cycle, from when the chick is born until it reaches its ideal weight for slaughtering takes approximately 45 days. The parent stock produce eggs for incubating from which chicks that will one day be used in our poultry products are hatched. The farms are located close to the slaughterhouses. The chicken is slaughtered and can be sold whole or in pieces. We also produce industrialized chicken meat products. All products are sold in the domestic and export markets.

Pork

Our pork operations are approximately 70% integrated. We purchased the remaining 30% from third parties from the open spot market. The production process in the pork segment begins in three ways: (i) we raise pigs in our pig breeding farms and we send them to our partners for fattening; (ii) our partners produce and fatten the pigs, or (iii) the pig producer units (*Unidades Produtoras de Leitão*, or UPLs)—farms contracted by us—produce the pigs and send them to our partners for fattening. We believe that this diversified portfolio for the in-house production of pigs and the purchase of animals from third parties allows us to reduce transportation and raw material costs. It also allows us to benefit from the abundant supply of pigs that exceeds domestic demand. This strategy therefore avoids excessive cost increases being passed on to our consumers. We produce fresh and industrialized pork for the domestic and export markets.

The cost of raw materials for pork follows the same trends as that for chickens because they eat almost the same feeds. We buy soy and corn from third parties to produce the feed for our chickens. We acquire grain from the spot cash or from BM&FBOVESPA futures market. The grain is sent to our feed plants and the end product (feed) is sent to the farms. Buying grain on the spot or futures markets is an economic decision based on cost and benefit. The decision is made taking into account supply and demand, price changes, the economic scenario, weather conditions and other variables.

Lamb

We do not raise lamb at our properties. We acquire lamb used in our products from third parties. Lamb are usually slaughtered between October and March. We produce fresh and industrialized lamb for sale domestically and on the export markets. In April 2009, we began lamb slaughtering activities in Brazil, thereby increasing our existing capacity in Uruguay and Chile.

Slaughterhouses and Processed and Industrialized Product Units

Our processing plants use modern equipment or equipment that is being modernized that can customize the processing and packaging of our products. We also customize the production and packaging of products for several large domestic and international customers. The design of our facilities emphasizes work safety to ensure compliance with all regulations and to reduce work-related injuries. Our processing plants are also designed to reduce waste and dispose of waste materials in accordance with applicable environmental standards.

Our entire animal protein production is subject to controls on animal husbandry and food safety procedures. Our processing plants operate under strict food safety rules and quality assurance requirements to comply with domestic and international customer requirements and Brazilian and foreign governmental safety standards. We maintain rigorous quality control measures at each stage of our production process and are committed to the humane treatment and slaughter of animals.

The table below shows the evolution of our slaughtering capacity for the periods indicated:

	Year ended December 31,		
	2007	**2008**	**2009**
Cattle(1)	21,100	21,100	30,150
Poultry(1)	0	1,726,000	1,847,000
Pork(1)	4,200	4,200	4,200
Lamb(1)	8,400	9,400	10,400
Processed Products(2)	12,350	49,100	53,569

(1) Capacity in head/day.
(2) Capacity in metric tons/month.

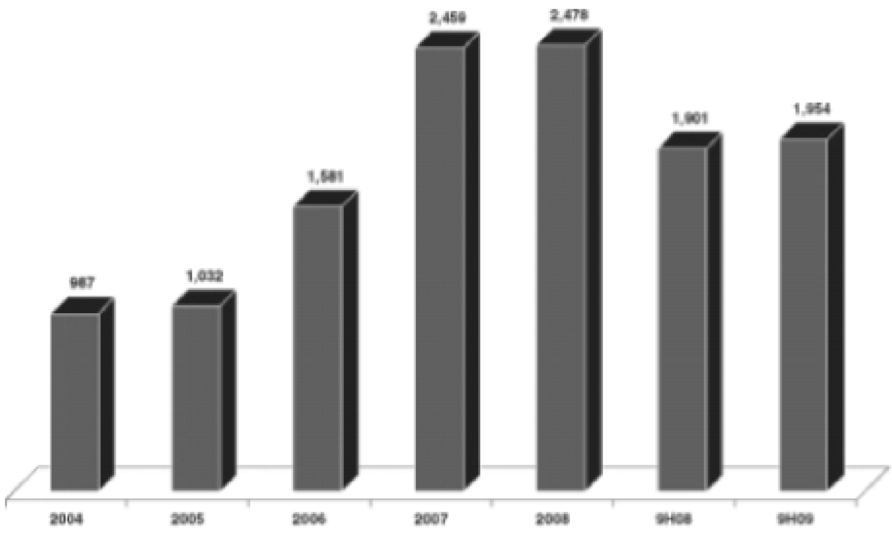
Cattle

As of December 31, 2009, we had a slaughtering capacity of approximately 30,150 head of cattle a day in 22 slaughterhouses and five processed and industrialized product plants located in Brazil, Argentina and Uruguay. In Brazil, our plants are located in the states of São Paulo, Mato Grosso, Mato Grosso do Sul, Rio Grande do Sul, Rondônia, Pará, Paraná and Goiás. Our plants are located near our cattle suppliers and close to major consumer markets and export channels. We believe that this geographical diversity helps to limit the adverse impact on our revenue stream caused by import restrictions imposed by countries as a result of outbreaks of diseases or trade barriers.

The processing plants are designed to perform the full range of activities related to our fresh meat products: slaughtering, deboning, preparation of traditional, premium and exports cuts, packaging and shipping, either to our distribution centers or directly to customers. In addition, our processing plants are capable of producing frozen cooked beef, beef in portions, canned meats, ready-made meals and beef jerky.

The processing plants also permit the removal of cattle hides, which are then sold to local tanneries. In the second half of 2007, we began processing cattle hides in our tannery in Promissão, state of São Paulo. Its leather processing capacity is 1,500 hides a day.

The charts below set forth the growth of our cattle slaughtering capacity from 2004 through 2009, taking into account our processing plants in Brazil, Argentina and Uruguay:



Source: Internal Data from Company.

The production capacity of our plants results from slaughter capacity, deboning capacity, storage capacity and the availability of trained workers. Typically a plant can have its output increased not only by having its deboning capacity increased but also by increasing slaughter capacity or buying carcasses from third parties. During 2009 we used an average of 50% of our capacity for cattle (Brazil, Argentina and Uruguay). Since 2008 Brazil has suffered from a lack of cattle ready for slaughter because the bovine cycle normally takes between two and three years. The increased rate of the slaughter of cows during low cattle prices causes a reduction in cattle supply in the following period. At the end of 2009 we have already identified a greater supply of cattle and we believe we may increase our capacity to mirror improving cattle supplies.

Our beef production process follows the Brazilian Ministry of Agriculture monitoring system requirements. This system allows for the tracking of cattle from their birth to their slaughter. In addition, the Brazilian Ministry of Agriculture has established regulations to closely monitor each step of the production process and to ensure that all cattle are vaccinated and inspected by a veterinarian prior to being shipped for slaughter. According to Brazilian law, we must have inspectors from the Brazilian Ministry of Agriculture on site in each of our plants on a permanent basis. These inspectors are responsible for determining the minimum required sanitary conditions, including those related to the traceability of the meat and the sealing of containers at the plant in order to expedite export procedures at the ports. All our plants are authorized by the Brazilian Ministry of Agriculture to export. Our plants located in Promissão, Bataguassu, Tangará da Serra, Paranatinga, Capão do Leão and Mineiros, also have European Union sanitation certificates allowing us to export to members of the European Union. The Promissão plant, located in the state of São Paulo, is also authorized to export frozen cooked beef to the United States, Canada and Japan, countries that do not impose these restrictions.

Our plant in Promissão has an electric generating unit that can provide up to 60% of the plant’s electricity requirements and is fueled by waste sugar cane. Our other plants buy electricity directly from local electricity distributors.

All plants have boilers to generate steam and supply the hot water that is required for our production. The boilers do not produce electricity, but they reduce our consumption. We intend to install electricity generators that consume gases from by-products of our production in all of our plants, which would reduce our dependence on local electricity distributors.

Other Beef Derivatives

In addition to fresh and processed beef meat that we produce for sale to domestic and export markets, we use every other part of the cow. The products we sell include:

Product	Purpose
Tallow (fat)	Tanning; chemical, cosmetic and pharmaceutical industries; feed
Meal (meat or bone)	Mineral salt, feed
Offal	Cosmetics, footwear and food industries
Hide and horns	Grinding, chemical and artisanal industries
Tripe	Sausage, sporting and surgical product industries
Blood	Pharmaceutical industry, feed, biodigester

Poultry and Pork

As of December 31, 2009, we had a slaughtering capacity of 1,200,000 chickens a day in our nine slaughterhouses in the states of São Paulo, Minas Gerais, Paraná, Santa Catarina and Rio Grande do Sul. Our slaughtering capacity in Europe is 647,000 chickens a day and 14,806 metric tons a month of processed and industrialized products, using our six processing plants in four countries (Northern Ireland, England, France and the Netherlands). In 2009, we began our operations in the turkey meat segment, with the acquisition of a processing plant in the state of Rio Grande do Sul, with slaughter capacity of 30,000 turkeys a day. In addition, we have seven processing plants that together produce 14,772 metric tons of processed and industrialized poultry products a month. Our plants are located near the major consumer markets, export channels and/or regions with a good supply of grain. We believe that this geographical diversity helps to limit the adverse impact on our revenue stream caused by import restrictions imposed by countries as a result of outbreaks of diseases or trade barriers.

Our plants are designed to raise grandparent stock, parent stock and incubators as well as for slaughtering, deboning, preparation of cuts (traditional, premium and for export), packaging and transportation to our distribution centers or directly to our customers. Processing plants produce breaded and deep-frozen chicken.

As of December 31, 2009, we had a slaughtering capacity of 4,200 head of pigs a day in our two slaughterhouses located in the states of Rio Grande do Sul and Santa Catarina. The plant located in the state of Rio Grande do Sul has capacity to produce 2,002 metric tons per month of processed and industrialized products. Our plants are located near the major consumer markets and export channels. They are designed for the breeding, slaughtering, deboning, preparation of cuts, packaging and transportation to our distribution centers or directly to our customers. They are also able to produce industrialized and processed products such as cold cuts, sausages, smoked meats, ready-made meals and pork meat derivatives. The processing plants produce ham, bologna, salami, sausages and smoked meats.

In addition to our slaughterhouses, we have two pig farms in the state of Mato Grosso with a capacity of 12,500 breeding sows and 1,250 pigs a day.

Lamb

As of December 31, 2009, we had a slaughter capacity of 10,400 head of lamb a day in our two slaughterhouses in Brazil, Uruguay and Chile. Our processing plants are located near lamb producing regions such as the Chile's Patagonia region, Brazil and Uruguay. They are also located in the major consumer markets and export channels. They are designed for breeding, slaughtering, deboning, preparation of cuts, packaging and transportation to our distribution centers or directly to our customers. Our lamb activities in Brazil began in 2009, increasing our slaughtering capacity from 8,400 to 10,400 head of lamb a day.

Seasonality

In the domestic markets, although our net sales are not subject to significant seasonal variation, the fourth quarter is generally the strongest quarter because of the increased demand for our products. Our export markets as a whole are not materially affected by seasonality, in part because seasonality varies across our export markets. However, net sales in specific export markets sometimes vary according to the season. In the Middle East, for example, net sales slow during Ramadan and the summer months.

In general terms, we see the following seasonal variations:

Cattle

In countries where cattle are raised extensively, such as in Brazil, Argentina and Uruguay, the seasonal period is usually connected with climatic conditions. During the dry months there is normally a decrease in the supply of cattle for slaughter because of the reduced pasture area. This decrease has been partially offset by using cattle fattened in feedlots of termination. Although there is seasonality in our purchase of raw material, this does not have a material effect on our sales.

Poultry and Pork

Seasonality occurs during the periods between corn and soy harvests since these are the raw materials used to produce animal feed.

There is also a seasonal increase for special poultry and pork products around Christmas.

Lamb

Lamb slaughter is typically seasonal in Uruguay and Chile, where it takes place in the warmer months of the year, from October through March. During the colder months of April through September, the pasture area is reduced and there is no slaughter.

Customers

We have a base of more than 45,000 customers. This diversification enables us to reduce market risks by selling our products to different niches and by quickly shifting the allocation of our production in case of sanitary or economic restrictions in any particular market.

In 2009, we sold our products to wholesale and food service customers in Brazil and through exports to more than 100 other countries.

In 2008 our ten largest export customers accounted for approximately 8.8% of our export sales, or approximately 4.1% of our total net revenue. In 2009, our ten largest export customers accounted for approximately 10.5% of our export sales, or approximately 4.0% of our total net revenues. Our export customers include Kraft, ConAgra and Angliss. We did not have any export customer that individually represented more than 1% of our total net revenues in 2008, or 0.7% in 2009.

Our ten largest wholesale customers accounted for approximately 16.3%. Our wholesale customers include Companhia Brasileira de Distribuição—CBD, Carrefour and Wal-Mart. We did not have any wholesale customer that individually represented more than 1.5% of our total net revenues in 2008. In 2009, Tesco Stores represented 6.2% of our total net revenues.

In 2008 our ten largest food service customers accounted for approximately 1% of our total net revenue, compared to 3.9% in 2009. Our food service customers include well-known restaurant and beef specialty store brands, such as Rubaiyat, Fogo de Chão, Porcão, Montana, Novilho de Prata, McDonald's, Habib's, Outback Steakhouses, China in Box, Marba, Mario's and Giraffa's, and others. We did not have any food service customer that individually accounted for more than 1% of our total net revenues in 2008 (or 2.1% in 2009).

We currently balance our domestic market sales against export sales in order to maintain the flexibility that protects us against adverse external conditions, including sanitary restrictions and potential commercial barriers.

Marketing

Since 2007 our focus has been on increasing sales and introducing convenience products, which have a higher added value for the consumer. In addition, we have also invested in strengthening our brands to increase the confidence our customers have in our products. In 2009, we restructured our marketing areas as a result of our significant acquisitions in 2008. Our marketing areas in each division directed their efforts toward a strong business policy aligned with results of operations.

Our brand and the work to develop it will be carried out as a search for synergies to leverage our products' sales growth. We will create a standard visual identity, develop marketing strategies through packaging and conduct institutional advertising, promoting our value-added products in the United States and in countries in which we already have significant sales in South America and Europe.

Information Technology

In 2007 we implemented an ERP software system that gives us better internal controls and improves our decision-making capacity. More recently we have implemented distribution planning software that optimizes deliveries for our retail customers by efficiently organizing cargo in delivery trucks and managing our fleet using GPS monitoring. In 2007, we implemented our own data center, which gives us greater security and speed in processing information from our production facilities through two data links maintained with different operators, thereby avoiding production stoppages.

We currently have latest generation servers that are also available online in an effort to optimize space and energy. All our software is licensed and we have active support for all server operating systems.

We use highly developed software to control all our administrative, financial, accounting and tax operations. On the industrial side, we use software to automate and manage our processes.

Our Information Security Policy is part of our Code of Ethics and is known and practiced by all users. Additionally, in 2007 we made constant investments to develop a cost system that complies with corporate and tax law and allows us to track the cost of our products from slaughter. The system monitors the receipt and shipping of merchandise and the average cost of purchases or production.

To manage warehousing and retail distribution we use routing software that allows greater control and speed in our deliveries throughout Brazil and organizes the cargo efficiently in delivery trucks.

Brands

Brazil

We have a broad brand portfolio, and all our brands are recognized in the markets in which they are present. Some are true symbols of quality in Brazil, such as Bassi, Mabella, DaGranja, Pena Branca and Palatare, and on the international market, such as GJ, our beef export brand.

Our recent acquisition of the OSI Group's operations in Brazil has enriched our brand portfolio with new brands. In Brazil we gained Braslo, for industrialized chicken and beef products to fast food chains; Penasul, for industrialized chicken and pork products, and Agrofrango, for chicken slaughter and processing.

As of the date of this offering memorandum, we had 147 trademarks registered with the National Institute of Intellectual Property (*Instituto Nacional de Propriedade Industrial*), or INPI. On the international market, our brands are of major importance in Latin America and Europe.

Argentina

In Argentina, our prestigious brands are: Paty, which is the market leader for hamburgers and synonymous with the product in Argentina. In addition, Aberdeen Angus and Mirab are important brands in the Argentine meat sacks market.

Uruguay

Our brands Tacuarembó, Viva, Paty and Bernina are important brands in Uruguay.

Europe

Our recent acquisition of the operations of the OSI Group in Northern Ireland, England, France and the Netherlands has allowed us to enrich our portfolio with new brands. The acquisition brought us Moy Park, the fourth-largest private company in Northern Ireland; Kitchen Range, a food product and baked goods distributor in the United Kingdom; and Albert Van Zoonen, a producer and distributor of frozen products in the Netherlands.

Competition

Brazil

In Brazil our main competitors are: BRF (Sadia/Perdigão), JBS/Bertin and Frigorífico Minerva.

Argentina

In Argentina our main competitors are JBS and Cargill.

Uruguay

In Uruguay our main competitors are Frigorífico Las Piedras, Pulsa, San Jacinto Nirea, Matadero Carrasco and Canelones.

Europe

In Europe our main competitors are the French group Doux, Grampian in the United Kingdom and AIA in Italy.

International Markets

In the international markets, we compete with numerous producers, including Cargill, Tyson Foods, Smithfield Foods and Swift & Co. (JBS) in the United States and Australian Meat, Teys Bros and Nippon Meat Packers in Australia.

Employees

Due to our growth in 2008, our human resources activities in that year were focused on integrating new employees and developing our own corporate culture. This process has continued throughout 2009, and is based on seeking excellence in our workforce and infusing it with our values. Our investment in training and development and encouragement of participatory management encourage our employees to become leaders and add value to the personnel assets of the companies we acquire. We have over 40,000 employees worldwide, allocated as follows:

Unit/Country	December 2007	December 2008	December 2009
Administrative Personnel	361	184	238
Cattle	11,629	9,564	14,867
Food Service	469	597	609
Pork and Poultry	981	12,720	14,366
Mercosur	6,112	7,324	7,918
United States	88	93	121
Europe	8	8,737	8,875
Total	**19,648**	**39,219**	**46,984**

We have a stock option plan directed to our management, employees and service providers. See "Management—Stock Option Plan."

Unions and Human Resources

We have relationships with 15 unions. We take an active role in negotiations with unions. In most collective bargaining agreements, we and the unions have agreed not to initiate legal proceedings against each other, without first trying to reach a settlement. In Brazil we are party to 15 collective bargaining agreements.

We have an operating manual for the human resources area. This manual is called the Standard Operating Procedure manual and its main goal is to standardize the processes, policies and training for new human resources employees. Whenever we acquire a new company or open a new unit, we send a team to implement all of our human resources activities and create synergies. In this manner, we keep the same procedures and introduce our corporate culture into all of our units, even in new units that have different work cultures. This measure allows us to rapidly adapt the new unit to our speed, quality and work standards.

Since December 2007, we have been seeking to harmonize our human resources policies while respecting the local laws that apply to the companies we acquire. For this purpose we have prepared and implemented 17 policies.

Our conduct with our employees, service providers and visitors is guided by our Code of Ethics. We seek to invest in training to give our managers both higher technical skills and better communications skills.

Plant, Property and Equipment

As of December 31, 2009, we owned 55 slaughter processing and/or industrializing plants, considering all of our divisions but excluding the turkey units we acquired in July 2009. We have lease-back arrangements for our plants in Mineiros, São Gabriel and Paranatinga until 2012, when we have the option to purchase them at the residual values. We also have an option to purchase our plants in Alegrete and Bagé, which are currently leased from third parties. Such option may be exercised between December 2012 and October 2014.

Our Promissão I and Capão do Leão plants (which commenced operations after the six-month period ended June 30, 2009) are owned by a third party and operated by us as rural lessee. Our São Mateus, Anhanguera and Frai Bentos plants are also owned by a third party and operated by us as rural lessee, being São Mateus and Anhanguera operated by our Poultry, Pork and Industrialized Products Division and Frai Bentos, in Uruguay, operated by our division in Uruguay. We also lease the plants from Margen, Mercosul, 4 Rios and Boivi.

Our distribution center in Santo André was originally leased, but was acquired and paid for by us on September 18, 2006 in a judicial auction that is pending confirmation.

Approximately 5% of our properties is encumbered. The table below shows some of our plants that are encumbered:

Company	Destination	Creditor/Beneficiary	Status
Marfrig	Santo André Distribution Center		We acquired the distribution center in a judicial auction. However, motion to stay judicial sale filed by a third party is pending.
Marfrig	Refrigerated warehouse—Tangará da Serra (state of Mato Grosso)	Lower civil court of Mineiros (state of Goiás)	The refrigerated warehouse guarantees the injunction given in a stay of protest proceeding, in the amount of approximately R$4.0 million.
MBL	Pork farm—Diamantino (state of Minas Gerais)	Banco Real S.A.	First-priority mortgage that guarantees the export credit certificate No. 4919/07, in the original amount of R$5.5 million with maturity on August 22, 2011.
Mabella	Refrigerated warehouse—Frederico Westphalen (state of Rio Grande do Sul)	Banco ABN AMRO Real S.A.	First-priority mortgage that guarantees the bank credit certificate No. 106.82566/01-0, in the original amount of R$1.3 million with maturity on December 15, 2011.
Mabella	Refrigerated warehouse—Frederico Westphalen (state of Rio Grande do Sul)	Banco do Brasil	First-priority mortgage that guarantees the industrial credit certificate No. 40/01312/X, in the original amount of R$1.2 million and maturity on August 15, 2012.
DaGranja	Poultry slaughterhouse — Passos unit (state of Minas Gerais)	National Institute of Social Security (*Instituto Nacional de Seguridade Social*), or INSS	Attachment in connection with judicial execution filed by the INSS in the amount of R$4.5 million. Attachment in connection with judicial execution filed by the INSS in the amount of approximately R$6.0 million.
DaGranja	Feed factory—Uberaba unit (state of Minas Gerais)	State Treasury of the State of Minas Gerais	Attachment in connection with judicial execution filed by the State Treasury of the state of Minas Gerais in the estimated amount of approximately R$8.6 million.
DaGranja	Poultry slaughterhouse—Lapa unit (state of Paraná)	INSS	Attachment in connection with judicial execution filed by the INSS, in the original amount of R$11.5 million. Attachment in connection with judicial execution filed by the INSS, in the estimated amount of approximately R$6.0 million.

Company	Destination	Creditor/Beneficiary	Status
DaGranja	Incubator—Uberaba (state of Minas Gerais)	INSS State Treasury of the State of Minas Gerais	Attachment in connection with judicial execution filed by the INSS (law suit No. 2007.70.00.0018073-3), in the original amount of R$11.5 million. Attachment in connection with judicial execution filed by the INSS (law suit No. 2004.70.00.41525-6), in the estimated amount of approximately R$6.0 million. Attachment in connection with judicial execution filed by the State Treasury of the State of Minas Gerais in the estimated amount of R$8.6 million.
DaGranja	Poultry slaughterhouse—Uberaba (state of Minas Gerais)	INSS State Treasury of the State of Minas Gerais	Attachment in connection with judicial execution filed by the INSS in the original amount of R$11.5 million. Attachment in connection with judicial execution filed by the INSS in the estimated amount of R$6.0 million. Attachment in connection with judicial execution filed by the State Treasury of the State of Minas Gerais in the estimated amount of R$8.6 million.

As of December 31, 2009, we had invested the total amount of R$535.5 million in the expansion or modernization of four of our plants, as well as the other assets of the Marfrig Group. We expect to conclude the expansion and modernization processes during 2010. See "—Environmental Matters."

Insurance

We are currently insured against a variety of risks in Brazil and elsewhere, including losses and damages relating to our slaughter, processing and industrializing plants and fleet of trucks. We also carry a directors and officers policy issued by Chubb Brazil, which included all of our units in Brazil and elsewhere, with coverage in the amount of R$40.0 million. We believe our level of insurance coverage is appropriate for a company of our size and that the type of insurance we have is appropriate for our activities.

Regulatory Matters

One of our top priorities is strict compliance with all Brazilian sanitary and environmental laws at the federal, state and municipal levels. This includes keeping our permits up to date.

We believe we are in compliance with substantially all Brazilian sanitary and environmental laws. We have adopted practices in accordance with environmental and labor laws, including by executing an agreement to observe the National Pact for the Eradication of Slave Labor, in March 2008.

Sanitary Regulations

Our slaughter activities and meat processing operations in Brazil are subject to extensive regulation by the Brazilian Ministry of Agriculture and by other state or local authorities regarding the processing, packaging, storage, distribution, advertising and labeling of products, including our adherence to safety standards. In recent years, sanitation practices and procedures in the meat processing industry have been subject to more intensive scrutiny and oversight by the Brazilian Ministry of Agriculture. Each of our sites in which these activities are performed must be previously licensed by the authorities and we must maintain a technician responsible for each site. The labels of products of animal origin must be registered with the Brazilian Ministry of Agriculture. For further information, see "Risk Factors—Risks Relating to Our Industry and Business—We are subject to extensive governmental legislation and regulations in Brazil and in other domestic markets in which we operate as well in countries to which we export our products."

Environmental Matters

Environmental Laws

To control the environmental impact of our operations, we maintain a preventive maintenance process for our equipment and filters, as well as programs for the efficient use of water.

We periodically evaluate the environmental impact of our products, processes, operations and services to identify those that cause or could cause material environmental harm. Through our environmental management programs, we seek to identify opportunities for improving production processes, as well as preventing the occurrence of negative environmental impact and lawsuits.

In regard to environmental responsibility, we have always followed strict rules about acquiring cattle only from ranches that are properly registered with IBAMA and have observed the MTE slave labor blacklist. We act proactively when producers fail to comply with the law by immediately removing them from our list of authorized suppliers of animals for slaughter.

The procedures we have adopted include requesting an environmental license, to assure that the properties are properly registered with IBAMA (including daily monitoring of the list of blocked ranches), checking the rural property registration form and other environmental documents when necessary, as well as establishing internal environmental committees at all of our units that operate on the principle of access to information and prevention of environmental problems.

In addition, in December 2007 we implemented a Code of Ethics that establishes guidelines for our relationship with suppliers and includes detailed verification of its implementation. We hold periodic meetings with employees and suppliers, as well as meetings with evaluation committees, to guarantee that these rules are known and complied with. We have also created a hot line to report problems as an additional way to monitor our commercial relationship with our partners.

Environmental Licenses

Brazilian environmental laws require licenses for any activity that causes an actual or potential harm to the environment. These licenses are required for the initial installation, the operation and any expansion of our activities and have to be periodically renewed. According to the Resolution 1/1986 of the National Council on Environment (*Conselho Nacional do Meio Ambiente*), or CONAMA, in order to obtain a license for certain specific activities, it is necessary to present an environmental impact study (*Estudo Prévio de Impacto Ambiental*), or EIA, and an environmental impact report (*Relatório de Impacto Ambiental*), or RIMA. In addition, Law 9,985/2000 regulates the National System of Conservation Units (*Sistema Nacional de Unidades de Conservação*), or SNUC. According to this law, any activity that will cause a significant environmental impact may only be licensed if the party requesting the license implements and maintains conservation units by paying an amount that is proportionate to the impact. The IBAMA will calculate the compensation and its amount will vary, from 0% to 0.5% of the total cost of the activity.

In case of state or local environmental impact, state or local authorities have authority to license any activity. IBAMA has the authority to license any activity that will cause a regional or national environmental impact.

The environmental licensing process consists of three licenses with determined terms: the previous license, the installation license and the operation license. Each license is granted according to the phase of the activity and its total term will depend on the adherence to the requirements made by the regulator. Failure to obtain a license is considered an environmental crime, even if the activity has not caused any actual environmental damage, and may lead to the suspension of all activities and to a penalty of up to R$10.0 million (at the federal level), or R$20.0 million in case of reoccurrence.

The timely obtainment or renewal of these licenses or the failure to obtain or renew them, as well as the inability to adhere to the regulators' requests during the licensing process may harm, or even suspend, the installation and operation of our plants. For further information on the risk related to non-compliance with environmental laws, see "Risk Factors—Risks Relating to Our Business and Industry—Environmental laws and regulations may require increased expenditures for compliance, and non-compliance with these laws and regulations may result in civil, criminal and administrative penalties."

The environmental regulation imposes other additional burden on us, including the requirement of an adequate destination to our disposals and the authorization requirements for water capture and effluents disposal.

Based on the advice of our internal counsel, we belive that we are in substantial compliance with all material Brazilian governmental environmental laws and regulations, and all material environmental permits and licenses necessary to our operations are in full force and effect.

Investments and Divestments

The chart below sets forth, except for transactions related to Marcos Molina dos Santos and Márcia Aparecida Paschoal Marcal dos Santos, the transactions between us and our wholly-owned subsidiaries as of December 31, 2009 that we do not consider related-party transactions because they are made in the ordinary course of business, integrate our consolidated financial information and have no impact on our results.

	Year ended December 31,									
	2007			2008			2009			
Investments	**Investment**	**Capital Increase**	**Total**	**Investment**	**Capital Increase**	**Total**	**Investment**	**Capital Increase**	**Total**	**Total**
	(in thousands of R$)									
Argentine Breeders & Packers S.A. (Argentina)	—	115,643	115,643	—	30,774	30,774	—	21,588	21,588	216,300
Frigorífico Tacuarembó S.A. (Uruguay)	47,571	—	47,571	—	—	—	—	—	—	99,469
Inaler S.A. (Uruguay)	19,377	—	19,377	—	—	—	—	—	—	54,967
Marfrig Chile Inversiones Ltda. (Chile)	—	35,175	35,175	—	2,109	2,109	—	—	—	46,638
Weston Importers Ltd. (United Kingdom)	5,128	—	5,128	—	22,769	22,769	—	—	—	28,750
MFB Marfrig Frigoríficos Brasil S.A.(1)	50,153	—	50,153	—	—	—	—	—	—	50,153
Masplen Ltd. (Pampeano Alimentos S.A.) (Brazil)	41,008	—	41,008	—	—	—	—	—	—	41,008
Prestcott International S.A. (Uruguay)	31,477	—	31,477	—	—	—	—	—	—	31,477
Secculum Participações Ltda (Frigorífico Mabella Ltda) (Brazil)	32,086	—	32,086	—	—	—	—	—	—	32,086
União Frederiquense Partic. Ltda (Frigorífico Mabella Ltda) (Brazil)	22,913	—	22,913	—	90,680	90,680	—	—	—	113,593
Blue Horizon Trading Co. LLC (Quick Food S.A.) (Argentina)	249,095	—	249,095	7,166	—	7,166	1,211	—	1,211	257,471
Zanzibar Capital LLC (Establecimientos Colonia S.A.) (Uruguay)	151,236	—	151,236	—	—	—	—	—	—	151,236
Total	**650,044**	**150,818**	**800,862**	**7,166**	**146,332**	**153,498**				**—**

(1) Frigoclass Alimentos S.A. (Brazil).

	Year ended December 31,								
	2007			2008			2009		
Investments	**Investment**	**Capital Increase**	**Total**	**Investment**	**Capital Increase**	**Total**	**Investment**	**Capital Increase**	**Total**
	(in thousands of R$)								
Dangranja Agroindustrial Ltda. (Brazil)	—	—	—	58,000	—	58,000	—	—	58,000
Penapaulo Alimentos Ltda. (Marca Penabraca) (Brazil)	—	—	—	53,000	—	53,000	—	—	53,000
Moy Park Group e MAS do Brasil Participações Ltda. (Europe and Brazil)	—	—	—	680,000	—	680,000	—	—	680,000
Total	**—**	**—**	**—**	**791,000**	**—**	**791,000**	**—**	**—**	**791,000**

For further information on our current capital investments, see "Presentation of Financial and Other Information—Acquisition of Seara and Zenda Group," "Summary—Recent Developments" and "Business—History of Our Organiza Growth and Acquisitions."

We did not make any material divestment over the three fiscal years ended December 31, 2009.

Material Contracts

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Material Contracts" for information on our material contracts.

Legal and Administrative Proceedings

We are party to lawsuits and administrative proceedings incidental to the normal course of our business. Our policy is to provision 100% of the estimated losses from suits and proceedings which risk of loss is considered probable. We do not make provisions when the risk of an unfavorable decision is possible or remote. We classify each lawsuit into one of these three categories based upon the opinion of outside counsel and specialized technical advisors responsible for each matter.

For further information on material lawsuits with a possible risk of loss, see the Note No. 18 to our financial statements included elsewhere in this offering memorandum.

As of December 31, 2009, we had a provision of R$38.8 million for lawsuits and administrative proceedings in which we were a defendant, including tax, labor and civil matters and other matters.

Tax and Social Security Proceedings

As of December 31, 2009, we were party to 236 judicial and administrative proceedings related to tax and social security matters, involving the estimated total amount of R$182.0 million, of which we provisioned R$22.6 million. Our main tax and social security proceedings are:

Social Security Contributions

We have been discussing our obligation to withhold and pay a contribution to the Fund for the Assistance of the Rural Worker (*Fundo de Assistência e Previdência do Trabalhador Rural*), or FUNRURAL, on behalf of individual producers of agricultural goods, including our cattle suppliers. To date no decision has been issued by the superior court in our favor to allow us not to withhold and pay the contribution. We cannot assure you that we will not to be subject to social security penalties or claims related to our non-withholding and non-payment of the contribution. An unfavorable decision may adversely affect our business and results of operations.

We filed a lawsuit seeking recognition of our right to use PIS/COFINS export credits to set off our social security debts, for which we already obtained a favorable appealable decision. The export credits derive from our contributions to the social participation program (*Programa de Integração Social*), or PIS, and contributions for the financing of social security (*Contribuição para Financiamento da Seguridade Social*), or COFINS.

Federal Taxes and Contributions

As of December 31, 2009, we were a party to five administrative and judicial proceedings initiated by the Secretariat of the Federal Revenue of Brazil (*Secretaria da Receita Federal*), in the estimated total amount of R$34.8 million. These proceedings relate to (i) corporate income tax and CSLL, PIS and COFINS, due to alleged inconsistencies in our declared income and our supplier's invoices, (ii) differences in the amount paid for PIS/COFINS and (iii) exclusion of ICMS from the calculation base of PIS/COFINS. The amount involved in the first two types of proceedings is approximately R$2.4 million, for which we made no provision because we believe the likelihood of loss is possible based on the opinion of external counsel. The claims related to the ICMS from the calculation base of PIS/COFINS are the most relevant ones, involving an amount of approximately R$32.4 million, for which we made no provision, because we believe the likelihood of loss is possible based on the opinion of external counsel. We filed administrative defenses, which are still under review. Based on the opinion of external counsel, we believe that losses are possible.

Our subsidiaries have administrative proceedings due to credit compensation of federal taxes with social security debts, being Penasul R$3.38 million, DaGranja R$6.50 million, Mabella R$5.52 million, Pampeano R$1.05 million and Agrofrango R$1.26 million. These companies have legal proceedings that discuss their rights to compensation.

PIS and COFINS Taxes on Imports

In November 2004, we filed a lawsuit against the charge of PIS and COFINS on imports. We also requested a deduction of these contributions. A preliminary injunction was granted in our favor and later confirmed. The Brazilian government appealed and a decision is currently pending. The existing injunction has a favorable effect on our cash flow, as it allows us to pay these taxes only when our products are sold. The PIS and the COFINS taxes on imports are different from the PIS and the COFINS taxes on income, even though they are related for offsetting purposes. In order to formalize any debt due to the PIS and COFINS taxes on imports that we are currently not paying, the tax authority will have to file a tax assessment (*auto de infração*). We are not aware of the amount of the contingency related to the PIS and COFINS taxes on imports. If the injunction that currently allows us not to pay these taxes is later retracted, we will have 30 days to pay the amount without any penalty. The payment of PIS and COFINS taxes on imports generates a credit for other PIS and COFINS payments, unless it is barred by the statutes of limitations.

Taxes on Manufactured Products on Non-legal Entities Credit

Taxes on manufactured products (*Imposto sobre Produtos Industrializados*), or IPI, is a federal, non-cumulative tax levied on manufactured products at rates that vary according to the product. In April 2003, we initiated a legal proceeding to eradicate a legislation restriction which prohibits credit from acquisitions of non-legal entities, allowing IPI charges to be levied. Our petition was reckoned by the Regional Federal Tribunal. There are appeals from the Brazilian government on both the *Superior Tribunal de Justiça* and on the *Supremo Tribunal Federal*. Until a final decision in our favor, the credits we used for tax compensation can be questioned by the Federal authorities.

Installment Payment Plan for Federal and Social Security Taxes

On September 30, 2009, we adopted an installment payment plan, established by Law No. 11.941/09, and cancelled other tax payment programs. The social security tax debts, which we incurred after we had applied to the tax payment programs, totaled R$386.1 million. This amount is also included in the Tax Recovery Program (REFIS) established by Law No. 11,941/09. To date there has not been the consolidation of the tax debts. We have regularly paid the installments under the Tax Recovery Program (REFIS) established by Law No. 11,941/09.

We did not pay the amount of approximately R$77 million (September 2009) of social security contributions (outstanding debts).

ICMS Tax

Value-added tax on goods and services (*Imposto sobre Circulação de Mercadorias e Serviços*), or ICMS, is a state, non-cumulative tax levied on the value of the good at each stage of the production and distribution chain at rates that range from 7.0% to 19.0%, depending on the product and on the state of Brazil in which it is sold.

As of December 31, 2009, we were defendants in 178 administrative proceedings filed by the states of São Paulo, Mato Grosso, Goiás, Minas Gerais, Paraná and Rio Grande do Sul. The total amount involved in these proceedings is approximately R$173.5 million. These proceedings discuss (i) credit originated from product transfers, (ii) non-compliance with accessory obligations and (iii) problems in the issuance of invoices. Based on our external counsel's advice, we made a provision of R$2.1 million.

The most relevant administrative proceedings are the ones filed by the state of São Paulo, which claim amounts related to allegedly due ICMS credits on tax receipts we claimed in connection with products sent to the state of São Paulo from our branch in the state of Mato Grosso do Sul. The assessment notices are calculated based on the differences between taxes on goods at the point of delivery and the amount charged in the state of origin. We filed the appropriate administrative defenses to question whether these amounts are due and a decision is currently pending. The amounts involved in these proceedings are approximately R$118.2 million. Based on our external counsel's advice, we have not made a provision for this proceeding.

Labor Proceedings

As of December 31, 2009, there were 69 infraction notices filed against the Company by the Regional Labor and Employment Office. The main matters involved in these infraction notices are related to overtime and occupational health and safety. There were also 12 administrative proceedings filed against the Company by the Public Labor Prosecutor Office. The main matters involved in these infraction notices are related to occupational health and safety, overtime, among others. While we believe that the amounts involved in the infraction notices and administrative proceedings are not material, any adverse decision in any of the infraction notices or administrative proceedings that requires us to take certain remediation measures may adversely affect us.

As of December 31, 2009, we were defendants in 2,193 labor lawsuits, in the estimated total amount of R$57.8 million. Based on the history of payments made by the Company in the last two years, we have made a provision of R$8.5 in connection with these lawsuits. Our management and external counsel believe that the provision is enough to cover potential losses. A large percentage of the labor lawsuits filed against us relate to issues commonly alleged against other meat producers, such as discussions about good cause termination, breaks for employees who work in refrigerated environments and demands for *in itinere* hours, among others. With respect to the lawsuits initiated by the unions or the MPT, the issues relate to breaks for employees who work in refrigerated environments and excessive overtime hours.

Civil Proceedings

As of December 31, 2009, we were defendants in 101 civil lawsuits in the historic amount of R$7.3 million, for which we provisioned approximately R$4.1 million based on the assessment of a probable risk of loss by our management and external counsel. Our civil lawsuits typically involve claims related to our commercial dealings or damages claims.

Antitrust and Administrative Proceedings

On June 21, 2005 the Economic Law Office of the Ministry of Justice (*Secretaria de Direito Econômico do Ministério da Justiça*), or SDE, initiated administrative proceedings against 11 Brazilian beef companies, including us and other large beef producers. On November 28, 2007 the Brazilian Administrative Council of Economic Defense (*Conselho Administrativo de Defesa Econômica*), or CADE, issued a decision regarding the formation of a cartel by Brazilian meat processors and dismissed the case in relation to us by a unanimous decision.

On July 1, 2009, we notified CADE of our acquisition of assets related to the processing of turkey in Brazil. The notified transaction is currently, under the analysis of the Economic Policy Bureau of the Ministry of Finance (*Secretaria de Acompanhamento Econômico*), or SEAE

On October 5, 2009, we notified CADE of the purchase agreement related to the Acquisition of Seara. The notified transaction is currently under the analysis of SEAE.

Finally, on October 9, 2009, we notified CADE of the lease agreements entered into with the Margen Group and Mercosul S.A. Both of the notified transactions are currently under the analysis of SEAE.

Seara

On January 4, 2010, Marfrig completed the Acquisition of Seara. For further information, see "Summary—Recent Developments—Acquisition of Seara." In addition to the assets and operations of Seara, Marfrig assumed certain liabilities relating to litigation of Seara. As of December 31, 2009, Seara was party to several legal and administrative proceedings in the ordinary course of its business. Based on the assessment of Seara's management and external counsel, Seara had the following provisions as of December 31, 2009: R$75.7 million for tax contingencies, R$36.8 million for labor contingencies, R$14.9 million for other contingencies and R$38.5 million for judicial deposits.

Awards

We have been granted the following awards:

- The Best of Agribusiness (*Melhores do Agronegócio*) 2008 and 2009 by the Slaughter section of the Globo Rural Magazine;
- Best Company (*Melhor Empresa*) by the Beef section of the yearly publication of the Exame Agronegócio Magazine;
- Foreign Trade Outstanding Company (*Destaque de Comércio Exterior*) by the Cattle Breeding sector of the Foreign Trade Association and Foreign Trade Secretariat of the Ministry of Development, Industry and Foreign Trade;
- Third largest industrialized Brazilian company in 2008 by the Dom Cabral Foundation;
- Successful 2009 (*Bem-Sucedidos 2009*) by the Capital Markets and Financial sections of the Banco Hoje Magazine; and
- The Best Investor Relations Website in the Consumer Goods Industry Worldwide, Top 5 Financial Disclosure in Latin America and Top 5 Investor Relations Webside in Latin America by IR Global Rankings.

Our subsidiary Moy Park holds the following awards:

- Northern Ireland National Training Award—Large Employer 2008; and
- United Kingdom Training Award—Large Employer 2008.

THE ISSUER

Marfrig Overseas is a wholly-owned subsidiary of Marfrig and was incorporated in the Cayman Islands as an exempted company with limited liability on 25 October, 2006 with Registration Number 175913 for an unlimited period. The registered office of the issuer is at P.O. Box 309, Ugland House, Grand Cayman, KY1 -1104, Cayman Islands, and its constitutional documents and any other documents concerning Marfrig Overseas which are referred to in this offering memorandum can be inspected at Marfrig's headquarters in Brazil.

According to the laws of the Cayman Islands, in a company limited by share such as the issuer, the liability of each member in respect of the shares it holds in Marfrig Overseas is limited to the amount from time to time unpaid on such member's shares.

The objects for which Marfrig Overseas is established are unrestricted and without limitation, including to enter into and conduct financial transactions, and Marfrig Overseas shall have full power and authority to carry out any object not prohibited by the Companies Law (2009 Revision) or as the same may be revised from time to time or any other law of the Cayman Islands, as referred in its memorandum of association.

The issuer does not have subsidiaries or equity participation in any undertaking. Marfrig Overseas' authorized share capital is US$50,000, divided into 50,000 shares of US$1.00 par value each. The issued share capital of Marfrig Overseas is one share which has been fully paid up. The board of directors of Marfrig Overseas consists of two directors, Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos. The directors are elected by majority approval at the ordinary shareholders' meeting for one year or until such time they are removed from office by an ordinary shareholders' resolution. The board of directors of Marfrig Overseas was appointed on October 25, 2006. The directors' terms, the manner in which they are elected and other related issues are established in the memorandum and articles of association of Marfrig Overseas.

The issuer does not produce any financial statement since it is not required to do so under the laws of the Cayman Islands.

As of the date of this offering memorandum, the issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than the notes issued on November 16, 2006. For more information on these notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes" and "—Covenants."

There has been no change in the capitalization of the issuer since the date of its incorporation.

MANAGEMENT

Pursuant to our bylaws, our management is composed of a board of directors (*conselho de administração*) and a board of executive officers (*diretoria*). Our bylaws also provide for a fiscal council that is not permanent and that may be formed at our shareholders' request.

Board of Directors

Our board of directors is a collective decision-making body responsible for the formulation and monitoring for implementation of overall business policies, including our long-term strategy. It is also responsible, among its other functions, for the appointment and supervision of our executive officers. Under Brazilian corporate law, the board of directors is also responsible for the hiring of independent auditors.

All board of director's decisions are made by majority vote of those members present at the relevant meeting.

Pursuant to our bylaws, our board of directors must be composed of a minimum of five and a maximum of 11 members. Each member must be a shareholder of our company, although no minimum shareholding is stipulated. The directors are elected at our annual shareholders' meeting, for a unified, two-year term of office. The members of our board of directors can be re-elected and removed at any time by our shareholders in a shareholders' meeting. Under the *Novo Mercado* listing segment regulation, a minimum of 20% of the members of our board of directors should be independent. Our directors are required to sign, prior to taking office, the administrators' instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* listing segment regulation.

In addition, under Brazilian corporate law, the members of our board of directors are prohibited from acting in any transaction or business in which their interests conflict with our own.

The members of our board of directors were reelected in our annual and special shareholders' meetings held on April 28, 2009, with a term of office until our annual shareholders' meeting to be held in 2011. At a special shareholders' meeting held on November 9, 2009 Mr. Alain Emile Henry Martinet was elected by our shareholders as a director. As of the date of this offering memorandum, Mr. Martinet has not taken office in our board of directors.

The table below sets forth the name, age, title and date of election of the members of our board of directors:

Name	Age	Position	Date of Election
Marcos Antonio Molina dos Santos	40	Chairman	4.28.2009
Márcia Aparecida Pascoal Marçal dos Santos	37	Director	4.28.2009
Rodrigo Marçal Filho	35	Director	4.28.2009
David G. McDonald	45	Director	4.28.2009
Carlos Geraldo Langoni	65	Independent director	4.28.2009
Marcelo Maia de Azevedo Correa	54	Independent director	4.28.2009
Antonio Maciel Neto	54	Independent director	4.28.2009
Alain Emile Henry Martinet(1)	66	Director	11.09.2009

(1) Mr. Martinet has not yet accepted his appointment as a member of our board of directors.

Below is a brief biographical description of each member of our board of directors:

Marcos Antonio Molina dos Santos. Mr. Molina dos Santos has been the chairman of our board of directors since March 26, 2007. He has worked in the beef sector since the age of 16, when he opened his first business. He holds a high school degree. Mr. Molina dos Santos has been our chief executive officer since the incorporation of our company.

Márcia Aparecida Pascoal Marçal dos Santos. Ms. Santos has been a member of our board of directors since March 26, 2007. She has extensive experience with us and was in charge of our financial team from 2000 to 2006 and of our internal audit team from 2000 to date. Ms. Santos holds a high school degree.

Rodrigo Marçal Filho. Mr. Marçal Filho has been a member of our board of directors since March 26, 2007. His professional life has been connected to the agribusiness area, having worked as farm manager until May 2000, when he joined us. He was responsible for the purchase of cattle and later became our officer in charge of infrastructure. Mr. Marçal Filho holds a high school degree.

David G. McDonald. Mr. McDonald has been a member of our board of directors since December 1, 2008. He is also a director of the OSI Group. He joined our board of directors in 2008 after we acquired the OSI Group's operations in Europe and Brazil. Mr. McDonald is currently president and chief operating officer of the OSI Group. Mr. McDonald graduated in animal science from Iowa State University in 1987, when he began working in the industrial area of the OSI Group, which is a multinational food processing company, as a project manager.

Carlos Geraldo Langoni. Mr. Langoni has been our independent director since May 7, 2007. He is currently a member of the board of directors of Souza Cruz, member of the consulting council of Guardian Industries, president of Projeta Consultoria Econômica Ltda. and senior consultant of Companhia Vale do Rio Doce. He was also the chairman of the Central Bank from 1980 to 1983. Mr. Langoni has a Ph.D. in Economics from the University of Chicago.

Marcelo Maia de Azevedo Correa. Mr. Correa has been our independent director since May 7, 2007. He is currently chief executive officer of Grupo Neoenergia S.A. and director of the following companies: ONS—Operador Nacional do Sistema Elétrico, Coelba, Cosern, Celpe, Itapebi, Termopernambuco, PCH I, Afluente, Goiás Sul and Baguari I. He was chief executive officer of VBC Energia S.A. from 1997 to 2004 and chairman of the board of directors of CPFL—Piratininga from 2001 to 2002. He was a member of the fiscal council of RGE—Rio Grande Energia from 1997 to 1999 and of CPFL—Paulista in 2000. Mr. Correa holds a degree in civil engineering from PUC-RJ and an MBA in finance from IBMEC.

Antonio Maciel Neto. Mr. Maciel has been our independent director since May 20, 2007. He was president of Ford do Brasil and South America, and also corporate vice chairman of Ford from 1999 to 2006. He was the chairman of the Grupo Itamarati, from 1997 to 1999 and of CECRISA—Revestimentos Cerâmicos, from 1993 to 1997. Between 1990 and 1993, he held various positions in the Brazilian government, such as: adjunct executive officer of the Industry and Commerce Department and national adjunct secretary of Economics in the Ministry of the Economy; vice-minister in the Ministry of Industry, Commerce and Tourism. He was the technical coordinator of the Brazilian Quality and Productivity Program (*Programa Brasileiro de Qualidade e Produtividade*). He began his professional career at Petrobrás in 1980, where he worked for ten years. Since 2006, he has been the chairman of Suzano Papel e Celulose. He is currently a member of the global board of directors of Archer Daniels Midland Company. Mr. Maciel holds a degree in mechanical engineering from Universidade Federal do Rio de Janeiro (UFRJ).

Alain Emilie Henry Martinet. Mr. Martinet has been working in the beef industry for more than 30 years. From 1978 to 1984 he worked as the manager of the international area of the beef division of Louis Dreyfus Corporation USA. From 1985 to 1991 he was the general manager and from 1991 to 1992 the commercial officer of Frigorifico Rio-Platense. He worked as an officer of SWIFT Argentina for 5 years, starting on 2001. He joined our Company in October 2006, and has worked as the Chief Executive Officer of our Argentina division, our trading companies and our United States operations.

Advisory Committees to our Board of Directors

Our bylaws provide for the creation of technical and consulting committees to assist our board of directors. These committees may be comprised of members of our board of directors, our executive committee or external service providers. Once installed, our board of directors will determine the attributes of our committees, as well as their goals. We currently have the following committees:

Audit Committee

Our audit committee rules were approved at a meeting of our board of directors held on July 16, 2007. Our audit committee assists our board of directors in conducting internal and external audit procedures, in matters involving accounting and disclosure of financial information, and in evaluating our legal and internal financial compliance controls.

Our audit committee is coordinated by Mr. Marcelo Maia de Azevedo Correa.

Compensation, Human Resources and Corporate Governance Committee

Our compensation, human resources and corporate governance committee rules were approved at a meeting of our board of directors held on July 16, 2007. This committee assists our board of directors in strategies, policies and internal norms related to human resources, including the establishment of compensation and benefits offered to our management and senior employees as well as putting into practice processes, assisting in monitoring and developing corporate governance practices.

The compensation, human resources and corporate governance committee is coordinated by Mr. Antonio Maciel Neto.

Financial and Investment Committee

Our financial and investment committee rules were approved at a meeting of our board of directors held on July 16, 2007. This committee is responsible for periodically examining our investment and financing plans and their impacts on our capital structure, as well as determining parameters for monitoring liquidity and predetermined capital structures.

By resolution of our board of directors, our financial and investment committee is responsible for analyzing and approving financial transactions in amounts between 5% and 10% of our shareholders' equity, based on our most recent publicly disclosed financial statements.

Commercial Advising Committee

Our commercial advising committee was created at a meeting of our board of directors held on October 31, 2008. This committee is responsible for advising our board of directors regarding the management of our commercial activities, especially in regard to our relationship with our customers, both in Brazil and Europe.

Board of Executive Officers

The members of our board of executive officers are our legal representatives and are responsible mainly for the day-to-day management of our business and for implementing up the general policies and directives established by our board of directors.

Pursuant to Brazilian corporate law, each member of our board of executive officers must reside in Brazil, and may or may not be one of ours shareholders. In addition, up to, at most, one third of the members of our board of directors may hold a position in our board of executive officers.

Our executive officers are elected by our board of directors for a three-year term of office. Our executive officers can be reelected and removed by our board of directors at any time.

Our bylaws provide that our board of executive officers will have a minimum of two, and a maximum of seven members with the following positions: chief executive officer, chief operating officer, investor relations officer and chief administrative and financial officer, while the remaining officers do not have specific titles. The executive officers must, prior to taking office, sign an instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* listing segment regulation. Currently, our board of executive officers is composed of four members, for a three-year term of office, reelection being permitted.

The table below sets forth the name, age, position and date of election of the members of our board of executive officers:

Name	Age	Position	Date of Election
Marcos Antonio Molina dos Santos	40	Chief executive officer	03.25.2010
James David Ramsey Cruden	61	Chief operating officer	03.25.2010
Ricardo Florence dos Santos	55	Investor relations officer	03.25.2010
Alexandre José Mazzuco	39	Chief financial and administrative officer	03.25.2010

Below is brief biographical description of the members of our executive committee (except for Mr. Marco Molina, who is also chairman of the board of directors):

James David Ramsey Cruden. Mr. Cruden is our chief operating officer. He has been working in the beef industry since 1970. From 1970 to 1973 he had worked at Angliss Co. Australia, a company owned by the Vestey Group Ltd., or the Vestey Group, a traditional British food company. In 1974, he came to Brazil to work for Anglo Alimentos S.A., or Anglo, a slaughterhouse owned by the Vestey Group. From 1980 to 1982, he worked as the general manager of the Vestey Group office in the Netherlands. Mr. Cruden returned to the Vestey Group's companies in Brazil in 1982 as vice-president, sales director and superintendent director, successively, until 1986. He worked at Frigorífico Bordon from 1986 to 1989 and was chief executive officer of Pampeano until 1992. From 1993 to 1996, he was an officer of Anglo. From 1996 to 1998, he managed his own business as a cattle raiser. In 1998, he returned to Anglo and in 2000 became the general manager of BF Produtos Alimentícios Ltda., one of the largest Brazilian beef companies for the production of processed, cooked beef. He remained at BF Produtos Alimentícios Ltda. until 2004, when he joined us as operations officer, responsible for our industrial process and wholesale and export activities. He is currently responsible for the operations of our beef division and fruit service—Brazil. Mr. Cruden holds a high school degree.

Ricardo Florence dos Santos. Mr. Santos is our investor relations officer. He worked at Grupo Pão de Açúcar from 1984 to 2000, as the financial planning executive officer and the Investor Relations statutory executive officer. He worked for two years at UOL Inc. (*Grupo Folha de São Paulo*) as an investor relations executive officer. He worked from 2006 to 2007 as an adjunct investor relations executive officer at Brasil Telecom. He was a member of the board of Grupo Pão de Açúcar from 1995 to 1999; of UOL Inc. (*Grupo Folha de São Paulo*) in 2001; of Dentalcorp Sand from 2002 to 2006, and of the Brazilian Institute of Investor Relations (*Instituto Brasileiro de Relações com Investidores*), or IBRI, from 1998 to 2001, of which he is currently a member of the fiscal council. Currently, Mr. Santos is also responsible for our strategic planning department. Mr. Santos holds a degree in chemical engineering from the Escola Politécnica da Universidade de São Paulo and in business from Universidade Presbiteriana Mackenzie. He holds a graduate degree from Universidade Presbiteriana Mackenzie and an MBA from IBMEC São Paulo.

Alexandre José Mazzuco. Mr. Mazzuco is our chief financial and administrative officer. He has worked in the finance area since 1985, with experience in the office of the controller and market relations at companies that have undergone major turnarounds, including operational restructuring and capital restructuring. He began his career at Companhia Paulista de Fertilizantes in 1985, where he worked for 12 years. After that he worked as controller for Fábrica Nacional de Vidros de Segurança Ltda.—FANAVID, from 1999 to 2002. He led the negotiations for acquisition of an ownership interest in FANAVID by Grupo Asahi Glass (one of the largest groups in the world in this sector). He also led the ISO 9000 certification process and the implementation of ERP software at that company. He joined us in 2002. Mr. Mazzuco holds a degree in finance and controllership from IMES—Instituto Municipal de Ensino Superior and a degree business administration from IMES—Instituto Municipal de Ensino Superior. He also holds MBA degree in corporate management from Fundação Getulio Vargas.

Board of Executive Officers of our Divisions

Our management is organized by a board of executive officers by division. This board of executive officers is comprised of experienced professionals in each area.

The names, dates and positions of each of the members of our board of executive officers by division are presented below:

Name	Position Held	Age
James David Ramsey Cruden	Chief executive officer—Beef and Food Service—Brazil	61
José Mayr Bonassi	Chief executive officer—Poultry, Pork and Industrialized Products	59
Luis Miguel Bameule	Chief executive officer—Argentina	63
Martin Secco Arias	Chief executive officer—Uruguay	43
Nigel Wallace Boyd Dunlop	Chief executive officer—Europe	52

Below is brief biographical description of the chief executive officers of our divisions (except for those officers who are also members of our board of directors or of our board of executive officers):

José Mayr Bonassi. Mr. Bonassi has worked in the agribusiness industry throughout his career. He has managed poultry, pork, feed and the soy crushing and industrialization process. He worked for over 20 years at Sadia, where he held executive committee positions in the operational, commercial and administrative areas. He was also a founding partner of Buona Itália, in partnership with a large Italian food company. In 2001 he was one of the founding partners of Mabella, where he was president until the end of 2007. He holds a degree in business administration from the West Santa Catarina University and a graduate degree in accounting from the Universidade do Oeste de Santa Catarina, as well as having completed the following international specialization courses: Total Quality Management at Juse in Japan; Advanced Management Program at Insead in France; and Management Strategy at the Kellogg School at Northwestern University in the United States. He has also attended the course for directors at IBGC in Brazil.

Luis Miguel Bameule. Mr. Bameule is the president of Quickfood, former president of Fundação Carlos Pellegrini, member and former president of the Christian Association of Business Managers of Argentina, former president of the International Union of Christian Businessmen of Argentina, former president of the Produce Conserving Foundation in Argentina, former vice president of the Food Products Trade Group of Argentina, member of the Argentina Business Association’s steering committee, member of the executive committee of Editora Kriterion S.A. (*Revista Critério*) and director of the Food Bank Foundation of Argentina. In 1988, he received the Konex of Argentina award as Manager-Businessman. Mr. Bameule holds a degree in business administration from the Catholic University of Argentina.

Martin Secco Arias. Mr. Arias is our executive officer responsible for our operations in Uruguay. From 1987 to 1992, he was an executive officer of Frigorífico Brincofor S.A. in Uruguay. From 1992 to 2007 he has worked at Tacuarembó as an industrial and commercial executive officer. He joined us in 2006. Mr. Arias holds a degree in business administration from the Universidade Católica do Uruguai and a post-graduate degree in management from Universidade de Montevideo.

Nigel Dunlop. Mr. Dunlop is our executive officer responsible for our operations in Europe. He initiated his career as a trainee in the 1980s at Gallagher Group plc, where he became an executive officer in 2002 and helped to transform Gallagher into one of the largest companies in the tobacco industry. In September 2007 he joined the Moy Park group as officer general. After our acquisition of the Moy Park group, Mr. Dunlop was appointed chief executive officer of the European Division. He was educated at the Royal Military Academy Sandhurst in the United Kingdom, from which he graduated in 1977. He pursued a military career for three years, becoming a captain in 1980. That year he began his career as an executive.

Fiscal Council

Pursuant to Brazilian corporate law, the fiscal council (*Conselho Fiscal*) is a body independent of the management and the company's independent auditors. The primary responsibilities of the fiscal council are monitoring management activities, reviewing the company's financial statements, and reporting its findings to the company's shareholders.

Our fiscal council is not permanent, but may be established in any year at the request of shareholders as described below. As of the date of this offering memorandum, we had not established a fiscal council.

Our management has proposed to our shareholders to establish a fiscal council for the fiscal year of 2010. We expect our shareholders to approve it at our annual shareholders' meeting to be held on April 30, 2010.

Whenever established, the fiscal council will be composed of a minimum of three and a maximum of five members with an equal number of alternates. Only residents of Brazil who hold a university degree or who have served in the position of company manager or on a fiscal council may be elected. The members of our fiscal council must also sign, prior to taking office, the instrument of consent of members of the fiscal council, as established in the *Novo Mercado* listing segment regulation. Pursuant to Brazilian corporate law, when the fiscal council does not operate on a full-time basis, it can be established at the annual shareholders' meeting, at the request of the shareholders who hold at least 10% of our common shares, for a term of office that ends on the date of the next annual shareholders' meeting. This percentage may be reduced to 2% of the voting capital depending on our capital, pursuant to CVM Instruction No. 324, dated January 19, 2000. In addition, minority shareholders holding at least 10% of our common shares are entitled to separately elect a member of the fiscal council and his alternate, and the other shareholders are entitled to elect the number of members elected by minority shareholders, plus one additional member.

The fiscal council may not be composed of members who are also members of our board of directors, board of executive officers or work in a subsidiary or a company of the same group. This prohibition extends to our administrators' spouses or close family member. In addition, Brazilian corporate law established that members of the fiscal council will be compensated with at least 10% of the average salary paid to each executive officer, excluding benefits, expenses and profit sharing.

Ownership of Shares

The table below sets forth the number of shares issued by us and held directly or indirectly by our directors and executive officers on the date of this offering memorandum:

Name	Number of Common Shares	(%)
Marcos Antonio Molina dos Santos(1)	70,739,288	20.4
Márcia Aparecida Pascoal Marçal do Santos(1)	70,739,287	20.4
Rodrigo Marçal Filho	1	—
David G. McDonald	1	—
Marcelo Maia de Azevedo Correa	1	—
Carlos Geraldo Langoni	1	—
Antonio Maciel Neto	1	—

(1) Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal do Santos are the indirect holders of our controlling power. See "Principal Shareholders."

Compensation

Pursuant to Brazilian corporate law, our shareholders are responsible for establishing, at a shareholders' meeting, on an annual basis, the total amount of compensation of the members of our management. Our board of directors is responsible for deciding how to allocate the amount fixed between its members and those of our board of executive officers.

For the year ended December 31, 2009, the aggregate compensation of the members of our management totaled R$5.2 million. For the year ended 2010, the aggregate compensation of the members of our management will be R$12.2 million, including benefits and charges.

The below sets forth the aggregate compensations that our directors and officers received during 2009:

	Fixed	Variable	Total
Board of Directors	2,194,495	—	2,194,495
Management	3,136,588	2,030,000	5,166,588
	5,331,083	2,030,000	7,361,083

Stock Option Plan

We have a stock option plan, or the Plan, which was originally approved on May 7, 2007 at a special shareholders' meeting. The plan was revised and consolidated on May 29, 2009 at a special shareholders' meeting.

The Plan establishes that our board of directors may create stock option programs with specific conditions regarding its participants, number of options granted, performance targets or performance achieved, exercise price and other conditions, which may be different from the general conditions established in the Plan (the "Specific Programs").

Three Specific Programs have been developed within the framework of the Plan. They were analyzed by our compensation and corporate governance committee on June 29, 2009, and submitted to our board of directors. The Specific Programs and contract model were prepared with the assistance of a Brazilian law firm to assure compliance with Brazilian corporate law. The Specific Programs are: (i) Specific Executive Program I (2007/2008)—Long-Term; (ii) Specific Executive Program II (2008/2009)—Short-Term; and (iii) Specific Executive Program III (2008/2009).

The beneficiaries must follow our Securities Trading Policy, which is available on our investor relations website.

The total of shares held in treasury (balance) is 571,498, which are sufficient to cover the exercise of the issued programs until 2011. It will be necessary to issue new shares to cover the exercise of programs in 2012.

Shares acquisitions through our repurchase program for the stock option plan and our treasury stocks

On April 9, 2008, our board of directors authorized the acquisition of up to 699,489 of our shares, equivalent to 1% of our shares in circulation on the market, to be held in treasury and later released to the directors who are participants in the long term bonus stock and stock option program, within the limits already approved at the special shareholders' meeting held on May 20, 2007. According to the board decision, any purchase pursuant to this authorization would have to be made through one of the following institutions: Credit Suisse Hedging Griffo CTVM S.A., Banco Bradesco BBI S.A. or ABN AMRO Real S.A. The authorization was in compliance with the CVM Instruction 10/80 and its effectiveness expired on December 31, 2008.

All purchases were made through Credit Suisse Hedging Griffo CTVM S.A. On May 7, 2008 we acquired 205,600 shares, for the amount of R$3,885.8 million. In the third quarter of 2008 we acquired another 490,000 shares for R$9,080.0 million, for a total in 2008 of 695,599 shares acquired for the amount of R$12,966.0 million, for an average total cost of R$18.6401 per share. The maximum average daily trading price in these transactions was R$18.9355 per share on August 19, 2008, and the lowest was R$16.8504 per share on August 27, 2008. The average amounts above include the regular brokerage and fee expenses for the transactions.

In the third quarter of 2008 we transferred 110,600 shares to our directors and officers, according to the terms of our Plan.

As of December 31, 2009, there were 571,498 shares held in treasury (balance) that are registered in our financial statements at the amount of R$10,653 million.

We do not foresee any dilution for our current shareholders at the time the stock option is exercised on its vesting date up until the limit of shares held in treasury for this purpose.

Stock option grant

In 2008, 55,200 stock options were granted to our board of directors. The exercise price for these stock options was established on the basis of the weighted average of the last 20 trading sessions before March 4, 2008, (R$15.097 per share), with a discount of 10% on the average mentioned above (R$13.588 per share). These options will be exercised at a rate of 25% a year over four years, with 25% at the end of the first year; 25% at the end of the second year; 25% at the end of the third year; and 25% at the end of the fourth year, in accordance with the rules that were approved. In addition, 212,676 stock options were granted to 21 members of our board of executive officers, which were subject to termination and substitution as a result of the reformulation of the Plan approved at the annual shareholders' meeting held on May 29, 2009, and the granting of Specific Plan I (2007/2008) approved at the meeting of our board of directors held on July 28, 2009.

The granting of 165,800 stock options in 2009 (relative to 2008) to our board of directors established by contract was also re-ratified, at the value per share of R$6.7783, based on the weighted average from the last 20 trading sessions before March 3, 2009, which is the grant date for the Master Options Plan. These options will be exercised for the amount above between 2010 and 2013 at the rate of 25% each year.

The granting of stock options of three Specific Programs was approved by our compensation and governance committee on June 29, 2009, and by our board of directors on July 28, 2009, as authorized by our shareholders, at the shareholders' meeting held on May 29, 2009, under the following terms:

- For the 2007/2008 period, which is to be exercised in four installments of 25% each, one per year, with the first one to be exercised by November 30, 2009, and the other three as follows: from March 3, 2010 through September 2, 2010; from March 3, 2011 through September 2, 2011; and from March 3, 2012 through September 2, 2012.
- For the 2008/2009 period (Short-Term)—exercise by November 30, 2009 (100%).
- For the 2008/2009 period (Long-Term)—exercise in four installments of 25% each, as follows: from March 3, 2010 through September 2, 2010; from March 3, 2011 through September 2, 2011; from March 3, 2012 through September 2, 2012; and from March 3, 2013 through September 2, 2013.

The exercise prices are:

- R$0.75485 for the grant in regard to the 2007/2008 period;
- R$1.03823 for the Short-Term grant regarding the 2008/2009 period; and
- R$0.67783 for the Long-Term grant regarding the 2008/2009 period.

The following criteria were adopted for the purpose of the exercise of the stock options: in 2008, the weighted average from the last 20 trading sessions before March 3, 2008 – R$15.097 and in 2009, (a) Specific Plan I—Long-Term 2007/2008, weighted average from the last 20 trading sessions before March 3, 2008—R$15.097; (b) Specific Plan II—Short-Term 2008/2009, weighted average from the last 20 trading sessions before May 11, 2009—R$10.3823; and (c) Specific Plan III—Long-Term 2008/2009, weighted average from the last 20 trading sessions before March 3, 2009—R$6.7783.

The stock options granted under these three programs in 2009 totaled 710,930 shares. Of this total, 128,600 options will expire in 2009, 158,083 in 2010 and the remainder by 2013. The total stock options granted under these three plans correspond to 0.26% of our capital stock, and is therefore within the limit of 0.5% established by our shareholders at the shareholders' meeting held on May 29, 2009, for approval by our board of directors.

As of December 31, 2009, there were 78 participants in our stock option program.

In 2009, we transferred 124,100 shares to our directors and officers, according to the terms of our Plan. These transfers caused a R$2,197.00 negative impact in our results of operations for the year ended December 31, 2009.

Participants rights under the Plan

All dividends and distributions or their equivalent (whether in cash, shares or another form) for unexercised restricted shares are rights of the participant and will be credited by us to their account for release when the restrictions terminate.

We will have the option to pay these credits for accumulated dividends or distributions or their equivalent in cash, in our shares in lieu of cash or by other means. If the payment is made in shares, their conversion will be made at the weighted average price from the previous 20 trading sessions on the BM&FBOVESPA before the payment date, adjusted for the net income tax amount levied on the credit granted.

The rights will elapse if the participant ceases to be our employee or to provide services to us for any reason other than death, disability, retirement or involuntary termination that is not for cause. In these cases, all restricted shares will terminate and those not exercised will become released amounts, fully exercised.

When our capital is increased, the participants will have the right to exercise their subscription rights with their own funds for the total of the amount granted, and the shares subscribed will be immediately released to the participant.

Stock option plan movements and its effects in our income statement as if we had accounted for the stock option plan movements on December 31, 2009

The table below sets forth a demonstration of the bonuses paid through restricted shares to our executive officers and through stock options to our directors. The table also contemplates the effects of these payments on our income statement as if we had accounted for the payments on December 31, 2009:

	Stock Option Plan									
	Sole Benefi-ciaries	**Date of Grant**	**Perfor-mance Period**	**Number of implicit shares – Non-exercised options**	**Strike price**	**Expiration date**	**Stock option value in 09/30/09 (Black & Scholes) (in R$)**	**Market value of non-vested shares on 12/31/09 (in R$ M)**	**Market value of vested shares on 12/31/09 in R$ M)**	**Effects on income in case of accounting**
Stock Options Open on 12/31/07	—			—				—	—	—
Cancelled Options....	—			—						
Granted Options.......	24			267,876				3,412	1,093	(1,248)
Board of Directors..........	3	03/03/08	03/04/09	13,800	13.588	09/02/09	5.532		76	(70)
	3	03/03/08	03/04/10	13,800	13.588	09/02/10	6.081	84		(70)
	3	03/03/08	03/04/11	13,800	13.588	09/02/11	9.153	126		(70)
	3	03/03/08	03/04/12	13,800	13.588	09/02/12	11.045	152		(70)
Executive Officers............	21	03/03/08	03/04/09	53,169	—	09/02/09	19.120		1,017	(242)
	21	03/03/08	03/04/10	53,169	—	09/02/10	19.120	1,017		(242)
	21	03/03/08	03/04/11	53,169	—	09/02/11	19.120	1,017		(242)
	21	03/03/08	03/04/12	53,169	—	09/02/12	19.120	1,017		(242)
Exercised Options....	—			—				—	—	—
Expired Options.......	—			—				—	—	—
Outstanding options on 12/31/09	**24**			**267,876**				**3,412**	**1093**	**(1,248)**
Options Granted.......	76			823,130				12,278	2,368	(13,373)
Board of Directors..........	3	07/28/09	03/04/10	27,650	6.77830	03/03/11	12.412	343		(328)
	3	07/28/09	03/04/11	27,650	6.77830	03/03/12	13.247	366		(328)
	3	07/28/09	03/04/12	27,650	6.77830	03/03/13	14.162	392		(328)
	3	07/28/09	03/04/13	27,650	6.77830	03/03/14	14.924	412		(214)
Executive Officers............	13	07/28/09	07/28/09	80,200	1.03823	11/30/09	18,082		1,450	(1,348)
	20	07/28/09	07/28/09	50,000	0.75485	11/30/09	18,365		918	(894)
	20	07/28/09	03/04/10	50,000	0.75485	09/02/10	18,373	919		(894)
	20	07/28/09	03/04/11	50,000	0.75485	09/02/11	18,416	921		(894)
	20	07/28/09	03/04/12	50,000	0.75485	09/02/12	18,460	923		(894)
	73	07/28/09	03/04/10	108,083	0.67783	09/02/10	18,449	1,994		(1,978)
	73	07/28/09	03/04/11	108,083	0.67783	09/02/11	18,488	1,998		(1,978)
	73	07/28/09	03/04/12	108,082	0.67783	09/02/12	18,527	2,002		(1,978)
	73	07/28/09	03/04/13	108,082	0.67783	09/02/13	18,569	2,007		(1,978)
Exercised Options....	(11)			(45,500)					(836)	—
Expired Options.......	—			(78,600)					(1,421)	—
Cancelled Options....	(21)			(212,676)				(3,050)	(1,017)	968
Expired Options.......	(1)	01/10/09		(1,600)					(29)	27
Stock Options Open on 09/30/09	**80**			**752,630**				**12,640**	**158**	**(13,626)**

Family Relationship Among Management, as well as Between Managers and Our Shareholders

Mr. Marcos Antonio Molina dos Santos, the chairman of our board of directors and our chief executive officer, and his wife Ms. Márcia Aparecida Pascoal Marçal dos Santos, a member of our board of directors, hold, directly and indirectly, as of the date of this offering memorandum, 43.5% of our capital stock. Mr. Rodrigo Marçal Filho, a member of our board of directors, is Mrs. Márcia Aparecida Pascoal Marçal dos Santos's brother.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The table below sets forth information relating to the ownership of our common shares by each holder of 5% or more of our capital stock, as well as by the members of our board of directors as of the date of this offering memorandum.

Shareholders	Number of Common Shares	(%)
MMS Participações S.A.(1)	150,903,836	43.5(2)
BNDESPAR	48,200,827	13.9
OSI Group	20,117,637	5.8
Capital Group	18,065,850	5.2
Board of directors	6	0.0
Treasury stock(3)	476,798	0.1
Outstanding shares	109,160,398	31.4
Total	346,983,954	100.0

(1) MMS Participações S.A. holds the controlling power. Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal dos Santos are the controlling shareholders of MMS Participações and collectively hold all of its voting stock.

(2) On April 23, 2010, MMS Participações acquired an additional 2.72% of our capital stock in an auction. As of the date of this offering memorandum, MMS Participações has 43.5% of our capital stock.

(3) As of December 31, 2009.

The table below sets forth the beneficial ownership structure of MMS Participações S.A.

MMS Participações S.A.	Number of Common Shares	(%)	Total capital stock	(%)
Marcos Antonio Molina dos Santos	70,739,287	50.0	70,739,287	50.0
Márcia Aparecida Pascoal Marçal dos Santos	70,739,286	50.0	70,739,286	50.0
Total	141,478,573	100.0	141,478,573	100.0

Information on our Principal Shareholders

MMS Participações S.A.

MMS Participações S.A is a corporation organized under the laws of Brazil, with registered office in the city of São Paulo, state of São Paulo. MMS Participações' corporate purpose is to manage its own assets, acquire interests in companies in Brazil and elsewhere and make investments in general. As of the date of this offering memorandum, MMS Participações holds the controlling power, and is controlled by Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos.

BNDES Participações S.A.—BNDESPAR

BNDESPAR is a publicly held corporation organized under the laws of Brazil. BNDESPAR is a wholly-owned subsidiary of the BNDES. Its registered office is located in Brasilia, Federal District. BNDESPAR's corporate purpose is to invest in the corporate sector, manage investment portfolios and finance private undertakings.

OSI International Holding Limited

OSI International Limited belongs to the OSI Group, which is comprised of several companies, including OSI Group, LLC and OSI Brazilian Holdings LLC, each with subsidiaries in Europe and in Brazil. The Brazilian subsidiaries include Braslo, OSI do Brasil Participações Ltda., OSIfrangos Participações Ltda., Agrofrango, and Penasul. The European subsidiaries include Moy Park, Kitchen Range, Albert van Zoonen B.V. and Moy Park France Holdings S.A.S. OSI International Limited became our shareholder on September 29, 2007.

Capital Group International, Inc.

Capital Group International, Inc. belongs to The Capital Group Companies, Inc., a global investment management organization that manages assets for institutional and publicly owned mutual funds and unit trusts. As one of the world's largest investment managers, the Capital organization participates in global equity and fixed-income markets on behalf of a diverse group of clients. As reported to the market on November 18, 2009, Capital Group International, Inc. holds the participation as the manager of investment funds.

RELATED PARTY TRANSACTIONS

The indirect holders of our controlling power, the shareholders Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal dos Santos, are guarantors of several of our financial agreements, for which they received no consideration. Upon default under any of these agreements, the guarantors may be called to perform our obligations, in which case they would have recourse against us by operation of law. For additional information on our indebtedness, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness.”

Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal dos Santos, through Maremar Administração de Bens S/C Ltda., own real estate property located in the state of São Paulo that operates a cattle confinement facility for 7,800 head of cattle. Mr. Marcos Antonio Molina dos Santos is responsible for the operating activities of this property, as authorized by Maremar Administração de Bens S/C Ltda. Cattle raised at the property are slaughtered at our slaughterhouse units. The sales of cattle follows the market prices for cattle weight (*arroba*) that we regularly use and that are based on the parameters set forth and published by the ESALQ.

Luís Miguel Bameule, chief executive officer in charge of our operations in Argentina, was one of the sellers in the purchase and sale commitment agreement pursuant to which we committed to acquire the shares of Blue Horizon Trading Co., LLC (which holds a 70.51% ownership interest in Quickfood) and of Zanzibar Capital LLC (which owns 100% of the shares of Establecimientos Colonia S.A.). Luís Miguel Bameule was a party to this agreement in the capacity of holder of 34.36% of the shares of Blue Horizon Trading Co., LLC, and 66.66% of the shares of Zanzibar Capital, LLC.

On August 29, 2008, we incorporated Kilnway Limited, a Northern Ireland company, for purposes of acquiring the European companies comprising the Moy Park group. Kilnway Limited will control our assets in Europe. The financial information related to Kilnway Limited as of and for September 30, 2008 was not combined with or consolidated financial statements.

On March 31, 2010, Seara Alimentos S.A. executed an export credit note with Banco do Brasil S.A., in the total amount of R$265.0 million, guaranteed by MMS Participações and Marfrig. Repayment of the principal amount under the note will be made in five successive annual installments, ending in March 2017, accruing interest at a rate of 118% of the CDI per year.

According to our bylaws, our board of directors has to approve any of our transaction or group of transactions with related parties, in amounts over an authorized threshold for approval of transactions by our board of executive officers. Related party means any member of our management, employee or shareholder holding more than 10% of our capital stock, either directly or indirectly.

The tables below, except when they refer to transactions involving Mr. Marcos Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal dos Santos, controlling shareholders of MMS Participações, the holder of our controlling power, set forth the transactions between our Company and our wholly-owned subsidiaries as of December 31, 2009 in thousands of *reais*. These transactions were made in the ordinary course of business, are reflected in our consolidated financial statements and do not have any impact on our results of operations, and therefore cause no adverse effect to our shareholders.

Marfrig Alimentos S.A.

December 31, 2009	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	1,491	1,754	28,767	—	3,480	2,474
Frigorífico Tacuarembó S.A.	—	548	116,457	—	3,925	—
Inaler S.A.	—	125	6,509	—	2,515	—
Marfrig Chile Inversiones Ltda	1,643	—	—	—	441	8,127
Quinto Cuarto S.A.	5,790	—	—	—	—	—
Weston Importers Ltd.	45,195	—	—	—	—	54,850
MBF Marfrig Frigoríficos Brasil S.A.	—	2,091	7,831	—	650	19,324
Pampeano Alimentos S.A.	11,654	9	79,413	—	198	58,234
Cledinor S.A.	—	537	—	—	2,876	—
Frigorifico Mabella Ltda	6,719	4,695	421,755	—	18,068	661
Masplen Ltd.	—	—	78	—	—	—
DaGranja Agroindustrial Ltda	5,868	—	114,696	—	3,818	5,432
Mirab USA	—	—	54,255	—	—	—
Establecimientos Colonia S.A.	—	855	—	—	5,932	—
Quickfood S.A.	—	1,752	—	—	5,372	—
Moy Park Limited	—	—	17,443	—	—	—
Moy Park Holdings (Europe) Limited	—	—	69	—	—	—
Marfrig Holdings (Europe) BV	—	—	276,158	—	—	—
Braslo Produtos de Carne Ltda	6,105	—	35,767	—	16,256	76,339
MBL Alimentos Ltda	—	—	69	—	—	1,079
Mas do Brasil Participações Ltda	—	—	2,935	—	—	—
Penasul Alimentos Ltda	3,934	—	—	61,865	39	2,192
Agrofrango Ind. Com. Alim. Ltda	1,073	—	51,136	—	—	42
Marcos Antonio Molina dos Santos	—	3,746	—	—	21,134	—
Total	**83,682**	**16,112**	**1,213,338**	**61,865**	**84,704**	**228,754**

The notes receivable and the notes payable among related parties are adjusted to inflation according to rates practiced in the market. These operations do not affect our consolidated financial statements, since they are set off in the consolidation.

The relevant related party transactions that are set forth on the tables above are loans granted to our subsidiaries Moy Park Holding (Europe) Ltd. and Frigorífico Mabella Ltda. The purpose of the loan to Moy Park Holding (Europe) was to finance the acquisition of the companies that were part of the OSI Group in Europe, accruing interest at LIBOR plus 3% and with a 5-year maturity. The purpose of the loan granted to Frigorífico Mabella Ltda. was to finance the acquisition of our subsidiaries in the Poultry, Pork and Processed Foods division, at a 1% annual cost, with a two-year grace period and a five-year maturity.

All other related party transactions are not relevant and we conducted them in the ordinary course of our businesses with other related parties on an arm’s length basis.

For further information on related party transactions, see Note 8.1 of our financial statements.

DESCRIPTION OF THE NOTES

This section describes certain provisions of the notes and the indenture. This section is subject to and qualified in its entirety by reference to the provisions of the indenture and the notes. Capitalized terms used in the following section and not otherwise defined herein shall have the meaning ascribed to them in the indenture. You may obtain copies of the indenture and specimen notes upon request to Marfrig at the addresses set forth under "Where You Can Find More Information."

The notes (the "Notes") are to be issued under and governed by an Indenture, to be dated as of May 4, 2010 (the "Indenture"), among Marfrig Overseas Limited, Marfrig Alimentos S.A., União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV, Seara Alimentos S.A., The Bank of New York Mellon Trust (Japan) Ltd., as principal paying agent, and The Bank of New York Mellon, as trustee, registrar, transfer agent and New York paying agent (the "Trustee") and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg special paying agent and transfer agent (the "Luxembourg Special Paying Agent"). The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture. Copies of the Indenture are available for inspection during normal business hours at the Company's principal office and at the Corporate Trust Office of the Trustee in New York City, New York. The holders of the Notes are entitled to the benefits of, are bound by, and are deemed to have notice of, all the provisions of the Indenture. Wherever defined terms of the Indenture are referred to, such defined terms are incorporated herein by reference. Certain terms used in this description are defined under the subheading "—Certain Definitions". For purposes of this "Description of the Notes," the term "the Company" means Marfrig Alimentos S.A. and its successors under the Indenture, in each case excluding its Subsidiaries; "Marfrig Overseas" means certain subsidiaries of Marfrig that are from time to time guarantors of the Notes pursuant to the provisions described below under "—Subsidiary Guarantors" governing the Notes, unless the context indicates otherwise. As of the date hereof, Marfrig Overseas Limited, and its successors under the Indenture, in each case excluding its Subsidiaries; and "Subsidiary Guarantors" means União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV, Seara Alimentos S.A. are Subsidiary Guarantors of the Notes.

General

The Indenture does not limit the aggregate principal amount of the debt securities that may be issued under the Indenture, although the issuance of notes in this offering will be limited to US$500,000,000. Marfrig Overseas may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the "Additional Notes"). Marfrig Overseas will only be permitted to issue such Additional Notes if at the time of such issuance, the Company and Marfrig Overseas are in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes that Marfrig Overseas is currently offering and will vote on all matters with the holders of the Notes.

The Notes will be issued in fully registered form in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof and will be issued as one or more Global Notes. Principal is to be payable, and the Notes will be transferable and exchangeable, at Marfrig Overseas's office or agency maintained for such purposes in New York City, New York, which initially will be the Corporate Trust Office of the Trustee; *provided* that the Global Notes will be exchangeable only in the manner and to the extent set forth under "—Form and Registration." The Notes may be transferred, combined or divided without payment of any charge other than taxes or other governmental charges.

The initial outstanding principal amount of the Notes will be US$500,000,000. The Notes will mature on May 4, 2020 (the "Maturity Date"), and the aggregate principal amount of Notes outstanding at such time will become due and payable. On such date, Marfrig Overseas will pay the registered Holder(s) of the Notes principal in an amount in U.S. dollars equal to the outstanding principal amount of the Notes. The Notes will bear interest at the rate per annum of 9.50% from May 4, 2010, the date of issuance, or from the most recent interest payment date to which interest has been paid or provided for. Interest on the Notes will be payable semi-annually on November 4 and May 4 of each year, commencing on November 4, 2010, to the person in whose name a Note is registered at the close of business on the preceding April 15 or October 15 (each a "Record Date"), as the case may be. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Holders of the Notes must surrender the Notes to any paying agent for the Notes to collect principal payments. Except as described under "—Form and Registration," Marfrig Overseas will pay principal and interest at the office or agency of Marfrig Overseas maintained for that purpose in New York City, New York.

The principal of and interest on the Notes will be payable in U.S. dollars or in such other coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

Subject to any applicable abandoned property law, the Trustee and the Paying Agents shall pay to the Issuer upon request any money held by them for the payment of principal and interest and Additional Amounts, if any, that remains unclaimed for two years, and, thereafter, Securityholders entitled to the money must look only to the Issuer and not to the Trustee or any of the Paying Agents for payment as general creditors.

The Guarantee

The Company and each Subsidiary Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of the principal of, and interest and Additional Amounts on, the Notes, as well as any other amounts whatsoever owed under the Indenture.

Ranking

The Notes will be the Issuer's senior unsecured obligations.

The Guarantee will constitute the unconditional, senior unsubordinated obligation of the Company and each Subsidiary Guarantor ranking *pari passu* with all of the Company's and each Subsidiary Guarantor's existing and future senior unsecured obligations (except those obligations preferred by statute or operation of law).

As of the date of this offering memorandum, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than the notes issued on November 16, 2006. For more information on these notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes" and "Financial Covenants."

Subsidiary Guarantors

If, at any time, any of the Company's Restricted Subsidiaries constitutes a Significant Subsidiary, then the Company shall promptly cause such Significant Subsidiary to guarantee, on an unsecured basis, all of the obligations of the Company under the Notes and the Indenture by executing a supplemental indenture.

Notwithstanding the foregoing, each guarantee of the Notes will be limited to the maximum amount that (1) would not render such Significant Subsidiary's obligations subject to avoidance under applicable law, including applicable fraudulent conveyance laws or (2) would not result in a breach or violation by such Significant Subsidiary of any then-existing agreement to which it is a party.

The guarantee of a Subsidiary Guarantor may be terminated upon:

(i) a sale or other disposition (including by way of consolidation or merger) by the Company of all or a portion of the Capital Stock of such Subsidiary Guarantor, or the sale or disposition of assets of such Subsidiary Guarantor, in each case following which such Subsidiary Guarantor is no longer a Significant Subsidiary;

(ii) defeasance or discharge of the Notes, as described in "—Satisfaction and Discharge" and "—Defeasance"; or,

(iii) the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV, and Seara Alimentos S.A. will be Subsidiary Guarantors at the time of the issuance of the Notes.

The Luxembourg Stock Exchange will be notified by the Company in the event a Significant Subsidiary becomes a Subsidiary Guarantor.

Optional Redemption

Except as set forth below, Marfrig Overseas will not be entitled to redeem the Notes at its option prior to May 4, 2015.

On and after May 4, 2015, Marfrig Overseas will be entitled at its option to redeem all or a portion of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount on the redemption date) set forth below, plus accrued interest to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on May 4 of the years set forth below:

Period	Redemption Price
2015	104.750%
2016	103.167%
2017	101.583%
2018 and thereafter	100.000%

Prior to May 4, 2013, Marfrig Overseas may at its option on one or more occasions redeem Notes (which includes Additional Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (which includes

Additional Notes, if any) originally issued prior to the redemption date at a redemption price (expressed as a percentage of principal amount) of 109.50%, plus accrued and unpaid interest to the redemption date, with the Net Cash Proceeds from one or more Equity Offerings; provided, however, that

(1) at least 65% of such aggregate principal amount of Notes (which includes Additional Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Notes held, directly or indirectly, by Marfrig Overseas or the Company or their Affiliates); and

(2) each such redemption occurs within 90 days after the date of the related Equity Offering.

Prior to May 4, 2015, Marfrig Overseas will also be entitled at its option to redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date). Notice of such redemption must be mailed by first class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date.

"Applicable Premium" means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note on such redemption date and (2) the excess, if any, of (A) an amount equal to the present value at such redemption date of (i) the redemption price of such Note on May 4, 2015 (such redemption price being described in the second paragraph in this "—Optional Redemption" section exclusive of any accrued interest) plus (ii) all required remaining scheduled interest payments due on such Note (assuming that the interest rate per annum on the Notes applicable on the date on which the notice of redemption was given was in effect for the entire period) through May 4, 2015 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate, over (B) the principal amount of such Note on such redemption date.

"Adjusted Treasury Rate" means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H. 15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after May 4, 2015, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date, plus 0.50%.

"Comparable Treasury Issue" means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes from such redemption date to May 4, 2015, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to May 4, 2015.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (2) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Quotation Agent, Reference Treasury Dealer Quotations for such redemption date.

"Quotation Agent" means the Reference Treasury Dealer selected by the Company.

"Reference Treasury Dealer" means Credit Suisse Securities (USA) LLC and its successors and assigns and two other nationally recognized investment banking firms selected by Marfrig Overseas that are primary U.S. Government securities dealers.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as calculated by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

Selection and Notice of Redemption

If Marfrig Overseas is redeeming less than all the Notes at any time, the Trustee will select Notes on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate.

Marfrig Overseas will redeem Notes of US$1,000 or less in whole and not in part. Marfrig Overseas will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each Holder to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. Marfrig Overseas will issue a new Note in a principal amount equal to the unredeemed portion of the original Note in the name of the Holder upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Optional Tax Redemption

The Notes may be redeemed at Marfrig Overseas's election, as a whole, but not in part, by the giving of notice as provided in the Indenture, at a price in U.S. dollars equal to the outstanding principal amount thereof, together with any Additional Amounts and accrued and unpaid interest to the redemption date, if, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Brazil, the Cayman Islands, or any political subdivision or taxing authority thereof or therein, or any change in the official application, administration or interpretation of such laws, regulations or rulings in Brazil or the Cayman Islands, Marfrig Overseas has or will become obligated to pay Additional Amounts on the Notes, if such change or amendment is first announced on or after the Closing Date and such obligation cannot be avoided by Marfrig Overseas taking reasonable measures available to it; *provided*, *however*, that (1) for the avoidance of doubt, reasonable measures shall not include changing the jurisdiction of Marfrig Overseas or the incurrence of material out-of-pocket costs by Marfrig Overseas or an Affiliate thereof and (2) no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which Marfrig Overseas would be obligated to pay such Additional Amounts, were a payment in respect of the Notes then due.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed.

Prior to the giving of notice of redemption of such Notes pursuant to the Indenture, the Company or Marfrig Overseas will deliver to the Trustee an Officers' Certificate and a written opinion of recognized Brazilian or Cayman Islands counsel, as the case may be, independent of the Company and Marfrig Overseas, to the effect that all governmental approvals necessary for Marfrig Overseas to effect such redemption, including any required approvals from the Brazilian or Cayman Islands Central Bank, have been or at the time of redemption will be obtained and in full force and effect and that Marfrig Overseas is entitled to effect such a redemption pursuant to the Indenture, and setting forth, in reasonable detail, the circumstances giving rise to such right of redemption.

Unless Marfrig Overseas defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes.

Restrictive Covenants

Limitation on Restricted Payments

(1) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to:

(a) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any Subsidiary of the Company) or similar payment to the direct or indirect holders of its Capital Stock except dividends or distributions payable solely in the form of its Capital Stock (other than Disqualified Stock) and except dividends or distributions payable to the Company or any Restricted Subsidiary (and, if such Restricted Subsidiary has shareholders other than the Company or any other Restricted Subsidiary, to its other shareholders on a *pro rata* basis);

(b) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than the Company or another Restricted Subsidiary (other than a purchase, redemption, retirement or other acquisition for value that would constitute a Permitted Investment);

(c) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase, redemption, defeasance or other acquisition of Subordinated Obligations made in anticipation of satisfying a sinking fund obligation, a principal installment or a final maturity, in each case, due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition); or

(d) make any Investment (other than a Permitted Investment) in any Person;

(the actions described in clauses (a) through (d) above being herein referred to as "Restricted Payments" and each, a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(i) an Event of Default will have occurred and be continuing;

(ii) after giving effect to the Restricted Payment, the Net Debt to EBITDA Ratio would be greater than 4.75:1; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the management of the Company or the applicable Restricted Subsidiary) declared or made subsequent to the Closing Date would exceed the sum of, without duplication:

(A) 100% of Consolidated Net Income accrued during the period (treated as one accounting period) from December 31, 2009 to the end of the most recent fiscal quarter for which financial statements are available prior to the date of such Restricted Payment (or, in case such Consolidated Net Income will be a deficit, *minus* 100% of such deficit); *plus*

(B) the aggregate Net Cash Proceeds, and the Fair Market Value of any property, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Closing Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Restricted Subsidiary of the Company or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); *plus*

(C)(1) the amount of a Guarantee of the Company or any Restricted Subsidiary upon the unconditional release in full of the Company or such Restricted Subsidiary from such Guarantee if such Guarantee was previously treated as a Restricted Payment; and

(2) in the event that the Company or any Restricted Subsidiary makes an Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Company's or such Restricted Subsidiary's existing Investment in such Person;

provided that any amount added pursuant to clauses (1) and (2) of this clause (C) shall not exceed the amount of such Investment or Guarantee, respectively, previously made and treated as a Restricted Payment and not previously added pursuant to this clause (iii); *provided, however,* that no amount will be included under this clause (C) to the extent it is already included in Consolidated Net Income; *plus*

(D) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's balance sheet or the balance sheet of any Restricted Subsidiary, in each case, upon the conversion or exchange (other than for Indebtedness held by the Company or any Restricted Subsidiary) subsequent to the Closing Date of any such Indebtedness for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash or the Fair Market Value of other property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange); *plus*

(E) the amount equal to the net reduction of Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in any Person resulting from repurchases or redemptions of such Investment by such Person, proceeds realized upon the sale of such Investment, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Company or any Restricted Subsidiary; *provided* that any amount added pursuant to this clause (E) shall not exceed the amount of such Investment previously made and treated as a Restricted Payment; *provided, however,* that no amount will be included under this clause (E) to the extent it is already included in Consolidated Net Income.

(2) The provisions of clause (1) above will not prohibit:

(a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Restricted Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any of its Restricted Subsidiaries to the extent that such sale to an employee stock ownership plan or other trust was financed by loans from or Guaranteed by the Company or a Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); *provided, however,* that (x) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (y) the Net Cash Proceeds from such sale of Capital Stock, to the extent such Net Cash Proceeds are used for such purchase, repurchase, redemption, defeasance, acquisition or retirement, will be excluded from clause (1)(iii)(B) of this covenant;

(b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Company that is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" below; *provided, however,* that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value will be excluded in the calculation of the amount of Restricted Payments pursuant to clause (1)(iii) above;

(c) so long as no Default has occurred and is continuing, any purchase or redemption of Subordinated Obligations at a purchase price of up to 101% of the principal amount thereof (together with accrued and unpaid interest) in the event of the occurrence of a Change of Control; *provided*, *however*, that prior to such purchase or redemption, the Company (or a third party to the extent permitted by the Indenture) has made the Change of Control Offer described under "—Repurchases at the Option of the Holders of the Notes Upon Change of Control" and has purchased all Notes validly tendered and not withdrawn pursuant thereto; and *provided further* that any such purchase shall be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(iii) above;

(d) dividends paid in accordance with applicable law after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; *provided, however*, that the payment or declaration, but not both the payment and the declaration, of such dividend will be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(iii) above;

(e) as long as no Default or Event of Default has occurred and is continuing, any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted by the covenant described under "—Limitation on Sale of Assets"; *provided, however*, that such purchase or redemption shall be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(iii) above; and

(f) the payment of the Minimum Legally Required Dividends; *provided, however,* that such payment shall be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(iii) above.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred, issued, purchased, repurchased, redeemed, retired, defeased or otherwise acquired by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment, *provided*, that if such Restricted Payment or related series of Restricted Payments involves aggregate consideration in excess of US$10 million, as determined by the management of the Company, such determination shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized standing.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; *provided*, *however*, that the Company or any Restricted Subsidiary may Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto and the application of the proceeds therefrom, the Net Debt to EBITDA Ratio would be no greater than 4.75:1.

(2) Notwithstanding clause (1) above, the Company or any Restricted Subsidiary may Incur the following Indebtedness:

(a) intercompany Indebtedness between or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided*, *however*, that:

(i) if the Company or any Restricted Subsidiary is the obligor on such Indebtedness Incurred, such Indebtedness must be expressly subordinated to the Notes in ranking not in priority of payment, in the case of the Company, or any applicable Subsidiary Guarantee; and

(ii) any subsequent issuance or transfer of Capital Stock or any other event that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (a);

(b) Indebtedness:

(i) represented by the Notes and the Subsidiary Guarantees (other than any Additional Notes);

(ii) outstanding on the Closing Date;

(iii) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (b) or the foregoing clause (1);

(iv) consisting of Guarantees of any Indebtedness permitted under clause (1) and subclauses (a) and (b) of this clause (2);

(c)(i) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of, or was otherwise acquired by, the Company); *provided*, *however*, that on the date that such Restricted Subsidiary is acquired by the Company, the Company would have been able to Incur US$1.00 of additional Indebtedness pursuant to clause (1) above after giving effect to the Incurrence of such Indebtedness pursuant to this subclause (i); and

(ii) Refinancing Indebtedness Incurred by the Company or a Restricted Subsidiary in respect of Indebtedness Incurred pursuant to this clause (c);

(d) Indebtedness in respect of bankers' acceptances, deposits, promissory notes, letters of credit, self-insurance obligations, performance, surety, appeal or similar bonds and Guarantees provided by the Company or any Restricted Subsidiary in the ordinary course of its business;

(e) Purchase Money Obligations, which may include Capitalized Lease Obligations, in an aggregate principal amount not in excess of US$20 million at any time outstanding and Refinancing Indebtedness Incurred in respect of Indebtedness Incurred pursuant to this clause (e);

(f) Hedging Obligations of the Company or any Restricted Subsidiary in the ordinary course of business or directly related to Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary pursuant to the Indenture;

(g)(i) Indebtedness of another Person Incurred and outstanding on or prior to the date on which such Person consolidates with or merges with or into the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Person consolidates with or merges with or into the Company); *provided*, *however*, that on the date that such transaction is consummated, the Company would have been able to Incur US$1.00 of additional Indebtedness pursuant to clause (1) above after giving effect to the Incurrence of such Indebtedness pursuant to this subclause (i); and

(ii) Refinancing Indebtedness Incurred by the Company or any successor thereof, which successor is in compliance with the covenant described under "—Consolidation, Merger, Conveyance, Sale or Lease" below in respect of Indebtedness Incurred pursuant to this clause (g);

(h) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of its Incurrence;

(i) Indebtedness incurred to pay all or a portion of the purchase price or lease of: (A) equipment, vehicles and trucks used to transport cattle to the Company's or a Restricted Subsidiary's slaughterhouses or containers or other shipments of its beef and other products destined for export or domestic sale, and (B) aircraft up to an aggregate amount not to exceed US$15.0 million; provided that in each case (A) and (B), the equipment, vehicles, trucks or aircraft are used in the ordinary course of business of the Company or its Restricted Subsidiaries;

(j) Indebtedness of the Company that is convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company, *provided* that such convertible indebtedness must be subordinate in terms of payments to the Notes and, as such, no payments of interest on such convertible indebtedness may be made in any given year until all payments of interest and Additional Amounts, if any, are paid on the Notes, and no payments of principal on such convertible indebtedness may be made until the Notes have been paid in full; and

(k) Indebtedness in an aggregate principal amount at any time outstanding not to exceed the greater of (i) US$50.0 million (or the equivalent amount thereof at the time of determination) and (ii) 25% of Consolidated EBITDA of the Company for the period of four consecutive fiscal quarters ending on or most recently prior to such date for which financial statements are available.

(3) For purposes of determining compliance with this covenant:

(a) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including clause (1) above, the Company, in its sole discretion, may classify, and from time to time may reclassify, such item of Indebtedness in one of the types of Indebtedness described above, including clause (1) above; and

(b) the Company will be entitled to divide and classify, and from time to time may reclassify, an item of Indebtedness in more than one of the types of Indebtedness described above, including clause (1) above.

Notwithstanding any other provision of this covenant, neither the Company nor any Restricted Subsidiary shall, with respect to any outstanding Indebtedness Incurred, be deemed to be in violation of this covenant solely as a result of fluctuations in the exchange rates of currencies.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated calculated based on the relevant currency exchange rates as calculated in the first sentence of this paragraph.

In connection with an acquisition or disposition of a company, division or line of business (an "Acquired Entity") for which audited or reviewed financial statements are not available, EBITDA for such Acquired Entity shall be calculated in good faith by the Company based upon management reports or other similar information ("Initial EBITDA"). Notwithstanding any other provision of this covenant, neither the Company nor any Restricted Subsidiary shall, with respect to any Indebtedness Incurred pursuant to this Initial EBITDA calculation (the "New Indebtedness"), be deemed to be in violation of this covenant; *provided however* that the Company shall be required by the date that is 90 days following the consummation of the acquisition of the Acquired Entity to recalculate EBITDA, for the period of four consecutive fiscal quarters for which financial statements of the Company are publicly available (or a period most closely coinciding with such period to the extent that the fiscal year of the Acquired Entity does not correspond to the fiscal year of the Company), using financial statements of the Acquired Entity that have been audited or subjected to a limited review ("Recalculated EBITDA"). If (1) the Recalculated EBITDA is less than the Initial EBITDA and (2) as a result, the Company or any Restricted Subsidiary Incurred New Indebtedness that exceeded (by an amount in excess of US$15.0 million) what it would have been permitted to Incur using Recalculated EBITDA, then the Company or any Restricted Subsidiary within 90 days thereafter shall be required to repay such amount of New Indebtedness that would ensure that it would have been in compliance with this covenant had it used Recalculated EBITDA to determine the amount of Indebtedness it was permitted to Incur thereunder.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to issue or assume any Indebtedness secured by a Lien (the "Initial Lien") upon any property or assets of the Company or any Restricted Subsidiary without effectively providing that the Notes (together with, if the Company so determines, any other Indebtedness or obligations then existing or thereafter created) shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured; *provided*, *however*, that any Lien created for the benefit of the holders of the Notes (and, if applicable, holders of such other Indebtedness or obligations) pursuant to the foregoing shall provide by its terms that such Lien will be automatically and unconditionally released and discharged upon release and discharge of the Initial Lien; except that the foregoing provisions shall not apply to (without duplication):

(a) Liens which secure only Indebtedness owing by any Restricted Subsidiary to the Company and/or by the Company to one or more Restricted Subsidiaries, if any;

(b) Liens on any property or assets acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Liens on the property or assets of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction; *provided* that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary;

(c) any Lien on any property or assets existing at the time of acquisition thereof and which is not created as a result of or in connection with or in anticipation of such acquisition; *provided* that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary;

(d) Liens for taxes, assessments, governmental charges, levies or claims which are not yet due or thereafter can be paid without penalty or are being contested in good faith by appropriate proceedings or the period within which such proceedings may be initiated has not expired;

(e) pledges or deposits in connection with workers' compensation laws, unemployment insurance laws or similar legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which the Company or any Restricted Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which the Company or any Restricted Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(f) any Lien in favor of issuers of surety or performance bonds or letters of credit issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of business;

(g) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens, on the property or assets of the Company or any Restricted Subsidiary arising in the ordinary course of business and securing payment of obligations that are not yet due or are being contested in good faith by appropriate proceedings;

(h) easements, rights of way, restrictions, defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company or any Restricted Subsidiary, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(i) Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that such deposit account is not a dedicated cash collateral account and is not intended by the Company or any Restricted Subsidiary to provide collateral to such depository institution;

(j) any rights of set-off of any Person with respect to any deposit account of the Company or any Restricted Subsidiary arising in the ordinary course of business;

(k) Liens granted to secure borrowing from (i) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* or any other Brazilian governmental development bank or credit agency, or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(l) judgment Liens not giving rise to an Event of Default so long as such Lien is bonded in accordance with applicable law and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(m) any Liens on the inventory or receivables of the Company or any Restricted Subsidiary (and all intangibles related thereto and proceeds thereof), securing the obligations of such Person under any credit facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of Indebtedness Incurred that is secured by receivables that shall fall due in any calendar year shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Company's consolidated gross revenues from export sales for the 12-month period ending on the last day of the Company's most recently completed fiscal quarter or (ii) with respect to transactions secured by receivables from non-export sales, 80% of the Company's consolidated gross revenues from non-export sales for the 12-month period ending on the last day of the Company's most recently completed fiscal quarter; and *provided, further*, that (x) Advance Transactions shall not be deemed transactions secured by receivables for purpose of the above calculation and (y) pro forma effect shall be given in the calculation of the Company's consolidated gross revenues in (i) and (ii) above to an Investment in any Person that is merged with or into the Company or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets as if such Investment or acquisition of assets occurred on the first day of the 12-month period ending on the last day of the Company's most recently completed fiscal quarter;

(n) Liens on property or assets (including Capital Stock) of any Person that secure Indebtedness Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of such property or asset and which attach within 365 days after the date of such purchase or the completion of construction or improvement;

(o) Liens in existence on the Closing Date;

(p) other Liens securing obligations in an aggregate amount not to exceed 20% of Consolidated Net Tangible Assets;

(q) any Lien securing Hedging Obligations so long as such Hedging Obligations are entered into for bona fide, non-speculative purposes; and

(r) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the clauses (b), (c), (n) or (o) above or of any Indebtedness secured thereby, *provided* that the principal amount of Indebtedness so secured shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement (plus premiums, interest and reasonable expenses incurred in connection therewith), and that such extension, renewal or replacement Lien shall be limited to all or part of the property which secured the Lien extended, renewed or replaced (plus improvements on or additions to such property).

Liens or deposits required by any contract or statute or other regulatory requirements in order to permit the Company or a Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of a governmental entity or any department, agency or instrumentality thereof, or to secure partial progress, advance or any other payments to the Company or any Restricted Subsidiary by a governmental entity or any department, agency or instrumentality thereof pursuant to the provisions of any contract or statute shall not be deemed to create Indebtedness secured by Liens.

Limitation on Sales of Assets

(1) The Company will not, and will not permit any Subsidiary to, make any Asset Disposition unless the following conditions are met:

(a) The Asset Disposition is for Fair Market Value;

(b) At least 75% of the consideration consists of all or part of any of the following, received at closing, (i) cash and Temporary Cash Investments or (ii) Additional Assets;

(c) Within 360 days after the receipt of any Net Available Cash from an Asset Disposition, the Net Available Cash may be used:

- to permanently repay Indebtedness, other than Subordinated Obligations, of the Company or of any of its Restricted Subsidiaries, in each case owing to a Person other than the Company or any Subsidiary;
- to acquire all or substantially all of the assets of a Related Business, or a majority of the Voting Stock of another Person that thereupon becomes a Restricted Subsidiary engaged in a Related Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Related Business; or
- to acquire Additional Assets for the Company or its Restricted Subsidiaries;

(d) The Net Available Cash of an Asset Disposition not applied pursuant to paragraph (c) above within 360 days of the Asset Disposition shall constitute "Excess Proceeds." Excess Proceeds of less than US$20.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds US$20.0 million, Marfrig Overseas must, and the Company shall cause Marfrig Overseas to, within 30 days, make an Offer (as defined in clause (2) below) having a principal amount equal to:

- accumulated Excess Proceeds, multiplied by
- a fraction (x) the numerator of which is equal to the then outstanding principal amount of the Notes and (y) the denominator of which is equal to the then outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Disposition, rounded down to the nearest US$1,000.

Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero and the Company shall be entitled to use any remaining proceeds for any corporate purposes to the extent permitted under the Indenture.

(2) In the event of an Asset Disposition that requires the purchase of Notes pursuant to clause (d) above, Marfrig Overseas will, and the Company shall cause Marfrig Overseas to, make an offer (an "Offer") to purchase Notes (and any other Senior Indebtedness), at a purchase price, in U.S. dollars, of 100% of their principal amount *plus* accrued and unpaid interest (including Additional Amounts, if any) thereon, to the date of purchase.

(3) Marfrig Overseas and the Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with any repurchase of Notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, each of Marfrig Overseas and the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

Limitation on Transactions with Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate, involving an amount in excess of US$1 million (each, an "Affiliate Transaction"), unless:

(a) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary, taken as a whole, than those that would have been obtained in a comparable arm's-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate; and

(b) the Company delivers to the Trustee:

(i) with respect of any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5 million, an Officers' Certificate stating that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by the management of the Company; and

(ii) with respect of any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$15 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an investment banking firm of recognized standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(i) transactions between or among the Company and any Restricted Subsidiary or between two or more Restricted Subsidiaries, if any;

(ii) any agreement in effect as of the Closing Date or any amendment, supplement, restatement, replacement, renewal, extension, refinancing thereof or thereto (so long as the renewed or replaced agreement, when taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original agreement in effect on the Closing Date) or any transaction contemplated thereby; and

(iii) Restricted Payments that are permitted by the provisions of the covenant described under "—Limitation on Restricted Payments" above.

Limitation on Sale and Lease-Back Transactions

The Company covenants and agrees that neither the Company nor any Restricted Subsidiary will enter into any Sale and Lease-Back Transaction unless either the Company or such Restricted Subsidiary would be entitled:

(a)(i) pursuant to the provisions of the covenant described under "— Limitation on Indebtedness" above to Incur Indebtedness in a principal amount equal to or exceeding the Attributable Debt in respect of such Sale and Lease-Back Transaction; and

(ii) pursuant to the provisions of the covenant described under "— Limitation on Liens" above to Incur a Lien to secure such Indebtedness; or

(b) the Company, during or immediately after the expiration of three months after the effective date of such Sale and Lease-Back Transaction (whether made by the Company or a Restricted Subsidiary), applies to the voluntary retirement of Funded Debt, an amount equal to the Value of such Sale and Lease-Back Transaction, less an amount equal to the sum of: (i) the principal amount of Notes delivered, within such three-month period, to the Trustee for retirement and cancellation and (ii) the principal amount of other Funded Debt voluntarily retired by the Company within such three-month period, in each case excluding retirements of Notes and other Funded Debt as a result of conversions or pursuant to mandatory sinking fund or mandatory prepayment provisions or by payment at maturity.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary or with respect of any other interest or participation in, or measured by, its profits;

(2) pay any Indebtedness owed to the Company or any Restricted Subsidiary;

(3) make loans or advances to the Company or any Restricted Subsidiary; or

(4) transfer any of its properties or assets to the Company or any Restricted Subsidiary.

However, the preceding restrictions will not apply to encumbrances or restrictions:

(i) existing under or by reason of applicable law or governmental rule, regulation or order;

(ii) on any property or assets acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or by reason of any Liens on the property or assets, or relating to the Indebtedness, of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary, or restriction relating to Indebtedness of any such Person and, in any such case, is not created as a result of or in connection with or in anticipation of any such transaction; *provided* that such Liens and any extensions, renewals, replacements or refinancings thereof may not extend to any other property owned by the Company or any Restricted Subsidiary; and *provided further* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(iii) on any property or assets existing at the time of acquisition thereof and which are not created as a result of or in connection with or in anticipation of such acquisition; *provided* that such encumbrances and restrictions and any extensions, renewals, replacements or refinancings thereof may not extend to any other property owned by the Company or any Restricted Subsidiary; and *provided further* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(iv) in the case of clause (4) above:

(a) that exist by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture;

(b) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract or contractual right;

(c) contained in mortgages, pledges or other security agreements permitted under the Indenture securing Indebtedness of the Company or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements;

(d) imposed by Purchase Money Obligations for property acquired in the ordinary course of business or by Capitalized Lease Obligations permitted under the Indenture on the property so acquired, but only to the extent that such encumbrances or restrictions restrict the transfer of the property; or

(e) arising or agreed to in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company and its Restricted Subsidiaries.

(v) imposed by the standard loan documentation in connection with loans from (i) Banco Nacional de Desenvolvimento Econômico e Social—BNDES or any other Brazilian governmental development bank or credit agency, or (ii) any international or multilateral development bank, government sponsored agency, export-import bank or official export-import credit insurer;

(vi) imposed pursuant to a provision in a credit agreement or any other agreement to which a Restricted Subsidiary is party that limits such Restricted Subsidiary's ability to pay more than 50% of the aggregate amount of its net income accrued on a cumulative basis during the period, taken as one accounting period, beginning on the Closing Date and ending on the last day of such Restricted Subsidiary's most recently completed fiscal quarter as dividends or any other distributions on its Capital Stock;

(vii) existing by reason of Liens that secure Indebtedness otherwise permitted to be incurred under the provisions of the covenant described under "—Limitation on Liens" above and that limit the right of the debtor to dispose of the assets subject to such Liens;

(viii) imposed with respect of a Restricted Subsidiary pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition; or

(ix) existing on the Closing Date and any amendments, extensions, renewals, replacements or refinancings thereof; *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced.

Consolidation, Merger, Conveyance, Sale or Lease

Nothing contained in the Indenture prevents the Company from consolidating with or merging into another Person or conveying, transferring or leasing the Company's properties and assets substantially as an entirety to any Person; provided that,

(a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the Company's properties and assets substantially as an entirety is a Person (the "Successor Company") organized and existing under the laws of Brazil or the United States, any State thereof or the District of Columbia, and expressly assumes, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest, if any, on all the Notes and the performance of every covenant of the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction no Default or Event of Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction, the Successor Company could Incur at least US$1.00 of Indebtedness under clause (1) of the covenant described under "—Limitation on Indebtedness" above;

(d) each Significant Subsidiary (unless it is the other party to the transactions above, in which case clause (a) above shall apply) shall have by supplemental indenture confirmed that its Subsidiary Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes; and

(e) the Company has delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the Indenture and that all conditions precedent therein relating to such transaction have been complied with.

The Company will not permit Marfrig Overseas or any Subsidiary Guarantor to consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to any Person (other than the Company or any Restricted Subsidiary) unless:

(1)(x) the resulting, surviving or transferee Person (if not the Company or such Subsidiary Guarantor) shall be a Person organized and existing under the laws of the jurisdiction under which such Subsidiary Guarantor was organized or under the laws of Brazil or the United States, any State thereof or the District of Columbia or, in the case of Marfrig Overseas, the Cayman Islands and (y) such Person shall expressly assume, by a Guarantee agreement substantially similar in all respects to the Subsidiary Guarantee to which such Subsidiary Guarantor was a party and in a form satisfactory to the Trustee, all the obligations of such Subsidiary Guarantor, if any, under such Subsidiary Guarantee; *provided* that the foregoing shall not apply in the case of a Subsidiary Guarantor that (A) has been disposed of in its entirety to another Person (other than to the Company or a Restricted Subsidiary), whether through a merger, consolidation or sale of Capital Stock or assets or (B) as a result of the disposition of all or a portion of its Capital Stock, ceases to be a Restricted Subsidiary, in both cases, if in connection therewith the Company provides an Officers' Certificate to the Trustee to the effect that the Company shall comply with its obligations under the covenants described under "—Limitation on Sales of Assets" and "—Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries" in respect of such disposition);

(2) immediately after giving effect to such transaction or transactions on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default shall have occurred and be continuing; and

(3) the Company delivers to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such guarantee agreement, if any, complies with the Indenture.

Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, transfer, convey, sell, lease or otherwise dispose of any Voting Stock of any Restricted Subsidiary or to issue any Voting Stock of any Restricted Subsidiary (other than, if necessary, shares of its Voting Stock constituting directors' qualifying shares) to any Person except:

(1) to the Company or a Restricted Subsidiary; or

(2) in compliance with the covenant described under "—Limitation on Sales of Assets" above and immediately after giving effect to such transfer, conveyance, sale, lease, other disposal or issuance, such Restricted Subsidiary either continues to be a Restricted Subsidiary or if such Restricted Subsidiary would no longer be a Restricted Subsidiary, then the Investment of the Company in such Person (after giving effect to such transfer, conveyance, sale, lease, other disposal or issuance) would have been permitted to be made under the covenant described under "—Limitation on Restricted Payments" above as if made on the date of such transfer, conveyance, sale, lease, other disposal or issuance.

Other Covenants

In addition, the Indenture will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding permitted lines of business, the performance of the Company's and Marfrig Overseas's obligations under the Notes, the maintenance of the Company's and Marfrig Overseas's corporate existence, the maintenance of the Company's and any Subsidiary Guarantors' properties, the compliance with applicable laws, maintenance of the Company's, Marfrig Overseas's and any Subsidiary Guarantors' governmental approvals, the Company's, Marfrig Overseas's and any Subsidiary Guarantors' payment of taxes and other claims, the appointment of the Trustee, the maintenance of insurance, the maintenance of the Company's, Marfrig Overseas's and the Subsidiary Guarantors' books and records, the maintenance of an office or agency in the State of New York, the ranking of the Notes, notices of certain events, further actions and the use of proceeds.

Repurchases at the Option of the Holders of the Notes upon Change of Control

If a Change of Control that results in a Ratings Decline occurs, each holder of Notes will have the right to require Marfrig Overseas and the Company to repurchase all or any part (equal to US$100,000 and integral multiples of US$1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer (as defined below) on the terms set forth in the Indenture. No such purchase in part shall reduce the outstanding principal amount at maturity of the Notes held by any holder to below US$100,000. In the Change of Control Offer, Marfrig Overseas and the Company will offer a "Change of Control Payment" in U.S. dollars equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased, to the date of purchase (subject to the right of the holders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date).

No later than 30 days following a Change of Control that results in a Ratings Decline, Marfrig Overseas and the Company will make a "Change of Control Offer" by notice to each holder of Notes by mailing and publishing such notice in accordance with the provision set out under "—Notices" below, describing the transaction or transactions that constitute the Change of Control that results in a Ratings Decline and offering to repurchase Notes on the date specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

Notwithstanding anything to the contrary contained herein, Marfrig Overseas and the Company may make an offer to purchase in advance of a Change of Control and conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the offer to purchase is made.

Marfrig Overseas and the Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, each of Marfrig Overseas and the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

On the Change of Control Payment Date, Marfrig Overseas and the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered, if applicable, to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by Marfrig Overseas and the Company.

The paying agents will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each new note will be in a principal amount of US$100,000 and integral multiples of US$1,000 in excess thereof. Marfrig Overseas and the Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require Marfrig Overseas and the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that Marfrig Overseas and the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Marfrig Overseas and the Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements, set forth in the Indenture, that are applicable to a Change of Control Offer made by Marfrig Overseas and the Company and such third party purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

Release of Covenants

If on any date following the Closing Date:

(1) the Notes have been assigned an Investment Grade Rating by any two Rating Agencies; and

(2) no Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions will automatically, without any notice of any kind, be suspended (and the Company and its Subsidiaries will have no obligation or liability whatsoever with respect to such covenants):

(a) "—Limitation on Restricted Payments";

(b) "—Limitation on Indebtedness";

(c) "—Limitation on Sales of Assets";

(d) "—Limitation on Transactions with Affiliates";

(e) "—Limitation on Sale and Lease-Back Transactions";

(f) "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"; and

(g) "—Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries."

Clauses (a) through (g) above are collectively referred to as the "Suspended Covenants."

If, during any period in which the Suspended Covenants are suspended, the Notes cease to have an Investment Grade Rating by two Rating Agencies, the Suspended Covenants will thereafter be reinstated and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain an Investment Grade Rating by any two Rating Agencies (in which event the Suspended Covenants will again be suspended for such time that the Notes maintain an Investment Grade Rating by any two Rating Agencies); *provided, however*, that no Default or breach or violation of any kind will be deemed to exist under the Indenture, the Notes or any Subsidiary Guarantee with respect to the Suspended Covenants (whether during the period when the Suspended Covenants were suspended or thereafter) based on, and none of Marfrig Overseas, the Company or any of its Restricted Subsidiaries will bear any liability (whether during the period when the Suspended Covenants were suspended or thereafter) for, any actions taken or events occurring after the Notes attain an Investment Grade Rating by any two Rating Agencies and before any reinstatement of the Suspended Covenants as provided above, or any actions taken at any time (whether during the period when the Suspended Covenants were suspended or thereafter) pursuant to any contractual obligation arising prior to the reinstatement, regardless of whether those actions or events would have been permitted if the applicable Suspended Covenant had remained in effect during such period.

Events of Default

An Event of Default with respect to the Notes is defined in the Indenture as being a:

- default for 30 days in payment of any interest or Additional Amounts on the Notes when the same becomes due and payable;
- default in payment of principal of or premium, if any, on the Notes when the same becomes due and payable, upon optional redemption, upon required purchase, upon declaration of acceleration or otherwise;
- failure by the Company or any Restricted Subsidiary to comply with the provisions described under "—Restrictive Covenants—Consolidation, Merger, Conveyance, Sale or Lease";
- default in the performance, or breach, of any other covenant or obligation of the Company or any Restricted Subsidiary in the Indenture and continuance of such default or breach for a period of 30 consecutive days after written notice specifying such default or breach is given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes;
- default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness by the Company or any Restricted Subsidiary (or the payment of which is Guaranteed by the Company or any Restricted Subsidiary) whether such Indebtedness or Guarantee now exists, or is created after the Closing Date, if that default:
  - is caused by a failure to pay principal of or interest or premium (or Additional Amounts) on such Indebtedness within any applicable grace period (a "Payment Default"); or
  - results in the acceleration of such Indebtedness prior to its Stated Maturity,

  and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$25 million or more;
- except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, shall contest the enforceability thereof in a pleading in any court of competent jurisdiction or similar body;
- the Guarantee shall fail to be in full force and effect or is declared null and void or the Company denies that it has further liability under the Indenture and the Guarantee, or gives notice to such effect (other than by reason of the termination of the Indenture or the release of the Guarantee in accordance with the provisions of the Indenture); and
- certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary.

The Company will deliver to the Trustee, within ten business days after obtaining actual knowledge thereof, written notice of any Default or Event of Default that has occurred and is still continuing, its status and what action the Company is taking or proposing to take in respect thereof. The Indenture provides that the Trustee may withhold notice to the holders of the Notes of any Default or Event of Default (except in payment of principal of, or interest or premium (and Additional Amounts), if any, on the Notes) if the Trustee in good faith determines that it is in the interest of the holders of the Notes to do so. The Indenture provides that, if an Event of Default (other than an Event of Default involving a bankruptcy, insolvency or similar event in respect of the Company) with respect to the Notes specified therein shall have happened and be continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the Notes, by written notice to the Company (and to the Trustee if notice is given by the holders), may declare the principal amount of (and interest on) all the Notes to be due and payable immediately. The Indenture provides that if an Event of Default involving a bankruptcy, insolvency or other similar event in respect of the Company shall have happened, the principal amount of all the Notes will be immediately due and payable without notice or any other act on the part of the Trustee or any holder of the Notes. In this case, the Company will comply with any and all then applicable regulations of the Central Bank for remittance of funds outside of Brazil. However, if the Company cures all Defaults (except the nonpayment of principal of and accrued interest or premium (and Additional Amounts) on Notes at maturity or which shall become due by acceleration) and certain other conditions are met, such declaration may be rescinded and annulled by the holders of not less than a majority in aggregate principal amount of the Notes. In addition, past Defaults with respect to the Notes may be waived by the holders of not less than a majority in aggregate principal amount of the Notes except (i) a Default in the payment of principal of (or premium, if any) or interest or premium (and Additional Amounts), if any, on any Note or (ii) in respect of a provision of the Indenture which cannot be amended without the consent of the holder of each outstanding Note affected thereby.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Notes, unless such holders shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee. Subject to such provision for indemnification, the holders of a majority in principal amount of the Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed conflicts with any law or the provisions of the Indenture if the Trustee shall determine that such action would be prejudicial to holders of the Notes not taking part in such direction or if the Trustee determines in good faith that such action would involve the Trustee in personal liability and the Trustee is offered indemnity or security satisfactory to it.

No holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

- such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes;
- the holders of not less than 25% in principal amount of the outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee thereunder;
- such holder or holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes,

it being understood and intended that no one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such holders.

Notwithstanding any other provision of the Indenture, the holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest (and Additional Amounts), if any, on such Note and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such holder.

Additional Amounts

All payments of principal and interest by Marfrig or on behalf of Marfrig Overseas in respect of the Notes (including pursuant to the Guarantee) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, Brazil or any other jurisdiction from or through which payments by or on behalf of Marfrig Overseas are made or by or within any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event of any such withholding or deduction, Marfrig Overseas or Marfrig (in the case of payments made by Marfrig) shall pay to holders of the Notes in U.S. dollars such additional amounts ("Additional Amounts") as will result in the payment to such holder of the U.S. dollar amount that would otherwise have been receivable by such holder in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable:

(a) in respect of any tax that would not have been so withheld or deducted but for the existence of any present or former connection, including a permanent establishment, between the holder or beneficial owner of the Note and any payment in respect of such Note (or, if the holder or beneficial owner is an estate, nominee, trust, partnership or corporation, between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the holder or beneficial owner) in Brazil, the Cayman Islands, or any other jurisdiction from us through which payments by or on behalf of Marfrig Overseas are made or within any political subdivision thereof, other than the mere receipt of such payment or the mere holding or ownership of such Note or beneficial interest or enforcement of rights thereunder;

(b) in respect of any tax that would not have been so withheld or deducted if the Note had been presented for payment within 30 days after the Relevant Date (as defined below);

(c) in respect of any tax that would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the Note to (i) make a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) comply with any reasonable certification, identification, information, documentation or other reporting requirement concerning its nationality, residence, identity or connection with Brazil or the Cayman Islands or any other jurisdiction from or through which payments by or on behalf of Marfrig Overseas are made by or within any political subdivision thereof;

(d) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;

(e) in respect of any tax, assessment or other government charge payable other than by withholding or deduction;

(f) in respect of any payment to a holder of a Note that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such Note;

(g) in respect of any withholding or deduction imposed on a payment to an individual that is required to be made pursuant to the European Union Directive on the taxation of savings income (the "Directive") implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting on June 3, 2003, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(h) in respect of any taxes imposed in connection with a Note presented for payment by or on behalf of a holder thereof who is a resident of the European Union for tax purposes and who would have been able to avoid such tax by presenting the relevant Note to another paying agent in a member state of the European Union to whom presentation could have been made;

(i) in respect of any combination of (a) through (h) above.

"Relevant Date" means, with respect to any payment due from Marfrig Overseas or the Company, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City, New York by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes in accordance with the Indenture.

All references to principal and interest in respect of the Notes shall be deemed also to refer to any Additional Amounts, unless the context requires otherwise, which may be payable as set forth in the Indenture or in the Notes.

At least ten Business Days prior to the first Interest Payment Date (and at least ten Business Days prior to each succeeding Interest Payment Date if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate), Marfrig Overseas or the Company, as the case may be, will furnish to the Trustee and each paying agent an Officers' Certificate instructing the Trustee and each such paying agent whether payments of principal of or interest on the Notes due on such Interest Payment Date shall be without deduction or withholding for or on account of any tax. If any such deduction or withholding shall be required, prior to such Interest Payment Date, Marfrig Overseas or the Company, as the case may be, will furnish the Trustee and each such paying agent with an Officers' Certificate which specifies the amount, if any, required to be withheld on such payment to holders of the Notes and certifies that Marfrig Overseas or the Company, as the case may be, shall pay such withholding or deduction. Any Officers' Certificate required by the Indenture to be provided to the Trustee and any paying agent for these purposes shall be deemed to be duly provided if telecopied to the Trustee and such paying agent.

Marfrig Overseas or the Company shall furnish to the Trustee the official receipts (or a certified copy of the official receipts) evidencing payment of any tax. Copies of such receipts shall be made available to holders of the Notes upon request.

Marfrig Overseas and the Company shall promptly pay when due any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of each Note or any other document or instrument referred to herein or therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Brazil or the Cayman Islands and except, in certain cases, for taxes, charges or similar levies resulting from certain registration of transfer or exchange of Notes.

Reports

The Company shall provide the Trustee and, upon request, the holders of the Notes:

- within 120 days following the end of each fiscal year of the Company after the Closing Date, the annual financial statements (including the notes thereto) of the Company in a form substantially similar to the financial statements included in this Offering Memorandum prepared in accordance with Brazilian GAAP and presented in the English language and a report thereon by the Company's certified independent accountants.
- within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending after the Closing Date, all quarterly financial statements (including the notes thereto) of the Company, prepared in accordance with Brazilian GAAP and presented in the English language.

In addition, Marfrig Overseas and the Company will furnish to the holders of the Notes and to prospective investors, upon request of such holders or investors, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely tradable under the Securities Act.

For so long as any of the Notes are outstanding, the above information will be made available at the specified offices of each paying agent. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the above information will also be made available in Luxembourg through the offices of the Luxembourg Special Paying Agent.

Modification of the Indenture

The Indenture contains provisions permitting Marfrig Overseas, the Company and the Trustee, with the consent of the holders of a majority in aggregate in principal amount of the outstanding Notes to modify the Indenture or any supplemental indenture or the rights of the holders of the Notes; *provided* that no such modification shall without the consent of the holder of each outstanding Note affected thereby:

- change the stated maturity upon which the principal of or the interest on any Note is due and payable, or reduce the principal amount thereof or the rate of interest thereon (including Additional Amounts) or any premium payable upon the redemption thereof, or change any place of payment or the currency in which, any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after redemption date); or
- reduce the percentage of the principal amount of the outstanding Notes whose holders' consent is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture;
- amend or modify any provision of the Guarantee of the Company that would adversely affect holders of the Notes; or
- modify certain other provisions of the Indenture.

The Indenture provides that Notes owned by the Company or any of its Affiliates shall be deemed not to be outstanding for, among other purposes, consenting to any modification.

The Indenture also contains provisions permitting Marfrig Overseas, the Company and the Trustee to amend the Indenture in certain circumstances without the consent of the holders of any Notes to evidence the Company's merger, the replacement of the Trustee and for certain other purposes.

No Personal Liability of Directors, Officers, Employees and Shareholders

No past, present or future director, officer, partner, employee, incorporator, shareholder or member of Marfrig Overseas, the Company or any Subsidiary of the Company shall have any liability for any obligations of Marfrig Overseas, the Company or any Subsidiary of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes, by accepting a Note, waives and releases all such liability. Such waivers and releases are part of the consideration for issuance of the Notes. The waivers may not be effective to waive liabilities under the U.S. federal securities laws or under the Brazilian Corporate Law.

Enforceability of Judgments

Since Marfrig Overseas is incorporated in the Cayman Islands, the Company is incorporated in Brazil and the Subsidiaries of the Company may be incorporated in various non-U.S. jurisdictions, including Brazil, and all their operating assets and the operating assets of their Subsidiaries may be outside the United States, any judgment obtained in the United States against Marfrig Overseas, the Company or any Subsidiary of the Company, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any purchase price with respect to the Notes, may not be collectable within the United States. See "Enforceability of Judgments."

Luxembourg Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF market on the Luxembourg Stock Exchange, and Marfrig Overseas and the Company will each use commercially reasonable efforts to obtain and maintain listing of the Notes on the Official List of the Luxembourg Stock Exchange; however, the Notes are not yet listed and Marfrig Overseas and the Company cannot assure the holders of the Notes that they will be accepted for listing.

In the event that a Significant Subsidiary provides a Subsidiary Guarantee or is released from its obligations under a Subsidiary Guarantee at a time when the Notes are listed on the Official List of the Luxembourg Stock Exchange, Marfrig Overseas and the Company will, to the extent required by the rules of the Luxembourg Stock Exchange, publish notice of the granting or release of such Subsidiary Guarantee in the *Luxemburger Wort*, send a copy of such notice to the Luxembourg Stock Exchange and, in the case of the granting of a new Subsidiary Guarantee, deposit a copy of the Subsidiary Guarantee with the Luxembourg Stock Exchange and the Luxembourg Special Paying Agent and execute a supplemental indenture and inform the Luxembourg Stock Exchange of such execution. Marfrig Overseas may also make publication of notices on the Luxembourg Stock Exchange's website at www.bourse.lu.

Luxembourg Listing Agent, Luxembourg Special Paying Agent and Luxembourg Transfer Agent

The Bank of New York Mellon Trust (Japan), Ltd. is the Principal Paying Agent in respect of the Notes. The Bank of New York Mellon (Luxembourg) S.A. is the Luxembourg Listing Agent, Luxembourg Special Paying Agent and Luxembourg Transfer Agent in respect of the Notes. Marfrig Overseas and the Company will maintain such agencies so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the exchange so require. The address of the Principal Paying Agent, Luxembourg Listing Agent, the Luxembourg Special Paying Agent and the Luxembourg Transfer Agent are set forth on the inside back cover of this offering memorandum.

Notices

All notices shall be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to the holders of the Notes at their registered addresses as recorded in the Notes register not later than the latest date, and not earlier than the earliest date, prescribed in the Notes for the giving of such notice.

As long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, Marfrig Overseas and the Company will also give notices to the holders of the Notes by publication in a daily newspaper of general circulation in Luxembourg. Marfrig Overseas and the Company expect that newspaper to be, but it need not be, the *d' Wort*. If publication in Luxembourg is impracticable, Marfrig Overseas and the Company will make the publication elsewhere in Western Europe. By "daily newspaper", Marfrig Overseas and the Company mean a newspaper that is published on each day, other than a Saturday, Sunday or holiday, in Luxembourg or, when applicable, elsewhere in Western Europe. The holders of the Notes will be presumed to have received these notices on the date Marfrig Overseas or the Company first publishes them. If Marfrig Overseas and the Company are unable to give notice as described in this paragraph because the publication of any newspaper is suspended or it is otherwise impractical for Marfrig Overseas or the Company to publish the notice, then Marfrig Overseas or the Company, or the Trustee acting on our instructions and at our expense, will give the holders of the Notes notice in another form. That alternate form of notice will be sufficient notice to the holders of the Notes.

Neither the failure to give any notice to a particular holder of Notes, nor any defect in a notice given to a particular holder of Notes, will affect the sufficiency of any notice given to another holder of Notes.

Form and Registration

The Notes will be represented by Regulation S Global Notes (as defined below) and Restricted Global Notes (as defined below) (each sometimes referred to herein as a "Global Note" and together referred to herein as the "Global Notes").

Notes sold outside the United States in reliance on Regulation S will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, "Regulation S Global Notes") and will be deposited with the Trustee, as custodian for DTC, and registered in the name of DTC or its nominee for the accounts of Euroclear and Clearstream (as indirect participants in DTC).

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, "Restricted Global Notes") and will be deposited with the Trustee, as custodian for DTC and registered in the name of DTC or its nominee. Restricted Global Notes will be subject to certain restrictions on transfer and will bear a legend to that effect as described under "Transfer Restrictions."

Beneficial interests in Regulation S Global Notes may be transferred to a person who takes delivery in the form of an interest in Restricted Global Notes only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in Restricted Global Notes may be transferred to a person who takes delivery in the form of an interest in Regulation S Global Notes only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Global Notes

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them. Marfrig Overseas and the Company take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Upon the issuance of Regulation S Global Notes and Restricted Global Notes, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC or its nominee is the registered owner or holder of a Global Note, DTC, or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

Investors may hold their interests in Regulation S Global Notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in Regulation S Global Notes in customers' securities accounts in the depositaries' names on the books of DTC. Investors that are qualified institutional buyers may hold their interests in Restricted Global Notes directly through DTC if they are DTC Participants, or indirectly through organizations that are DTC Participants.

Payments of the principal and interest and any Additional Amounts on individual Notes represented by a Global Note registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the Global Note representing such Notes. None of Marfrig Overseas, the Company, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests. Marfrig Overseas and the Company expect that DTC or its nominee, upon receipt of any payment of principal, interest or Additional Amounts, if any, in respect of a Global Note representing any Notes held by it or its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. Marfrig Overseas and the Company also expect that payments by DTC Participants to owners of beneficial interests in such Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC rules and procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and procedures.

The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks. Accordingly, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of each interest, may be affected by the lack of a physical certificate for such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules and procedures on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels, Belgium time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in Regulation S Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and the credit of any transactions in interests in a Global Note settled during such processing will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

In order to ensure the availability of Rule 144(k) under the Securities Act, the Indenture will provide that all Notes which are purchased or otherwise acquired by Marfrig Overseas or the Company or any of their Affiliates may not be resold or otherwise transferred.

DTC has advised Marfrig Overseas and the Company that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Notes for transfer, exchange or conversion as described below) only at the direction of one or more DTC Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, in the limited circumstances described herein, DTC will exchange the Global Notes for certificated Notes in definitive form, which it will distribute to DTC Participants and which, if representing interests in the Restricted Global Note, will be legended as set forth under "Transfer Restrictions." See "—Certificated Notes."

DTC has advised Marfrig Overseas and the Company as follows: DTC will act as the depositary for the Notes. The Notes will be issued as fully registered senior notes registered in the name of Cede & Co., which is DTC's partnership nominee. Fully registered Global Notes will be issued for the Notes, in the aggregate principal amount of the issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes to participants' accounts, thereby eliminating the need for physical movement of certificates. Direct participants of DTC include securities brokers and dealers, including the initial purchasers of the Notes, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to indirect participants, which includes securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

To facilitate subsequent transfers, all Global Notes representing the Notes which are deposited with, or on behalf of, DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of Global Notes with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Global Notes representing the Notes; DTC's records reflect only the identity of the direct participants to whose accounts the Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Global Notes representing the Notes. Under its usual procedure, DTC mails an omnibus proxy to Marfrig Overseas as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the Notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depositary with respect to the Notes at any time by giving reasonable notice to Marfrig Overseas or the Trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificated Notes are required to be printed and delivered. See "—Certificated Notes."

Under certain circumstances, Marfrig Overseas and the Company may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depositary. In that event, certificated Notes will be printed and delivered. See "—Certificated Notes."

Although DTC, Euroclear and Clearstream have agreed to the procedures described above in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. Neither the Trustee, Marfrig Overseas nor the Company will have any liability or responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (i) DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by Marfrig Overseas within 90 days or (ii) an Event of Default shall have occurred and be continuing and the beneficial holder of a Note shall have requested that Marfrig Overseas issue to such beneficial holder its proportionate interest in a Global Note, Marfrig Overseas and the Company will issue certificated Notes which may bear the legend referred to under "Transfer Restrictions," in exchange for the Global Notes. Holders of an interest in a Global Note may receive certificated Notes, which may bear the legend referred to under "Transfer Restrictions," in accordance with DTC's rules and procedures in addition to those provided for under the Indenture; *provided*, *however*, that if Marfrig Overseas is issuing certificated Notes pursuant to clause (ii) above, Marfrig Overseas and the Company shall only be required to issue certificated Notes to the beneficial owners of the Notes who request certificated Notes.

The Holder of a definitive Note may transfer such Note by surrendering it at the office or agency maintained by Marfrig Overseas and the Company for such purpose in the Borough of Manhattan, The City of New York, which initially will be the Corporate Trust Office of the Trustee. Upon the transfer, exchange or replacement of definitive Notes bearing the legend, or upon specific request for removal of the legend on a definitive Note, Marfrig Overseas and the Company will deliver only definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to Marfrig Overseas, the Company and the Trustee such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by Marfrig Overseas and the Company and the Trustee, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Neither the Trustee, the Luxembourg Special Paying Agent nor any other paying agent, registrar or transfer agent shall be required to register the transfer of or exchange definitive Notes for a period from the record date to the due date for any payment of principal of, or interest on, the Notes or register the transfer of or exchange any Notes for 15 days prior to selection for redemption through the date of redemption. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, in the case of a transfer or exchange of definitive registered Notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such Notes at, and obtaining new definitive registered Notes from the office of the Luxembourg Transfer Agent. In the case of a transfer of only part of a definitive registered Note, a new definitive Note in respect of the balance of the principal amount of the definitive registered Note transferred will be delivered at the office of the Luxembourg Transfer Agent, and in the case of any lost, stolen, mutilated or destroyed definitive registered Note, a holder thereof may obtain a new definitive registered Note from the Luxembourg Transfer Agent.

Prior to presentment of a Note for registration of transfer (including a Global Note), Marfrig Overseas, the Company, the Trustee and any agent of Marfrig Overseas, the Company or the Trustee may treat the person in whose name such Note is registered as the owner or holder of such Note for the purpose of receiving payment of principal, interest and any Additional Amounts on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of Marfrig Overseas, the Company, the Trustee or any agent of Marfrig Overseas or the Company shall be affected by notice to the contrary.

Satisfaction and Discharge

The Indenture will be discharged and (together with any Subsidiary Guarantee) will cease to be of further effect as to all Notes issued thereunder, when:

(1) (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to Marfrig Overseas, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable and Marfrig Overseas or the Company or any Restricted Subsidiary has irrevocably deposited or caused to be deposited with the Trustee as funds in trust solely for the benefit of the holders, cash in U.S. dollars, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which Marfrig Overseas, the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound;

(3) Marfrig Overseas, the Company or any Restricted Subsidiary has paid or caused to be paid all other sums payable by it under the Indenture; and

(4) Marfrig Overseas and the Company have delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, Marfrig Overseas and the Company must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Defeasance

Marfrig Overseas and the Company, at their option:

(1) will be discharged from any and all obligations in respect of the Notes and the Guarantee of the Company (except in each case for certain obligations, including to register the transfer or exchange of Notes, replace stolen, lost or mutilated Notes, maintain paying agencies and hold moneys for payment in trust), or

(2) need not comply with certain covenants of the Indenture

if Marfrig Overseas or the Company irrevocably deposits with the Trustee, in trust:

- money, or
- in certain cases, U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount, or
- a combination thereof,

in each case, sufficient to pay and discharge the principal of each installment of principal and interest, if any, on the outstanding Notes on the dates such payments are due, in accordance with the terms of the Notes, to and including the redemption date irrevocably designated by Marfrig Overseas and the Company pursuant to the final sentence of this section on the day on which payments are due and payable in accordance with the terms of the Indenture and of the Notes; and no Default or Event of Default (including by reason of such deposit) shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date.

To exercise any such option, Marfrig Overseas and the Company are required to deliver to the Trustee:

(a) an opinion of recognized U.S. counsel independent of Marfrig Overseas and the Company to the effect:

- that the holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge of certain obligations, which in the case of clause (1) above must be based on a change in law or a ruling by the U.S. Internal Revenue Service; and
- that the defeasance trust is not, or is registered as, an investment company under the Investment Company Act of 1940; and

(b) an opinion of counsel and an Officers' Certificate as to compliance with all conditions precedent provided for in the Indenture relating to the satisfaction and discharge of the Notes.

If Marfrig Overseas or the Company has deposited or caused to be deposited money or U.S. Government Obligations to pay or discharge the principal of (and premium, if any) and interest, if any, on the outstanding Notes to and including a redemption date on which all of the outstanding Notes are to be redeemed, such redemption date shall be irrevocably designated by a resolution of each of the Board of Directors of Marfrig Overseas and the management of the Company delivered to the Trustee on or prior to the date of deposit of such money or U.S. Government Obligations, and such resolutions shall be accompanied by an irrevocable request from Marfrig Overseas and the Company that the Trustee give notice of such redemption in the name and at the expense of Marfrig Overseas and the Company not less than 30 nor more than 60 days prior to such redemption date in accordance with the Indenture.

Governing Law; Consent to Jurisdiction; Service of Process and Currency Indemnity

The Indenture and the Notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York. Marfrig Overseas and the Company have each consented to the non-exclusive jurisdiction of the courts of the State of New York and the United States courts located in the Borough of Manhattan, New York City, New York with respect to any action that may be brought in connection with the Indenture or the Notes and have irrevocably appointed National Registered Agents, Inc. as agent for service of process.

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the holder of a Note from U.S. dollars into another currency, Marfrig Overseas and the Company has each agreed, and each holder by holding such Note will be deemed to have agreed, to the fullest extent that Marfrig Overseas, the Company and they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures such holder could purchase U.S. dollars with such other currency in New York City, New York on the day two Business Days preceding the day on which final judgment is given.

Marfrig Overseas and the Company's obligation in respect of any sum payable by it to the holder of a Note shall, notwithstanding any judgment in a currency (the "judgment currency") other than U.S. dollars, be discharged only to the extent that on the Business Day following receipt by the holder of such Note of any sum adjudged to be so due in the judgment currency, the holder of such Note may, in accordance with normal banking procedures, purchase U.S. dollars with the judgment currency; if the amount of the U.S. dollars so purchased is less than the sum originally due to the holder of such Note in the judgment currency (determined in the manner set forth in the preceding paragraph), each of Marfrig Overseas and the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of such Note against such loss, and if the amount of the U.S. dollars so purchased exceeds the sum originally due to the holder of such Note, such holder agrees to remit to Marfrig Overseas or the Company such excess, *provided* that such holder shall have no obligation to remit any such excess as long as Marfrig Overseas or the Company shall have failed to pay such holder any obligations due and payable under such Note, in which case such excess may be applied to Marfrig Overseas and the Company's obligations under such Note in accordance with the terms thereof.

Certain Definitions

Set out below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms as well as any other capitalized terms used herein for which no definition is provided. Unless the context otherwise requires, an accounting term not otherwise defined has the meaning assigned to it under and in accordance with Brazilian GAAP.

"Additional Amounts" has the meaning given to it under "—Additional Amounts."

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Related Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, *however*, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

"Additional Notes" has the meaning given to it under "—General."

"Advance Transaction" means an advance from a financial institution involving either (a) a foreign exchange contract (ACC—*Adiantamento sobre Contrato de Câmbio*) or (b) an export contract (ACE—*Adiantamento sobre Contrato de Exportação*).

"Affiliates" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the provisions described under "—Restrictive Covenants—Limitation on Transactions with Affiliates" only, "Affiliate" of any Person shall also mean any beneficial owner of shares representing 5% or more of the total voting power of the Voting Stock (on a fully diluted basis including all rights or warrants to purchase such Voting Stock (whether or not currently exercisable)) of such Person and any Person known to such Person who would be an Affiliate of any such beneficial owner pursuant to this sentence or the first sentence hereof.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a "disposition"), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);

(2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or

(3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary,

provided, *however*, that Asset Disposition will not include:

(a) a disposition by a Restricted Subsidiary to the Company or another Restricted Subsidiary or by the Company to a Restricted Subsidiary;

(b) for purposes of the provisions described under "—Restrictive Covenants—Limitation on Sales of Assets" only, a Restricted Payment;

(c) a disposition of assets with a Fair Market Value of less than US$20 million;

(d)(i) a disposition of obsolete equipment or other obsolete assets or other property which is uneconomical and no longer useful for the Company or any Restricted Subsidiary in the ordinary course of business; or (ii) a disposition of assets that are exchanged for or are otherwise replaced by comparable or superior assets within a reasonable period of time;

(e) the disposition of all or substantially all of the assets of the Company in a manner permitted under the covenant described under "—Consolidation, Merger, Conveyance, Sale or Lease";

(f) the disposition of assets in a Sale-Leaseback Transaction, if permitted by the covenant described under "—Restrictive Covenants—Limitation on Sale and Lease-Back Transactions";

(g) the Incurrence of any Lien permitted by the covenant described under "—Restrictive Covenants—Limitation on Liens"; or

(h) sales, transfers or other dispositions of assets for non-cash consideration at least equal to the Fair Market Value (as certificated in an Officers' Certificate) of such assets, to the extent that such non-cash consideration would constitute Additional Assets.

"Attributable Debt" in respect of a Sale and Lease-Back Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the Sale and Lease-Back Transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Lease-Back Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years (rounding to the nearest one-twelfth of one year) from the date of determination to the dates of each remaining scheduled principal payment (including the payment at final maturity) of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment, by

(2) the sum of all such payments.

"Board of Directors" means, with respect to any Person, the board of directors of such Person or any committee thereof duly authorized to act on behalf of the board of directors of such Person, or similar governing body of such Person, including any managing partner or similar entity of such Person.

"Brazil" means The Federative Republic of Brazil and any branch of power, ministry, department, authority or statutory corporation or other entity (including a trust) owned or controlled directly or indirectly by it or any of the foregoing or created by law as a public entity.

"Brazilian GAAP" means generally accepted accounting principles in Brazil as in effect from time to time.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York City, New York are authorized or required by law to close.

"Capital Stock" of any Person means any and all quotas, shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock and partnership interests, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Central Bank" means the Brazilian Central Bank (*Banco Central do Brasil*).

"Change of Control" means any Person (other than a Permitted Holder) directly or indirectly possesses a majority of the Voting Stock of the Company.

"Change of Control Offer" has the meaning given to it under "—Repurchases at the Option of the Holders of the Notes Upon Change of Control."

"Change of Control Payment" has the meaning given to it under "—Repurchases at the Option of the Holders of the Notes Upon Change of Control."

"Change of Control Payment Date" has the meaning given to it under "—Repurchases at the Option of the Holders of the Notes Upon Change of Control."

"Clearstream" means Clearstream Banking, *société anonyme*, Luxembourg.

"Closing Date" means May 4, 2010.

"Company" means Marfrig Alimentos S.A.

"Consolidated EBITDA" means, for any period, the amount equal to the sum of the Company's and its Restricted Subsidiaries' net income *plus* financial expenses, net *plus* income taxes and social contribution *plus* depreciation.

"Consolidated Net Income" means, for any period, the aggregate net income (or loss) of the Company and its consolidated Restricted Subsidiaries, if any, for such period determined on a consolidated basis in conformity with GAAP.

"Consolidated Net Indebtedness" means consolidated indebtedness of the Company and its consolidated Restricted Subsidiaries, if any, as set forth on the most recent consolidated quarterly balance sheet of the Company and its consolidated Restricted Subsidiaries, if any, *minus* the sum of cash and cash equivalents and marketable securities recorded as current assets in the Company's most recent consolidated quarterly balance sheet (except for any Capital Stock in any Person).

“Consolidated Net Tangible Assets” means the total amount of assets of the Company and its consolidated Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from writeups of capital assets subsequent to the Closing Date, after deducting therefrom (i) all current liabilities of the Company and its consolidated Restricted Subsidiaries (excluding intercompany items) and (ii) goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles as set forth on the most recent consolidated quarterly financial statements of the Company.

“Control” means, with respect to any Person, possession, directly or indirectly, of (a) at least a majority of all voting shares of capital stock of such Person, (b) the voting power to elect or cause the election of at least a majority of the board of directors of such Person and (c) the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“CVM” means the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).

“Default” means any event which is an Event of Default or which, after notice or passage of time or both, would be an Event of Default.

“Disqualified Stock” means, with respect to any Person, any Capital Stock that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock; or

(3) is redeemable at the option of the holder thereof, in whole or in part,

in each case on or prior to the first anniversary of the Stated Maturity of the Notes; *provided*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions of the Indenture.

“DTC Participants” has the meaning given to it under “—Form and Denomination—Global Notes.”

“Equity Offering” means any sale of Capital Stock (other than Disqualified Stock).

“Euroclear” means Euroclear Bank, S.A./N.V.

“Event of Default” has the meaning given to it under “—Events of Default.”

“Excess Additional Amounts” has the meaning given to it under “—Optional Tax Redemption.”

“Exchange Act” means the United States Securities and Exchange Act of 1934, as amended.

“Fair Market Value” of any property, asset, share of Capital Stock, other security, Investment or other item means, on any date, the fair market value of such property, asset, share of Capital Stock, other security, Investment or other item on that date as determined in good faith by the management of the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Funded Debt” means Indebtedness of the Company (including the Notes) or any Restricted Subsidiary maturing by the terms thereof more than one year after the original creation thereof.

“Global Notes” has the meaning given to it under “—Form and Registration.”

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of any Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided , *however*, that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a correlative meaning. The term “Guarantor” shall mean any Person Guaranteeing any obligation.

“Hedging Obligations” of any Person means the obligations of such Person under any agreement relating to any swap, option, forward sale, forward purchase, index transaction, cap transaction, floor transaction, collar transaction or any other similar transaction, in each case, for purposes of hedging or capping against Brazilian inflation, interest rates, currency or commodities price fluctuations.

“Incur” means issue, assume, Guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person is merged or consolidated with the Company or becomes a Subsidiary of the Company (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time of such merger or consolidation or at the time it becomes a Subsidiary of the Company. The term “Incurrence” when used as a noun shall have a correlative meaning. Neither the accretion of principal of a non-interest bearing or other discount security nor the capitalization of interest on Indebtedness shall be deemed the Incurrence of Indebtedness.

“Indebtedness” means, with respect to any Person on any date of determination (without duplication):

(1) the principal in respect of indebtedness of such Person for borrowed money;

(2) the principal and premium, if any, in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables and contingent obligations to pay earn-outs), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(4) all reimbursement obligations of such Person in respect of the face amount of letters of credit or other similar instruments (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person, such as import tax credits and import transactions, to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(5) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding, in each case, any accrued dividends);

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of Indebtedness of such Person shall be the lesser of:

(a) the Fair Market Value of such asset at such date of determination; and

(b) the amount of such Indebtedness of such other Persons;

(7) to the extent not otherwise included in this definition, all Hedging Obligations of such Person; and

(8) all obligations of the type referred to in clauses (1) through (7) above of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to any contingent obligations, the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of such contingent obligations at such date.

“Indenture” has the meaning given to it in the first paragraph of this Description of the Notes.

“Initial Lien” has the meaning given to it under “—Restrictive Covenants—Limitation on Liens.”

“Interest Payment Date” means each November 4 and May 4 of each year, commencing on May 4, 2010.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers or suppliers in the ordinary course of business that are recorded as accounts receivable, prepaid expenses or deposits on the balance sheet of the applicable lender) or other extension of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "—Restrictive Covenants—Limitation on Restricted Payments":

(1) Investment shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that, upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

(a) the Company's Investment in such Subsidiary at the time of such redesignation, *minus*

(b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

"Investment Grade Rating" means a rating equal to or higher than (a) BBB-, by S&P or Fitch and (b) Baa3, by Moody's.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Marfrig Overseas" has the meaning given to it in the first paragraph of this Description of Notes.

"Maturity Date" has the meaning given to it under "—General."

"Minimum Legally Required Dividend" means, for any Person and any period, an amount equal to the sum of (a) the minimum dividend required to be distributed under applicable Brazilian law by such Person to holders of its Capital Stock during such period and (b) the minimum dividend required to be distributed to holders of Preferred Stock in such Person during such period so as to avoid such holders from acquiring or maintaining any voting rights under Brazilian law.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case *minus*:

(1) all legal fees and expenses, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability in accordance with Brazilian GAAP, as a consequence of such Asset Disposition;

(2) all payments, including any prepayment premiums or penalties, made on any Indebtedness that is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) appropriate amounts to be provided by the seller as a reserve, in accordance with Brazilian GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds" with respect to any issuance or sale of Capital Stock or sale or other disposition of any Investment, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable in connection with such issuance, sale or disposition.

"Net Debt to EBITDA Ratio" means at any date (i) Consolidated Net Indebtedness divided by (ii) Consolidated EBITDA for the period of four consecutive fiscal quarters ending on or most recently prior to such date for which financial statements are available; *provided*, *however*, that:

(a) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period; *provided that* pro forma effect shall be given to the proceeds applied of the Asset Disposition as if the event had occurred on the first day of such period;

(b) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Person that is merged with or into the Company or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period;

(c) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (a) or (b) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period; and

(d) pro forma effect shall be given to any Indebtedness Incurred (or repaid) since the most recently consolidated quarterly balance sheet of the Company.

To the extent that pro forma effect is to be given to an acquisition or disposition of a company, division or line of business, the pro forma calculation will be (i) based upon the most recent four full fiscal quarters for which the relevant financial information is available and (ii) determined in good faith by a financial or accounting officer of the Company.

"Non-Recourse Debt" means Indebtedness of a Person:

(1) as to which neither the Company nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the explicit terms of which provide there is no recourse against any of the assets of the Company or any Restricted Subsidiary.

"Notes" has the meaning given to it in the first paragraph of this Description of Notes.

"Offer" has the meaning given to it under "—Restrictive Covenants—Limitation on Sales of Assets."

"Officers' Certificate" means a certificate signed by two Officers (as defined in the Indenture) or by an Officer and the Chief Financial Officer of the Company or any Restricted Subsidiary, as the case may be.

"Permitted Financial Institution" means any of Banco Bradesco S.A., Banco Santander S.A., Banco do Brasil S.A. or Itaú Unibanco S.A. or any of its affiliates.

"Permitted Holders" means each of Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, their respective sons and daughters, or any of their respective heirs or any Affiliate of any of the foregoing Persons.

"Permitted Investment" means:

(1) an Investment by the Company or any Restricted Subsidiary in the Company or any Restricted Subsidiary;

(2) an Investment by the Company or any Restricted Subsidiary in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary or becomes a Restricted Subsidiary; *provided*, *however*, that such Person's primary business is a Related Business;

(3) Temporary Cash Investments;

(4) any Investment acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;

(5) stocks, obligations or securities received in settlement of (or foreclosure with respect to) debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(6) any Investment existing on the Closing Date;

(7) Hedging Obligations permitted under clause (2)(f) of the covenant described under "—Restrictive Covenants—Limitation on Indebtedness";

(8) Guarantees of Indebtedness permitted under the covenant described under "—Restrictive Covenants—Limitation on Indebtedness";

(9) Investments which are made exclusively with Capital Stock of the Company (other than Disqualified Stock);

(10) any acquisition and holding of (a) Brazilian federal and state tax credits acquired solely to pay amounts owed by the Company to Brazilian tax authorities and (b) discounted obligations of any Brazilian governmental authority acquired solely to pay tax amounts owed by the Company to such Brazilian governmental authority; and

(11) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made in compliance with the covenant described in "—Restrictive Covenants—Limitation on Sales of Assets".

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Purchase Money Obligations" means Indebtedness:

(1) consisting of the deferred purchase price of an asset, conditional sale obligations, obligations under any title retention agreement and other purchase money obligations, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed; and

(2) Incurred to finance the acquisition by the Company or a Restricted Subsidiary of such asset, including construction, additions and improvements;

provided , *however*, that such Indebtedness is Incurred within 360 days before or after the acquisition by the Company or such Restricted Subsidiary of such asset.

"Rating Agency" means Fitch, Moody's and S&P.

"Ratings Decline" means that at any time within 90 days (which period shall be extended so long as the rating of the Company is under publicly announced consideration for possible downgrade by any Rating Agency) after the date of a public notice of a Change of Control or of the Company's intention or that of any Person to effect a Change of Control, the then-applicable rating of the Company is decreased by two of the Rating Agencies by one or more categories; *provided* that any such Rating Decline is in whole or in part in connection with a Change of Control.

"*Real,* " "*Reais*" or "R$" means the lawful currency of Brazil.

"Receivables" means all rights of the Company or any Restricted Subsidiary to payments (whether constituting accounts, chattel paper, instruments, general intangibles or otherwise, and including the right to payment of any interest or finance charges), which rights are identified (or, in the case of future rights to payments, are expected to be identified) in the accounting records of the Company or such Restricted Subsidiary as accounts receivable.

"Refinance" means, in respect of any Indebtedness, to refinance, extend (including pursuant to any defeasance or discharge mechanism), renew, refund, repay, replace, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

“Refinancing Indebtedness” means Indebtedness that is Incurred to Refinance any Indebtedness of the Company or any Restricted Subsidiary existing on the Closing Date or Incurred in compliance with the Indenture (including Indebtedness that Refinances Refinancing Indebtedness); *provided, however,* that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced (plus premiums, interest and reasonable expenses incurred in connection therewith); and

(3) if the Indebtedness being Refinanced is Subordinated Obligations, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced;

provided, further, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

“Regulation S Global Notes” has the meaning given to it under “—Form and Registration.”

“Related Business” means any business conducted by the Company and the Restricted Subsidiaries on the Closing Date and any business related, ancillary or complementary thereto.

“Relevant Date” has the meaning given to it under “—Additional Amounts.”

“Restricted Global Notes” has the meaning given to it under “—Form and Registration.”

“Restricted Payment” has the meaning given to it under “—Restrictive Covenants—Limitation on Restricted Payments.”

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc., and its successors.

“Sale and Lease-Back Transaction” means any arrangement with any Person (other than the Company or a Restricted Subsidiary), or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary for a period of more than three years of any property or assets which property or assets have been or are to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person (other than the Company or a Restricted Subsidiary) to which funds have been or are to be advanced by such Person on the security of the leased property or assets.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Senior Indebtedness” means all unsubordinated Indebtedness of the Company or of any Restricted Subsidiary, whether outstanding on the Closing Date or Incurred thereafter.

“Significant Subsidiary” means any Restricted Subsidiary either (i) the assets of which, as of the date of the Company’s most recent consolidated quarterly balance sheet at the time of determination, constituted at least 20% of the total assets of the Company and its consolidated Restricted Subsidiaries or (ii) the gross revenues of which, for the twelve-month period ending on the date of the Company’s most recent consolidated quarterly statement of income at the time of determination, constituted at least 20% of the total gross revenues of the Company and its consolidated Restricted Subsidiaries for such period.

“Stated Maturity” means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final payment of principal of such Indebtedness is due and payable, including, with respect to any principal amount which is then due and payable pursuant to any mandatory redemption provision, the date specified for the payment thereof (but excluding any provision providing for the repurchase of any such Indebtedness upon the happening of any contingency unless such contingency has occurred).

“Subordinated Obligation” means any Indebtedness that is subordinate or junior in right of payment to the Notes and Subsidiary Guarantees pursuant to a written agreement.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with Brazilian GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity:

(1) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent; or

(2) that is, as of such date, otherwise controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary Guarantee" means any Guarantee by a Significant Subsidiary of the Issuer's obligations with respect to the Securities, executed pursuant to the provisions of the Indenture.

"Subsidiary Guarantor" means any Significant Subsidiary that has provided a Subsidiary Guarantee.

"Successor Company" has the meaning given to it under "—Consolidation, Merger, Conveyance, Sale or Lease."

"Temporary Cash Investments" means any of the following:

(1) any investment in direct obligations of the United States or any agency thereof or obligations Guaranteed by the United States or any agency thereof;

(2) investments in time deposit accounts, certificates of deposit and money market deposits (collectively, "Deposit Accounts") issued by a bank or trust company that is organized under the laws of the United States, any state thereof or any foreign country recognized by the United States (in all events not excluding Brazil) having capital, surplus and undivided profits aggregating in excess of US$50.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated "A" (or such similar equivalent rating, including similar equivalent ratings in foreign countries) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) investments in commercial paper maturing not more than 90 days after the date of acquisition issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States, Brazil or any other foreign country recognized by the United States with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P (or such similar equivalent rating, including similar equivalent ratings in foreign countries);

(5) investments in securities with maturities of twelve months or less from the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's (or such similar equivalent rating);

(6) investments in securities with maturities of twelve months or less from the date of acquisition issued or fully Guaranteed by Brazil;

(7) certificates of deposit, banker's acceptances and time deposits issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any Brazilian or United States office of any Permitted Financial Institution;

(8) certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any other Brazilian bank or Brazilian branch of an OECD Bank, *provided* that (i) the aggregate amount of investments permitted under this clause (8) with any single bank and its Affiliates does not at any time exceed US$10 million, (ii) the aggregate amount of all investments permitted under this clause (8) does not at any time exceed US$20 million and (iii) the local investment grade rating of such Brazilian bank or Brazilian branch of an OECD bank is AA or higher by S&P and Aa or higher by Moody's; and

(9) investments in money market funds substantially all the assets of which are comprised of investments of the types described in clauses (1) through (6) above.

"Trustee" has the meaning given to it in the first paragraph of this Description of Notes.

"United States" means United States of America.

“Unrestricted Subsidiary” means:

(1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the management of the Company in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The management of the Company may designate any Restricted Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary pursuant to clause (1) above unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided*, *however*, that either:

(a) the Subsidiary to be so designated has total consolidated assets of US$1,000 or less; or

(b) if such Subsidiary has consolidated assets greater than US$1,000, then such Investment and designation would be permitted under “—Restrictive Covenants—Limitation on Restricted Payments.”

The management of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that immediately after giving effect to such designation:

(i) such designation shall be deemed an Incurrence of Indebtedness by a Restricted Subsidiary and such designation shall only be permitted if such Indebtedness is permitted under “—Restrictive Covenants—Limitation on Indebtedness”; and

(ii) no Event of Default shall have occurred and be continuing.

Any such designation of a Subsidiary as a Restricted Subsidiary, and any such designation of a Subsidiary as an Unrestricted Subsidiary pursuant to clause (1) above, by the management of the Company shall be evidenced to the Trustee by promptly filing with the Trustee an Officers’ Certificate certifying that such designation complied with the foregoing provisions.

“U.S. Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and that are not callable or redeemable at the issuer’s option.

“Value” shall mean, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of: (1) the net proceeds of the sale or transfer of the property leased pursuant to such Sale and Lease-Back Transaction or (2) the Fair Market Value of such property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

“Voting Stock” of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding that are entitled (without regard to the occurrence of any contingency) to vote in the election of the directors of such Person, but excluding such classes of Capital Stock or other interests that are entitled, as a group in a separate cast, to appoint one director of such Person as representative of the minority shareholders.

TAXATION

The following discussion summarizes certain Brazilian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws and regulations now in effect in Brazil, and laws, regulations, rulings and decisions now in effect in the United States, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the specific tax consequences of acquiring, holding and disposing of the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Brazilian Taxation

Payments on the notes made by Marfrig Overseas and gains on the notes

Generally, a holder that is an individual, entity, trust or organization resident or domiciled outside Brazil for tax purposes ("Non-Brazilian Holder") is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, based on the fact that Marfrig Overseas is considered for tax purposes as domiciled abroad, any income (including interest and original issue discount, if any) paid by Marfrig Overseas in respect of the notes issued by it in favor of Non-Brazilian Holders are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil involving assets located in Brazil are subject to tax in Brazil, according to article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad and, thus, will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of the notes made outside Brazil by a Non-Brazilian Holder to another non-Brazilian resident are not subject to Brazilian taxes. Notwithstanding, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

Gains earned by a Non-Brazilian Holder from the sale or other disposition of the notes to (i) a non-resident in Brazil in case the notes are deemed to be located in Brazil or (ii) a resident in Brazil may be subject to income tax in Brazil at a rate of 15%, or 25% if such Non-Brazilian Holder is located in a country or location which does not impose any income tax or which imposes it at a maximum rate lower than 20% ("Low or Nil Tax Jurisdiction") or where the local legislation imposes restrictions on the disclosure of the shareholding composition, of the ownership of the investment or of the identity of the effective beneficiary of the income attributed to non-residents, unless a lower rate is provided for in an applicable tax treaty entered into between Brazil and the country where the Non-Brazilian Holder of the payment is resident.

Payments on the notes made by Marfrig

If, by any chance, a Brazilian source—such as Marfrig—is required, as a guarantor, to assume the obligation to pay any amount in connection with the notes to a Non-Brazilian Holder, Brazilian tax authorities could attempt to impose withholding income tax at the rate of 15% or 25%, being the rate variable depending on the nature of the payment and the location of the respective Non-Brazilian Holder. In this circumstance, other income tax rate may be provided for in an applicable tax treaty entered into between Brazil and the country of residence of the beneficiary. There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by the guarantor to Non-Brazilian Holder. Although there is an argument according to which such payments made by the guarantor do not convert the nature of the payment from principal into taxable income, there are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions ("IOF/Exchange"), due upon the conversion of Brazilian currency (reais) into foreign currency and upon the conversion of foreign currency into reais. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38%, including foreign exchange transactions in connection with payments under the guarantee by Marfrig to Non-Resident Holders. However, the Brazilian government is permitted to increase this rate at any time up to 25%. Any such increase in the relevant rate may only apply to future transactions.

Other Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some States of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian States.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

United States Federal Income Taxation

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF NOTES ARE HEREBY NOTIFIED THAT THE FOLLOWING DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED IN THIS OFFERING CIRCULAR. SUCH DISCUSSION OF TAX ISSUES WAS NOT INTENDED TO BE USED, AND IT CANNOT BE USED (BY ANY PERSON) FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) . EACH PROSPECTIVE PURCHASER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

The following discussion summarizes the principal U.S. federal income tax consequences to beneficial owners arising from the acquisition, ownership, and disposition of the notes. The discussion that follows is based on the Code, its legislative history, judicial authority, administrative rulings and practice and U.S. Treasury regulations promulgated thereunder, all as in effect and available on the date hereof. Such authorities may be repealed, revoked or modified and could result in U.S. federal income tax consequences different from those discussed below, possibly with retroactive effect.

We intend to treat the notes as debt for U.S. federal income tax purposes.

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of a note that is, for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) a corporation or other entity taxable as such created or organized under the laws of the United States, any state thereof, or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (d) a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a U.S. person under applicable U.S. Treasury regulations.

The term “Non-U.S. Holder” means a beneficial owner of a note that is neither a U.S. Holder nor a partnership. If a partnership holds notes, the tax treatment of a partner will depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding notes should consult their tax advisors about the U.S. federal income tax consequences of acquiring, owning and disposing of notes.

This discussion is intended as a summary only and is not intended as tax advice to any particular investor. This summary is not a complete analysis or listing of all potential U.S. federal income tax consequences to U.S. Holders and Non-U.S. Holders relating to the notes and does not address the effect of any U.S. gift, estate, state or local tax law or foreign tax law on a potential investor in the notes. This summary does not address the tax treatment of Holders that may be subject to special income tax rules, including, without limitation: (a) insurance companies, (b) tax-exempt organizations, (c) banks and other financial institutions, (d) U.S. Holders whose functional currency is not the U.S. dollar, (e) Holders subject to the alternative minimum tax, (f) broker-dealers in securities, (g) Holders that hold the notes as a hedge straddle, conversion transaction, constructive sale transaction, or other integrated transaction, (h) traders in securities that elect to mark to market, (i) certain former citizens and long-term residents of the United States, (j) real estate investment trusts, and (k) regulated investment companies. This summary is generally limited to investors who will hold the notes as “capital assets” within the meaning of Section 1221 of the Code and who are initial investors who purchase the notes at initial issuance for an amount of cash equal to their issue price within the meaning of Section 1273 of the Code.

U.S. Holders

Taxation of Payments of Interest and Additional Amounts

Interest paid on a note will be included in the gross income of a U.S. Holder as ordinary income at the time it is treated as received or accrued, in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder will also be required to include in gross income as interest any withholding tax paid and any Additional Amounts paid with respect to withholding tax on the notes, including withholding tax on payments of such Additional Amounts.

Interest received or accrued on the notes generally will constitute foreign source income to U.S. Holders for U.S. foreign tax credit purposes. If foreign income taxes are withheld, U.S. Holders will be treated as having actually received an amount equal to the amount of such taxes and as having paid such amount to the relevant taxing authority. As a result, the amount of interest income included in gross income by a U.S. Holder will be greater than the amount of cash actually received by the U.S. Holder. Subject to generally applicable restrictions and conditions, if any foreign income taxes are withheld on interest payments on the notes, a U.S. Holder generally will be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. In this regard, interest income in respect of the notes will constitute "passive category income" for most U.S. Holders for foreign tax credit purposes. The calculation of U.S. foreign tax credits and, the availability of deductions involve the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to interest income (including Additional Amounts) on the notes.

Sale, Redemption, Retirement and Other Taxable Disposition of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, redemption, retirement or other taxable disposition of a note (including any deemed exchange of notes for "new" notes that might occur for U.S. federal income tax purposes as a result of an assumption of our obligations under the notes by any person, as described under "Description of the Notes—Restrictive Covenants—Consolidation, Merger, Conveyance, Sale or Lease," or as a result of significant modifications to the indenture as described under "Description of the Notes—Modification of the Indenture") in an amount equal to the difference between (i) the amount of cash and the fair market value of property received by such U.S. Holder on such disposition (less any amounts attributable to accrued but unpaid interest which will be taxable as such), and (ii) the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note will generally equal the acquisition cost of such note to the U.S. Holder decreased by the amount of any principal payments made on the note. Such gain or loss will be capital gain or loss. Capital gains of certain non-corporate U.S. Holders, including individuals, derived with respect to capital assets held for over one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale, redemption, retirement or other taxable disposition of a note will generally be U.S.-source gain or loss. Accordingly, if a foreign income tax is withheld on the sale or disposition of the notes, a U.S. Holder may not be able to fully utilize its U.S. foreign tax credits in respect of such tax unless such U.S. Holder has other foreign source income. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year. Prospective investors should consult their own tax advisors as to the U.S. tax and foreign tax credit implications of such sale, redemption, retirement or other disposition of a note.

Non-U.S. Holders

Except as otherwise described below, a Non-U.S. Holder of a note will not be subject to U.S. federal income tax by withholding or otherwise on payments of interest (including Additional Amounts) on a note or gain realized in connection with the sale, redemption, retirement or other disposition of a note, unless the Non-U.S. Holder is (a) an individual present in the U.S. for 183 days or more in the taxable year of a disposition of the note in which gain was realized and certain other conditions are satisfied, or (b) engaged in a trade or business in the U.S. and the interest or gain on the note, as the case may be, is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, through a permanent establishment in the U.S.). In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Backup Withholding and Information Reporting

For non-corporate U.S. Holders, information reporting requirements generally will apply to (a) payments of principal and interest on a note (including any Additional Amounts) within the U.S., including payments made by wire transfer from outside the U.S. to an account such non-corporate U.S. Holder maintains within the U.S., and (b) the payment of the proceeds from the sale of a note effected at a U.S. office of a broker. Additionally, backup withholding will apply to such payments to a non-corporate U.S. Holder that (a) fails to provide an accurate taxpayer identification number, (b) is notified by the U.S. Internal Revenue Service that it has failed to report all interest required to be shown on its U.S. federal income tax returns, or (c) in certain circumstances, fails to comply with applicable certification requirements.

Backup withholding and information reporting will not apply to payments made by us or our paying agents, in their capacities as such, to a Non-U.S. Holder of a note if the Holder has provided the required certification that it is not a "U.S. person" within the meaning of the Code, provided that neither we nor our paying agent has actual knowledge that the Holder is a U.S. person. Payments of the proceeds from a disposition of a note by a Non-U.S. Holder made to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except that information reporting and backup withholding may apply to those payments if the broker is:

1. a U.S. person;
2. a controlled foreign corporation for U.S. federal income tax purposes;
3. a foreign person, 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period; or
4. a foreign partnership, if at any time during its tax year one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, the foreign partnership is engaged in a U.S. trade or business.

Payment of the proceeds from a disposition by a Non-U.S. Holder of a note made to or through the U.S. office of a broker is likely subject to information reporting and backup withholding unless the Holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

In addition, U.S. Holders should be aware that recently enacted legislation imposes new reporting requirements with respect to the holding of certain foreign financial assets, including debt of foreign issuers, if the aggregate value of all of such assets exceeds U.S. $50,000. A U.S. Holder should consult its own tax advisor regarding the application of the recently enacted legislation to its particular situation.

Non-U.S. Holders should consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of, and the procedure for, obtaining an exemption from backup withholding under current U.S. Treasury regulations. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be allowed as a refund or as a credit against the Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States of the EU are generally required to provide to the tax authorities of another Member State details of payments of interest or other similar income made by a person within its jurisdiction to or for an individual or certain other types of person resident in that other Member State. For a transitional period only, which will end at the end of the first full fiscal year after agreement on exchange of information procedures is reached between the European Union and certain non-EU states, Luxembourg and Austria will instead (but subject to certain exceptions) withhold tax from such payments at rates currently at 20% but which will be increased rising over time to 35% with effect from July 1, 2011. The European Commission has published proposals for amendments to the Savings Directive, which, if implemented, would amend and broaden the scope of the requirements above.

A number of non-EU countries and dependent or associated territories of certain Member States have adopted similar measures to the Savings Directive.

If a payment under a Note were to be made by a person in a Member State or another country or territory which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to the Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Note as a result of the imposition of such withholding tax.

Cayman Islands Tax Considerations

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that Marfrig Overseas will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

The following is a general summary of Cayman Islands taxation in relation to the notes.

Under existing Cayman Islands laws:

(i) neither payments of principal and interest in respect of the notes nor payments under the guarantee will be subject to taxation in the Cayman Islands and no withholding will be required on such payments and gains derived from the sale of notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) certificates evidencing the notes, in registered form, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to notes, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

Marfrig Overseas has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands substantially in the following form:

"THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with Marfrig Overseas Limited (the "Company"):

(a) that no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty, or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of TWENTY years from the 31 day of October, 2006.

GOVERNOR IN CABINET"

The Cayman Islands does not have an income tax treaty arrangement with the United States or any other country. The Cayman Islands has entered into an information exchange agreement with the United States.

ERISA AND CERTAIN OTHER CONSIDERATIONS

The following discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the offering. Each prospective investor should seek advice based on such person's particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on "employee benefit plans" (as defined in, and subject to, Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA plans") and on those persons who are fiduciaries with respect to ERISA plans. Investments by ERISA plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA plan's investments be made in accordance with the documents governing the ERISA plan. The prudence of a particular investment must be determined by the responsible fiduciary of the ERISA plan by taking into account the ERISA plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors".

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended ("the Code"), prohibit certain transactions involving the assets of an ERISA plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA plans, "Plans")) and certain persons (referred to as "parties in interest" for purposes of ERISA or "disqualified persons" for purposes of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Among other possible adverse results, a party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Governmental plans, non-U.S. plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing any notes.

The fiduciary of a Plan that proposes to purchase and hold any notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, Marfrig, the initial purchaser or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the notes on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. We cannot assure you that any exemption will be available with respect to any particular transaction involving the notes, or, if available, that any of these Class Exemptions or any other will cover all possible prohibited transactions.

By its acquisition of any notes or interests in notes, the purchaser thereof, and any transferee thereof, will be deemed to have represented and agreed either that (a) it is not, and for so long as it holds the notes or interests in notes will not be, a Plan, an entity whose underlying assets include the assets of any such Plan or a governmental plan, church plan, non-U.S., or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law).

The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any notes or interests in notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment and holding will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of notes or interests in notes to a Plan is in no respect a representation by us or the initial purchaser that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-US purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-US beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “US person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with Marfrig Overseas, the Company and the initial purchasers as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-US purchaser that is outside the United States (or a non-US purchaser that is a dealer or other fiduciary as referred to above);

(2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) It shall not resell or otherwise transfer any of such notes prior to (a) the date which is one year (or such other period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of original issuance of the notes and (b) such later date, if any, as may be required by applicable laws except:

- to Marfrig Overseas, the Company or any of their subsidiaries;
- pursuant to a registration statement which has been declared effective under the Securities Act;
- within the United States to a QIB in compliance with Rule 144A under the Securities Act;
- outside the United States to non-US purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
- pursuant to another available exemption from the registration requirements of the Securities Act;

(4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;

(5) It understands that the certificates evidencing the notes (other than the Regulation S Global Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF MARFRIG OVERSEAS AND THE GUARANTOR THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A) (I) TO MARFRIG OVERSEAS OR THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “US PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:

(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND (2) ON WHICH MARFRIG OVERSEAS INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST PARAGRAPH HEREOF) SHALL BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE RELATING TO THIS SECURITY.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, MARFRIG OVERSEAS, THE GUARANTOR AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.*

* This legend (other than the first paragraph hereof) shall be deemed removed from the face of this Security without further action of Marfrig Overseas, the guarantor, the Trustee, or the holders of this Security at such time as Marfrig Overseas and the guarantor to instruct the Trustee to remove such legend pursuant to the Indenture.

(6) If it is a non-US purchaser acquiring a beneficial interest in a Regulation S Global Note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, and that each Regulation S Global Note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

(7) It is not, and for so long as it holds the notes or interests in notes will not be, a Plan, an entity whose underlying assets include the assets of any such Plan or a governmental plan, church plan, non-U.S. or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law).

(8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;

(9) It acknowledges that the Trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to Marfrig Overseas, the Company and the Trustee that the restrictions set forth herein have been complied with; and

(10) It acknowledges that Marfrig Overseas, the Company, the Trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Marfrig Overseas, the Company, the Trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the notes in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the notes are made. Any resale of the notes in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the notes.

Representations of Purchasers

By purchasing the notes in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the notes without the benefit of a prospectus qualified under those securities laws,
- where required by law, the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under Resale Restrictions, and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action—Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this circular during the period of distribution will have a statutory right of action for damages, or while still the owner of the notes, for rescission against us in the event that this circular contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the notes in their particular circumstances and about the eligibility of the notes for investment by the purchaser under relevant Canadian legislation.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated April 29, 2010, Marfrig Overseas and Marfrig have agreed to sell to the initial purchasers the principal amount of the notes set forth opposite their names in the table below:

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	US$ 100,000,000
Banco Itaú Europa, S.A.—London Branch	US$ 100,000,000
Santander Investment Securities Inc.	US$ 100,000,000
BB Securities Limited	US$ 100,000,000
Banco Bradesco S.A.—Grand Cayman Branch	US$ 100,000,000
Total	US$ 500,000,000

Banco Itaú Europa, S.A.—London Branch is not a broker dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the applicable U.S. laws and regulations. To the extent that Banco Itaú Europa, S.A.—London Branch intends to elicit any sales of the notes in the United States, Banco Itaú Europa, S.A.—London Branch will do so only through Itau USA Securities Inc., its selling agent, or one or more registered broker dealers.

BB Securities Limited is not a broker dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the applicable U.S. laws and regulations. To the extent that BB Securities Limited intends to elicit any sales of the notes in the United States, BB Securities Limited will do so only through Banco do Brasil Securities LLC, its selling agent, or one or more broker dealers.

Bradesco Securities Inc. will act as agent of Banco Bradesco S.A.—Grand Cayman Branch for sales of the notes in the United States of America. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if any of the initial purchasers defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

The initial purchasers propose to offer the notes initially at the offering price on the cover page of this offering memorandum and may also offer the notes to selling group members at the offering price less a concession. After the initial offering, the offering price may be changed.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the Initial Purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire the notes for their own propriety accounts. Such acquisitions may have an effect on demand for and the price of the notes.

The notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each broker/dealer to which they sell the notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the underwriters to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(A) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

United Kingdom

Each of the placement agents:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, or the FSMA) to persons who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the common shares in, from or otherwise involving the United Kingdom.

Republic of Ireland

The notes are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Italy

This offering of notes has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the "CONSOB") pursuant to Italian securities legislation and, accordingly, the notes may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to the notes or the offer be distributed in Italy except:

a. to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Consolidated Financial Services Act") and Article 34-*ter*, paragraph 1, letter b), of CONSOB Regulation No. 11971 of May 14, 1999 (the "CONSOB Regulation"), all as amended; or

b. in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-*ter* of the CONSOB Regulation.

Subject to the foregoing, any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes or the offer in Italy under (a) and (b) above must be:

i. made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the "Banking Act"), and CONSOB Regulation No. 16190 of October 29, 2007, all as amended from time to time;

ii. in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

iii. in compliance with any securities, tax, exchange control and any other applicable laws and regulations including any limitation or requirement which may be imposed from time to time, *inter alia*, by the CONSOB or the Bank of Italy.

Any investor purchasing the notes in the offer is solely responsible for ensuring that any offer or resale of preferred shares it purchased in the offer occurs in compliance with applicable laws and regulations.

This offering memorandum, any other document relating to the notes, and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Spain

Neither the notes nor this offering memorandum have been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comision Nacional del Mercado de Valores*). Accordingly, the notes may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de Julio, del Marcado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations ("CO") and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution.

Cayman Islands

None of the notes may be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in the Cayman Islands.

Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers; no notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code Monétaire et Financier and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier; none of this offering memorandum or any other materials related to the offer or information contained therein relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any preferred shares acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Germany

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Secutiries Prospectus Acts (*Wertpapierpropesktgesetz*), the German Sales Prospectus Act (*Verkaufspropesktgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*—BaFin) nor any other German authority has been notified of the intention to distribute the notes in germany. Consequently, the notes may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this document and any other document relating to the offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the notes to the public in Germany or any other means of public marketing. The notes are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Secutirues Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

The Netherlands

Each initial purchaser has alsoagreed that it has not offered or sold andwill not offer of sell any Notes offered hereby to persons, in or from the Netherlands, as part of the initial distribution or as part of any reoffering, and neither this offering memorandum nor any other document in respect of the offering may be distributed in or from the Netherlands, other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of notes is publicly announced that the offer is exclusively made to such individuals or legal entities, or otherwise in circumstances which have not resulted in anad which will not results in an offer to the public in or from the Netherlands within the meaning of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*) and the rules promulgated thereunder.

General

Each of the initial purchasers has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any notes directly or indirectly, or distribute this offering memorandum or any other offering material relating to the notes in or from any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the purchase agreement.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers and their respective affiliates have provided, and may provide in the future, investment banking, commercial banking, financial advisory and lending services for Marfrig Overseas, Marfrig and their affiliates from time to time, for which they have received, or will receive, customary compensation.

We have agreed to indemnify the initial purchasers against certain liabilities or to contribute to payments which it may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. They are not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

We expect that delivery of the notes will be made against payment for the notes on May   , 2010, which will be the 3rd business day following the date of the pricing of the notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than they would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

VALIDITY OF NOTES

The validity of the notes offered and sold pursuant to this offering and certain other matters under New York law will be passed upon for us by Milbank, Tweed, Hadley & McCloy LLP. Certain matters under New York law will be passed upon for the initial purchasers by Cleary Gottlieb Steen and Hamilton LLP. Certain matters of Brazilian law relating to the notes will be passed upon for us by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados and for the initial purchasers by Pinheiro Neto Advogados. Certain matters of Cayman Island law relating to the notes will be passed upon for us by Maples and Calder.

INDEPENDENT AUDITORS

Our consolidated financial statements for the years ended December 31, 2007, 2008 and 2009, prepared in accordance with Brazilian GAAP, have been audited by BDO Auditores Independentes, as stated in their report appearing herein, and as included in reliance upon the reports given on the authority of the firms as experts in accounting and auditing.

Seara Alimentos Ltda.'s financial statements as of and for the years ended December 31, 2008 and 2009 prepared in accordance with Brazilian GAAP have been audited by KPMG Auditores Independentes, in accordance with generally accepted auditing standards in Brazil, as stated in their report included herein, which includes emphasis of a matter paragraphs referring to: a) the fact that on January 4, 2010, the sale of all of the shares of Babicora Holding Participações Ltda., the sole owner of Seara Alimentos Ltda., to Marfrig Holdings (Europe) B.V. was completed. Accordingly, the realization of the assets and liabilities of Seara Alimentos Ltda. as of December 31, 2009 are dependent upon the plans to be implemented by the new management of Seara; and b) the fact that the financial statements of Seara Alimentos Ltda. have been prepared for use in connection with an offer of notes outside of Brazil conducted by its new Parent Company Marfrig Alimentos S.A., which is a Public Company in Brazil subject to the rules and regulations issued by the Brazilian Securities and Exchange Commission ("CVM"). The financial statements of Seara Alimentos Ltda. have been prepared in accordance with accounting practices adopted in Brazil considering that the Company was a limited liability company as of December 31, 2009 and therefore not subject to the rules and regulations issued by the CVM. Seara Alimentos Ltda. has yet to finalize an assessment of the potential impacts on the financial statements included herein had all CVM rules and regulations been applied.

ENFORCEABILITY OF JUDGMENTS

Cayman Islands

We have been advised by our Cayman Islands legal counsel, Maples and Calder, that there is no statutory enforcement in the Cayman Islands of judgments obtained in New York or Brazil. However, the courts of the Cayman Islands will recognize a foreign judgment as the basis for a claim at common law in the Cayman Islands, provided such judgment is rendered by a competent foreign court, imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been rendered, is final, is not in respect of taxes, a fine or a penalty and was not obtained in a manner and is not of a kind the enforcement of which is contrary to the public policy of the Cayman Islands.

Brazil

We have been advised by our special Brazilian legal counsel, Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, that a final conclusive judgment for the payment of money rendered by any New York court or federal court sitting in New York City in respect of the guarantee of the notes would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction), and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action *provided that* such judgment has been previously ratified by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), such ratification being available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;
- the judgment contemplates an order to pay a determined sum of money;
- the judgment is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment is authenticated by the Brazilian consulate in the State of New York and is accompanied by a sworn translation into Portuguese; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes.

We have also been advised that:

- original actions may be brought before Brazilian courts in connection with this offering memorandum based on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action); and
- a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil, must post bond to secure the payment of the defendant's legal fees and court expenses. The bond must have a value sufficient to satisfy the payment of court fees and the defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply to the enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	56656PAB9	G5814RAB4
ISIN	US56656PAB94	USG5814RAB45
Common Codes	050733823	050733971

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements may be obtained during normal business hours at our executive offices, the offices of the trustee and any paying agent, including the Luxembourg special paying agent and principal paying agent. Copies of the bylaws of Marfrig Overseas Limited and Marfrig Alimentos S.A. (*estatuto social*), as well as the indenture (including forms of the notes), will be available during normal business hours for inspection at our executive offices, the offices of the trustee and any other paying agent, including the offices of the Luxembourg special paying agent and principal paying agent. In addition, the bylaws of the Company and the articles of incorporation of Marfrig Overseas may be obtained upon request to the Company.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since December 31, 2009, the date of the latest financial statements included in this offering memorandum.

4. Except as disclosed in this offering memorandum, we are not or have not been involved in any governmental, legal or arbitration proceedings during the 12-month period immediately preceding the date of this offering memorandum that had or may reasonably be expected to have any material adverse effect on our financial position and results of operations.

5. Application has been made to the Luxembourg Stock Exchange for the notes to be admitted to trading on the Euro MTF of the Luxembourg Stock Exchange.

6. The creation and issuance of the notes were authorized by the resolution of Marfrig Overseas' board of directors of April 29, 2010.

7. BDO Auditores Independentes has agreed to the inclusion of its reports in this offering memorandum in the form and context in which they are included.

8. KPMG Auditores Independentes has agreed to the inclusion of its report in this offering memorandum in the form and context in which it is included.

INDEX TO FINANCIAL STATEMENTS

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

MARFRIG ALIMENTOS S.A.

INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDING 31 DECEMBER 2009 AND 2008 AND INDEPENDENT AUDITORS' REPORT

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

MARFRIG ALIMENTOS S.A.

FINANCIAL STATEMENTS FOR THE YEARS ENDED AS OF 31 DECEMBER 2009 AND 2008

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Ribeirão Preto - SP - Brasil
14015-130

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Marfrig Alimentos S.A.
São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Marfrig Alimentos S.A. ("Company") and controlled companies, as of 31 December 2009 and 2008, and the related statements of operations (company and consolidated), changes in shareholders' equity, cash flows, value added, management report and notes for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our audits, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual (Company) and consolidated financial position of Marfrig Alimentos S.A. as of 31 December 2009 and 2008, and the results of their operations, the changes in shareholders' equity, the cash flows and value added to their operations for the years then ended, in conformity with Brazilian accounting practices.

4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Ribeirão Preto, 26 March 2010

José Luiz Sanches
Engagement Partner
BDO Auditores Independentes

Esmir de Oliveira
Engagement Partner
BDO Auditores Independentes

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

EXHIBIT 1

MARFRIG ALIMENTOS S.A.

BALANCE SHEET AS OF 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

	Company		Consolidated	
	31/12/09	**31/12/08**	**31/12/09**	**31/12/08**
ASSETS				
Current				
Cash and cash equivalents (note 4)	2,629,725	774,160	3,033,438	1,071,664
Trade accounts receivable - domestic (note 5)	495,147	380,987	758,815	686,035
Trade accounts receivable - foreign (note 5)	200,244	115,847	228,944	315,877
Inventories of goods and merchandise (note 6)	1,013,721	774,872	1,726,482	1,581,934
Recoverable taxes (note 7)	386,685	455,572	719,422	689,393
Deferred taxes (note 9)	19,468	-	19,468	-
Prepaid expenses	986	910	37,611	25,237
Other receivables	9,562	304	9,562	305
Total current assets	4,755,538	2,502,652	6,533,742	4,370,445
Noncurrent				
Long-term assets				
Financial investments	372	212	2,826	4,195
Compulsory deposits	15,594	15,895	24,979	23,378
Notes receivable (note 8)	1,215,607	1,589,329	3,069	363
Deferred taxes (note 9)	153,557	275,597	224,990	303,568
Recoverable taxes (note 7)	290,846	2,010	339,023	44,631
Other receivables	193	93	25,468	9,243
	1,676,169	1,883,136	620,355	385,378
Investments (note 10)	1,473,582	867,354	746	1,197
Property, plant and equipment (note 11)	1,016,954	890,682	2,415,076	2,235,688
Intangible assets (note 12)	530,568	525,038	1,870,293	2,144,212
Deferred charges (note 13)	-	-	11,429	18,252
	3,021,104	2,283,074	4,297,544	4,399,349
Total noncurrent assets	4,697,273	4,166,210	4,917,899	4,784,727

	Company		Consolidated	
	31/12/09	**31/12/08**	**31/12/09**	**31/12/08**
LIABILITIES				
Current				
Trade accounts payable	150,517	81,134	833,490	748,495
Accrued payroll and related charges (note 14)	70,144	97,492	205,349	269,793
Taxes payable (note 15)	22,077	9,297	138,789	274,543
Loans and financing (note 16)	932,953	577,500	1,473,611	1,232,097
Notes payable	31,035	11,660	31,035	11,660
Lease payable (note 17)	47,641	43,914	61,683	62,582
Dividends payable (note 20e)	15,222	-	15,222	-
Interest on equity capital (note 20f)	146,059	-	146,059	-
Other payables	62,723	235	71,743	200,323
Total current liabilities	1,478,371	821,232	2,976,981	2,799,493
Noncurrent				
Loans and financing (note 16)	3,483,703	2,820,083	3,680,537	3,081,377
Taxes payable (note 15)	81,459	37,087	254,516	78,674
Deferred taxes (note 19)	36,410	39,899	95,336	109,019
Provisions (note 18)	6,558	44,990	38,829	108,475
Lease payable (note 17)	68,379	107,603	96,391	142,114
Other	113,646	68,117	111,243	88,252
Total noncurrent liabilities	3,790,155	3,117,779	4,276,852	3,607,911
Minority interest	-	-	13,523	17,917
Shareholders' equity (note 20)				
Capital stock	4,061,478	2,525,639	4,061,478	2,525,639
Share issuance expenses	(71,603)	-	(71,603)	-
Income reserves	651,510	155,061	651,510	155,061
Legal reserve	37,171	-	37,171	-
Appropriation of net income	624,992	155,061	624,992	155,061
Treasury shares	(10,653)	-	(10,653)	-
Asset and liability valuation adjustment	(491,567)	15,777	(491,567)	15,777
Accumulated translation adjustments	34,467	33,374	34,467	33,374

	Company		Consolidated	
	31/12/09	31/12/08	31/12/09	31/12/08
Total assets	9,452,811	6,668,862	11,451,641	9,155,172

	Company		Consolidated	
	31/12/09	31/12/08	31/12/09	31/12/08
	4,184,285	2,729,851	4,184,285	2,729,851
Total liabilities and shareholders’ equity	9,452,811	6,668,862	11,451,641	9,155,172
	-	-	-	-

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

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

EXHIBIT 2

MARFRIG ALIMENTOS S.A.

STATEMENT OF OPERATIONS FOR THE YEARS ENDED
31 DECEMBER 2009 AND 2008
(In thousands of Brazilian Reais, except per share data)

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
GROSS SALES	2,805,682	2,286,590	10,279,196	6,775,213
Domestic	1,919,971	1,641,642	6,571,545	3,838,545
Foreign	885,711	644,948	3,707,651	2,936,668
DEDUCTIONS FROM GROSS SALES	(181,048)	(318,209)	(663,456)	(571,416)
Sales taxes	(93,077)	(133,415)	(349,884)	(314,883)
Returns and discounts	(87,971)	(184,794)	(313,572)	(256,533)
NET SALES	2,624,634	1,968,381	9,615,740	6,203,797
Cost of goods sold	(1,957,056)	(1,387,088)	(8,234,346)	(4,876,825)
GROSS INCOME	667,578	581,293	1,381,394	1,326,972
OPERATING REVENUES (EXPENSES)	(84,569)	(850,172)	(812,906)	(1,563,446)
Commercial expenses	(169,966)	(157,719)	(641,540)	(393,354)
Administrative and general expenses	(98,148)	(77,626)	(287,532)	(179,731)
Equity in earnings	83,119	228,892	-	-
Goodwill amortization	-	(36,580)	-	(37,132)
Other operating revenues	4,826	935	92,758	7,831
Financial income (loss)	95,600	(808,074)	23,408	(961,060)
Financial income	145,236	208,120	172,039	234,095
Exchange gain	635,247	404,019	728,678	479,159
Exchange rate variation - translation	-	-	-	-
Financial expenses	(461,905)	(350,382)	(622,427)	(451,542)
Interest on equity capital	(169,720)	-	(169,720)	-
Exchange loss	(53,258)	(1,069,831)	(85,162)	(1,222,772)
OPERATING INCOME (LOSS)	583,009	(268,879)	568,488	(236,474)
INCOME (LOSS) BEFORE TAXES	583,009	(268,879)	568,488	(236,474)
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	(73,650)	266,664	(51,149)	211,809
Income tax	(47,417)	196,076	(34,119)	144,174
Social contribution tax	(26,233)	70,588	(17,030)	67,635
INCOME BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL	509,359	(2,215)	517,339	(24,665)
Reversal of interest on equity capital	169,720	-	169,720	-
INCOME (LOSS) BEFORE MINORITY INTEREST	679,079	(2,215)	687,059	(24,665)
Minority interest	-	-	(7,980)	(10,835)
NET INCOME (LOSS) FOR THE PERIOD	679,079	(2,215)	679,079	(35,500)
EARNINGS (LOSS) PER THOUSAND SHARES - in Brazilian reais	1,957.09	(8.27)	1,957.09	(132.49)

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

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

EXHIBIT 3

MARFRIG ALIMENTOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of Brazilian reais)

	Capital stock	Share issuance	Income reserve	Asset and liability valuation adjustment	Accumulated translation adjustments	Retained earnings	Total
AS OF 31 DECEMBER 2007	1,183,826	-	3,217	-	-	95,284	1,282,327
Adjustment due to change in accounting practice	(30,273)		95,284	(25,078)		(23,543)	16,390
Increase in capital	1,375,892	-	-	-		-	1,375,892
Expenses on private issue of shares	(3,806)		-	-		-	(3,806)
Exchange variation on net investments	-	-	-	40,855		-	40,855
Exchange variation - balance sheet translation	-	-	-	-	33,374	-	33,374
Repurchase of shares - treasury	-	-	(12,966)	-		-	(12,966)
Loss for the year	-	-	-	-		(2,215)	(2,215)
Appropriation of net income	-	-	71,741	-		(71,741)	-
Absorption of loss for the year	-	-	(2,215)	-		2,215	-
AS OF 31 DECEMBER 2008	2,525,639	-	155,061	15,777	33,374	-	2,729,851
Reclassification of expenses with private/public issuance of shares	34,079	(34,079)	-	-	-	-	-
Increase in capital	1,501,760	-	-	-	-	-	1,501,760
Expenses on private issue of shares	-	(37,524)	-	-	-	-	(37,524)
Exchange variation on net investments	-	-	-	(507,344)	-	-	(507,344)
Exchange variation - balance sheet translation	-	-	-	-	1,093	-	1,093
Write-off of treasury shares	-	-	2,312	-	-	-	2,312
Net income	-	-	-	-	-	679,079	679,079
Complement to the Legal Reserve	-	-	33,954	-	-	(33,954)	-
Dividends	-	-	-	-	-	(15,222)	(15,222)
Interest on equity capital	-	-	-	-	-	(169,720)	(169,720)
Appropriation of net income	-	-	460,183	-	-	(460,183)	-
AS OF 31 DECEMBER 2009	4,061,478	(71,603)	651,510	(491,567)	34,467	-	4,184,285

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

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

EXHIBIT 4

MARFRIG ALIMENTOS S.A.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

	Company		Consolidated	
	2009	2008	2009	2008
Net income (loss) for the year	679,079	(2,215)	679,079	(35,500)
Non-cash items	(208,750)	242,294	17,297	839,914
Depreciation	57,026	50,241	241,602	116,865
Amortization	-	36,580	32,854	42,903
Minority interest	-	-	7,981	10,835
Provision for contingencies	(224)	1,014	19,634	62,403
Deferred taxes	73,252	(266,664)	(18,438)	(261,673)
Equity in earnings (loss)	(83,119)	(228,892)	-	-
Exchange variance on financing	(610,406)	649,919	(702,720)	867,034
Exchange variation on other asset and liability accounts	28,417	-	59,204	-
Interest expense on financing debts	307,024	-	372,889	-
Expense with interest on finance lease	20,530	-	21,530	-
Write-off of property, plant and equipment	(1,250)	96	(17,239)	1,547
Changes in shareholders’ equity	(1,132,535)	(2,089,137)	(575,367)	(1,532,871)
Trade accounts receivable	(198,557)	62,428	32,032	53,105
Inventories	(238,849)	(328,509)	(171,306)	(606,520)
Escrow deposits	301	(10,397)	(1,614)	(6,323)
Accrued payroll and related charges	(2,317)	46,961	(30,446)	77,638
Trade accounts payable	69,383	(87,136)	78,940	(259,126)
Taxes	(223,865)	(265,203)	(300,926)	(418,329)
Financial charges	-	200,558	-	235,260
Notes receivable and payable	(562,187)	(1,763,805)	(59,794)	(610,783)
Other asset and liability accounts	23,556	55,966	(122,253)	2,207
Funds provided by (used in) operating activities	(662,206)	(1,849,058)	121,009	(728,457)
Investment activities				
Investments	(28,205)	(169,314)	(190,346)	(560,139)
Exchange variation on investments		(74,229)		(74,229)
Reduction of goodwill on investments	-	10,703	-	10,703
Consolidation of investments without cash effects	-	-	-	19,695
Investment in property, plant and equipment	(175,491)	(102,006)	(535,483)	(284,807)
Property, plant and equipment - lease payable	-	(187,347)		(200,284)
Investment in intangible assets	(4,990)	(22,851)	(5,024)	(917,553)
Investment in deferred charges	-	-	(295)	-
Net cash used in investing activities	(208,686)	(545,044)	(731,148)	(2,006,614)
Cash flows from financing activities				
Loans and financing	1,322,493	789,873	1,240,411	1,137,220
Loans taken out by the Company	2,923,439	2,062,339	4,218,040	3,426,003
Loans repaid by the Company	(1,600,946)	(1,272,466)	(2,977,629)	(2,288,783)
Lease payable	(62,585)	151,517	(67,140)	204,696
New leases	1,201	-	16,866	-
Paid leases	(63,786)	-	(84,006)	-
Treasury shares	2,313	(12,966)	2,313	(12,966)
Issuance of shares and expenses with issuance of shares	1,464,236	1,372,086	1,464,236	1,372,086
Net cash provided by financing activities	2,726,457	2,300,510	2,639,820	2,701,036
Exchange variation on cash and cash equivalents	-	-	(67,907)	55,893
Cash flows in the period	1,855,565	(93,592)	1,961,774	21,858
Cash, bank accounts and short-term investments				
Ending balance	2,629,725	774,160	3,033,438	1,071,664
Beginning balance	774,160	867,752	1,071,664	1,049,806
Variation in the year	1,855,565	(93,592)	1,961,774	21,858
	-	-	-	-

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

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

EXHIBIT 5

MARFRIG ALIMENTOS S.A.

STATEMENT OF ADDED VALUE FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (In thousands of Brazilian reais)

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
1 - REVENUES	2,803,766	2,286,686	10,343,979	6,760,941
1.1) Sales of goods, products and services	2,805,682	2,286,590	10,279,196	6,775,213
1.2) Other Revenues	1,250	96	80,841	(9,239)
1.3) Allowance for doubtful accounts - Reversal / (Recognition)	(3,166)	-	(16,058)	(5,033)
2 - INPUTS ACQUIRED FROM THIRD PARTIES (includes tax amounts - ICMS, IPI, PIS and COFINS)	1,851,622	1,349,792	7,684,154	4,866,830
2.1) Cost of products sold and services provided	1,440,860	1,285,091	5,720,159	4,069,956
2.2) Materials, electricity, third party services and others	410,762	64,701	1,940,615	802,098
2.3) Loss/Recovery of the value of assets	-	-	23,380	(5,224)
2.4) Other				
3 - GROSS ADDED VALUE (1 - 2)	952,144	936,894	2,659,826	1,894,111
4 - DEPRECIATION AND AMORTIZATION	57,026	86,821	274,213	159,563
5 - NET ADDED VALUE PRODUCED BY THE COMPANY (3 - 4)	895,118	850,073	2,385,613	1,734,548
6 - ADDED VALUE RECEIVED THROUGH TRANSFERENCE	1,141,431	841,031	1,252,219	713,254
6.1) Equity in earnings	83,119	228,892	-	-
6.2) Financial income	1,054,717	612,139	1,248,624	713,254
6.3) Other	3,595		3,595	
7 - TOTAL ADDED VALUE TO DISTRIBUTE (5 + 6)	2,036,549	1,691,104	3,637,832	2,447,802
8 - DISTRIBUTION OF ADDED VALUE (*)	2,036,549	1,691,104	3,637,832	2,447,802
8.1) Personnel	237,351	204,279	1,272,029	547,483
8.1.1 - Direct compensations	198,637	167,022	1,130,987	476,472
8.1.2 - Benefits	25,253	23,618	111,832	51,403
8.1.3 - Contribution for the Severance Pay Fund (F.G.T.S)	13,461	13,639	29,210	19,608
8.2) Taxes	333,043	(7,752)	591,188	178,376
8.2.1 - Federal taxes	282,086	(98,834)	441,227	55,145
8.2.2 - State taxes	50,957	91,082	139,810	122,417
8.2.3 - Local taxes	-	-	10,151	814
8.3) Compensation of third party capital	810,737	1,496,792	1,119,197	1,757,443
8.3.1 - Interest	789,358	1,420,213	1,055,458	1,674,314
8.3.2 - Lease	21,379	76,579	63,725	83,043
8.3.3 - Other			14	86
8.4) Compensation of Equity Capital	655,418	(2,215)	655,418	(35,500)
8.4.1 - Interest on equity capital	146,059	-	146,059	-
8.4.2 - Dividends	15,222	-	15,222	-
8.4.3 - Retained earnings/loss for the period	494,137	(2,215)	502,117	(24,665)
8.4.4 - Minority interest in retained earnings		-	(7,980)	(10,835)

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

MARFRIG ALIMENTOS S.A.

NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS AS OFDECEMBER 31, 2009 AND 2008.
(In thousands of Brazilian reais)

1. OPERATIONS

Marfrig Alimentos S.A. (the “Company”), is a publicly held company that carries out foodstuff production and meat packing activities consisting of cattle, pig, sheep and poultry slaughtering; industrial processing, distribution and marketing of animal products and by-products, whether edible or not, at their own or third parties’ facilities. Its activities also comprise import and export of animal products and by-products.

Marfrig Alimentos S.A. was set up on June 6, 2000 and became a corporation on March 26, 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20788 on June 18, 2007 and made its initial public offering (IPO) on June 29, 2007. Its shares were listed on the New Market of São Paulo Stock Exchange (Bovespa) under code No. MRFG3. On April 28, 2009, the Company’s name was changed to Marfrig Alimentos S.A. As of December 31, 2009, the Company’s subscribed and paid-in capital stock consisted of 346,983,954 common shares of which 141,478,573 or 40.77% are under the control of MMS Participações S.A. and 205,505,381 shares or 59.23% are traded (“free float”) in capital markets. MMS Participações S.A. is controlled by Marcos Antônio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

As a participant in BM&FBOVESPA’s New Market, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to arbitration clause included in its by-laws.

The Company’s financial and equity position should be considered within the context of the integrated activities of:

- Beef and Food Service Divisions - Brazil:
    - Marfrig Alimentos S.A. (Brazil) - made up of 10 cattle slaughtering units, 3 beef processing units, 1 leather processing plant, 1 hygiene and cleaning product plant and 4 fattening facilities located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a Distribution Centre in the State of São Paulo;

      MFB Marfrig Frigoríficos Brasil S.A., current name of Frigoclass Alimentos S.A, is composed of 13 cattle slaughtering units, 1 of them also used for the slaughtering of sheep, as well as 2 beef processing and industrialization units, 1 of them located in the slaughtering unit of Rio Verde - State of Goias. The mentioned units are in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia;
    - Masplen Ltd (Jersey), (company which holds 100% of Pampeano Alimentos S.A. (Brazil)), an enterprise that produces canned meat and other industrialized products in Rio Grande do Sul.
- Division of Poultry, Swine and Processed Products - Brazil:
    - Secculum Participações Ltda. (Brazil) - 99% and União Frederiquense Participações Ltda. (Brazil) - 99.99%, (companies that together hold 100% of Frigorífico Mabella Ltda. (Brazil)). Mabella operates a pig-slaughtering unit in the State of Santa Catarina and one pig slaughtering and pork processing unit in the State of Rio Grande do Sul. It is also responsible for Marfrig’s poultry and pig operations, and has the following percentages of ownership interest in the companies:
        - DaGranja Agroindustrial Ltda - 94%;
        - Braslo Produtos de Carnes Ltda - 100%;
        - MAS Frangos Participações Ltda - 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda;
        - Penasul Alimentos Ltda - 100%;

Poultry operations consist of 7 poultry slaughtering plants and 7 poultry processing units in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and Distrito Federal;

- MBL Alimentos S.A (Carroll's) - 100%, company that is engaged in pig raising.

The poultry and pig division produces and sells products under the trademark Pena Branca, which belongs to Marfrig Alimentos S.A.

- CCKVL Holding BV (The Netherlands), which Marfrig Alimentos S.A. acquired with the purpose of acquiring the control of Seara Alimentos S.A.

- Argentine division:
  - Argentine Breeders & Packers S.A. (Argentina), with 3 cattle slaughtering plants (including positions whereby it holds 100% of Best Beef S.A. companies. (Argentina), Estâncias del Sur S.A. (Argentina) and Mirab S.A. (Argentina and USA), producer and distributor of beef jerky in the US market and several other export destinations - 99.99%;
  - Quickfood S.A (Argentina) is a publicly held company, holder of the PATY brand, a leader in the Argentine, Uruguayan and Chilean hamburger markets, with two slaughtering plants and three units of beef processed products - 81.48%.

- Uruguay Division:
  - Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughtering and beef processing unit - 93.45%;
  - Inaler S.A. (Uruguay), cattle and sheep slaughtering unit - 100%;
  - Marfrig Chile Inversiones Ltda. (Chile), operating a lamb packing plant in Patagonia and a meat deboning and trading unit which operates in the Chilean market - 99.47%. Marfrig Chile merged the companies Quinto Cuanto S.A. and PBP Chile Limitada, which were previously its controlled companies;
  - Prestcott International S.A. (Uruguay), which holds 100% Cledinor S.A (Uruguay), beef and lamb packing plant in the city of Salto - 100%;
  - Establecimientos Colonia S.A. (Uruguay), beef packing plant in the city of the same name - 100%.

- Europe Division:
  - Weston Importers Ltd. (United Kingdom), a trading company which operates in the European market and holds 100% of CDB Meats Ltd (United Kingdom), producer of processed meat - 100%
  - Marfrig Holdings (Europe) - BV (The Netherlands) that holds 100% of Moy Park Holdings (Europe) Limited (company headquartered in Northern Ireland), holds 100% of Moy Park Group and Kitchen Range Foods Ltd (England), which operated 3 poultry slaughtering plants and eight processed product plants in England, Northern Ireland, France and The Netherlands - 100%

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The individual and consolidated financial statements are expressed in Brazilian reais and have been prepared in accordance with Brazilian accounting practices, which comprise Brazilian Corporate Law (Law No. 6,404/76), the Pronouncements, Guidelines and Interpretations issued by the Committee of Accounting Pronouncements - CPC, approved by the Brazilian Securities and Exchange Commission (CVM) as well as other pronouncements issued by that federal agency.

2.1 New legislation and changes in the accounting practices adopted in Brazil starting January 1, 2008.

In alignment with the changes brought by Law No. 11,638/07 and Executive Act No. 449/08, the Federal Accounting Council, together with the Committee of Accounting Pronouncements issued Technical Pronouncements along the year 2008 that introduced some changes to the accounting practices adopted in Brazil.

Such amendments aimed mainly to update the Brazilian Corporate Law and align the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS), allowing new accounting procedures and standards to be established by Brazilian regulating agencies according to the mentioned international set of rules.

2.2 Adoption of accounting pronouncements (CPC's) in effect starting January 1, 2010

Until the date of preparation of these financial statements, 26 new Pronouncements, 12 Interpretations and 3 Technical Guidelines had been issued by CPC and approved by decisions of the Brazilian Securities and Exchange Commission - CVM and Federal Accounting Council decisions.

The pronouncements and changes were published in 2009 and are mandatory for accounting periods started on January 1, 2010 and subsequent periods. The Company and its controlled companies have not adopted those pronouncements and changes in advance.

The Pronouncements, Interpretations and Technical Guidelines applicable to the Company and its controlled companies are the following:

CPC	Title
15	Business combinations
16	Inventories
17	Building agreements
18	Investment in affiliated and controlled companies
20	Loan costs
21	Interim statements
22	Information per segment
23	Accounting policies, changes in estimates and adjustment of misstatements
24	Subsequent events
25	Provisions and contingent assets and liabilities
26	Presentation of the financial statements
27	Property, plant and equipment
29	Biological assets and agricultural products
30	Revenues
31	Noncurrent assets held for sale and discontinued operations
32	Taxes on income
33	Employee benefits
36	Consolidated statements
37	Initial adoption of international accounting standards
38	Financial instruments: recognition and measurement
39	Financial instruments: presentation
40	Financial instruments: supporting documentation
43	Initial adoption of technical pronouncements CPC 15 to 40

The Company's management is analyzing the effects of the application of those new Technical Pronouncements. In case adjustments stem from the adoption of the new accounting practices starting January 1, 2010, the Company will evaluate the need of re-measuring the effects that would have been produced to the financial statements of 2009 if the new procedures had already been in effect at the beginning of year ended December 31, 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1 Significant accounting practices

The significant accounting practices adopted to prepare these financial statements are as follows:

a. Result of operations

Results of operations are recorded under the accrual basis.

b. Accounting estimates

The preparation of the individual and consolidated financial statements in accordance with Brazilian accounting practices requires management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include the determination of the residual value of property, plant, and equipment, and the recognition of deferred income and social contribution taxes, allowances for doubtful accounts, inventory valuation allowances and provisions for tax, labour and civil risks. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its controlled companies review estimates and assumptions at least quarterly.

c. Financial instruments

Non-derivative financial instruments include financial investments, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at fair value in operations, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured according to their respective classification:

- Held-to-maturity instruments

  If the Company intends and is able to hold its debt instruments until maturity they are classified as held-to-maturity instruments. Held-to-maturity investments are stated at their amortized cost using the effective interest rate method, less possible impairment charges.

- Available-for-sale instruments

  The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After initial recognition, they are stated at fair value and their fluctuations, except impairment charges, and the foreign currency differences of these instruments, are recognized directly in equity, net of tax effects. When an investment fails to be recognized, the gain or loss accumulated in equity is transferred to the statement of operations.

- Loans and receivables

  They are non-derivative financial assets with fixed or determinable payments, not quoted in the market.

- Financial instruments stated at fair value in the statement of income

  An instrument is carried at fair value in the statement of operations if it is held for trading, i.e. classified as such upon initial recognition. Financial instruments are carried at fair value in the statement of operations if the Company manages these investments and takes purchasing and sales decisions according to their fair value and the investment and risk management strategy documented by the Company. After initial recognition, attributable transaction costs are recognized in the statement of operations when incurred. Financial instruments stated at fair value in the statement of operations are determined according to their fair value and their fluctuations are recognized in the statement of operations.

- Other

  Other non-derivative financial instruments are stated at amortized cost using the effective interest rate method, adjusted for possible impairment charges.

d. Foreign currency

The Company's management established that its functional currency is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 2 - Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534/08.

Foreign currency transactions, i.e., all those not performed in functional currency, are translated into Brazilian reais at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Brazilian reais at the exchange rate prevailing at the balance sheet date.

Exchange gains and losses on monetary assets and liabilities are recognized in the income statement. Non-monetary assets or liabilities acquired or contracted in foreign currency are translated into functional currency at the exchange rate prevailing at the date of the transactions or the date of the valuation at fair value, when applicable.

e. Current and noncurrent assets

- Trade accounts receivable

  Trade accounts receivable are recorded at the billed amount and when applicable, discounted to present value.

  The allowance for doubtful accounts was set up in an amount the management deems sufficient to cover possible losses on the realization of receivables.

- Inventories

  Inventories are stated at the average purchase or production cost, which are lower than market or realizable values.

- Investments

  Investments in controlled and affiliated companies are valued under the equity method.

- Property, plant and equipment

  Property, plant and equipment are stated at acquisition or construction cost, less depreciation under the straight-line method at the rates mentioned in note 11 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

  Finance charges on financing agreements entered into by the Company when property, plant and equipment items are being built are capitalized.

  Investments in breeding stock (animals for reproduction) are booked in property, plant and equipment. Costs with labour, feed and medicines are taken into property, plant and equipment during the formation period of breeding stock, which lasts approximately six months. After such period, the Company starts depreciating the cost based on the production cycle, considering the estimated number of eggs and offspring of approximately fifteen months for poultry, thirty months for pigs and between 6 and 7 years for cattle (cows).

  Other expenses are capitalized only when economic benefits of property, plant, and equipment increase. Any other type of expense is recognized in operations as an expense when incurred.

- Lease

  Finance lease

  Certain lease agreements substantially transfer the risks and benefits pertaining to the property of an asset. Those agreements are finance leases.

  Intangible assets with an indefinite useful life and goodwill resulting from expected future profitability as from January 1, 2009 are not amortized.

- Deferred charges

  In the years ended December 31, 2009 and 2008, the Company has not incurred any pre-operating expenses.

  Pursuant to CVM Decision No. 565/2008, the balance of deferred charges (consolidated) will be maintained until fully amortized.

f. Impairment

Property, plant and equipment, intangible assets and deferred charges are tested for impairment at least annually, if events and circumstances have occurred that indicate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually regardless of whether or not events and circumstances have occurred that indicate possible impairment.

g. Current and noncurrent liabilities

These are stated at known or estimated amounts, plus related charges, exchange and/or monetary variations incurred through the balance sheet date, when applicable.

h. Provisions

Provisions are recognized because of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognized when losses are rated as probable, based on the best estimates of risks involved.

i. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognized in the balance sheet and the statement of operations as contract conditions are met and as commented in note 21.

j. Income and social contribution taxes

Income tax is based on the taxable income method. Income and social contribution taxes are monthly paid, on an estimation basis, according to prevailing law.

Deferred assets recognized for income and social contribution tax losses and temporary differences are recognized pursuant to tax legislation and CVM Instruction No. 371 of June 27, 2002. They take into consideration the Company's history of profitability and the expected generation of taxable income in the future supported by a technical feasibility study annually reviewed.

The Company and its controlled companies opted for the Temporary Tax Regimen (RTT) established by Executive Act No. 449/08, converted into Law No. 11,941 of May 27, 2009, declaring its irrevocable option for RTT in the Corporate Income Tax Return of 2009.

k. Earnings per share

Earnings per share are based on the number of outstanding shares at balance sheet date.

l. Discount to Present Value

Certain non-current assets and liabilities, as well as current assets and liabilities, when material, must be discounted to present value at the dates of the respective transactions, according to rates that reflect the cost of money borne by the Company over time, as well as the specific risks related to the cash flows expected for the respective accounts. These adjustments were made in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564 of December 17, 2008. The corresponding item of adjustments to present value is booked against the accounts that gave rise to the mentioned assets or liabilities. The difference between the present value of a transaction and the par value of an asset or liability is appropriated against income along the contract period, based on the amortized cost method and effective interest rate.

The discount to present value had as basis the average value between the SELIC rate (Special System for Settlement and Custody) (rate established for return on equity capital) and the average fund raising rate in the financial market (rate established for the return on third party capital) as of December 31, 2008.

The periods used in the determination of the discount to present value vary according to operating activity involved, corresponding to the average expected period for settlement, such as the average period to receive amounts from sales, average payment period, period for settlement of taxes paid in instalments and other necessary ones.

The rates used and established periods in relation to the risk factors involved in the Company's operations are perfectly reflected in the discount to present value.

m. Share issuance expenses

In accordance with Technical Pronouncement CPC No. 8, approved by CVM Decision No. 556/2008, transaction costs incurred the raising of funds through the issuance of securities should be separately booked in an account reducing shareholders' equity, less possible tax effects.

n. Treasury shares

Refer to shares of the Company that were acquired by the own Company. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

o. Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in the previous year.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of controlled companies;
- Elimination of income and expenses as well as unrealized profits resulting from intercompany transactions.

3.2 Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its controlled companies, as follows:

	Ownership interest	
DIRECTLY CONTROLLED COMPANIES	**12/31/2009**	**12/31/2008**
Argentine Breeders & Packers S.A	99.99%	99.99%
MFB Marfrig Frigoríficos Brasil S.A (1)	100.00%	100.00%
Marfrig Chile Inversiones Ltda	99.47%	99.47%
Inaler S.A	100.00%	100.00%
Frigorífico Tacuarembó S.A	93.45%	93.26%
Weston Importers Ltd	100.00%	100.00%
Masplen Limited	100.00%	100.00%
Prestcott International S.A	100.00%	97.99%
Secculum Participações Ltda	99.00%	99.00%
União Frederiquense Partic. Ltda	99.99%	99.84%
QuickFood S.A	81.48%	80.31%
Establecimientos Colonia S.A	100.00%	100.00%
Marfrig Holdings (Europe) BV	100.00%	-
CCKVL Holding BV	100.00%	-

(1) current name of Frigoclass Alimentos S.A.

Financial statements of controlled companies located abroad were originally prepared in local currency, according to the applicable laws of each country where the companies are located. They were reviewed by independent auditors, converted into the International Financial Reporting Standards - IFRS and expressed in US dollars (US$). Later, those financial statements were converted into Brazilian accounting practices and translated into Brazilian reais, according to the exchange rate of the balance sheet date.

4. CASH AND CASH EQUIVALENTS

Refer to the cash available in the Company, in banks, and as investments as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and cash equivalents	405,840	293,469	617,046	395,662
Financial investments	2,223,885	480,691	2,416,392	676,002
	2,629,725	774,160	3,033,438	1,071,664

The cash and cash equivalents of foreign controlled companies are stated as follows:

	Brazil		Overseas	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and cash equivalents	18,298	29,191	192,908	73,002
Financial investments	12,372	29	180,135	195,282
	30,670	29,220	373,043	268,284

The Company usually presents the following items in the composition of cash and cash equivalents:

- Balance of cash available in hand;
- Bank deposits;
- Valuables in transit;
- Immediate liquidity financial investments.

4.1 CASH AND CASH EQUIVALENTS PER CURRENCY

Below we present the breakdown of cash and cash equivalent per currency:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and banks				
Reais	351,523	255,462	369,821	284,650
Us dollars	54,317	38,007	145,950	91,859
Euros	-	-	13,335	3,369
British pounds	-	-	78,077	2,969
Others	-	-	9,863	12,815
	405,840	293,469	617,046	395,662

4.2 FINANCIAL INVESTMENTS

The breakdown of the financial investments of the Company per type is the following:

					Company	
	Maturities	AWM (1)	Currency	Average interest rate p.a. (%)	12.31.09	12.31.08
Available for sale						
Banks Deposit Certificates-CDB (2)	1/4/2010 to 10/31/2014	1.54	Real	8.63	600,344	435,182
Repurchase and reverse repurchase agreements (2)	1/1/2012	2.03	Real	8.55	1,610,350	38,216
Savings account (2)	12/31/2009	-	Real	6.42	17	104
Other (2)	12/31/2009	-	Real	-	324	808
					2,211,035	474,310
Loans and receivables						
Remunerated account	03/31/2014	4.31	Dollar	0.35	5,333	6,379
					5,333	6,379
Held to maturity						
Foreign Credit Note	01/08/2013	3.07	Euro	0.35	7,513	-
Prize-draw investment bonds	04/29/2014	4.39	Real	2.43	376	214
					7,889	214
Total					2,224,257	480,903
Total current					2,223,885	480,691
Total noncurrent					372	212

(1) Average weighted maturity in years
(2) The operations were contracted with daily liquidity, and can be redeemed at any moment. The term is the maturity of the collateral of the operation

The breakdown of consolidated financial investments per type is as follows:

					Consolidated	
	Maturities	AWM (1)	Currency	Average interest rate p.a. (%)	12.31.09	12.31.08
Available for sale						
Banks Deposit Certificates-CDB (2)	01/04/2010 to 10/31/2014	1.52	Real	8.64	611,997	438,017
Repurchase and reverse repurchase agreements (2)	1/1/2012	2.03	Real	8.55	1,610,351	38,216
Savings account (2)	12/31/2009	-	Real	6.42	17	104
Fixed income investment	03/31/2010	0.25	Dollar	1.41	126,023	67,651
Circular letter 1456	09/30/2010	0.61	Dollar	7.61	54,112	117,953
Other (2)	12/31/2009	-	Real	-	324	836
					2,402,824	662,777
Loans and receivables						
Interest-bearing account	03/31/2014	4.31	Dollar	0.35	5,333	6,379
					5,333	6,379
Held to maturity						
Foreign Credit Note	01/08/2013	3.071	Euro	0.35	7,513	-
Prize-draw investment bonds	01/31/2010 to 04/29/2014	2	Real	3.86	3,548	11,041
					11,061	11,041
Total					2,419,218	680,197
Total current					2,416,392	676,002
Total noncurrent					2,826	4,195

(1) Average weighted maturity in years
(2) The operations were contracted with daily liquidity, and cam be redeemed at any moment. The term is the maturity of the guarantee of the operation

The types of financial investments of the Company can be described as follows:

Bank Deposit Certificates - CDB

The investments of this type are made in reais and bear interest at rates corresponding to the variation of CDI (Interbank Deposit Rate), which ranges from 99% to 107%.

Repurchase and reserve repurchase agreements

These are operations executed in reais guaranteed by debentures that bear interest at rates corresponding to the variation of CDI (Interbank Deposit Rate), which ranges from 100% to 100.5%.

Savings account

The remaining balances in checking accounts, in reais, are automatically transferred to a savings account, and bear interest at the rates practiced in the financial market.

Fixed income investments

This type of investment is made in US dollars, and it does not bear interest. This is a specific operation executed in Uruguay.

Circular letter 1456

The investments of this type refer to export operations in US dollars with the Central Bank of Uruguay that bear interest at fixed rates, and are executed 180 to 270 days before the export operation.

Interest-bearing account

Refers to amounts received in American dollars from exports, kept in accounts overseas. It bears interest at a fixed rate.

Foreign Credit Note

The investments of this type are made in Euro and bear interest at a fixed rate.

Brazilian prize-draw investment bonds

The investments of this type are made in Euro and reais and bear interest corresponding to the Reference Rate (TR).

5. TRADE ACCOUNTS RECEIVABLE - LOCAL AND FOREIGN CUSTOMERS

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Trade accounts receivable-domestic	498,357	383,541	762,260	688,772
(-) Discount to present value	(3,210)	(2,554)	(3,445)	(2,737)
	495,147	380,987	758,815	686,035
Trade accounts receivable-foreign	224,336	169,842	253,387	411,238
(-) Advances on export contracts - ACEs	(22,261)	(52,641)	(22,261)	(93,656)
(-) Discount to present value	(1,831)	(1,354)	(2,182)	(1,705)
	200,244	115,847	228,944	315,877
	695,391	496,834	987,759	1,001,912
Amounts not yet due	685,429	488,738	902,127	889,696
Amounts overdue				
From 1 to 30 days	10,233	9,657	79,311	75,156
From 31 to 60 days	2,082	161	11,738	23,594
From 61 to 90 days	1,166	205	8,783	5,992
More than 90 days	4,688	1,981	21,570	40,150
(-) Discount to present value	(5,041)	(3,908)	(5,627)	(4,442)
(-) Allowance for doubtful accounts	(3,166)	-	(30,143)	(28,234)
	695,391	496,834	987,759	1,001,912

The allowance for doubtful accounts was set up in an amount the management deemed sufficient to cover possible losses on the realization of receivables.

The Company usually recognizes a provision for notes overdue for than 90 days, whose expectation of receipt is unlikely in consideration of the history of problems identified in receivables, as well as through analysis of the current status of customers, which can be: in order, that is, he buys and pays within acceptable limits; a history of late payments; and status of debtor being reorganized or bankrupt.

The Company does not have a history of relevant problems with collection, and the accounts receivable department rates each customer during acceptance and credit granting.

For sales paid in installments, the Company uses working capital financing lines available in the finance market.

The current economic situation presents a trend of improvement in relation to sales and volume of credit in the market, what reflects the purchasing power of customers and, consequently, trend of punctual payments.

Receivables were discounted to present value in compliance with Technical Pronouncement CPC no. 12 approved by CVM Resolution no. 564/2008, as described in note 3, letter L.

6. INVENTORIES OF GOODS AND MERCHANDISE

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Finished products and others	985,740	743,801	1,635,067	1,468,800
Packaging material and storeroom supplies	27,981	31,071	91,415	113,134
	1,013,721	774,872	1,726,482	1,581,934

In the years ended December 31, 2009 and 2008, inventories of finished goods were carried at average purchase and/or production cost, lower than realization values, as explained in note 3, letter E.

Inventories of foreign controlled companies are stated as follows:

	Brazil		Overseas	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Finished products and others	274,048	234,870	375,279	490,129
Packaging material and storeroom supplies	38,143	61,953	25,291	20,110
	312,191	296,823	400,570	510,239

7. RECOVERABLE TAXES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
State VAT (ICMS	223,670	163,950	296,287	217,527
IPI (Federal VAT) deemed credit	60,896	60,782	67,234	66,941
PIS (tax on sale) credit	61,040	38,605	97,589	64,056
COFINS (tax on sale) credit	252,376	152,483	412,047	262,090
Income tax	64,457	5,827	88,963	27,946
Social contribution tax	14,304	4,164	18,502	5,010
Withholding income tax (IRRF)	537	31,771	1,563	33,147
IVA (value-added tax)	-	-	38,840	36,704
Export certificates	-	-	4,963	12,575
ONCCA credits	-	-	19,107	-
Other	251	-	13,350	8,028
Total	677,531	457,582	1,058,445	734,024
Current assets	386,685	455,572	719,422	689,393
Noncurrent assets	290,846	2,010	339,023	44,631
Total	677,531	457,582	1,058,445	734,024

7.1 ICMS

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging, and other materials, in higher values than the debts generated from domestic sales, since foreign market sales are free from this tax.

7.2 Deemed IPI credit

Refers to the refund of PIS and COFINS levied on input acquired domestically and used in the processing of goods actually exported.

7.3 PIS and COFINS

Refer to non-cumulative credit of PIS and COFINS levied on the acquisition of raw material, packaging, and other materials used in the goods sold in foreign markets.

7.4 Income and social contribution taxes

Refer to income and social contribution taxes prepaid in the year ended December 31, 2008 and 2009.

7.5 Withholding Income Tax (IRRF)

Withholding income tax refers to income tax withheld from gains on financial investments made by the Company.

7.6 IVA - Value Added Tax

This caption refers to balances of recoverable value added tax of foreign controlled companies resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

7.7 Export certificates

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax exporters paid.

7.8 Credits related to ONCCA (*Oficina Nacional de Control Comercial Agropecuario*)

Refers to a benefit granted in Argentina, by *'Ministerio de Agricultura Ganadeira y Pesca'* to companies that invest in feet lots.

8. NOTES RECEIVABLE

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Related parties	1,213,338	1,566,063	-	-
Other notes receivable	2,269	23,266	3,069	363
Noncurrent assets	1,215,607	1,589,329	3,069	363

The Company's notes receivable mostly consist of balances resulting from transaction with its controlled companies (related parties), as described in note 8.1

8.1 RELATED PARTIES TRANSACTIONS

The following tables demonstrate the operations between the Company and its wholly-owned subsidiaries as of December 31, 2009, except for operations with Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Paschal Aparecida Marçal dos Santos, sole partners of MMS Participações S.A. They should not be considered as related parties of the Company, taking into account that such operations integrate the regular course of businesses, but are eliminated in the consolidated numbers, not having any effect on income, and, therefore, not bringing any effects to the Company's shareholders:

					COMPANY	
				12/31/2009		**2009**
	Accounts receivable	**Accounts payable**	**Notes receivable**	**Notes payable**	**Purchases**	**Sales**
Argentine Breeders & Packers S.A.	1,491	1,754	28,767	-	3,480	2,474
Frigorífico Tacuarembó S.A.	-	548	116,457	-	3,925	-
Inaler S.A.	-	125	6,509	-	2,515	-
Marfrig Chile Inversiones Ltda	1,643	-	-	-	441	8,127
Weston Importers Ltd.	45,195	-	-	-	-	54,850
MFB Marfrig Frigoríficos Brasil S.A (1)	-	2,091	7,831	-	650	19,324
Pampeano Alimentos S.A.	11,654	9	79,413	-	198	58,234
Cledinor S.A.	-	537	-	-	2,876	-
Frigorífico Mabella Ltda	6,719	4,695	421,755	-	18,068	661
Masplen Limited	-	-	78	-	-	-
Dagranja Agroindustrial Ltda	5,868	-	114,696	-	3,818	5,432
Mirab USA	-	-	54,255	-	-	-
Establecimientos Colonia S.A.	-	855	-	-	5,932	-
Quickfood S.A.	-	1,752	-	-	5,372	-
Moy Park Limited	-	-	17,443	-	-	-
Moy Park Holdings Europe Limited			69			
Marfrig Holdings BV	-	-	276,158	-	-	-
Braslo Produtos de Carne Ltda	6,105	-	35,767	-	16,256	76,339
MBL Alimentos Ltda	-	-	69	-	-	1,079
Mas Frangos Part. Ltda	-	-	2,935	-	-	-
Penasul Alimentos Ltda	3,934	-	-	61,865	39	2,192
Agrofrango Ind. Com. Alim. Ltda	1,073	-	51,136	-	-	42
Marcos Antonio Molina dos Santos	-	3,746	-	-	21,134	-
	83,682	16,112	1,213,338	61,865	84,704	228,754

(1) Current name of Frigoclass Alimentos S.A.

	COMPANY					
	12/31/2008				2008	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	-	39,277	-	4,208	-
Frigorífico Tacuarembó S.A.	-	936	16,087	-	3,935	-
Inaler S.A.	-	1,056	10,035	-	4,282	-
Marfrig Chile Inversiones Ltda	-	-	168	-	-	-
Quinto Cuarto S.A.	401	-	-	-	-	-
Weston Importers Ltd.	7,186	-	-	-	-	15,040
Frigoclass Alimentos S.A.	-	-	306	43,107	-	-
Pampeano Alimentos S.A.	-	-	-	102	-	63,976
Cledinor S.A.	-	1,513	-	-	4,428	-
Frigorífico Mabella Ltda	-	-	136,878	-	10,140	-
Masplen Limited	-	-	104	-	-	-
Dagranja Agroindustrial Ltda	-	-	66,846	-	-	-
Mirab USA	-	-	68,671	-	-	-
Establecimientos Colonia S.A.	-	1,640	-	-	4,195	-
Quickfood S.A.	-	4,614	-	-	4,366	-
Moy Park Limited	-	-	23,370	-	-	-
Moy Park Holdings Europe Limited	-	-	1,188,770	-	-	-
Braslo Produtos de Carne Ltda	-	-	15,551	-	-	-
Marcos Antonio Molina dos Santos	-	843	-	-	17,210	-
	7,587	10,602	1,566,063	43,209	52,764	79,016

	Consolidated			
	Account payable		Total purchases in the period	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Marcos Antonio Molina dos Santos	3,746	843	21,134	17,210
	3,746	843	21,134	17,210

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements. No amounts were paid to the controlling shareholder or to its partners for the collateral offered. In case of default, the creditors can demand the payment directly from the shareholder and from its partners and, if they make the payment, they will be entitled to refund from the Company.

Mr. Marcos Antonio Molina dos Santos and his wife acquired a property in the State of São Paulo on April 27, 2007 through Maremar - Administração de Bens S/C Ltda., which is controlled by them. This property engages in genetic studies to improve breeds of beef cattle. From mid 2008, the property began to confine 7,800 animals, which are slaughtered in the Company's beef packing plants. There are no other relations with directors or shareholders of Marfrig Group.

The operations mentioned in the previous paragraph were executed in alignment with the market price of the '*arroba*'[1] of cattle used by the Company at the acquisition date, based on suitable parameters published by *Escola Superior de Agricultura Luiz de Queiroz (ESALQ)*.

According to the Company's by-laws, the Board of Directors should approve any transactions or group of transactions involving the Company and any direct or indirect related parties, whose annual value is equal or exceeds the limit the Board of Directors defined. Related party should be understood as any manager, employee or shareholder of the Company that holds, directly or indirectly, more than 10% interests in the Company's capital stock.

All relations with affiliated and controlled companies of the Company are demonstrated in note 1 - OPERATIONS.

Intercompany relations of companies of Marfrig Group are represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital, always under conditions similar to the ones that would be applicable to non-related parties.

Intercompany loans are managed through contracts establishing rates and various conditions. The average contract period is 2 years. Loan rates vary from 1% p.a. to 3% p.a. + LIBOR (London Interbank Offered Rate), the latter applied to transactions with the controlled companies overseas.

Purchase or sale transactions follow market prices, and there is no need of collateral or allowance for doubtful accounts. Such operations involve purchase and sale of *in natura* meat and cattle, poultry, ovine and swine industrialized products.

Operations among controlled companies do not have effects to the consolidated financial statements, as they are eliminated in the consolidation process.

9. DEFERRED TAXES

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Income tax	127,225	202,644	183,332	226,421
Social contribution tax	45,800	72,953	61,126	77,147
	173,025	275,597	244,458	303,568
Current liabilities	19,468	-	19,468	-
Non - Current liabilities	153,557	275,597	224,990	303,568

Refer to deferred income and social contribution taxes, calculated on taxes whose payment has been suspended (provisions), which were added to the computation of taxable income and the social contribution calculation base of previous years, as well as

[1] Arroba = A unit of weight equivalent to 15 Kg.

on tax losses and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2010 to 2018.

Below we demonstrate deferred taxes in 2009:

	Company		Consolidated	
Description	**IRPJ**	**CSL**	**IRPJ**	**CSL**
Beginning balance on December 31, 2008	202,644	72,953	226,421	77,147
(-) Realisation due to tax utilisation of goodwill	(18,359)	(6,602)	(14,212)	(4,989)
(-) Tax utilisation under the new REFIS program	(29,444)	(10,600)	(35,655)	(12,845)
(-) Realisation of deferred taxes on tax loss	(27,616)	-	(10,435)	(375)
Deferred taxes on income tax losses	-	-	(5,567)	(14,934)
Deferred taxes on social contribution tax losses	-	-		15,186
(-) Realisation of deferred taxes on social contribution tax losses	-	(9,951)	-	(3,383)
Other	-	-	22,780	5,319
Ending balance as of December 31, 2009	127,225	45,800	183,332	61,126

The Company has presented the figures of expected future generation of taxable income, discounted to present value, based on a feasibility technical study that allows the realization of “Deferred Tax Assets” over a maximum 10-year period.

The expectation of realization of “Deferred Tax Assets” is defined as follows:

Year	Company	Consolidated
2010	48,594	67,317
2011	48,594	76,113
2012	48,594	55,960
2013	27,243	33,286
2014 to 2018	-	11,782
	173,025	244,458

In the year ended December 31, 2009, the Company realized R$102,572 corresponding to “Deferred Tax Assets” with the amount determined for the year 2009, taking into consideration the Company’s future profitability, use of goodwill and offset of fine and interest of debts included in New *Refis program*.

10. INVESTMENTS

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Ownership interest in controlled companies	1,473,447	867,226	-	-
Other investments	135	128	746	1,197
	1,473,582	867,354	746	1,197

10.1 - Investments (Company)

	No. of units of interest/shares	Ownership percentage of voting capital (1)	Trade on the stock exchange	Capital stock	Equity	Net income (loss) for the period
Argentine Breeders & Packers S.A	302,967	99.99	No	155,689	119,004	(17,921)
MFB Marfrig Frigoríficos Brasil S.A. (2)	78,573,743	100.00	No	78,574	59,156	3,168
Marfrig Chile Inversiones Ltda	13,358,426,280	99.47	No	43,315	30,986	13,022
Inaler S.A	66,247,320	100.00	No	2,555	30,436	10,329
Frigorífico Tacuarembó S.A	166,925,258	93.45	No	11,375	89,914	13,153
Weston Importers Ltd	1,338,278	100.00	No	22,878	22,292	6,547
Masplen Limited	100	100.00	No	-	21,030	(7,059)
Prestcott International S.A	79,638,916	100.00	No	5,088	37,076	11,105
Secculum Participações Ltda	9,200,000	99.00	No	9,200	8,176	(2,572)
União Frederiquense Partic. Ltda	98,449,805	99.99	No	98,450	160,722	(50,703)
QuickFood S.A	21,419,606	81.48	Yes	23,737	106,751	30,335
Establecimientos Colonia S.A	80,647,477	100.00	No	45,709	71,532	513
Marfrig Holdings (Europe) BV	2,456,854	100.00	No	644,413	744,661	79,722
CCKVL Holding BV	1	100.00	No	-	-	-
Total				1,140,983	1,501,736	89,639

(1) The capital of controlled companies equals the voting capital
(2) Current name of Frigoclass Alimentos S.A.

10.2 - The breakdown of investments is as follows (Company)

	Book balance as of 12/31/08	Adjustment	Acquisition of units of interest	Increase in capital	Investment in the period	Equity in earnings (loss)	Exchange variation in the calculation of equity	Book balance as of 12/31/09
Argentine Breeders & Packers S.A. (1)	166,361	103	-	21,588	21,588	(17,921)	(51,164)	118,967
MFB Marfrig Frigoríficos Brasil S.A (2) (4)	55,992	-	-	-	-	3,164	-	59,156
Marfrig Chile Inversiones Ltda. (1)	26,185	(225)	-	-	-	12,953	(8,090)	30,823
Inaler S.A. (1)	28,767	(666)	-	-	-	10,329	(8,008)	30,422
Frigorífico Tacuarembó S.A. (1)	98,085	(894)	-	-	-	12,293	(25,535)	83,949
Weston Importers Ltd. (1)	18,508	15,550	-	-	-	6,546	(20,468)	20,136
Masplen Limited (1)	27,437	503	-	-	-	(7,059)	149	21,030
Prestcott International S.A. (1)	36,032	89	-	-	-	11,105	(10,150)	37,076
Secculum Participações Ltda. (2)	13,078	(740)	-	-	-	(2,545)	(1,698)	8,095
União Frederiquense Partic. Ltda. (2)	207,079	637	-	-	-	(50,699)	3,683	160,700
QuickFood S.A (1)	94,556	(760)	1,211	-	1,211	24,718	(32,817)	86,908
Establecimientos Colonia S.A (1)	95,146	43	-	-	-	513	(24,178)	71,524
Marfrig Holdings (Europe) BV (1)	-	317	-	638,325	638,325	79,722	26,297	744,661
CCKVL Holding BV (3)	-	-	-	-	-	-	-	-
Total	867,226	13,957	1,211	659,913	661,124	83,119	(151,979)	1,473,447

(1) Those companies had their financial statements as of December 31, 2009 reviewed by member firms of the BDO network in their countries of origin with the issuance of limited review reports
(2) Financial statements reviewed by BDO Auditores Independentes, with the issuance of a limited review report.
(3) Refers to a company that was acquired by Marfrig Alimentos S.A., with the purpose of acquiring the control of Seara Alimentos S.A., which did not have accounting operations in the year 2009.
(4) Current name of Frigoclass Alimentos S.A.

Such investments have been properly booked under the equity method, since they apply to controlled companies. The financial statements of those companies for the years ended December 31, 2009 and December 31, 2008, were prepared according to legislation in effect in each country where the companies are located and were reviewed by independent auditors, to be later converted into the International Financial Reporting Standards - IFRS and expressed in US dollars. Then, they were converted into Brazilian accounting practices and translated into Brazil’s local currency.

11. PROPERTY, PLANT AND EQUIPMENT

				Company	
				12/31/2009	12/31/2008
Description	Average annual depreciation rates	Cost	Accumulated depreciation	Net	Net
Plots of land	-	13,242	-	13,242	2,118
Buildings	4%	289,697	(37,240)	252,457	254,918
Machinery and equipment	10%	215,758	(59,855)	155,903	149,650
Furniture and fixtures	10%	5,749	(1,669)	4,080	3,799
Facilities	5%	171,015	(13,096)	157,919	150,737
Vehicles	20%	11,362	(11,201)	161	449
IT equipment	20%	6,189	(3,617)	2,572	2,397
Aircrafts	20%	382	(153)	229	306
Advance for acquisition of property, plant and equipment	-	17,861	-	17,861	14,507
Leasehold improvements	-	2,290	(17)	2,273	2,253
Lease - vehicles	20%	39,733	(16,028)	23,705	19,861
Lease - computer hardware	20%	10,076	(7,565)	2,511	12,768
Lease - machinery	10%	28,807	(4,727)	24,080	22,957
Lease - facilities	5%	81,486	(10,463)	71,023	72,449
Lease - buildings	4%	68,799	(8,605)	60,194	61,471
Construction in progress	-	203,631	-	203,631	102,484
Software	20%	20,658	(3,888)	16,770	17,015
Other	4%	8,343	-	8,343	543
		1,195,078	(178,124)	1,016,954	890,682

				Consolidated	
				12/31/2009	12/31/2008
Description	Average annual depreciation rates	Cost	Accumulated depreciation	Net	Net
Plots of land	-	85,412	-	85,412	57,406
Buildings	4%	803,607	(64,273)	739,334	830,400
Machinery and equipment	10%	758,216	(163,534)	594,682	602,263
Furniture and fixtures	10%	34,987	(6,910)	28,077	20,055
Facilities	5%	225,446	(17,612)	207,834	189,455
Vehicles	20%	18,467	(12,181)	6,286	7,490
IT equipment	20%	22,287	(9,855)	12,432	16,933
Aircrafts	20%	1,001	(225)	776	306
Advance for acquisition of property, plant and equipment	-	18,235	39	18,274	20,416
Leasehold improvements	-	24,355	(7,059)	17,296	15,393
Lease - vehicles	20%	39,753	(16,029)	23,724	19,950
Lease - computer hardware	20%	10,076	(7,565)	2,511	13,059
Lease - machinery	10%	40,492	(7,186)	33,306	33,238
Lease - facilities	5%	84,434	(10,473)	73,961	74,725
Lease - buildings	4%	68,799	(8,605)	60,194	61,471
Construction in progress	-	365,197	-	365,197	153,344
Software	20%	20,962	(3,923)	17,039	31,108
Other	4%	144,304	(15,563)	128,741	88,676
		2,766,030	(350,954)	2,415,076	2,235,688

After the enactment of the CVM Resolution no. 554/2008, the goods the Company acquired through finance lease are now recorded in Property, plant and equipment together with the respective depreciation mentioned above, with corresponding entries recorded to lease payable, as demonstrated in note 17.

Pursuant to CVM Resolution no. 527/2007, an analysis was executed to check impairment of property, plant, and equipment. Based on the tests carried out, there are no assets recorded at amounts that exceed the value recoverable through use or sale.

The tests comprised projecting the profitability and future cash of the Company's plants, which were discounted to present value to identify the degree of recoverability of property, plant and equipment.

12. INTANGIBLE ASSETS

According to CVM Resolutions No. 553/08 and 565/08 an Intangible Assets subgroup was created in noncurrent assets, as follows:

	12/31/2009	12/31/2008
Intangible assets - Company	530,568	525,038
Intangible assets - Controlled companies	1,339,725	1,619,174
	1,870,293	2,144,212

The changes in intangible assets in the Company and in the consolidated numbers in the year ended December 31, 2009 are the following:

12.1 - Changes in intangible assets (Company)

	Balance as of December 31, 2008	Acquisition / write-off	Goodwill on acquisition	Reclassification	Balance as of December 31, 2009
Argentine Breeders & Packers S.A. - Goodwill	23,672	-	-	541	24,213
MFB Marfrig Frigoríficos Brasil S.A - DesGoodwill (1)	(12,478)	-	-	-	(12,478)
Inaler S.A. - Goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - Goodwill	57,824	-	-	-	57,824
Masplen Limited - Goodwill	17,258	-	-	-	17,258
Prestcott International S.A. - Goodwill	22,922	-	-	-	22,922
Secculum Participações Ltda. - Goodwill	16,188	-	-	-	16,188
União Frederiquense Partic. Ltda. - Goodwill	11,683	-	-	-	11,683
QuickFood S.A - Goodwill	218,948	-	1,748	-	220,696
Establecimientos Colonia S.A - Goodwill	114,479	-	-	-	114,479
CCKVL Holding BV	-	-	21	-	21
Trademarks and patents	16,163	3,220	-	-	19,383
Total	525,038	3,220	1,769	541	530,568

(1) Current name of Frigoclass Alimentos S.A.

12.2 - Changes in intangible assets (controlled companies)

	Book balance as of December 31, 2008	Reclassification	Goodwill/ negative goodwill on acquisition	Acquisition of trademarks/ other	Exchange variation on translation	Write-off of goodwill	Book balance as of December 31, 2009
Argentine Breeders & Packers S.A.	**200,111**	**(7,281)**	**-**	**966**	**(55,777)**	**(363)**	**137,656**
Estancias del Sur - Goodwill	64,220	-	-	-	(17,200)	-	47,020
Mirab(AR) - Goodwill	41,263	-	-	-	(13,108)	-	28,155
Best Beef - Goodwill	27,562	-	-	-	(7,848)	-	19,714
Trademarks and patents / other	67,066	(7,281)	-	966	(17,621)	(363)	42,767
Marfrig Chile Inversiones Ltda	**16,401**	**317**	**-**	**-**	**(4,261)**	**-**	**12,457**
QuintoCuarto - Goodwill	3,150	-	-	-	(804)	-	2,346
Frigorífico Patagonia - Goodwill	13,251	317	-	-	(3,457)	-	10,111
Weston Importers Ltd.	**881,744**	**3,908**	**-**	**(140)**	**(10,353)**	**(864,939)**	**10,220**
CDB Meats Ltd - Goodwill	12,829	-	-	(140)	(2,044)	(425)	10,220
Moy Park - Goodwill	780,556	-	-	-	(7,483)	(773,073)	-
Moy Park France - Goodwill	-	76	-	-	-	(76)	-
Dungannon Proteins - Goodwill	-	3,832	-	-	-	(3,832)	-
Kitchen Range - Goodwill	88,359	-	-	-	(826)	(87,533)	-
Marfrig BV	**-**	**-**	**864,514**	**(86)**	**(214,020)**	**-**	**650,408**
Moy Park - Goodwill	-	-	773,073	-	(191,831)	-	581,242
Moy Park France - Goodwill	-	-	76	-	(15)	-	61
Dungannon Proteins - Goodwill	-	-	3,832	(86)	(519)	-	3,227
Kitchen Range - Goodwill	-	-	87,533	-	(21,655)	-	65,878
Masplen Limited	**322**	**-**	**-**	**-**	**-**	**-**	**322**
Trademarks and patents / other	322	-	-	-	-	-	322
Quickfood	**261**	**(261)**	**-**	**-**	**-**	**-**	**-**
Trademarks and patents	261	(261)	-				-
Prestcott International S.A	**10,274**	**-**	**-**	**-**	**(2,619)**	**-**	**7,655**
Cledinor - Goodwill	10,274	-	-	-	(2,619)	-	7,655
União Frederiquense Partic. Ltda.	**479,560**	**5,865**	**-**	**347**	**10,070**	**-**	**495,842**
Pena Paulo - Goodwill	4,597	56	-	-	-	-	4,653
MBL (Carroll's) - Goodwill	8,077	99	-	-	-	-	8,176
Dagranja - Goodwill	334,132	4,087	-	-	-	-	338,219
Agrofrango - Goodwill	26,648	326	-	-	-	-	26,974
Penasul - Goodwill	9,377	114	-	-	-	-	9,491
Braslo - Goodwill	12,361	151	-	-	-	-	12,512
Mas do Brasil - Goodwill	84,311	1,032	-	-	-	-	85,343
Trademarks and patents / other	57	-	-	347	10,070	-	10,474
Secculum Participações Ltda.	**30,501**	**(5,865)**	**-**	**45**	**484**	**-**	**25,165**
Pena Paulo - Goodwill	292	(57)	-	-	-	-	235
MBL (Carroll's) - Goodwill	514	(100)	-	-	-	-	414
Dagranja - Goodwill	21,252	(4,088)	-	-	-	-	17,164
Agrofrango - Goodwill	1,695	(326)	-	-	-	-	1,369
Penasul - Goodwill	596	(114)	-	-	-	-	482
Braslo - Goodwill	786	(151)	-	-	-	-	635
Mas do Brasil - Goodwill	5,363	(1,032)	-	-	-	-	4,331
Trademarks and patents / other	3	3	-	45	484	-	535
Total	1,619,174	(3,317)	864,514	1,132	(276,476)	(865,302)	1,339,725

The goodwill recorded in the Company and in its controlled companies was based on expectation of future profitability of the respective acquired companies

Pursuant to CVM Resolution no. 527/2007, an analysis was executed to check impairment of property, plant, and equipment. Based on the tests carried out, there are no assets recorded at amounts that exceed the value recoverable through use or sale.

The tests comprised valuation reports of subsidiaries, duly prepared by experts to check the degree of recoverability of the amounts recorded in intangible assets.

13. DEFERRED CHARGES

					Consolidated	
					12/31/2009	12/31/2008
Description	Annual average amortization rates	Cost	Reclassification (1)	Accumulated amortization	Net	Net
Prepaid expenses	10%	21,507	(3,908)	(6,170)	11,429	18,252
		21,507	(3,908)	(6,170)	11,429	18,252

(1) Refers to the balance of goodwill of the controlled company Weston Importers Ltd, which was duly reclassified to intangible assets, as demonstrated in note 12.2.

In the years ended December 31, 2009 and 2008, the Company incurred no pre-operating expenses.

The balance of deferred charges (consolidated) will be maintained until it is fully amortized, pursuant to CVM Resolution no. 565/08.

14. ACCRUED PAYROLL AND RELATED CHARGES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
INSS (social security contribution) payable	49,752	75,107	82,646	147,119
Salaries and labour provisions	18,763	21,101	104,061	72,981
Other social charges and benefits payable	1,629	1,284	18,642	49,693
	70,144	97,492	205,349	269,793

On November 21, 2005, Law 11,196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministry Ordinance No. 23 dated February 2, 2006.

15. TAXES PAYABLE

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
ICMS (State VAT) payable	1,994	601	23,833	29,974
Special tax debt instalment payment program - PAES	-	1,808	-	1,808
Extraordinary tax debt instalment payment program - PAEX	-	42,276	-	42,276
Instalment payment - Law 11,941	92,993	-	268,526	-
Income tax payable	-	-	15,847	36,160
PIS and COFINS (taxes on sales) payable	-	-	38,259	-
Instalment payment of federal taxes	-	-	-	118,813
Other	8,549	1,699	46,840	124,186
	103,536	46,384	393,305	353,217
Current liabilities	22,077	9,297	138,789	274,543
Noncurrent liabilities	81,459	37,087	254,516	78,674
	103,536	46,384	393,305	353,217

15.1. PAES - Special Tax Debt Instalment Payment Program - Law No. 10,684/03

On July 31, 2003, the Company adhered to PAES, established by Law No. 10,684 of May 30, 2003, which provides for the payment in instalments of debts to the SRF - Federal Revenue Service, the PGFN - National Treasury Attorney General, and the INSS - National Social Security Institute. The company declared debts to the INSS, including Funrural (rural worker assistance fund) corresponding to R$ 23,562, and those with the SRF in the amount of R$ 4,063, which are payable in 180 monthly instalments. On September 30, 2009, the Company adhered to Special Debt Instalment Payment Program (New REFIS) established in law 11,941 dated May 27, 2009. PAES debits were transferred to the new plan and will be settled in 180 months as referred to in note 15.3.

The balance is as follows:

	Company		**Consolidated**	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Beginning balance	1,808	2,282	1,808	2,282
Monetary variation	148	175	148	175
Reversal of discount to present value	(149)	-	(149)	-
(-) payments made	(203)	(579)	(203)	(579)
(-) discount to present value	51	(70)	51	(70)
(-) adhesion to new REFIS program	(1,655)	-	(1,655)	-
Ending balance	-	1,808	-	1,808
Current liabilities	-	570	-	570
Noncurrent liabilities	-	1,238	-	1,238

15.2 PAEX - Extraordinary Tax Debt Instalment Payment - Executive Act No. 303/06

On September 11, 2006, the Company adhered to the PAEX, established by Executive Act No. 303 of June 29, 2006, which provides for payment in instalments of debts due to the SRF, the PGFN, and the INSS. The Company declared debts to INSS, including Funrural, and the debts to INSS previously refinanced under PAES, in the amount of R$76,977. No instalment payment was agreed with SRF. On September 30, 2009, the Company adhered to Special Debt Instalment Payment Program (New REFIS) established in law 11,941 dated May 27, 2009. PAEX debits were transferred to the new plan and will be settled in 180 months as referred to in note 15.3.

The balance is as follows:

	Company		**Consolidated**	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Beginning balance	42,276	66,978	42,276	66,978
Monetary variation	1,489	1,328	1,489	1,328
Reversal of discount to present value	9,264	-	9,264	-
(-) payments made	(6,979)	(7,856)	(6,979)	(7,856)
(-) discount to present value	8,159	(18,174)	8,159	(18,174)
(-) adhesion to new REFIS program	(54,209)	-	(54,209)	-
Ending balance	-	42,276	-	42,276
Current liabilities	-	8,946	-	8,946
Noncurrent liabilities	-	33,330	-	33,330

15.3 Special Debt Instalment Payment Plan (New REFIS) - Law 11,941/2009

On September 30, 2009, the Company adhered to the Special Instalment Payment Plan (New REFIS), established by Law no. 11,941, of May 27, 2009. It provides on the payment in instalments of debts due to the SRF, the PGFN, and the INSS. The Company declared debts with those agencies and transferred to it debts included in other payment plans and mentioned in notes 15.1 and 15.2, to be settled in up to 180 months, as follows:

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Beginning balance	172,589	-	350,787	-
(-) Offset of fine and interest on tax loss carryforwards	(40,044)	-	(46,197)	-
Adjustment interest	2,729		7,567	
Discount to present value	(39,597)		(39,597)	
Debit balance	95,677	-	272,560	-
(-) payment made	(2,684)	-	(4,034)	-
Ending balance	92,993	-	268,526	-
Current liabilities	11,534	-	26,222	-
Noncurrent liabilities	81,459	-	242,304	-

16. LOANS AND FINANCING

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 12/31/09	Balance 12/31/08
Local currency					
FINAME	TJLP (Long-Term Interest Rate + Fixed rate	13.12	0.21	71	260
BNDES Exim	TJLP + Fixed rate	10.19	-	-	74,236
BNDES Finem	TJLP + 1.80%	8.05	3.13	10,954	14,203
FINEP	TJLP + 1%	7.25	3.81	37,603	29,857
NCE	Fixed rate+%CDI	10.99	1.49	907,363	471,494 0
Working capital	CDI + Fixed rate	11.08	2.63	65,586	-
Prepayment (interest)	%CDI	9.85	0.50	1,648	341
Total local currency		10.83		1,023,225	590,391
Foreign currency					
ACC (US$)	Fixed rate + Exchange variation	6.66	0.51	272,626	387,905
Financing of industrial complex (US$)	Libor+Fixed rate+Exchange variation	3.93	2.54	9,993	21,899
Prepayment (US$)	Libor+Fixed rate+Exchange variation	7.19	4.96	2,033,016	1,027,046
BNDES Exim (US$)	Basket of currencies+Fixed rate	11.55	-	-	20,661
Bonds (US$)	Fixed rate + Exchange variation	9.63	6.94	643,583	869,188
BNDES Finem	Basket of currencies + 1,30%	1.30	3.13	2,149	2,792
NCE (US$)	Fixed rate+ Exchange variation (US$)+Libor	8.53	2.00	389,580	452,966
Swap	Premium + Exchange variation + Libor			42,484	24,735
Total foreign currency		7.66		3,393,431	2,807,192
Total indebtedness		8.39		4,416,656	3,397,583
Current liabilities				932,953	577,500
Noncurrent liabilities				3,483,703	2,820,083

					Consolidated
Credit line	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance on 12/31/09**	**Balance on 12/31/08**
Local currency					
FINAME	TJLP (Long-Term Interest Rate + Fixed rate	6.01	2.29	8,897	11,544
BNDES Exim	TJLP + Fixed rate	10.19	-	-	74,236
BNDES Finem	TJLP + 1.80	8.05	3.13	10,954	14,203
FINEP	TJLP + 1%	7.25	3.81	37,603	29,857
NCE	Fixed rate+%CDI	11.34	1.52	1,064,319	512,221
Working capital (R$)	Fixed rate+%CDI	8.36	1.38	133,648	102,814
Rural credit note (R$)	Fixed rate	6.77	0.44	25,029	49,076
Prepayment (interest)	%CDI	9.85	0.50	1,648	341
Other		-	-	-	33
Total local currency		10.75		1,282,098	794,325
Foreign currency					
ACC (US$)	Fixed rate + Exchange variation.	6.83	0.52	503,757	580,985
Financing of industrial complex (US$)	Libor+Fixed rate + Exchange variation	3.66	2.12	20,771	40,186
Prepayment (US$)	Libor+Fixed rate + Exchange variation	7.26	4.87	2,138,133	1,335,609
BNDES Exim (US$)	Basket of Currencies + Fixed rate	11.55	-	-	20,661
Bonds (US$)	Fixed rate + Exchange variation	9.63	6.94	643,583	869,188
BNDES Finem	Basket of Currencies + 1.30	1.30	3.13	2,149	2,792
NCE (US$)	%CDI+Fixed rate+Exchange variation (US$)+Libor	8.53	1.99	398,149	466,296
Swap	Premium + Exchange variation			42,484	32,330
Working Capital (US$)	Fixed rate + Libor	5.19	2.85	31,882	58,797
Working Capital (Pesos)	Stimulation unit	5.10	0.30	52	8,830
Bank loan (US$)	Fixed rate	5.21	2.52	21,366	76,801
PAE (US$)	Fixed rate	4.80	0.20	8,376	12,559
Financing (US$)	Fixed rate	5.96	0.44	4,650	14,115
Overdraft account (US$)	Libor + Fixed rate	2.52	0.77	3,896	-
Negotiable liabilities	Fixed rate	6.70	4.30	52,802	-
Total foreign currency		7.58		3,872,050	3,519,149
Total indebtedness		8.37		5,154,148	4,313,474
Current liabilities				1,473,611	1,232,097
Noncurrent liabilities				3,680,537	3,081,377

The Company’s types of loans and financing can be described as follows:

FINAME - Machinery and Equipment Finance

BNDES (National Bank for Economic and Social Development) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust values is URTJLP, based in the variation of TJLP (Long-Term Interest Rate). These transactions are guaranteed by the acquired asset itself. Repayments will be made until October 2014.

BNDES EXIM

BNDES’ credit line to encourage exports passed on by commercial banks. Funds raised under this credit line are used to finance exports. This finance agreement is partially adjusted using the TJLP (Long-Term Interest Rate) and the rest is adjusted using the UMBNDES, which is made up of a basket of currencies that reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is partially guaranteed by a percentage of trade notes kept by agents who pass on the credit and endorsement. Repayments are made monthly. Instalments include interest and mature until October 2010.

BNDES FINEM - Business Finance

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. This finance agreement is partially adjusted using the TJLP (Long-Term Interest Rate) and the rest is adjusted using the UMBNDES, which is made up of a basket of currencies that reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is secured by bank guarantees given by Banco Bradesco. A portion of the principal plus interest will be repaid in monthly instalments maturing until February 2013.

FINEP - Fund for Financing Studies and Projects

FINEP credit line for financing studies and projects. FINEP is a public institution linked to the Ministry of Science and Technology. The currency used for adjusting the finance agreement is URTJ01, which is based on TJLP variation. The finance agreement is guaranteed by a contract with Bradesco. It will be repaid in monthly instalments maturing from January 2010 to March 2016.

NCE - Export Credit Note (ECN)

Credit line that grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, some of them denominated in R$ and some in US$, are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. The rates used for adjustment of those operations in American dollars are: Libor ((London Interbank Offered Rate) and/or fixed rate, and for operations in reais the one of CDI and/or fixed rate. They mature until December 2014.

Working capital

Funds raised under this credit line are used as working capital financing. There are transactions conducted in both BRL and Pesos. They are guaranteed by endorsements and mortgages. The adjustment indexes used for that operation are CDI and/or fixed rate. Repayments will be made until November 2012.

Rural credit note

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in BRL and linked to production. This finance is guaranteed by endorsement. Repayments will be made until August 2010.

ACC - Advance on exchange contracts

Foreign credit line for export companies. Funds raised under this credit line are used for export financing.

ACC transactions are conducted in US$. Payment is linked to exports and guaranteed by promissory notes. The adjustment rate used for those operations is a fixed rate. Repayment is scheduled up to August 2010.

Financing of industrial complex (US$)

Foreign credit line for acquisition of equipment. This transaction is conducted in US$, and is guaranteed by the financed equipment itself. The rates used for adjustment of those operations are Libor (*London Interbank Offered Rate*), plus fixed rate. Repayment is scheduled up to July 2012, with quarterly instalments of the principal and interest.

Prepayment

Foreign credit line for export companies. Funds raised under this credit line are used for export financing. This transaction is conducted in US$ and guaranteed by promissory notes, endorsements, supply contracts and export documents. In some cases, no collaterals are offered. The indices for adjustment for those operations are Libor (*London Interbank Offered Rate*), plus fixed rate. Repayments will be made until December 2016.

Bonds

Debt notes issued abroad - 144A. / Reg. S, which were used to acquire the units in Argentina and Uruguay. This finance was raised in US$, and does not have guaranties. The adjustment rate used for those operations is a fixed rate. Principal matures in November 2016, with interest paid every six months.

PAE - Export Loan

Chile’s credit line for export companies. The purpose of the loans raised under this credit line, which may be used for any export contract, is to finance exports of lamb, food fish, and other products brought to Brazil. The difference between this line and a normal one is that its exempt from ITE - “Impuesto de Timbre y Estampilla” (equivalent to the tax on financial transactions in Brazil) and only in 2009 there will no difference in relation to a common loan. Lines are raised in US$ and are collateralized by bank guarantees.

Below is a debt maturity schedule:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Local currency				
1T09	-	46,257	-	70,527
2T09	-	22,385	-	29,351
3T09	-	24,139	-	153,129
4T09	-	7,861	-	9,603
1T10	140,853	-	189,723	-
2T10	57,820	-	198,056	-
3T10	103,867	-	140,407	-
4T10	156,424	-	184,848	-
2010	-	196,675	-	234,029
2011	450,251	267,774	454,241	271,092
2012	54,324	9,622	55,031	10,670
2013	29,849	7,262	29,955	7,508
2014	24,600	3,580	24,600	3,580
2015	4,600	3,580	4,600	3,580
2016	637	1,256	637	1,256
	1,023,225	590,391	1,282,098	794,325
Foreign currency				
1T09	-	86,303	-	316,512
2T09	-	236,402	-	364,709
3T09	-	35,617	-	102,859
4T09	-	118,536	-	185,407
1T10	134,236	-	227,421	-
2T10	77,276	-	134,708	-
3T10	131,507	-	214,294	-
4T10	130,970	-	184,154	-
2010	-	158,538	-	206,030
2011	512,735	457,992	577,931	536,985
2012	483,899	380,419	533,147	433,836
2013	558,252	278,077	591,197	303,796
2014	392,725	107,023	418,396	113,861
2015	203,238	89,028	215,217	95,846
2016	768,593	859,257	775,585	859,308
	3,393,431	2,807,192	3,872,050	3,519,149
Total indebtedness	4,416,656	3,397,583	5,154,148	4,313,474

Following are the guarantees for loans and financing:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Financing balance	4,416,656	3,397,583	5,154,148	4,313,474
Guarantees:				
No guarantee	1,776,473	1,662,974	1,861,385	1,802,053
Promissory note	1,508,620	626,878	1,510,085	640,483
Trade bills	124,579	55,850	175,891	74,387
Bank guarantee	13,103	16,995	49,602	90,712
Supply contract	35,095	47,104	36,851	60,434
Endorsement	691,119	865,565	872,412	1,267,993
Financed asset	71	260	15,301	13,764
Export documents	-	70,201	193,396	103,283
Facilities	47,596	51,756	59,409	51,756
Mortgage	-	-	45,192	56,774
Financial investment	220,000	-	221,857	115,905
Export credit	-	-	112,767	35,930

Considering that the notes issued by the Company (Bonds Marfrig), maturing in 2016, account for 12.49% of consolidated indebtedness (20.15% as of December 31, 2008), requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing outstanding on the balance sheet date. These requirements, regarding indebtedness, correspond to: Interest Coverage Rate (EBITDA / net financial result ratio) may not be lower than 1.5; Net debt/EBITDA ratio may not be higher than 4.0 and it is not considered a violation if they are solely the result of exchange rate variation.

17. LEASE PAYABLE

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

a) Finance lease

According to CVM Decision No. 554/08, finance lease operations are now recognized under the Company's current liabilities, instead of noncurrent liabilities, with an offsetting entry of the asset into property, plant and equipment, according to note 11.

Transactions agreed before the issuance of the decision referred to above are not considered in the calculation of the covenants referred to in note 16.

						Company
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturities (years)	Balance on 12/31/09 (at present value)	Future payments on 12/31/09	Balance on 12/31/08 (at present value)
Local currency						
Finance lease of Vehicles	CDI + Rate	11.2%	2.6	14,808	19,515	20,080
Finance lease of IT equipment	CDI + Rate	8.5%	2.8	11,214	14,302	14,486
Finance lease of Machinery and Equipment	CDI + Rate	12.4%	3.4	18,141	26,994	22,209
Finance lease of Industrial Facilities	CDI + Rate	11.3%	2.4	35,473	45,867	53,710
Finance lease of Buildings	CDI + Rate	11.6%	1.8	29,826	36,340	41,032
Finance lease - discount to present value				6,558		
Total local currency				116,020	143,018	151,517
Total of the Company				116,020	143,018	151,517
Current liabilities				47,641		43,914
Noncurrent liabilities				68,379		107,603

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturities (years)	Balance on 12/31/09 (at present value)	Future payments on 12/31/09	Balance on 12/31/08 (at present value)
						Consolidated
Local currency						
Finance Lease Vehicles	CDI + Rate	11.2%	2.6	14,918	19,625	20,080
Finance Lease - IT Equipment	CDI + Rate	8.5%	2.8	11,213	14,302	14,486
Finance Lease - Machinery and Equipment	CDI + Rate	12.4%	3.4	18,141	26,994	22,209
Finance Lease - Industrial facilities	CDI + Rate	11.3%	2.4	36,396	46,789	53,710
Finance Lease - Buildings	CDI + Rate	11.6%	1.8	29,825	36,340	41,032
Finance lease - discount to present value				6,558		
Total local currency				117,051	144,050	151,517
Foreign currency						
Finance Lease Vehicles	Rate	6.3%	2.2	1,449	2,210	1,359
Finance Lease - IT Equipment	Rate	8.0%	4.0	4,383	7,496	-
Finance Lease - Machinery and Equipment	Rate	7.6%	1.8	30,082	37,701	42,894
Finance Lease - Industrial facilities	Rate	12.0%	2.5	2,056	3,219	2,576
Finance Lease - Buildings	Rate	3.6%	2.1	3,053	4,610	6,350
Total foreign currency				41,023	55,236	53,179
Total Consolidated				158,074	199,286	204,696
Current Liabilities				61,683		62,582
Noncurrent liabilities				96,391		142,114

According to Technical Pronouncement CPC No. 12, approved by CVM Decision No. 564/08, finance lease payable was adjusted at present value as described in note 3, letter L.

Below is the lease maturity schedule:

	Company		Consolidated	
	12/31//2009	12/31/2008	12/31//2009	12/31/2008
Local currency				
1Q09	-	10,681	-	10,681
2Q09	-	10,883	-	10,883
3Q09	-	11,065	-	11,065
4Q09	-	11,285	-	11,285
1Q10	11,887	-	11,971	-
2Q10	11,906	-	11,990	-
3Q10	11,926	-	12,010	-
4Q10	11,922	-	11,996	-
2010	-	45,432	-	45,433
2011	45,878	42,232	46,141	42,232
2012	20,069	17,719	20,330	17,719
2013	2,431	2,220	2,587	2,219
2014	1	-	26	-
Total local currency	116,020	151,517	117,051	151,517
Foreign currency				
1Q09	-	-	-	5,511
2Q09	-	-	-	4,598
3Q09	-	-	-	4,390
4Q09	-	-	-	4,170
1Q10	-	-	3,758	-
2Q10	-	-	3,493	-
3Q10	-	-	3,279	-
4Q10	-	-	3,186	-
2010	-	-	-	14,220
2011	-	-	11,582	10,668
2012	-	-	10,559	8,567
2013	-	-	4,301	1,055
2014	-	-	865	-
Total foreign currency	-	-	41,023	53,179
Total	116,020	151,517	158,074	204,696

The schedule of current and future minimum lease payments is the following:

	Company	
	12/31/09 (at present value)	12/31/08 (at present value)
Local currency		
Up to one year	47,641	43,914
From one to five years	68,379	107,603
More than five years	-	-
	116,020	151,517

	Consolidated	
	12/31/09 (at present value)	12/31/08 (at present value)
Local currency		
Up to one year	47,967	43,914
From one to five years	69,084	107,603
More than five years	-	-
	117,051	151,517
	31/12/09	**31/12/08**
Local currency		
Up to one year	13,716	18,669
From one to five years	27,307	34,510
More than five years	-	-
	41,023	53,179
	158,074	204,696

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Local currency				
Guarantees:	-	-	-	-
Financed asset	116,020	151,517	117,051	151,517
Total local currency	116,020	151,517	117,051	151,517
Foreign currency				
Guarantees:	-	-	-	-
Financed asset	-	-	41,023	53,179
Total foreign currency	-	-	41,023	53,179
Total	116,020	151,517	158,074	204,696

b) Operating Lease

The recognition of the operating lease still uses the previous accounting criterion, that is, the expense on lease is monthly recorded, according to CVM Decision No. 554/08.

Operating lease as of December 31, 2009 is as follows:

OPERATING LEASE

Company

Financial institution	Leased asset	Beginning date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense amount on 12/31/09
	Local currency					
CSI LATINA A. M. S.A	IT equipment	04/21/2007	11.73%	2.9	1,344	545
CSI LATINA A. M. S.A	IT equipment	09/21/2007	10.09%	2.9	1,173	464
CSI LATINA A. M. S.A	IT equipment	08/17/2008	12.77%	4.4	1,046	292
CSI LATINA A. M. S.A	IT equipment	11/12/09	12.77%	2.9	989	74
CSI LATINA A. M. S.A	Machinery and equip.	04/29/2006	8.45%	3.7	693	238
CSI LATINA A. M. S.A	Machinery and equip.	05/21/2006	6.95%	3.9	2,278	497
CSI LATINA A. M. S.A	Machinery and equip.	07/21/2008	12.15%	4.4	3,700	1,068
CSI LATINA A. M. S.A	Machinery and equip.	04/30/2007	11.19%	2.9	10,008	4,037
	Total local currency				21,231	7,215

Consolidated

Financial institution	Leased asset	Beginning date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense amount on 12/31/09
	Local currency					
CSI Latina A. M. S.A	IT equipment	04/21/2007	11.73%	2.9	1,344	545
CSI Latina A. M. S.A	IT equipment	09/21/2007	10.09%	2.9	1,173	464
CSI Latina A. M. S.A	IT equipment	17/08/08	12.77%	4.4	1,046	292
CSI Latina A. M. S.A	IT equipment	11/12/09	12.77%	2.9	989	74
CSI Latina A. M. S.A	Machinery and equip.	04/29/2006	8.45%	3.7	693	238
CSI Latina A. M. S.A	Machinery and equip.	05/21/2006	6.95%	3.9	2,278	497
CSI Latina A. M. S.A	Machinery and equip.	07/21/2008	12.15%	4.4	3,700	1,068
CSI Latina A. M. S.A	Machinery and equip.	04/30/2007	11.19%	2.9	10,008	4,037
Frigorifico Mercosul	Meat packing plant	09/21/2009	IGP-M year	4.2	100,000	500
Frigorifico Margem	Meat packing plant	10/09/09	IGP-M year	4.2	54,900	-
Frigorifico 4 Rios	Meat packing plant	12/01/09	IGP-M year	4.2	9,600	-
	Total local currency				185,731	7,715

The maturities of operating lease are as follows:

	Company 12/31/2009
Up to 1 year	9,260
From 1 year to 5 years	4,756
More than 5 years	-
	14,016

	Consolidated 12/31/2009
Local currency	
Up to 1 year	41,980
From 1 year to 5 years	129,266
More than 5 years	-
	171,246

The operating leases the Company contracted do not present any restrictions or contingencies and there is a description of their tax bases. The agreements have been executed according to common market practices and there are no adjustment clauses established for the terms of the contracts.

The value of the leased assets is calculated at total definitive cost, what includes transportation costs, taxes and documentation. The value of consideration is calculated on the value of total definitive cost, by applying a predefined percentage for each contract. In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancel all rights arising from the lease agreement; claim the return of the leased goods; and (iii) require an advanced expiration of the lease contract. In that case, the lessee undertakes to pay unsettled debts, including instalments overdue and coming due, besides possible pending expenses, taxes and charges, plus a fine of 10% on the debit balance. The lessee, without prejudice to the lessor, is entitled to claim damages and losses.

In relation to the renewal option, the lessee should previously manifest his wish, otherwise the renewal is automatic and the conditions should be adjusted between the parties. In the event there is no agreement between the parties, the lessee should opt for the purchase of the goods at market value or for returning them.

18. PROVISIONS

The Company and its controlled companies are involved in several lawsuits, in the ordinary course of business, for which provisions based on legal counsellors' estimates have been set up. The principal information about these lawsuits is presented below:

	Company		**Consolidated**	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Labour and social security	2,044	39,548	8,501	73,645
Tax	2,177	3,351	26,046	24,596
Civil	2,337	2,091	4,134	9,793
Other	-	-	148	441
	6,558	44,990	38,829	108,475

Labour complaints

As of December 31, 2009, the Company and its controlled companies were parties to various labour complaints. Based on the Company's payment history, and on payments over the last two years, a provision of R$8,501 was set up. According to the opinion of the management and legal counsellors, the provision is sufficient to face probable losses. Most of the labour claims filed against the Company refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, break time for personnel who works in refrigerated environment, and *in itinere* hours among others.

Tax

Tax contingencies refer mostly to the following taxes:

ICMS (State VAT)

According to the management, all tax lawsuits of the Company are rated as a probable unfavourable outcome, seeing the historical value paid of R$3,320. They refer to ICMS in several states where the Company has activities. The Company is claiming the use of credits from the transfer of goods, at the historical value of R$1,110, and the issuance of electronic tax documents, at the historical value of R$1,525. Besides, the Company is discussing an erroneous issuance of invoices at the Manaus Free-Trade Zone, for the historical value of R$685.

Federal Taxes and Contributions

As of December 31, 2009, there was an administrative proceeding stating income omission at the historical value of R$1,233. The administrative defence was filed, which was analyzed by authorities. A final report was issued establishing an amount payable of R$28, which it is accrued for. Besides, the Company recognized a provision of R$22,698 for possible contingencies.

Civil suits

The civil suits of the Company and of its controlled companies involve controversies typically related to business agreements and indemnities. None of those proceedings is individually material. As of December 31, 2009, the Company's management, based on the opinion of legal advisors, recognized a provision at the amount of the actions rated as probable losses, totalling R$4,134.

Contingent liabilities, not subject to accounting, according to prevailing standards, are demonstrated below:

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Labor and social security	31,342	14,007	40,340	14,638
Tax	104,145	63,765	123,787	68,009
Civil	1,438	2,984	3,342	4,509
	136,925	80,756	167,469	87,156

Besides what was described above in relation to labour and civil actions, we present below the tax matters discussed at court that in the opinion of the management and legal counsellors are rated as possible losses for the Company and its controlled companies.

Federal Taxes and Contributions

As of December 31, 2009, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R$38,893, claiming (i) the amounts related to Corporate Income Tax, and Social Contribution Tax on Net Income, Contributions for the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS), payable due to assumed omission of income, determined by comparison of amounts stated and booked with invoices presented by suppliers, (ii) differences in payments of PIS and COFINS debts, at historical value of approximately R$2,371, for which a provision was not recognized and, based on the opinion of legal advisors, are rated as possible losses, (iii) exclusion of ICMS from the tax bases of PIS and COFINS. This last action is the most significant one, addressing a refund request at the historical value of R$32,432, for which a provision was not set up, as according to opinion of the legal counsellors, they are rated only as possible losses. The Company has filed administrative defences, stating its non-enforceability and that part of the debts is barred by the statute of limitations, as well as the incorrectness in their tax bases, and that inspectors deemed the amounts, what is forbidden in certain cases. Such defences have not been analyzed yet.

The controlled companies have administrative proceedings associated with federal tax credits offset with social security debts. The amounts are the following: Penasul's corresponds to R$3,383, Dagranja's to R$6,503, Mabella's to R$5,525, Pampeano's to R$1,053 and Agrofrango's to R$1,262. Such companies are parties to court actions discussing their right to the offset under the manner executed.

PIS and COFINS on import

In November 2004, the Company filed a lawsuit challenging the enforceability of PIS and COFINS on imports and claimed the non-payment of those contributions. A provisional remedy was granted and confirmed in a sentence that currently is in effect, against which the Federal Government has filed an appeal that will be judged at the 3rd Federal Court of Appeals. The mentioned action generates favourable effects to cash flows, as allows the payment of those taxes during the sale of the goods, and not in advance during the import.

ICMS (State VAT)

The discussions related to ICMS involving the Company address the administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia and Rio Grande do Sul that question the credits from the transfer of goods, non-compliance of accessory obligations and erroneous issuance of invoices, which amount to the historical value of R$28,910. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R$685. In the State of Mato Grosso, the actions refers to the disregard of the tax regimen established with the State and the absence of issuance of electronic invoice, corresponding to R$6,120.

The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transference invoices of goods sent by the branch located in the State of Mato Grosso do Sul to the branches in the State of São Paulo, that is, a “Tax War.” The entered values correspond to the difference between the amount separately identified in the goods receiving documents at the distribution centre and paid to the State of origin. The Company has filed administrative defences questioning the demand of those debts that have not been analyzed yet in a definitive manner. The historical value demanded in those administrative proceedings corresponds to R$118,186. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, whose administrative phase has been finished. The controlled company Dagranja is a party to administrative proceedings also filed by the Finance Department of the State of São Paulo claiming the ICMS on the tax benefit granted by the States of Mina Gerais and Paraná. They correspond to the historical value of R$16,975, and are in discussion at administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

19. DEFERRED TAXES

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Income tax	26,772	29,336	74,835	86,105
Social contribution tax	9,638	10,563	20,501	22,914
	36,410	39,899	95,336	109,019

These deferred taxes were recorded when property, plant and equipment items were revalued. They will be settled as revalued assets are sold, written off, depreciated, or amortized, according to their useful lives established in the revaluation report.

20. SHAREHOLDERS’ EQUITY

a. Capital stock

Subscribed and paid-in capital stock as of December 31, 2009 totals R$ 4,061,478 (R$2,559,718 as of December 31, 2008), and comprises 346,983,954 common shares without par value. Capital, less the expenditure with the public and private issuance of shares, corresponds to R$3,989,875 (2.525.639 as of December 31, 2008).

Based on CVM Decision No. 556/08, the Company recorded under shareholders’ equity the costs incurred with the raising funds through public issue of shares executed in 2007 and 2009 and private issuance in 2008.

Pursuant to the Company’s by-laws, at discretion of the Board of Directors, capital stock can be increased through issuance of up to 500,000,000 (five hundred million) common shares and under the conditions the Board defines, independently of changes in the mentioned by-laws.

Also at discretion of the Board of Directors, the Company can issue shares without preferential rights or with the period reduction provided in paragraph 4 of article 171 of Law no. 6,404/76 for shares and debentures convertible into shares or subscription bonuses. Their placement should be made through sale at stock exchange or public subscription, or by means of exchange for shares in a public offer for acquisition of ownership interest, under the terms of the law and within the limit of authorized capital.

The Board of Directors defines issuance conditions (prices and periods).

The call option of shares, the conditions under which shareholders will have preferential rights to subscription, or the inexistence of such right in relation to the management, employees, or individuals who render services to the Company or other companies under its control are presented in note 21.

We demonstrate below the changes in the Company's capital stock along the year 2009, considering the capital increase approved in the meetings of the Board of Directors, held on November 11, 2009 and November 30, 2009, as follows:

Date	Description	Amount
12/31/2009	Capital stock	2,559,718
11/11/2009	Public issuance of shares	1,328,480
11/30/2009	Public issuance of shares	173,280
12/31/2009	Capital stock	4,061,478

Considering the above, the Company incurred expenses in the issuance of shares, as demonstrated below:

Description	Amount
Commission of coordinators	28,086
Commission - CBLC	526
Audit	277
Lawyers	1,019
Publication	827
Registration fees	133
Provisions - (Other Expenses)	6,656
Total	37,524

b. Income reserves

Legal reserve

It is based on 5% (five per cent) of the Company's net income, as defined in its by-laws and current legislation. In 2009, the amount of R$33,954 was recognized as legal reserve. The adjusted balance as of December 31, 2009 was R$37,171.

Appropriation of net income

During a General Shareholders' Meeting to be held on April 30, 2010, it will be proposed an appropriation of net income corresponding to R$460,183, destined to finance part of the investments projected for 2010, whose amount is supplied in the Management Report - item 14 - Business Projections of Results.

Treasury shares

In the year 2008, the Company acquired 695,600 shares for R$12,966, at an average cost per share of R$18.64. These shares are for the long-term share bonus and option program, as described in note 21. These shares will be entitled to dividends and earnings occasionally distributed by the Company.

In the year 2009, 124,100 shares were transferred to the management of the Company, in compliance with the option plan described in note 21.

As of December 31, 2009, the balance of treasury shares changed to 571,498, booked at the value of R$10,653.

The value of treasury shares, priced at R$19.12/share in the last trading session of the year 2009, corresponds to R$10,927.

c. Asset and liability valuation adjustment

Considering CVM Decision No. 534/08, the Company created the account subgroup "Asset and Liability Valuation Adjustments" to record exchange variations of corporate investments abroad. The controlled company is an entity independent from the head office in Brazil.

d. Accumulated translation adjustments

According to Circular Letter CVM/SNC/SEP No. 01, of January 30, 2009, and CVM Decision No. 534/08, the Company created a caption called "Accumulated Translation Adjustments" to record exchange variations resulting from the translation of the foreign subsidiaries' financial statements where the investee's functional currency is different from that of the controlling company.

e. Dividends

Under the provisions of the Brazilian Corporate Law and its by-laws, the Company's obligatory dividend is of at least 25% of adjusted net income determined in the Company's financial statements. The annual statement of dividends, including their payment, besides the obligatory minimum dividend, requires approval during an Ordinary General Meeting by the vote of the majority of shareholders' holding the shares of Marfrig and depends on several factors. Among those factors, we can mention operating income, financial status, cash needs, and future perspectives of the Company, among others that the Board of Directors and shareholders deem relevant.

In the General Shareholders' Meeting to be held on April 30, 2010, the following distribution of dividends for the year 2009 will be proposed:

Description	**In thousands of reais**
Net income before interest on equity capital	679,079
(-) Legal reserve	(33,954)
Adjusted net income for dividend purposes	645,125
Mandatory dividends	161,281
(-) Interest on equity capital, net (1)	(146,059)
Dividends payable	15,222

(1) The calculation of interest on equity capital is demonstrated in note 20, letter F.

f. Interest on equity capital

Article 9 of Law No. 9,249 of December 26, 1995, with the modifications introduced by article 88, XXVI, Law No. 9,430/96 allowed the deductibility, for purposes of income tax and social contribution, of interest on equity capital paid to shareholders, calculated based on long-term interest rate variation - TJLP, as presented below:

Description	**In thousands of reais**
Shareholders' equity on December 31, 2008	2,729,851
(x) Accumulated TJLP for the period from January to December 2009	6.2997%
Limit established in law	171,972
Increase in capital in November 2009	1,296,273
(x) TJLP of December 2009	0.5000%
Limit established in law	6,481
Limit established in law - total	178,453
Value of interest on equity capital	169,720
(-) Withholding income tax (IRRF)	(23,661)
Value of interest on equity capital, net	146,059

g. Minority interest

Refers to the interest of minority shareholders in the Company's equity.

21. MANAGEMENT'S COMPENSATION

Management compensation comprise the earnings of 4 members of Board of Directors (the other 4 opted for not receiving compensation as Counsellors), as well as of the management team organized according to the Company's by-laws.

The added value of the compensation received by the Company's management for their services, and by the Board of Directors is defined through market practices, with the participation of the Corporate Governance and Compensation Committee, formed by one Member of Board of Directors, (coordinator), Chairman and Corporate Human Resources Chief Officer.

The amounts paid in 2009 are the following:

COMPENSATION OF COUNSELLORS / MANAGEMENT

	Total Compensation		
Department	**Fixed compensation**	**Variable compensation**	**Total**
Board of Directors	2,194,495	-	2,194,495
Management	3,136,588	2,030,000	5,166,588
	5,331,083	2,030,000	7,361,083

The Company has a long-term bonus program with restricted shares for officers and share options for counsellors, as follows:

i. Approval of the plan

On May 7, 2007, the Company's shareholders approved a share purchase option plan (the "Plan"), changed and consolidated by the shareholders in the Extraordinary General Meeting held on May 29, 2009.

Chapter 4 of the Plan establishes that the Board of Directors can create other option plans related to shares issued by the Company under specific conditions to participants, number of granted options, performance targets or performance reached, exercise price and other conditions, which might not follow the general conditions established in the Plan (“Specific Programs”).

Therefore, three Specific Programs were created, which were analyzed by the Compensation and Corporate Governance Committee on June 29, 2009 and submitted to the Board of Directors.

The law firm Tozzini & Freire prepared the specific plans and contract models, and analyzed the legal aspects of the matter to assure the conformity with the terms of the Brazilian law and provisions of the Brazilian Securities and Exchange Commission (CVM).

Beneficiaries should adhere to the Policies of Negotiable Securities issued by Marfrig Alimentos S/A that is available at the Company’s website of Relations with investors in the Internet.

The total number of treasury shares (balance) corresponds to 571,498 shares, booked at the value of R$10,653 and described in note 20b, what is enough to cover the exercise of options until 2011 of plans already implemented. For that purpose, new issuances are required only in 2012.

ii. Acquisition of shares through the repurchase program for the share options plan and their maintenance in Treasury

On April 9, 2008, the Board of Directors authorized the acquisition of up to 699,489 shares of the Company, equivalent to 1% of outstanding shares, to be kept in treasury and further distributed to the participants of the long-term share bonus and option program, with limits previously approved at the Extraordinary Shareholders’ Meeting held on May 29, 2007.

Such acquisition observed the provisions of CVM Instruction 10/80. The authorization will be valid until December 31, 2008 for the financial institutions Credit Suisse Hedging Griffo CTVM S.A., Bradesco BBI S.A. and ABN AMRO Real S.A., executed as described in the table below.

		PURCHASE		
DATE OF TRADING SESSION	FINANCIAL INSTITUTION	No. OF SHARES	TOTAL VALUE	COST PER SHARE
05/02/2008	CREDIT SUISSE HEDGING-GRIFFO	205,600	3,885,817.67	18.8999
08/14/2008	CREDIT SUISSE HEDGING-GRIFFO	300,000	5,680,645.39	18.9355
08/15/2008	CREDIT SUISSE HEDGING-GRIFFO	90,000	1,693,631.69	18.8181
08/26/2008	CREDIT SUISSE HEDGING-GRIFFO	69,300	1,188,645.57	17.1522
08/27/2008	CREDIT SUISSE HEDGING-GRIFFO	30,700	517,307.70	16.8504
	TOTAL SHARES PURCHASED	695,600	12,966,048.02	18.6401

The maximum average daily price in those operations was R$18.9355/share on 19/8/2008 and the minimum R$16.8504/share on 27/8/2008. The above indicated average values include brokerage expenses and taxes on operations.

iii. Concession

1. Master Plan 07-08: In 2008, 55,200 share options were granted to the Board of Directors, based on the average of twenty sales trading sessions previous to March 4, 2008, (R$15.097/ share), with a discount of 10% on the average mentioned above (R$13.588/share). In accordance with the rules, the exercise will be made at the ratio of 25% per year in 4 years, 25% by the end of the first year; 25% by the end of the second year; 25% by the end of the third year; and 25% by the end of the fourth year. There was also the granting of 212,676 restricted shares to 21 managers, which were submitted to a mutual rescission and replacement due to the restructuring of the Plan approved in the General Meeting of May 29, 2009 and implementation of Specific Plan I (2007/2008) approved in the meeting of Board of Directors as of July 28, 2009.

2. Master Plan 08-09: The concession of 165,800 (related to 2008) in 2009 to the Board of Directors was also reconfirmed in a contract, at the price per share of R$6.7783 (55,200 - R$13.597 and 110,600 - R$6.7783), based on the average of the 20 (twenty) trade sessions previous to March 3, 2009, date of implementation of the Master Option Plan, to be exercised at the above mentioned amount between 2010 and 2013 at the ratio of 25% per year.

   The Compensation and Governance Committee approved the implementation of the three Specific Programs on June 29, 2009 and the Board of Directors approved them on July 28, 2009, according to the authorization rendered during the Meeting of May 29, 2009, under the following conditions:

3. Specific Long-Term Plan 07-08 (ESP LT 07-08): For the period 2007/2008, the option was established to be exercised in 4 instalments of 25% each per year, the first up to July 28, 2009 and the 3 remaining ones in the following manner: from March 3, 2010 to September 2, 2010; from March 3, 2011 to September 2, 2011 and from March 3, 2012 to September 2, 2012.

4. Specific Short-Term Plan 08-09 (ESP ST 08-09): Referring to the period 2008/2009 (Short-Term) - the option should be exercised until November 30, 2009 (100%).

5. Specific Long-Term Plan 08-09 (ESP LT 08-09): Concerning the period 2008/2009 (Long-Term) - the options should be exercised in 4 instalments of 25% each, as follows: from March 3, 2010 to September 2, 2010 (1st); from March 3, 2011 to September 2, 2011 (2nd), from March 3, 2012 to September 2, 2012 (3rd) and from March 3, 2013 to September 2, 2013) (4th).

The exercise prices will be:

1- R$0.75485 for shares referring the long-term plan ESP LT 07-08
2- R$1.03823 for shares referring the short-term plan ESP ST 08-09
3- R$0.67783 for shares referring the long-term plan ESP LT 07-08

The following criteria were adopted for the concession of options to executives of Marfrig:

- In 2008 - Weighted average of 20 trading sessions before March 3, 2008: R$15,097/share

2. In 2009:
   - ESP Long-Term 07-08: Weighted average of 20 trading sessions before March 3, 2008: R$15.097/share
   - ESP Short-Term 08-09: Weighted average of 20 trading sessions before May 11, 2009: R$10.3823/share
   - ESP Long-Term 08-09: Weighted average of 20 trading sessions before March 3, 2009: R$6.7783/share

   The total options granted by those 3 programs in 2009 corresponded to 710,930 shares, from which 128,6000 with options maturing in 2009, 158,083 in 2010 and the remaining ones up to 2013.

   The total number of shares granted by those three plans corresponded to 0.26% of capital stock (0,20% of current capital stock), therefore, within the 0.5% limit the Board of Directors established for approval in the General Meeting of May 29, 2009.

   As of December 31, 2009, the option plan of the Company had 78 participants.

   In the year 2009, 124,100 10,600 shares were transferred to the management of the Company, according to the criteria established in the option plan, representing a negative effect on income for the period ended December 31, 2009 of R$2,197.

   There will be no dilution of the participation of current shareholders when the restricted shares or options are exercised, given that the shares are kept in treasury for this purpose.

iv. <u>Participants' rights</u>

All dividends and profit sharing, or their equivalent (cash, shares, or other) over unexercised Restricted Actions, will be considered participant's rights and will be credit by the Company for further release in their accounts upon the maturity of the restrictions.

The Company will have the option to pay such credits through accumulated dividends or profit sharing, or the equivalent amount in cash, Company's shares, or other form. If the payment is made through shares, the conversion will be by the average amount of the 20 trading sessions of BM&F BOVESPA previous to payment date, adjusted to the net amount of income tax levied on the credit granted.

The rights will be lost if the participant quits, or no longer provides services to the Company for any reason except death, disability, retirement or termination without cause. In these cases, all the restricted shares will mature and those not in effect will have the amounts released and become totally effective.

Upon capital increase, participants will be entitled to exercise subscription rights with own resources on the total amount granted, and the subscribed shares will be immediately released to the participant.

v. <u>Changes in the Options Plan and effects on the statement of operations if accounting was effective as of December 31, 2009</u>

The total number of options not exercised at the end of 2009 was 752,630 options.

The fair value of the options was calculated according to the Black-Scholes methods, based on Long-Term Interest Rate (TJLP) of 6% p.a. and with implicit volatility of 81%. The value of the options on 31/12/2009 in the different programs and maturities was between the maximum of R$14.924 and the minimum of R$5.532 per share for counsellors and between the maximum of R$18.569 and the minimum of R$18.082 per action for the management.

The table below demonstrates the changes occurred since the beginning of the program of options plans:

Share Option Plan

	Sole Beneficiaries	Options Plan	Granting date	Performance period	Number of Implied Shares - Options not exercised	Option Exercise Price	Option Expiration Date	Value of Option on 31/Dec/2009 (Black Scholes) in R$	Market Value of options not vested on 31/Dec/2009 (R$'000)	Market Value of options vested on 31/Dec/2009 (R$'000)	Effect on income in case of accounting
Outstanding options on 12/31/2007	**-**				**-**						
Cancelled Options	-				-						
Granted Options	24				267,876				3,412	1,093	(1,248)
Board of Directors	3	MASTER 07-08	3/3/2008	4/3/2009	13,800	13.588	2/9/2009	5.532		76	(70)
	3	MASTER 07-08	3/3/2008	4/3/2010	13,800	13.588	2/9/2010	6.081	84		(70)
	3	MASTER 07-08	3/3/2008	4/3/2011	13,800	13.588	2/9/2011	9.153	126		(70)
	3	MASTER 07-08	3/3/2008	4/3/2012	13,800	13.588	2/9/2012	11.045	152		(70)
Executives	21	EXEC 07-08	3/3/2008	4/3/2009	53,169	-	2/9/2009	19.120		1,017	(242)
	21	EXEC 07-08	3/3/2008	4/3/2010	53,169	-	2/9/2010	19.120	1,017		(242)
	21	EXEC 07-08	3/3/2008	4/3/2011	53,169	-	2/9/2011	19.120	1,017		(242)
	21	EXEC 07-08	3/3/2008	4/3/2012	53,169	-	2/9/2012	19.120	1,017		(242)
Exercised Options	-				-				-	-	-
Expired Options	-				-				-	-	-
Outstanding options on 12/31/2008	**24**				**267,876**				**3,412**	**1,093**	**(1,248)**
Granted Options	76				823,130				12,278	2,368	(13,373)
Board of Directors	3	MASTER 08-09	07/28/2009	4/3/2010	27,650	6.77830	3/3/2011	12.412	343		(328)
	3	MASTER 08-09	07/28/2009	4/3/2011	27,650	6.77830	3/3/2012	13.247	366		(328)
	3	MASTER 08-09	07/28/2009	4/3/2012	27,650	6.77830	3/3/2013	14.162	392		(328)
	3	MASTER 08-09	07/28/2009	4/3/2013	27,650	6.77830	3/3/2014	14.924	413		(214)
Executives	13	ESP II CP 08-09	07/28/2009	07/28/2009	80,200	1.03823	11/30/2009	18.082		1,450	(1,348)
	20	ESP I LP 07-08	07/28/2009	07/28/2009	50,000	0.75485	2/9/2010	18.365		918	(894)
	20	ESP I LP 07-08	07/28/2009	4/3/2010	50,000	0.75485	2/9/2010	18.373	919		(894)
	20	ESP I LP 07-08	07/28/2009	4/3/2011	50,000	0.75485	2/9/2011	18.416	921		(894)
	20	ESP I LP 07-08	07/28/2009	4/3/2012	50,000	0.75485	2/9/2012	18.460	923		(894)
	73	ESP III LP 08-09	07/28/2009	4/3/2010	108,083	0.67783	2/9/2010	18.449	1,994		(1,978)
	73	ESP III LP 08-09	07/28/2009	4/3/2011	108,083	0.67783	2/9/2011	18.488	1,998		(1,978)
	73	ESP III LP 08-09	07/28/2009	4/3/2012	108,082	0.67783	2/9/2012	18.527	2,002		(1,773)
	73	ESP III LP 08-09	07/28/2009	4/3/2013	108,082	0.67783	2/9/2013	18.569	2,007		(1,522)
Exercised Options	(11)	ESP I LP 07-08			(45,500)					(836)	-
Exercised Options		ESP II LP 08-09			(78,600)					(1,421)	-
Cancelled Options	(21)	EXEC 07-08			(212,676)				(3,050)	(1,017)	968
Expired Options	(1)	ESP II CP 08-09	10/1/2009		(1,600)					(29)	27
										-	
Outstanding options on 31/12/2009					**752,630**				**12,640**	**158**	**(13,626)**

22. INSURANCE COVERAGE

It is the Company's policy to insure its property, plant, and equipment and inventories at risk, for amounts deemed sufficient to cover possible casualties. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

Below is a summary of the amounts insured by the Company:

	Company		Consolidated	
Description	**12/31/2009**	**12/31/2008**	**12/31/2009**	**12/31/2008**
Meat-packing buildings and facilities	903,300	896,300	4,090,665	3,991,019
Inventories and loss of profit	192,876	346,800	1,983,914	2,850,404
Third party storage	12,000	-	42,603	-
Vehicles	22,997	20,305	29,555	31,251
Merchandize transportation	333,333	540,436	2,043,969	1,625,975
Director's guarantees	40,000	40,000	68,730	104,341
Civil liability	-	1,673	192,456	306,960
Other	303,567	208,482	545,654	683,138
	1,808,073	2,053,996	8,997,546	9,593,088

23. FINANCIAL INSTRUMENTS - DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

a) Overall Perspective

The Company is exposed to market risks related to exchange, interest rate and commodities price fluctuations of a nature considered normal to its business. In order to minimize these risks, the Company has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

The Company's policies consist mainly of the following: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

Management is authorized to perform any and all acts related below up to the amount equivalent to ten percent (10%) of the Company's equity based on the last financial statements disclosed in the market, except that for amounts higher than five percent (5%) of Shareholder's Equity, an additional authorization from the Company's Finance Committee is necessary.

The Company's acts mentioned in the former paragraph are: (a) Offer guarantee for the obligations of the Company's controlled companies and/or wholly owned subsidiaries; (b) approve the acquisition of and/or disposal of permanent asset items; (c) Approve financial transactions, including leases; and (d) Approve single or group of transactions involving the Company and related parties, directly or indirectly.

The Company does not enter into leveraged transactions with derivatives or similar instruments that do not offer a minimum protection against its exposure to other currencies, and adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining high level of cash balance and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not affect a single year.

b) Interest rate risk management

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates that affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR or CDI (interbank deposit rate).

In order to reduce debt service costs, the Company continually monitors market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates.

c) Commodity price risk management

During its activities, the Company purchases some commodities, such as: corn, soybean meal, and live cattle, which are the biggest individual components of the production cost and are subject to certain variables.

The price of cattle and swine acquired from third parties is directly related to market conditions, being influenced by domestic availability and foreign market demand.

Corn and soybean meal are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others.

To reduce the impact over commodities, the Company manages inventory levels, keeps cattle confined, and trades cattle at BM&F BOVESPA.

In 2009, the Company did not have derivatives for hedging against commodity price fluctuations.

d) Exchange risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company’s main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 70.08% of the Company’s revenues are denominated in currencies other than the Brazilian real, the Company has a natural *hedge* against the maturities of future obligations in foreign currency.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Company’s consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

e) Outstanding foreign currency and derivative position

Assets and liabilities in foreign currency are as follows:

COMPANY

EXPOSURE **Description**	**12/31/2009**	**12/31/2008**	**Effects of exchange variation on results**
OPERATING			
Accounts receivable	224,336	168,488	-42,568
Advance on export contracts - ACEs	-22,261	-52,641	33,729
Imports payable	-16,199	-23,170	2,065
Subtotal	185,876	92,677	-6,774
FINANCIAL			
Receivables from controlled companies	-	1,376,694	-
Loans and financing	-3,120,805	-2,419,287	524,567
Notes payable	-31,976	-38,729	12,086
Advance on exchange contract (ACC)	-272,626	-387,905	62,800
Balance of banks and financial investments	67,163	94,545	-10,690
Subtotal	-3,358,244	-1,374,682	588,763
TOTAL	-3,172,368	-1,282,005	581,989
Exchange variation gain			635,247
Exchange variation loss			-53,258
Exchange variation, net			581,989

CONSOLIDATED

EXPOSURE **Description**	**12/31/2009**	**12/31/2008**	**Effects of exchange variation on results**
OPERATING			
Accounts receivable	253,387	411,238	(71,828)
Advance on export contracts - ACEs	(22,261)	(93,656)	35,657
Imports payable	(109,538)	(45,923)	2,528
Other	67,456	-	(2,608)
Subtotal	189,044	271,659	(36,251)
FINANCIAL			
Receivables from controlled companies	-	1,397,086	-
Loans and financing	(3,368,293)	(2,938,164)	552,706
Notes payable	(31,976)	(134,343)	5,906
Advance on exchange contract (ACC)	(503,757)	(580,985)	125,083
Balance of banks and financial investments	440,207	119,084	(10,726)
Other	11,979	-	6,798
Subtotal	(3,451,840)	(2,137,322)	679,767
TOTAL	(3,262,796)	(1,865,663)	643,516
Exchange variation gain			728,678
Exchange variation loss			(85,162)
Exchange variation, net			643,516

As of December 31, 2009, outstanding derivatives were as follows:

Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US$ (notional value) (2)	Fair value R$ (1)	Payable value (-)	Receivable value (-)
Swap Inter. Rate	(4)	2/8/2012	Libor higher than 2,02%	Libor lower than 2,02%	BB London	16,800	29,705	-453	-
Swap Inter. Rate	(4)	02/25/2011	Libor higher than 1,83%	Libor lower than 1,83%	BB London	20,000	35,242	-418	-
Swap Inter. Rate	(4)	02/22/2012	Libor higher than 2,08%	Libor lower than 2,08%	BB London	30,000	53,251	-1,015	-
Swap Inter. Rate	(4)	02/14/2013	Libor higher than 2,4%	Libor lower than 2,4%	BB London	39,500	70,031	-1,254	-
Swap Inter. Rate	(4)	03/20/2013	Libor higher than 2,38%	Libor lower than 2,38%	BB London	10,500	18,557	-274	-
Swap Inter. Rate	(4)	6/3/2015	Libor higher than 2,18%	Libor lower than 2,18%	BB London	75,000	130,954	-364	-
Swap Inter. Rate	(4)	12/24/2012	Libor higher than 2,10%	Libor lower than 2,10%	BB London	30,000	52,903	-667	-
Swap Inter. Rate	CETIP	08/14/2014	Libor higher than 1,94%	Libor lower than 1,94%	Citibank	100,000	173,891	229	-
Swap Inter. Rate	CETIP	08/14/2014	Libor higher than 2,00%	Libor lower than 2,00%	Citibank	160,000	277,561	1,031	-
						481,800	842,095	-3,185	

Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US$ (notional value)	Fair value R$ (3)	12.31.09 Payable value (-)	12.31.08 Receivable value (-)
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,17% in the period	Bradesco	200,000	348,240	-11,078	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,03% in the period	Bradesco	100,000	174,120	-5,267	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,03% in the period	Bradesco	50,000	87,060	-2,633	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,03% in the period	Bradesco	100,000	174,120	-5,267	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,03% in the period	Bradesco	100,000	174,120	-5,267	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,25% in the period	Bradesco	50,000	87,060	-2,839	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,25% in the period	Bradesco	50,000	87,060	-2,839	-
Purchase option	CETIP	01/04/10	US$ higher than 1.88	3,26% in the period	Bradesco	50,000	87,060	-2,850	-
						700,000	1,218,840	-38,040	-

Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US$ (notional value)	Fair value R$ (3)	12.31.09 Payable value (-)	12.31.08 Receivable value (-)
NDF	CETIP	01/04/10	US$ higher than 1.7265	US$ lower than 1.7265	Bradesco	290,964	506,626	4,277	-
						290,964	506,626	4,277	-

(1) The fair value informed is determined through the market-to-market method (MTM) that consists in determining the future value based on agreed conditions and discounting that to present value based on the market curves, extracted from Bloomberg's database and from BM&FBOVESPA.
(2) The reference value (notional value) is not conditioned to a hedge operation. It is only the basis for the payment flows, which are pegged to LIBOR (Libor Interbank Offered Rate), which in its turn is fixed.
(3) Operation settled on 01/04/2010. The fair value was measured based on the US$ rate on 12.31.2009, considering that it is the same rate used at the settlement date.
(4) Bilateral/over the counter transaction. It is not registered with a custody /clearance chamber.

SWAP SCENARIOS

Value	Maturity	Probable		Possible		Remote	
US$ (thousands)		R$	Libor	R$	Libor	R$	Libor
16,800	2/8/2012	(61)	1.78%	28	2.13%	118	2.49%
20,000	02/25/2011	(156)	1.05%	(114)	1.26%	(72)	1.47%
30,000	02/22/2012	(417)	1.38%	(251)	1.66%	(85)	1.94%
39,500	02/14/2013	(275)	2.17%	238	2.60%	752	3.03%
10,500	03/20/2013	(78)	2.17%	81	2.60%	240	3.03%
75,000	6/3/2015	2,921	3.40%	4,545	4.09%	6,169	4.77%
30,000	12/24/2012	52	2.17%	382	2.60%	712	3.03%
100,000	08/14/2014	1,518	2.45%	2,971	2.94%	4,423	3.43%
160,000	08/14/2014	2,513	2.45%	5,236	2.94%	7,959	3.43%
481,800		6,017		13,116		20,216	

Other hedge operations were settled on January 4, 2010. Therefore, there are no other scenarios to present.

The Company entered into non-speculative swap to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing.

Purchase options in US$, corresponding to US$700, were also contracted at the rate of R$1.88/US$, as exchange hedge for the payment of the acquisition of the company SEARA Alimentos. Such options were not exercises and were settled on January 4, 2010.

In the year ended December 31, 2009, the net financial income from derivatives totalled R$33,980. An amount of R$67,146 is related to expenses and R$33,166 refers to net revenues.

Assets and liabilities recorded as of December 31, 2009 for derivative transactions conducted for asset protection purposes are stated as follows:

	Company		Consolidated	
	12/31/2009	**12/31/2008**	**12/31/2009**	**12/31/2008**
Swap	(3,185)	(15,372)	(3,185)	(15,372)
Purchase option	(38,040)	-	(38,040)	-
NDF	4,277	(9,363)	4,277	(16,958)
	(36,948)	(24,735)	(36,948)	(32,330)

Management understands that the results obtained with derivative transactions are in line with the risk management strategy the Company adopted.

24. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated in accordance with prevailing legislation and the Temporary Tax Regime, provided for in Executive Act No. 449/2008.

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

Reconciliation of income and social contribution taxes presented in the statement of income for the year:

Tax	Company 12/31/2009	Company 12/31/2008	Consolidated 12/31/2009	Consolidated 12/31/2008
Income (loss) before tax effects	583,009	(268,879)	568,488	(236,474)
Add-backs	115,795	185,814	195,297	186,032
(-) Deductions	(700,959)	(279,101)	(859,365)	(481,936)
Income and social contribution tax bases	(2,155)	(362,166)	(95,580)	(532,378)
Company with social contribution tax losses	-	-	291,667	744,161
Tax basis after offset	(2,155)	(362,166)	196,087	211,783
Income tax (15%)	-	-	29,413	31,767
Surtax (10%)	-	-	18,643	21,011
(-) PAT (Workers' Meal Program)	-	-	-	-
Total income tax	-	-	48,056	52,778
Social contribution tax (9%)	-	-	17,648	19,060
	-	-	65,704	71,838
(-) Rate difference on foreign income			(37,462)	(24,735)
Total taxes			28,242	47,103
Effect on the statement of income				

Tax	Group	12/31/2009	12/31/2008	12/31/2009	12/31/2008
(-) Current income tax	Current liabilities	-	-	(28,242)	(46,962)
Tax paid overseas		25,432	-	25,432	-
Deferred income tax - Revaluation (1)	Non-current liabilities	2,564	2,391	(140)	2,391
Deferred income tax - Other (2)	Non-current assets	(75,413)	193,685	(31,169)	188,745
Net	Income (loss)	(47,417)	196,076	(34,119)	144,174
(-) Current social contribution tax	Current liabilities	-	-	-	(141)
Deferred social contribution tax - Revaluation (1)	Non-current liabilities	926	861	(48)	861
Deferred social contribution - Other (2)	Non-current assets	(27,159)	69,727	(16,982)	66,915
Net	Income (loss)	(26,233)	70,588	(17,030)	67,635

(1) Refer to the reversal of deferred income and social contribution taxes stated in note 19, considering the add-back of depreciation of revalued assets to the taxable income and the social contribution tax bases.
(2) Refer to deferred income and social contribution taxes, calculated on: Taxes whose payment has been suspended (provisions), and which were added to the calculation of the taxable income and the social contribution tax basis; utilization for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in note 9.

25. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company has been fulfilling its social development role in all countries where it operates. In 2007 the Social Action Department was created to develop social projects.

The Company has been contributing annually, with an increasing amount of funds and human resources, for hospitals, charitable entities and social projects, destining part of its production for poor communities in various Brazilian regions.

To assure the sustainability of Marfrig's operations, the Company takes all the measures to preserve environmental conditions and generate a positive effect on the communities where the Company has activities.

Meetings are held with the presence of the Company's officers, where environmental projects are defined and goals established. Among the green house pollutant emission reduction projects in progress (carbon credits), we can highlight: (i) generation of electricity from biomass; (ii) use of tallow in the burners in the plants, instead of fossil fuels; and (iii) treatment of effluents in anaerobic reactors (biodigestors) with capture and burn of the methane gas. Besides, effluent treatment was implemented through biodigestors in the plants of Bataguassu, Porto Murtinho, Tangará da Serra, Promissão I and II. If determined feasible in the development researches, it will also be implemented in the plants in Mineiros, Chupinguaia, Paranatinga and São Gabriel

In relation to the purchase of cattle, the Company follows the policy of not acquiring it from farms included in the list of areas embargoed by Administrative Act no. 19, of IBAMA (Brazilian Institute of Environment and Natural Resources) of July 02, 2008 and Decree 6,321 of December 21, 2007 and in respective amendments, as well as those included in the Black List of Slave-Like Work from the Labour Ministry (Administrative Act 540/2004 of Oct. 15, 2004), proactively acting in relation to producers who violate current laws and arranging their prompt withdrawal from the list of suppliers of animals for slaughter.

The Company adopts adequate practices in relation to prevailing environmental and labour regulations, besides being one of the signers of the National Agreement for Eradication of Slave-Like Working Conditions and of the *Pacto Conexões Sustentáveis* (sustainability agreement) since October 2008, where the company undertakes to inspect and keep its business relations under ethic and human respect codes.

Starting June 22, 2009, the Company undertook to not acquire, slaughter or sell cattle from the Amazonian Biome area that has been deforested, starting on that date, demonstrating the commitment in searching for a sustainable development of livestock. In relation to that, beginning on the mentioned date, the Company requested BDO Auditores Independentes to audit 100% of cattle acquisitions, to confirm the commitment undertaken.

BDO has executed the audit work of cattle purchases starting June 22, 2009, and has not identified any purchases from the farms blacklisted by IBAMA (embargoed areas) and by the Labour Ministry (slave-like work listing).

The company is committed to work in partnership with state governments, in special with the government of the State of Mato Grosso, in the Program *MT Legal* and with the Brazilian society in the development of a program to guarantee the origin of the animals, including the adhesion of the suppliers that make the fattening of cattle with animals from other properties. That will:

- Assure that the cattle for slaughter is not from areas embargoed by IBAMA or included in the black list of slave-like work of the Brazilian Labour Ministry.

- Implant a plan of control of properties of suppliers, so that they do not acquire animals from farms included in the list of areas embargoed or black listed.

Marfrig also has the objective, as part of its sustainability policies of:

- Developing good social and environmental practices with cattle farmers.

- Implementing the Impulso Pecuário Program, that aims the training and recognition of worth of good practices to improve productivity in the field, as with what happens with the foodstuff companies in Argentina and Uruguay.

- Making available the results of the abovementioned programs for consultation.

- Implementing a social-environmental mapping of the properties that supply cattle, increasing adequacy standards and assuring the commitment with sustainability in the whole chain.

The Company confirms that follows the strict conduct of not acquiring cattle from farms included in the list of embargoed areas, proactively acting in relation to producers that violate current laws and immediately excluding them from the list of suppliers of animals for slaughter and that it already adopts appropriate practices in relation to environmental and labour laws in effect.

26. SUBSEQUENT EVENTS

The enactment of Law no. 11,638/07 updated the Brazilian Corporate Law to align the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS). New standards, pronouncements, interpretations and guidelines were issued during the year 2009, whose adoption is mandatory for financial statements of the year ended December 2010 and for financial statements of 2009 to be disclosed together with the financial statements of 2010, for comparison purposes. The Company’s management is in the process of evaluating the effects of the mentioned pronouncements, interpretations and guidelines issued by the Committee of Accounting Pronouncements (CPC).

On January 4, 2010, it was concluded the acquisition of all the Brazilian business of animal protein (poultry, pigs and industrialized products) from Cargill Inc., represented by the enterprise Seara Alimentos Ltda. and affiliates in Europe and Asia (including the trademark SEARA in Brazil and abroad, besides 12 plants in the segment of added-value processed products and a port terminal). The amount of the transaction was US$899 million, from which US$705.2 million was paid in cash on January 4, 2010 and US$193.8 million in debt assumption after due diligence. As of February 24, 2010, an amount of US$32.4 million was added to the value of the operation, due to positive balance of working capital of SEARA in favour of Cargill, that has not affected economically the value of the transaction for the Company. The business of Seara Alimentos in Brazil and the offices overseas were integrated into the Poultry, Swine and Industrialized Products Brazilian Division of Marfrig Group.

On January 22, 2010, it was concluded the acquisition of 51% of Zenda Group, through the payment of US$ 49.5 million. Zenda Group, whose activity is the industrialization and sale of processed and cut leather, has the daily capacity of producing up to 7,000 pieces of leather. It is headquartered in Uruguay and it has units in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

On January 27, 2010, Marfrig acquired a plot of land in Argentina for the construction of a feet lot. The investment for acquisition of the land and construction is approximately US$6.4 million for a capacity of 22,000 heads of cattle.

On February 23, 2010, the Company communicated to shareholders and market in general that it is in negotiation with Globoaves Group for acquisition or lease of two small size meat-packing plants for the slaughtering of free-range chicken and duck, what includes the poultry businesses with the trademark *Nhô Bento* and *Germânia* for duck. The negotiation depends on the due diligence process and is not binding.

On 1 March 2010, the assets from a small-sized meat-packing plant for the slaughter of free-range chicken of the brand “Nhô Bento”, previously belonging to the Group Globoaves, were acquired for the amount of R$9,200. This acquisition will improve the diversification of the Company’s animal protein products offered in Brazil.

On 26 March 2010, the Company announced that the holders of Senior Notes issued in 2006 by its subsidiary Marfrig Overseas in the amount of US$375,000,000 bearing annual interest at 9.625% and maturing in 2016 (the “Notes”), approved the alteration of some clauses of the transaction agreement, which was guaranteed by Marfrig Alimentos S.A., on 16 March 2010. Among the changes they included the elimination or alteration of certain clauses and restrictions described in the agreement of such transaction and solved any past non-compliances, which allowed the addition or change of those clauses. There was no change as for the term or annual interest rates levied on those Notes.

The approval referred to above was given by the holders of the outstanding Notes who announced their consent until 25 March 2010, and it was signed by Marfrig Alimentos S.A., União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A., the last three considered relevant subsidiaries which also became guarantors of the transaction.

* * *

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Marfrig Frigorificos e Comércio de Alimentos S.A.
São Paulo - São Paulo

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Marfrig Frigoríficos e Comércio de Alimentos S.A. as of December 31, 2008 and the respective individual (Company) and consolidated statements of operations, changes in shareholders' equity, cash flows and value added for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of controlled companies Frigoclass Alimentos S.A., Secculum Participações Limitada and União Frederiquense Participações Limitada were reviewed by us. The financial statements of the controlled companies Argentine Breeders & Packers S.A., Establecimientos Colonia S.A., Frigorífico Tacuarembó S.A., Inaler S.A., Marfrig Chile Inversiones Limitada, Masplen Limited, Quickfood S.A., Prestcott International S.A. and Weston Importers Limited were reviewed by other independent auditors, member firms of the BDO network. Our opinion on the carrying values of the investments in these companies and the equity in their earnings is based on the work of those auditors. The financial statements of Weston Importers Limited include, as from March 7, 2008, the accounts of CDB Meats Ltd. and as from October 1, 2008 the accounts of Moy Park Holding Europe Ltd.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our audits and on the opinion of other independent auditors, as mentioned in paragraph 1, the financial statements referred to in that paragraph present fairly, in all material respects, the individual (Company) and consolidated financial position of Marfrig Frigoríficos e Comércio de Alimentos S.A. as of December 31, 2008, and the results of its operations, the changes in shareholders' equity, the cash flows and value added to its operations for the year then ended, in conformity with Brazilian accounting practices.

BDO Trevisan

4. We had previously audited the individual (Company) and consolidated financial statements for the year ended December 31, 2007, consisting of the balance sheet, the statement of operations, the statement of changes in shareholders' equity and the statement of changes in financial position, on which we issued a report with an emphasis-of-a-matter paragraph on the statement of cash flows disclosed as supplementary information dated February 6, 2008 and February 25, 2008 for note "23.d", which addressed restrictions imposed by Russia on meat importations, and note "23.e", which addressed new acquisitions. As mentioned in note 3, Brazilian accounting practices were changed as from January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the 2008 financial statements, were prepared in accordance with Brazilian accounting practices in effect until December 31, 2007 and, as allowed by CPC Technical Pronouncement No. 13 - Initial Adoption of Law No. 11,638/07 and Executive Act No. 449/08, are not being republished with the adjustments for purposes of comparison between the years.

5. The statement of cash flows for the year ended December 31, 2007, prepared in connection with the 2008 financial statements, was subjected to the same audit procedures described in paragraph 2 and, in our opinion, that statement is fairly stated, in all material respects, in relation to the financial statements mentioned in paragraph 4, taken as a whole.

6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Ribeirão Preto, February 26, 2009. (March 5, 2009 for explanatory note 25)

Estefan George Haddad
Engagement Partner
BDO Trevisan Auditores Independentes

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

EXHIBIT 1

MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reals)

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	774,160	867,752	1,071,664	1,049,806
Trade accounts receivable - domestic (note 5)	380,987	321,455	686,035	387,169
Trade accounts receivable - foreign (note 5)	115,847	237,807	315,877	350,205
Inventories of goods and merchandise (note 6)	774,872	446,363	1,581,934	594,571
Recoverable taxes (note 7)	455,572	221,693	689,393	297,867
Prepaid expenses	910	904	25,237	1,799
Other receivables	304	-	305	-
Total current assets	2,502,652	2,095,974	4,370,445	2,681,417
Non-current assets				
Long-term assets				
Financial investments	212	238	4,195	3,274
Compulsory deposits	15,895	5,498	23,378	5,524
Notes receivable (note 8)	1,589,329	56,515	363	2,629
Deferred taxes (note 9)	275,597	12,185	303,568	20,314
Recoverable taxes (note 7)	2,010	2,009	44,631	2,752
Other receivables	93	89	9,243	8,784
	1,883,136	76,534	385,378	43,277
Investment (note 10)	867,354	944,043	1,197	647,016
Property, plant and equipment (note 11)	890,682	651,666	2,235,688	947,842
Intangible assets (note 12)	525,038		2,144,212	
Deferred charges (note 13)			18,252	11,114
	2,283,074	1,595,709	4,399,349	1,605,972
Total noncurrent assets	4,166,210	1,672,243	4,784,727	1,649,249
Total assets	6,668,862	3,768,217	9,155,172	4,330,666

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
LIABILITIES				
Current liabilities				
Trade accounts payable	81,134	168,270	748,495	335,396
Accrued payroll and related charges (note 14)	97,492	50,531	269,793	71,479
Taxes payable (note 15)	9,297	17,500	274,543	40,465
Loans and financing (note 16)	577,500	246,463	1,232,097	428,105
Notes payable	11,660	269,753	11,660	269,753
Interest on equity capital	-	32,111		32,111
Lease payable (note 17)	43,914	-	62,582	
Other payables	235	2,143	200,323	30,016
Total current liabilities	821,232	786,771	2,799,493	1,207,325
Non-current liabilities				
Loans and financing (note 16)	2,820,083	1,510,770	3,081,377	1,645,856
Taxes payable (note 15)	37,087	60,207	78,674	61,794
Deferred charges (note 19)	39,899	43,151	109,019	57,277
Provisions (note18)	44,990	43,976	108,475	48,154
Lease payable (note 17)	107,603		142,114	
Other payables	68,117	41,015	88,252	4,563
Total non-current liabilities	3,117,779	1,699,119	3,607,911	1,817,644
Minority interest			17,917	23,370
Shareholders' equity (note 20)				
Capital stock	2,525,639	1,183,826	2,525,639	1,183,826
Income reserves	155,061	3,217	155,061	3,217
Asset and liability valuation adjustments	15,777		15,777	-
Accumulated translation adjustments	33,374	-	33,374	-
Retained earnings	-	95,284	-	95,284
	2,729,851	1,282,327	2,729,851	1,282,327
Total liabilities and shareholders' equity	6,668,862	3,768,217	9,155,172	4,330,666

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

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

EXHIBIT 2

MARFRIG FRIGORIFICOS E COMERCIO DE ALIMENTOS S.A.

STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazil ian reais)

	Company		Consolidated	
	2008	2007	2008	2007
GROSS SALES				
Domestic	1,641,642	1,489,722	3,838,545	1,869,706
Foreign	644,948	1,080,304	2,936,668	1,856,544
DEDUCTIONS FROM GROSS SALES				
Sales taxes	(133,415)	(129,769)	(314,883)	(183,585)
Returns and discounts	(184,794)	(190,051)	(256,533)	(202,716)
NET SALES	1,968,381	2,250,206	6,203,797	3,339,949
Cost of goods sold	(1,387,088)	(1,705,283)	(4,876,825)	(2,673,076)
GROSS INCOME	581,293	544,923	1,326,972	666,873
OPERATING REVENUES (EXPENSES)				
Commercial expenses	(157,719)	(171,485)	(393,354)	(219,742)
Administrative and general expenses	(77,626)	(67,563)	(179,731)	(103,613)
Equity in earnings of controlled companies	228,892	6,985	-	-
Goodwill amortization	(36,580)	(10,124)	(37,132)	(10,124)
Other operating revenues (expenses)	935	370	7,831	(208)
	(42,098)	(241,817)	(602,386)	(333,687)
OPERATING INCOME BEFORE FINANCIAL INCOME	539,195	303,106	724,586	333,186
FINANCIAL INCOME (EXPENSES)				
Financial income	208,120	52,522	234,095	65,437
Financial expenses	(350,382)	(240,472)	(451,542)	(260,598)
Interest on equity capital	-	(41,247)	-	(41,247)
IPO expenses	-	(30,273)	-	(30,273)
Exchange gain	404,019	206,468	479,159	220,708
Exchange variation effect - translation	-	-	-	(2,352)
Exchange loss	(1,069,831)	(203,423)	(1,222,772)	(208,661)
	(808,074)	(256,425)	(961,060)	(256,986)
OPERATING INCOME (LOSS)	(268,879)	46,681	(236,474)	76,200
Non-operating loss	-	(90)	-	(2,005)
INCOME (LOSS) BEFORE TAXES	(268,879)	46,591	(236,474)	74,195
Income tax	196,076	(17,124)	144,174	(22,711)
Social contribution tax	70,588	(6,369)	67,635	(5,355)
	266,664	(23,493)	211,809	(28,066)
INCOME (LOSS) BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL	(2,215)	23,098	(24,665)	46,129
Reversal of interest on equity capital	-	41,247	-	41,247
INCOME (LOSS) BEFORE MINORITY INTEREST	(2,215)	64,345	(24,665)	87,376
Minority interest			(10,835)	(2,421)
NET INCOME (LOSS) FOR THE YEAR	(2,215)	64,345	(35,500)	84,955
PER THOUSAND SHARES - in Brazilian reais	(8.27)	315.50	(132.49)	416.55

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

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

EXHIBIT 3

MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais)

	Capital stock	Income reserve	Asset and liability valuation adjustments	Accumulated translation adjustments	Retained earnings	Total
AS OF JANUARY 1, 2007	140,000	-	-	-	83,181	223,181
Net income	-	-	-	-	64,345	64,345
Legal reserve	-	3,217	-	-	(3,217)	-
Dividends	-	-	-	-	(7,778)	(7,778)
Interest on equity capital	-	-	-	-	(41,247)	(41,247)
Capital increase	1,043,826	-	-	-	-	1,043,826
AS OF DECEMBER 31, 2007	1,183,826	3,217	-	-	95,284	1,282,327
Adjustment for change in accounting practices	(30,273)	95,284	(25,078)		(23,543)	16,390
Capital increase	1,375,892	-	-	-	-	1,375,892
Expenses on private issue of shares	(3,806)	-	-	-	-	(3,806)
Exchange variation on investments	-	-	40,855	-	-	40,855
Exchange variation - balance sheet translation	-	-	-	33,374	-	33,374
Repurchase of shares-treasury	-	(12,966)	-	-	-	(12,966)
Net income	-	-	-	-	(2,215)	(2,215)
Earnings retention	-	71,741	-	-	(71,741)	-
Absorption of loss from othes	-	(2,215)	-	-	2,215	-
AS OF DECEMBER 31, 2008	2,525,639	155,061	15,777	33,374	-	2,729,851

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

EXHIBIT 4

MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais)

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Operating activities				
Net income (loss) for the year	(2,215)	64,345	(35,500)	84,955
Non-cash items	242,294	(159,050)	839,914	(175,171)
Depreciation	50,241	23,076	116,865	35,561
Amortization	36,580	10,124	42,903	11,485
Minority interest	-	-	10,835	2,421
Provision for contingencies	1,014	8,072	62,403	8,072
Deferred taxes	(266,664)	(7,832)	(261,673)	(14,901)
Equity in earnings of controlled companies	(228,892)	(6,985)	-	-
Exchange variation on financing	649,919	(185,505)	867,034	(197,199)
Write-off of property, plant and equipment	96	-	1,547	
Gains on investments				(20,610)
Changes in shareholders' equity	(2,089,137)	(5,344)	(1,532,871)	(114,626)
Trade accounts receivable	62,428	(249,929)	53,105	(373,290)
Inventories	(328,509)	(141,891)	(606,520)	(247,203)
Escrow deposits	(10,397)	(3,724)	(6,323)	(3,750)
Accrued payroll and related charges	46,961	(608)	77,638	14,379
Accounts payable and accrued expenses	(87,136)	26,659	(259,126)	122,622
Taxes	(265,203)	(74,193)	(418,329)	(108,398)
Finance charges	200,558	115,239	235,260	126,119
Provisions for contingencies	-	35,904	-	40,082
Notes receivable and payable	(1,763,805)	262,261	(610,783)	272,622
Other asset and liability accounts	55,966	24,938	2,207	42,191
Cash flows from operating activities	(1,849,058)	(100,049)	(728,457)	(204,842)
Investment activities				
Investments	(169,314)	(744,553)	(560,139)	(563,423)
Remittances by the controlling company	-	(56,314)	-	-
Exchange variation on investment	(74,229)	-	(74,229)	-
Reduction of goodwill on investments	10,703	-	10,703	-
Consolidation of investments without cash effects	-	-	19,695	-
Investments in property, plant and equipment	(102,006)	(324,293)	(284,807)	(553,923)
Property, plant and equipment—lease payable	(187,347)		(200,284)	
Intangible assets	(22,851)	-	(917,553)	-
Investments in deferred charges	-	-	-	(12,475)
Cash flows from investing activities	(545,044)	(1,125,160)	(2,006,614)	(1,129,821)
Financing activities				
Dividends paid in the year	-	(7,778)	-	(7,778)
Interest on equity capital paid in the year	-	(41,247)	-	(41,247)
Loans and financing	789,873	820,164	1,137,220	1,097,928
Loans taken out by the Company	2,062,339	1,410,897	3,426,003	1,989,470
Loans repaid by the Company	(1,272,466)	(590,733)	(2,288,783)	(891,542)
Lease payable	151,517	-	204,696	-
Treasury shares	(12,966)	-	(12,966)	-
Capital increase	1,372,086	1,043,826	1,372,086	1,043,826
Cash flows from financing activities	2,300,510	1,814,965	2,701,036	2,092,729
Exchange variation on cash and cash equivalents	-	-	55,893	
Cash flows in the year	(93,592)	589,756	21,858	758,066
Cash, bank accounts and short-term investments				
Ending balance	774,160	867,752	1,071,664	1,049,806
Beginning balance	867,752	277,996	1,049,806	291,740
Cahnges in the year	(93,592)	589,756	21,858	758,066

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

EXHIBIT 5

MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais)

	Company	Consolidated
1 - REVENUES	2,286,686	6,760,941
1.1) Sales of merchandise, goods and services	2,286,590	6,775,213
1.2) Other revenues	96	(9,239)
1.3) Allowance for doubtful accounts-Reversal/(Recognition)	-	(5,033)
2 - INPUT ACQUIRED BY THIRD PARTIES (includes taxes - ICMS, IPI, PIS and COFINS)	1,349,792	4,855,589
2.1) Cost of goods, merchandise and services sold	1,285,091	4,058,701
2.2) Materials, energy, third-party services and others	64,701	802,112
2.3) Loss / Recovery of assets	-	(5,224)
3 - GROSS VALUE ADDED (1-2)	936,894	1,905,352
4 - DEPRECIATION AND AMORTIZATION	86,821	159,768
5 - NET VALUE ADDED GENERATED BY THE COMPANY (3 - 4)	850,073	1,745,584
6 - VALUE ADDED RECEIVED BY TRANSFER	841,031	713,254
6.1) Equity in earnings of controlled companies	228,892	-
6.2) Financial income	612,139	713,254
7 - TOTAL VALUE ADDED TO BE DISTRIBUTED (5 + 6)	1,691,104	2,458,838
8 - DISTRIBUTION OF VALUE ADDED (*)	1,691,104	2,458,838
8.1) Personnel	204,279	547,483
8.1.1 - Direct compensation	167,022	476,472
8.1.2 - Benefits	23,618	51,403
8.1.3 - F.G.T.S.	13,639	19,608
8.2) Taxes	(7,752)	178,376
8.2.1 - Federal	(98,834)	55,145
8.2.2 - State	91,082	122,417
8.2.3 - Municipal	-	814
8.3) Yield on third-party capitals	1,496,792	1,757,443
8.3.1 - Interest	1,420,213	1,674,314
8.3.2 - Rents	76,579	83,043
8.3.3 - Other		86
8.4) Yield on equity capital	(2,215)	(24,464)
8.4.1 - Retained earnings/Net loss	(2,215)	(35,500)
8.4.2 - Non-controlling interest in retained earnings (only for consolidation purposes)	-	11,036

(Convenience Translation into English from the Original Previously Issued in Portuguese)

MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008 AND 2007.
(In thousands of Brazilian reais)

1. OPERATIONS

Marfrig Frigoríficos e Comércio de Alimentos S.A. (the "Company"), is a publicly held company that carries out foodstuff production and meat packing activities consisting of cattle, pig, sheep and poultry slaughtering; industrial processing, distribution and marketing of animal products and by-products, whether edible or not, at their own or third parties' facilities. Its activities also comprise import and export of animal products and by-products, as well as other activities described in the Company's by-laws.

Marfrig Frigoríficos e Comércio de Alimentos S.A. was set up on June 6, 2000 and became a corporation on March 26, 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20788 on June 18, 2007 and made its initial public offering (IPO) on June 29, 2007. Its shares were listed on the New Market of São Paulo Stock Exchange (Bovespa) under code No. MRFG3. As of December 31, 2008 the Company's subscribed and paid-in capital stock consisted of 267,943,954 common shares of which 135,162,786 or 50.44% are under the control of MMS Participações S.A. and 132,781,170 shares or 49.56% are traded ("free float") in capital markets. MMS Participações S.A. is controlled by Marcos Antônio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

As a participant in BM&FBOVESPA's New Market, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to arbitration clause included in its by-laws.

The Company's financial and equity position should be considered within the context of the integrated activities of:

- Beef and Food Service Divisions - Brazil:
  - Marfrig Frigoríficos e Comércio de Alimentos S.A. (Brazil) - made up of nine cattle slaughtering units, three beef processing units located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a Distribution Center in the State of São Paulo;
  - Masplen Ltd (Jersey), (company which holds 100% of Pampeano Alimentos S.A. (Brazil)), a company which produces canned meat and other industrialized products in Rio Grande do Sul.
- Division of Poultry, Swine and Processed Products - Brazil:
  - Secculum Participações Ltda. (Brazil) and União Frederiquense Participações Ltda. (Brazil), (companies that together hold 100% of Frigorifico Mabella Ltda. (Brazil)). Mabella operates a pig slaughtering unit in the State of Santa Catarina and one pig slaughtering and pork processing unit in the State of Rio Grande do Sul. It is also responsible for Marfrig's poultry and pig operations, and has the following percentages of ownership interest in the companies:
    - DaGranja Agroindustrial Ltda - 94%;
    - Braslo Produtos de Carnes Ltda - 100%;
    - Agrofrango Indústria e Comércio de Alimentos Ltda - 100%;
    - Penasul Alimentos Ltda - 100%;
    - Poultry operations consist of seven poultry slaughtering plants and seven poultry processing units in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and Distrito Federal;
    - MBL Alimentos S.A (Carroll's) - 100%, company which is engaged in pig raising.
- Argentine Division:
  - Argentine Breeders & Packers S.A. (Argentina), with three cattle slaughtering plants (including positions whereby it holds 100% of Best Beef S.A. companies. (Argentina), Estâncias del Sur S.A. (Argentina) and Mirab S.A. (Argentina and USA), producer and distributor of beef jerky in the US market and several other export destinations;
  - Quickfood S.A (Argentina), holder of PATY brand, a leader in the Argentine, Uruguayan and Chilean hamburger markets, with two slaughtering plants and three units of beef processed products.

- Uruguay Division:
  - Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughtering and beef processing unit;
  - Inaler S.A. (Uruguay), cattle and sheep slaughtering unit;
  - Marfrig Chile Inversiones Ltda. (Chile), operating a lamb packing plant in
  - Patagonia and a meat deboning and trading unit which operates in the Chilean market;
  - Prestcott International S.A. (Uruguay), which holds 100% Cledinor S.A (Uruguay), beef and lamb packing plant in the city of Salto;
  - Establecimientos Colonia S.A. (Uruguay), beef packing plant in the city of the same name.

- Europe Division:
  - Weston Importers Ltd. (United Kingdom), a trading company which operates in the European market and holds 100% of CDB Meats Ltd (United Kingdom), producer of processed meat and 100% of Moy Park Holdings (Europe) Limited (company headquartered in Northern Ireland), holds 100% of Moy Park Group and Kitchen Range Foods Ltd (England), which operated three poultry slaughtering plants and eight processed product plants in England, Northern Ireland, France and the Netherlands.

2. PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements are expressed in Brazilian reais and have been prepared in accordance with Brazilian accounting practices, which comprise Brazilian Corporate Law (Law No. 6,404/76), the Pronouncements, Guidelines and Interpretations issued by the Committee of Accounting Pronouncements - CPC, approved by the Brazilian Securities and Exchange Commission (CVM) as well as other pronouncements issued by that federal agency.

2.1 New legislation and changes in accounting practices

On December 28, 2007 Law No. 11,638, which was changed by Executive Act No. 449 of December 3, 2008, took effect beginning January 1, 2008. These regulations modified certain provisions of Law No. 6,404/76 (Brazilian Corporate Law).

When preparing the 2008 individual and consolidated financial statements, the Company implemented for the first time the changes in corporate law introduced by Law No. 11,638/07 and Executive Act No. 449/08.

According to the aforementioned standards, Accounting Pronouncements were issued and published by CPC and approved by CVM. Considering these provisions, the Company made the following changes in accounting practices and the disclosure of financial statements:

- Pursuant to CPC Technical Pronouncement No. 01 Impairment Charge, approved by CVM Resolution No. 527 of November 1, 2007, property, plant and equipment, intangible assets and deferred charges were tested for impairment. Tests showed that no assets are recorded in the Company's books of account in an amount higher than that which may be recovered by use or sale.

- Shareholders' Equity - A new account called "Asset and Liability Valuation Adjustments" was created to record exchange variations of corporate investments abroad. The controlled company is an entity independent from the head office in Brazil. A caption called "Accumulated Translation Adjustments" was also created to record exchange variations resulting from the translation of the foreign subsidiaries' financial statements where the investee's functional currency is different from that of the controlling company. Accordingly, these amounts no longer affect the Company's results, in accordance with CPC Technical Pronouncement No. 2 - Effects of Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534 of January 29, 2008.

- The Company replaced the Statement of Changes in Financial Position with the Statement of Cash Flows, in accordance with CPC Technical Pronouncement No. 03 - Statement of Cash Flows, approved by CVM Resolution No. 547 of August 13, 2008.

- At the transition date the Company reclassified certain property, plant and equipment items and deferred charges to intangible assets, as provided for in CPC Technical Pronouncement No. 4 - intangible assets, approved by CVM Decision No. 553, of November 12, 2008.

- Following CPC Technical Pronouncement No. 06 - Lease Transactions, approved by CVM Resolution No. 554 of November 12, 2008, the Company made the following:

  1) Assets obtained under finance leases were recognized as property, plant and equipment at their fair value or, if lower, at the present value of the balance of minimum payments provided for in finance lease agreements. These assets are depreciated at the rates adopted by the Company according to the nature of each asset. The residual value of assets obtained under finance leases, sold or written off due to loss is recognized as cost or loss, respectively, in the statement of operations;

  2) The respective finance lease balances payable were recognized in current liabilities and non-current liabilities according to the present value of remaining installments payable at the transition date. The difference the present value and the total value of falling due installments will be recognized in the statement of operations as financial expenses for the agreements' remaining terms using the amortized cost method and according to effective interest rates.

  In 2007 finance lease agreements were accounted for as operating leases and the amounts payable were recognized in the Company's liabilities.

- Costs incurred with raising funds through the public and private issue of shares were recorded in shareholders' equity under "Expenses on issue of shares", no longer affecting the Company's results, in accordance with CPC Technical Pronouncement No. 08 - Transaction Costs and Premiums on the Issue of Securities, approved by CVM Resolution No. 556 of November 12, 2008.

- For the first time the Company included the Statement of Value Added in its financial statements, in accordance with CPC Technical Pronouncement No. 09 - Statement of Value Added, which was approved by CVM Resolution No. 557 of November 12, 2008 and released companies from disclosing comparative statements in this first year. The purpose of the Statement of Value Added is to show the wealth created by the Company and its distribution to employee, financiers, shareholders, government and other stakeholders, in addition to the amount of wealth not distributed.

- Certain non-current assets and liabilities, as well as current assets and liabilities, when material, must be discounted to present value at the dates of the respective transactions, according to rates that reflect the cost of money borne by the Company over time, as well as the specific risks related to the cash flows expected for the respective accounts. These adjustments were made in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564 of December 17, 2008.

  The initial effects of the discounts to present value arising from the initial adoption of Law No. 11.638/07 and Executive Act No. 449/08 were recorded against retained earnings.

- Financial instruments were classified as: "for trading", "held-to-maturity" and "available for sale", and will be valued at cost, plus yield or at market value due to their classification, according to CPC Technical Pronouncement No. 14. Recognition, Measurement and Evidencing, approved by CVM Resolution No. 566 of December 17, 2008.

- As of December 31, 2008 the balance of deferred charges (Consolidated) will be maintained until its full amortization, according to CPC Technical Pronouncement No. 13 - Initial Adoption of Law No. 11,638/07 and Executive Act No. 449/08, approved by CVM Resolution No. 565 of December 17, 2008.

- Changes in corporate legislation brought about by Executive Act No. 449/08, related to the equity method of accounting to value its permanent investments in all affiliated companies, did not have effects on the Company's financial statements.

2.2 Initial adoption of Law No. 11,638/2007 and Executive Act No. 449/2008

The Company adopted January 1, 2008 as the transition date to apply the new accounting practices, according to CVM Resolution No. 565/2008. This resolution approved CPC No. 13, which addresses the preparation of the first financial statements according to the new accounting practices adopted in Brazil. Therefore, the Company opted to apply only paragraph 1, article 186 of Law No. 6,404/76.

Given this option, the financial statements for the year ended December 31, 2007, presented together with 2008 financial statements, were prepared in accordance with Brazilian accounting practices in effect on that date and are not republished with the adjustments for comparison between the years.

2.3 Adjustments arising from the new legislation

Due to the changes brought about by the new accounting legislation equity adjustments were determined at the transition date, which result from the initial adoption of Law No. 11,638/07 and Executive Act No. 449/08, as well as the accounting effects on 2008 of the two rules and resolutions published by CVM, which are presented below:

	Company			Consolidated		
Equity adjustments at the transition date	**12.31.07**	**Adjustments**	**01.01.08**	**12.31.07**	**Adjustments**	**01.01.08**
Trade accounts receivable - domestic (a)	321,455	(6,440)	315,015	387,169	(6,440)	380,729
Trade accounts receivable - foreign (a)	237,807	(3,676)	234,131	350,205	(3,676)	346,529
Investments (c)	944,043	(533,308)	410,735	647,016	(645,593)	1,423
Property, plant and equipment (b)	651,666	189,528	841,194	947,842	188,721	1,136,563
Intangible assets (c)		533,308	533,308		645,593	645,593
Intangible assets (d)		15,015	15,015		15,822	15,822
Intangible assets - Total		548,323	548,323		661,415	661,415
Trade accounts payable (a)	168,270	(3,185)	165,085	335,396	(3,185)	332,211
Taxes - current (a)	17,500	(136)	17,364	40,465	(136)	40,329
Loans and financing - current (b)	246,463	85,133	331,596	428,105	85,133	513,238
Notes payable - current (a)	269,753	(7,442)	262,311	269,753	(7,442)	262,311
Loans and financing - long-term (b)	1,510,770	107,603	1,618,373	1,645,856	107,603	1,753,459
Taxes - long-term (a)	60,207	(3,936)	56,271	61,794	(3,936)	57,858
Expenses on public issue of shares - shareholders' equity		(30,273)	(30,273)		(30,273)	(30,273)
Exchange variation on investment - shareholders' equity		(25,078)	(25,078)		(25,078)	(25,078)
Earnings retention	3,217	95,284	98,501	3,217	95,284	98,501
Retained earnings	95,284	(23,543)	71,741	95,284	(23,543)	71,741

(a) Discount to present value
(b) Recording of finance lease
(c) Goodwill on the acquisition of controlled companies
(d) Trademarks and patents

	Net income (loss)		Shareholders' equity	
Effects in 2008	**Company**	**Consolidated**	**Company**	**Consolidated**
New legislation (1)	(2,215)	(35,500)	2,729,851	2,729,851
Exchange variation on foreign investments	74,229	74,229		
Discount to present value of assets and liabilities	(14,821)	(14,821)	(14,821)	(14,821)
Expense with private issue of shares	(3,806)	(3,806)		
Finance lease	(24,023)	(24,023)	(24,023)	(24,023)
According to standards in effect in 2007	29,364	(3,921)	2,691,007	2,691,007

(1) The adjustments resulting from the new accounting practices caused no tax effects, considering the Temporary Tax Regime established by Executive Act No. 449/2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1 Significant accounting practices

The significant accounting practices adopted to prepare these financial statements are as follows:

a. Results of operations

Results of operations are recorded on the accrual basis.

Service revenues are recognized in the statement of operations as services are rendered.

b. Accounting estimates

The preparation of the individual and consolidated financial statements in accordance with Brazilian accounting practices requires management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include the determination of the residual value of property, plant, and equipment, and the recognition of deferred income and social contribution taxes, allowances for doubtful accounts, inventory valuation allowances and provisions for tax, labor and civil risks. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its controlled companies review estimates and assumptions at least quarterly.

c. Financial instruments

Non-derivative financial instruments include financial investments, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments which are not recognized at fair value in operations, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured according to their respective classification:

- Held-to-maturity instruments

  If the Company intends and is able to hold its debt instruments until maturity they are classified as held-to-maturity instruments. Held-to-maturity investments are stated at their amortized cost using the effective interest rate method, less possible impairment charges.

- Available-for-sale instruments

  The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After initial recognition, they are stated at fair value and their fluctuations, except impairment charges, and the foreign currency differences of these instruments, are recognized directly in equity, net of tax effects. When an investment fails to be recognized, the gain or loss accumulated in equity is transferred to the statement of operations.

- Financial instruments stated at fair value in the statement of operations

  An instrument is carried at fair value in the statement of operations if it is held for trading, i.e. classified as such upon initial recognition. Financial instruments are carried at fair value in the statement of operations if the Company manages these investments and takes purchasing and sales decisions according to their fair value and the investment and risk management strategy documented by the Company. After initial recognition, attributable transaction costs are recognized in the statement of operations when incurred. Financial instruments stated at fair value in the statement of operations are determined according to their fair value and their fluctuations are recognized in the statement of operations.

- Other

  Other non-derivative financial instruments are stated at amortized cost using the effective interest rate method, adjusted for possible impairment charges.

d. Foreign currency

The Company's management established that its functional currency is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 02—Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534/08.

Foreign currency transactions, i.e. all transactions not made in the functional currency, are translated using the exchange rate of the transaction date. Assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate of the fix date. Gains and losses on exchange rate variations of monetary assets and liabilities are recognized in the statement of operations. Non-monetary assets and liabilities acquired or entered into in foreign currency are translated using the exchange rates of the transaction dates or the dates they are stated at fair value when fair value is used.

e. Current and non-current assets

- Trade accounts receivable

  Trade accounts receivable are recorded at the billed amount and when applicable, discounted to present value.

  The allowance for doubtful accounts was set up in an amount deemed sufficient by management to cover possible losses on the realization of receivables.

- Inventories

  Inventories are stated at the average purchase or production cost, which are lower than market or realizable values.

- Investments

  Investments in controlled and affiliated companies are valued by the equity method.

- Property, plant and equipment

  Property, plant and equipment are stated at acquisition or construction cost, less depreciation calculated using the straight-line method at the rates mentioned in note 11 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

  Finance charges on financing agreements entered into by the Company when property, plant and equipment items are being built are capitalized.

  Other expenses are capitalized only when economic benefits of property, plant and equipment increase. Any other type of expense is recognized in operations as an expense when incurred.

- Lease

  Finance lease

  Certain lease agreements substantially transfer the risks and benefits pertaining to the property of an asset. These agreements are finance leases and assets are recognized at fair value or at the present value of minimum payments provided for by the agreements. Items recognized as assets are depreciated at the rates applicable to each group of assets, according to note No. 11. Finance charges on finance lease agreements are recognized in operations during the lease term, using the amortized cost method and the effective interest rate.

  Operating lease

  Payments made under an operating lease are recognized as expenses in the statement of operations on a straight-line basis during the lease term.

- Intangible assets

  Intangible assets consist of assets acquired from third parties, including through business combinations, and those generated internally by the Company. They are stated at acquisition or formation cost, less amortization calculated using the straight-line method, according to the terms of the exploration rights set forth on lease agreements and goodwill recovery estimated periods.

  Intangible assets with an indefinite useful life and goodwill resulting from expected future profitability as from January 1, 2009 will not be amortized and will be annually tested for impairment.

f. Impairment

Property, plant and equipment, intangible assets and deferred charges are tested for impairment at least annually, if events and circumstances have occurred that indicate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually regardless of whether or not events and circumstances have occurred that indicate possible impairment.

g. Current and non-current liabilities

These are stated at known or estimated amounts, plus the related charges, exchange and/or monetary variations incurred through the balance sheet date, when applicable. Where applicable, current and non-current liabilities are stated at present value, transaction by transaction, according to interest rates which reflect each transaction's term, currency and risk. The offsetting entry to discounts to present value is made to the accounts that originated the liability. The difference between the present value of a transaction and the face value of a liability is recorded in the statement of operations during the term of the contract according to the amortized method cost and the effective interest rate.

h. Provisions

Provisions are recognized as a result of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognized when they are considered as probable, based on the best estimates of risks involved.

i. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognized in the balance sheet and the statement of operations as contract conditions are met and as commented in note 21.

j. Income and social contribution taxes

Income tax is calculated on taxable income. Income and social contribution taxes are paid monthly on estimated calculation bases, at the rates and in the manners provided for in prevailing legislation.

Deferred assets recognized for income and social contribution tax losses and temporary differences are recognized pursuant to tax legislation and CVM Instruction No. 371 of June 27, 2002. They take into consideration the Company's history of profitability and the expected generation of taxable income in the future supported by a technical feasibility study annually reviewed.

Under Executive Act No. 449/08, the Company and its controlled companies, where applicable, must opt for the Temporary Tax Regime, which option must be made irrevocably on the 2009 Corporate Income Tax Return.

k. Earnings per share

Earnings per share are calculated based on the number of shares outstanding at the balance sheet date.

l. Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in the previous year.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of controlled companies;
- Elimination of the balances of intercompany revenues and expenses and unrealized profits resulting from intercompany transactions.

3.2 Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its controlled companies, as follows:

	Ownership interest	
DIRECTLY CONTROLLED COMPANIES	**12/31/08**	**12/31/07**
Argentine Breeders & Packers S.A	99.99%	100%
Frigoclass Alimentos S.A	100%	100%
Marfrig Chile Inversiones Ltda	99.47%	99.00%
Inaler S.A	100%	100%
Frigorifico Tacuarembo S.A	93.26%	93.22%
Weston Importers Ltd	100%	99.98%
Masplen Limited	100%	100%
Prestcott International S.A	97.99%	97.99%
Secculum Participações Ltda	99.00%	100%
União Frederiquense Partic. Ltda	99.84%	100%
Blue Horizon Trading Co. LLC (1)	-	100%
Zanzibar Capital, LLC (1)	-	100%
QuickFood S.A	80.31%	-
Establecimientos Colonia S.A	100%	-

(1) Blue Horizon and Zanzibar, which were the shareholders of Quickfood and Colonia, respectively, were merged into the Company on December 1, 2008.
This way, the company started to be the controller shareholder of the companies mentioned.

Financial statements of controlled companies located abroad were originally prepared in local currency, according to the applicable laws of each country where the companies are located. They were reviewed by independent auditors, converted into the International Financial Reporting Standards - IFRS and expressed in US dollars (USD). Later, those financial statements were converted into Brazilian accounting practices and translated into Brazilian reais, according to the exchange rate of the balance sheet date.

4. CASH AND CASH EQUIVALENTS

Refer to the cash available in the company, in banks, and as investments as follows:

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Cash and banks	293,469	172,564	395,662	211,551
Certificates of deposit	480,691	695,188	676,002	838,255
	774,160	867,752	1,071,664	1,049,806

The cash and cash equivalents of foreign controlled companies are stated as follows:

	12/31/08	**12/31/07**
Cash and banks	73,002	36,040
Certificates of deposit	195,282	138,973
	268,284	175,013

5. TRADE ACCOUNTS RECEIVABLE - DOMESTIC AND FOREIGN CUSTOMERS

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/08**
Trade accounts receivable - domestic	380,987	321,455	686,035	387,169
Trade accounts receivable - foreign	168,488	335,342	409,533	459,447
Advances on exchange contracts	(52,641)	(97,535)	(93,656)	(109,242)
	115,847	237,807	315,877	350,205
	496,834	559,262	1,001,912	737,374
Falling due amounts	484,830	537,815	885,254	662,815
Past due amounts				
From 1 to 30 days	9,657	20,527	75,156	51,614
From 31 to 60 days	161	61	23,594	7,714
From 61 to 90 days	205	55	5,992	3,086
Over 91 days	1,981	804	40,150	17,974
(-) Allowance for doubtful accounts	-	-	(28,234)	(5,829)
	496,834	559,262	1,001,912	737,374

The allowance for doubtful accounts was set up in an amount deemed sufficient by management to cover possible losses on the realization of receivables.

The value receivable were updated to present value, according to Technical Statement CPC n°12, approved by Deliberation CVM n°. 564/2008.

6. INVENTORIES OF GOODS AND MERCHANDISE

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Finished goods and other	743,801	398,118	1,468,800	515,283
Packaging materials and storeroom supplies	31,071	48,245	113,134	79,288
	774,872	446,363	1,581,934	594,571

In the years ended December 31, 2008 and 2007, inventories of finished goods were carried at average purchase and/or production cost, lower than realization values, as explained in note 3.

Inventories of foreign controlled companies are stated as follows:

	12/31/08	**12/31/07**
Finished goods and other	490,129	96,264
Packaging materials and storeroom supplies	20,110	9,098
	510,239	105,362

7. RECOVERABLE TAXES

	Company		Consolidated	
	12/31/08	12/31/07	12/31/08	12/31/07
State VAT - ICMS	163,950	144,336	217,527	153,159
I PI (Federal VAT) deemed credit	60,782	10,992	66,941	11,170
PIS (tax on sales) credit	38,605	15,463	64,056	19,464
COFINS (tax on sales) credit	152,483	45,880	262,090	63,551
Income tax	5,827	-	27,946	1,833
Social contribution tax	4,164	2,009	5,010	2,010
IRRF (withholding income tax)	31,771	5,022	33,147	5,049
IVA (value-added tax)	-	-	36,704	22,903
Export certificates	-	-	12,575	12,213
Other	-	-	8,028	9,267
Total	**457,582**	**223,702**	**734,024**	**300,619**
Current assets	455,572	221,693	689,393	297,867
Non-current assets	2,010	2,009	44,631	2,752
Total	**457,582**	**223,702**	**734,024**	**300,619**

7.1 ICMS

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging, and other materials, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. The balance also includes total balances of these credits resulting from companies acquired in 2008.

7.2 Deemed IPI credit

Refers to the refund of PIS and COFINS levied on input acquired domestically and used in the processing of goods actually exported. It also includes total balances of these credits resulting from companies acquired in 2008.

7.3 PIS and COFINS

Refer to noncumulative credit of PIS and COFINS levied on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets. They also include total balances of these credits resulting from companies acquired in 2008.

7.4 Income and social contribution taxes

Refer to income and social contribution taxes prepaid in the period ended December 31, 2008.

7.5 Withholding income tax (IRRF)

Withholding income tax refers to income tax withheld from gains on financial investments made by the Company.

7.6 Export certificates

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax paid by exporters.

7.7 IVA - Value Added Tax

This caption refers to balances of recoverable value added tax of foreign controlled companies resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

8. NOTES RECEIVABLE

	Company		Consolidated	
	12/31/08	12/31/07	12/31/08	12/31/07
Related parties	1,566,063	55,671	-	-
Other notes receivable	23,266	844	363	2,629
	1,589,329	56,515	363	2,629

The Company's notes receivable mostly consist of balances resulting from transaction with its controlled companies (related parties), as described in note 8.1

8.1 RELATED-PARTY TRANSACTIONS

					COMPANY	
December 31, 2008	**Accounts receivable**	**Accounts payable**	**Purchases**	**Sales**	**Credits**	**(Debits)**
Argentine Breeders & Packers S.A.	-	-	(4,208)		39,277	-
Frigorifico Tacuarembo S.A.	-	936	(3,935)		16,087	-
Inaler S.A.	-	1,056	(4,282)		10,035	-
Marfrig Chile Inversiones Ltda	-	-	-	-	168	-
Quinto Cuarto S.A.	401	-	-	-	-	-
Weston Importers Ltd.	7,186	-	-	15,040	-	-
Frigoclass Alimentos S.A.	-	-	-	-	306	(43,107)
Pampeano Alimentos S.A.	-	-	-	63,976	-	(102)
Cledinor S.A.	-	1,513	(4,428)	-	-	-
Frigorifico Mabella Ltda	-	-	(10,140)	-	136,878	-
Masplen Limited	-	-	-	-	104	-
Dagranja Agroindustrial Ltda	-	-	-	-	66,846	-
Mirab USA	-	-	-	-	68,671	-
Establecimientos Colonia S.A.	-	1,640	(4,195)	-	-	-
Quickfood S.A.	-	4,614	(4,366)	-	-	-
Moy Park Limited	-	-	-	-	23,370	-
Moy Park Holdings Europe Limited	-	-	-	-	1,188,770	-
Braslo Produtos de Carne Ltda	-	-	-	-	15,551	-
Marcos Antonio Molina dos Santos	-	843	(17,210)	-	-	-
	7,587	10,602	(52,764)	79,016	1,566,063	(43,209)

						COMPANY	
December 31, 2007	**Advances**	**Accounts receivable**	**Accounts payable**	**Purchases**	**Sales**	**Credits**	**(Debits)**
Argentine Breeders & Packers S.A.	-	-	702	(3,489)	-	-	-
Frigorifico Tacuarembó S.A.	-	-	256	(4,957)	-	38,350	-
Inaler S.A.	-	-	683	(4,434)	-	-	-
Quinto Cuarto S.A.	-	405	-		-	-	-
Weston Importers Ltd.	-	23,003	-		39,914	-	-
Frigoclass Alimentos S.A.	-	-	-		-	303	(41,015)
Pampeano Alimentos S.A.	-	-	-	(46,709)	-	2,018	-
Cledinor S.A.	-	-	236		2,108	-	-
Frigorifico Mabella Ltda	-	-	-		553	15,000	-
Establecimientos Colonia S.A.	-	-	-		621	-	-
Marcos Antonio Molina dos Santos (1)	5,387	-	-	(3,306)	-	-	-
Márcia Ap. Pacoal M. dos Santos (1)	4,460	-	-		-	-	-
	9,847	23,408	1,877	(62,895)	43,196	55,671	(41,015)

(I) The balances of improvements, in December 31, 2007, are relative to pro-labore improvements and to improvement for cattle supply, which were duly eliminated in 2008 exercise.

The titles receivable and payable between related shares are corrected monetarily according to practiced rates in financial market. Those operations doesn't impact the consolidate financial statements, once that the same ones are eliminated in the consolidation process.

	CONSOLIDATED					
	Advances		Accounts payable		Total purchases in the year	
	12/31/08	12/31/07	12/31/08	12/31/07	12/31/08	12/31/07
Marcos Antonio Molina dos Santos	-	5,387	843	-	17,210	3,306
Marcia Ap. Pascoal M. dos Santos	-	4,460	-	-	-	-
	-	9,847	843	-	17,210	3,306

Mr. Marcos Molina dos Santos and his wife acquired a property in the State of São Paulo on April 27, 2007 through Maremar - Administração de Bens S/C Ltda., which is controlled by them. This property engages in genetic studies to improve breeds of beef cattle. From mid 2008, the property began to confine 7,800 animals, which are slaughtered in the Company's beef packing plants.

9. DEFERRED TAXES

	Company		Consolidated	
	12/31/08	12/31/07	12/31/08	12/31/07
Income tax (IRPJ)	202,644	8,959	226,421	16,030
Social contribution tax (CSLL)	72,953	3,226	77,147	4,284
	275,597	12,185	303,568	20,314

Refer to deferred income and social contribution taxes, calculated on taxes whose payment has been suspended (provisions), which were added to the computation of taxable income and the social contribution calculation base in 2006 and 2007, as well as on tax losses and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2009 to 2013.

Below is the movement of deferred taxes in 2008:

	Company		Consolidated	
Description	IRPJ	CSL	IRPJ	CSL
Beginning balance	8,959	3,226	16,030	4,284
Deferred taxes on goodwill utilized for tax purposes	82,842	29,823	82,842	29,823
Deferred taxes on income tax losses	110,843		110,843	
Deferred taxes on social contribution tax losses		39,904		39,904
Deferred taxes of company acquired in 2008			7,738	3,160
Other			8,968	(24)
Ending balance	202,644	72,953	226,421	77,147

10. INVESTMENTS

	Company		Consolidated	
	12/31/08	12/31/07	12/31/08	12/31/07
Ownership interest in controlled companies	867,226	410,607	-	-
Goodwill on investments (1)		533,308	-	645,593
Other investments	128	128	1,197	1,423
	867,354	944,043	1,197	647,016

(1) In 2008 the balance of goodwill paid on investments was reclassified to intangible assets (note 12), according to CVM Resolution No. 553/08 and 565/08.

10.1 - Investments (Company)

	No of units/ shares	Ownership percentage of voting capital (1)	Traded on the stock exchange	Capital stock	Equity	Net income (loss)
Argentine Breeders & Packers S.A	260,328	99.99	No	201,770	166,362	(20,597)
Frigoclass Alimentos S.A	78,573,743	100.00	No	78,574	55,992	(2,278)
Marfrig Chile Inversiones Ltda	13,288,208,080	99.47	No	57,694	26,323	(9,808)
Inaler S.A	66,247,320	100.00	No	3,429	28,767	17,130
Frigorifico Tacuarembó S.A	80,000,000	93.26	No	15,268	105,292	36,802
Weston Importers Ltd	1,338,278	100.00	No	27,221	20,839	2,679
Masplen Limited	100	100.00	No	0	27,782	737
Prestcott International S.A	79,638,916	97.99	No	6,829	36,771	23,483
Secculum Particiçóes Ltda	5,834,000	99.00	No	9,200	13,196	4,604
União Frederiquense Partic. Ltda	4,166,000	99.84	No	98,450	207,172	72,417
QuickFood S.A	21,419,606	80.31	Yes	34,924	117,976	39,921
Establecimientos Colonia S.A	80,647,477	100.00	No	61,349	95,408	43,612
Total				594,708	901,880	208,702

10.2 - The breakdown of investments is as follows (Company)

	Book balance as of December 31, 2007	Acquisition of units	Increase in capital	Investment in the period	Equity in earnings (loss) (5)	Exchange variation on equity in earnings (loss)	Book balance as of December 31, 2008
Argentine Breeders & Packers S.A. (1)	131,093	-	30.774	30,774	(20,566)	25,060	166,361
Frigoclass Alimentos S.A. (2)	58,157	-	-	-	(2,165)		55,992
Marfrig Chile Inversions Ltda. (1)	38,304	-	2,109	2,109	(24,473)	10,245	26,185
Inaler S.A. (1)	5,264	-	-	-	17,131	6,372	28,767
Frigorifico Tacuarembo S.A. (1)	41,074	-	-	-	34,435	22,576	98,085
Weston Importers Ltd. (1)	2,904	-	22.769	22,769	22,121	(29,286)	18,508
Masplen Limited (1)	26,638	-	-	-	1.142	(343)	27,437
Prestcott International S.A. (1)	5,088	-	-	-	23,016	7,928	36,032
Secculum Participates Ltda. (2)	15,503	-	-	-	(2,425)		13,078
Uniao Frederiquense Partic. Ltda. (2)	11,061	-	90,680	90,680	105,338		207,079
QuickFood S.A (1 e 3)	45,397	7.166	-	7,166	31,906	10,087	94,556
Establccimicntos Colonia S.A (1 c 3)	30,124	-	-	-	43,432	21,590	95,146
Total	410.607	7.166	146.332	153.498	228,892	74,229	867.226

(1) These companies' financial statements as of December 31, 2008 were reviewed by member firms of the BDO network in their original countries and limited review reports were issued.
(2) Financial statements reviewed by BDO Trevisan Auditores Independentes, which issued a limited review report.
(3) Blue Horizon and Zanzibar, which were shareholders of Quickfood and Colonia, respectively, were merged into the Company on December 1, 2008. Therefore, the Company became the controlling shareholder of those companies.

These investments have been properly accounted for under the equity method, since they apply to controlled companies. The financial statements of those companies for the years ended December 31, 2008 and 2007 were prepared according to legislation in effect in each country where the companies are located and were reviewed by independent auditors, to be later converted into the International Financial Reporting Standards - IFRS and expressed in US dollars. Then, they were converted into Brazilian accounting practices and translated into Brazil's local currency.

11. PROPERTY, PLANT AND EQUIPMENT

				Company	
				12/31/08	12/31/07
Description	Annual average depreciation rates	Adjusted and revalued cost	Accumulated depreciation	Net	Net
Plots of land	-	2,118	-	2,118	1,998
Buildings	4%	279,617	(24,699)	254,918	175,622
Machinery and equipment	10%	191,488	(41,838)	149,650	132,690
Furniture and fixtures	10%	4,773	(974)	3,799	2,404
Facilities	5%	155,936	(5,199)	150,737	34,517
Vehicles	20%	10,579	(10,130)	449	220
IT equipment	20%	4,625	(2,228)	2,397	1,831
Aircraft	20%	382	(76)	306	382
Advance for acquisition of property, plant and equipment	-	14,507	-	14,507	12,065
Leasehold improvements	-	2,266	(13)	2,253	2,258
Lease - vehicles	20%	30,932	(11,071)	19,861	2,818
Lease - IT	20%	17,010	(4,242)	12,768	143
Lease - machinery	10%	25,103	(2,146)	22,957	426
Lease - facilities	5%	79,141	(6,692)	72,449	-
Lease - buildings	4%	67,382	(5,911)	61,471	-
Construction in progress	-	102,484	-	102,484	259,823
Software	20%	19,815	(2,800)	17,015	8,910
Trademarks and patents	-				15,015
Other	4%	543	-	543	544
		1,008,701	(118,019)	890,682	651,666

				Consolidated	
				12/31/08	12/31/07
Description	**average depreciation rates**	**Adjusted and revalued cost**	**Accumulated depreciation**	**Net**	**Net**
Plots of land	-	57,406	-	57,406	15,688
Buildings	4%	883,569	(53,169)	830,400	301,419
Machinery and equipment	10%	685,701	(83,438)	602,263	218,447
Furniture and fixtures	10%	23,849	(3,794)	20,055	6,244
Facilities	5%	199,618	(10,163)	189,455	64,879
Vehicles	20%	18,677	(11,187)	7,490	3,561
IT equipment	20%	22,631	(5,698)	16,933	4,039
Aircraft	20%	382	(76)	306	382
Advance for acquisition of property, plant and equipment	-	20,416	-	20,416	12,453
Leasehold improvements	-	16,026	(633)	15,393	2,258
Lease - vehicles	20%	31,045	(11,095)	19,950	2,882
Lease - IT	20%	17,362	(4,303)	13,059	301
Lease - machinery	10%	36,051	(2,813)	33,238	8,680
Lease - facilities	5%	81,990	(7,265)	74,725	2,544
Lease - buildings	4%	67,382	(5,911)	61,471	-
Construction in progress	-	153,344	-	153,344	274,361
Software	20%	34,076	(2,968)	31,108	10,033
Tarademarks and patents	-				15,218
Other	4%	95,481	(6,805)	88,676	4,453
		2,445,006	(209,318)	2,235,688	947,842

Pursuant to CVM Resolution No. 554/08, the assets acquired by the Company under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 17.

According to Deliberation CVM n°. 527/07 was realized analysis to verify the degree of recovery of the values registered in fixed assets impairment test. Based on the tests realized, there are no registered assets countable for a superior value to that passible of being recoverable by use or sales.

12. INTANGIBLE ASSETS

Pursuant to CVM Resolutions No. 553/08 and 565/08 the “Intangible Assets” account was created in non-current assets, according show bellow:

	12/31/08	12/31/07
Intangible - Company	525,038	-
Intangible - controlled companies	1,619,174	-
	2,144,212	-_

The intangible movement in the Controller and the Consolidated in 2008 exercise is the following:

12.1 - Changes in intangible assets (Company)

	Book balance as of December 31, 2007	Reclassification of investments	Acquisition/ write-off (3)	Goodwill on acquisition (1)	(-) Amortization of goodwill (2)	Book balance as of December 31, 2008
Argentine Breeders & Packers S.A. - goodwill		25,576			(1,904)	23,672
Frigoclass Alimentos S.A. - negative goodwill		(12,478)			-	(12,478)
Inaler S.A. - goodwill		48,353	(6,433)		(3,541)	38,379
Frigorifico Tacuarembo S.A. - goodwill		62,420			(4,596)	57,824
Masplen Limited - goodwill		19,320			(2,062)	17,258
Prestcott International S.A. - goodwill		29,012	(4,270)		(1,820)	22,922
Secculum Participates Ltda. - goodwill		17,341			(1,153)	16,188
Uniao Frederiquense Partic. Ltda. - goodwill		12,396			(713)	11,683
QuickFood S.A - goodwill		209,225		22,850	(13,127)	218,948
Establecimientos Colonia S.A - goodwill		122,143			(7,664)	114,479
Trademarks and patents		15,015	1,148			16,163
Total	-	548,323	(9,555)	22,850	(36,580)	525,038

(1) Goodwill recognized for the acquisition of one more portion of ownership interest of 9.8046% in QuickFood S.A.

(2) Pursuant to CVM Resolution No. 565!08, as from 2009 the goodwill paid for future profitability will no longer be amortized. The tan benefits obtained with goodwill amortization were maintained according to the Temporary Tax Regime established by Executive Act No. 449!08.

(3) Write-off refer to goodwill resulting from the acquisition of Prestcott International S.A and Inaler S.A., both referring to the provision (“escrow”), provided for by contract.

12.2 - Changes in intangible assets (controlled companies)

	Account balance as of December 31, 2007	Reclassification	Goodwill/ Negative goodwill on acquisition	Acquisition of trademark	Exchange variation on translation	(-) Goodwill amortization	Account balance as of December 31, 2008
Argentine Breeders & Packers S.A.	**-**	**96,548**	**18,879**	**66,902**	**17,782**	**-**	**200,111**
Estancias del Sur - goodwill	-	55,514	-	-	8,706	-	64,220
Mirab(AR) - goodwill	-	16,966	18,879	-	5,418	-	41,263
Best Beef - goodwill	-	23,904	-	-	3,658	-	27,562
Trademarks and patents	-	164	-	66,902	-	-	67,066
Marfrig Chile Inversiones Ltda	**-**	**8,114**	**4,642**	**-**	**3,645**	**-**	**16,401**
QuintoCuarto - goodwill	-	2,008	501	-	641	-	3,150
QuintoCuarto - Negative goodwill	-	(3,738)	3,738	-	-	-	-
Frigorifico Patagonia - goodwill	-	9,405	842	-	3,004	-	13,251
PBP Chile - goodwill	-	439	(439)	-	-	-	-
Weston Importers Ltd.	**-**	**-**	**725,175**	**-**	**157,272**	**(703)**	**881,744**
CDB Meats Ltd - goodwill	-	-	13,422	-	110	(703)	12,829
Moy Park - goodwill	-	-	639,376	-	141,180	-	780,556
Kitchen Range - goodwill	-	-	72,377	-	15,982	-	88,359
Masplen Limited	**-**	**322**	**-**	**-**	**-**	**-**	**322**
Trademarks and patents	-	322	-	-	-	-	322
Quickfood	**-**	**261**	**-**	**-**	**-**	**-**	**261**
Trademarks and patents	-	261	-	-	-	-	261
Prestcott International S.A	**-**	**7,787**	**-**	**-**	**2,487**	**-**	**10,274**
Cledinor - goodwill	-	7,787	-	-	2,487	-	10,274
União Frederiquense Partic. Ltda.	**-**	**57**	**479,503**	**-**	**-**	**-**	**479,560**
Pena Paulo - goodwill	-	-	4,597	-	-	-	4,597
MBL (Carroll's) - goodwill	-	-	8,077	-	-	-	8,077
Dagranja - goodwill	-	-	334,132	-	-	-	334,132
Agrofrango - goodwill	-	-	26,648	-	-	-	26,648
Penasul - goodwill	-	-	9,377	-	-	-	9,377
Braslo - goodwill	-	-	12,361	-	-	-	12,361
Mas do Brasil - goodwill	-	-	84,311	-	-	-	84,311
Trademarks and patents	-	57		-	-	-	57
Secculum Participações Ltda.	**-**	**3**	**30,498**	**-**	**-**	**-**	**30,501**
Pena Paulo - goodwill	-	-	292	-	-	-	292
MBL (Carroll's) - goodwill	-	-	514	-	-	-	514
Dagranja - goodwill	-	-	21,252	-	-	-	21,252
Agrofrango - goodwill	-	-	1,695	-	-	-	1,695
Penasul - goodwill	-	-	596	-	-	-	596
Braslo - goodwill	-	-	786	-	-	-	786
Mas do Brasil - goodwill	-	-	5,363	-	-	-	5,363
Trademarks and patents	-	3					3
Total	-	113,092	1,258,697	66,902	181,186	(703)	1,619,174

The goodwill registered in the Controller and the controlled companies was paid by expectation of future yield in the respective acquired companies. According to Deliberation CVM n°. 527/07 was realized analysis to verify the degree of recovery of the values registered in intangible assets impairment test. Based on the tests realized, there are no registered assets countable for a superior value to that passible of being recoverable by use or sales.

13. DEFERRED CHARGES

				Consolidated	
				12/31/08	12/31/07
Description	Annual average amortization rates	Adjusted and revalued cost	Accumulated amortization	Net	Net
Pre-operating expenses	10%	21,507	(3,255)	18,252	11,114
		21,507	(3,255)	18,252	11,114

In the year ended December 31, 2008 the Company incurred no pre-operating expenses.

As of December 31, 2008 the balance of deferred charges (Consolidated) will be maintained until its full amortization, according to CVM Resolution No. 565/2008.

14. ACCRUED PAYROLL AND RELATED CHARGES

	Company		Consolidated	
	12/31/08	12/31/07	12/31/08	12/31/07
INSS (social security contribution) payable	75,107	34,601	147,119	34,880
Salaries and provisions for vacation pay	21,101	14,541	72,981	28,169
Other social charges and benefits payable	1,284	1,389	49,693	8,430
	97,492	50,531	269,793	71,479

On November 21, 2005, Law 11,196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministry Ordinance No. 23 dated February 2, 2006.

15. TAXES PAYABLE

	Company		Consolidated	
	12/31/08	12/31/07	12/31/08	12/31/07
ICMS payable	601	788	29,974	788
IRRF (withholding income tax) on interest on equity capital	-	5,488	-	5,488
Special tax debt installment payment program - PAES	1,808	2,282	1,808	2,282
Extraordinary tax debt installment payment program - PAEX	42,276	66,978	42,276	66,978
Income tax payable	-	-	36,160	13,187
Instalment payment of federal taxes	-	-	118,813	
Other	1,699	2,171	124,186	13,536
	46,384	77,707	353,217	102,259
Current liabilities	9,297	17,500	274,543	40,465
Non-current liabilities	37,087	60,207	78,674	61,794

15.1. PAES - Special Tax Debt Installment Payment Program - Law No. 10,684/03

On July 31, 2003, the Company adhered to PAES, established by Law No. 10,684 of May 30, 2003, which provides for the payment in installments of debts to the SRF - Federal Revenue Service, the PGFN - National Treasury Attorney General, and the INSS - National Social Security Institute. The company declared debts to the INSS, including Funrural (rural worker assistance fund) in the amount of R$23,562, and those with the SRF in the amount of R$4,063, which are payable in 180 monthly installments. INSS debts were transferred to PAEX, as referred to in note 15.2, therefore only the debts to SRF remain under PAES.

The balance is as follows:

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Beginning balance	2,282	2,663	2,282	2,663
Monetary adjustment	175	150	175	150
(-) payments made	(579)	(531)	(579)	(531)
(-) discount to present value	(70)	-	(70)	-
Ending balance	1,808	2,282	1,808	2,282
Current liabilities	570	614	570	614
Non-current liabilities	1,238	1,668	1,238	1,668

15.2 PAEX - Extraordinary Tax Debt Installment Payment - MP No. 303/06

On September 11, 2006, the Company adhered to the PAEX, established by Executive Act No. 330 of June 29, 2006, which provides for payment in installments of debts due to the SRF, the PGFN, and the INSS. The Company declared debts to INSS, including Funrural, and the debts to INSS previously refinanced under PAES, in the amount of R$76,977. No installment payment was agreed with SRF.

The balance is as follows:

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Beginning balance	66,978	74,444	66,978	74,444
Monetary adjustment	1,328	645	1,328	645
(-) payments made	(7,856)	(8,111)	(7,856)	(8,111)
(-) discount to present value	(18,174)	-	(18,174)	-
Ending balance	42,276	66,978	42,276	66,978
Current liabilities	8,946	8,438	8,946	8,438
Non-current liabilities	33,330	58,540	33,330	58,540

16. LOANS AND FINANCING

				Company	
Credit line	**Charges (% pa.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance 12.31.08**	**Balance 12.31.07**
Local currency					
FINAME	TJLP + Fixed rate	13.12	1.48	260	695
BNDES Exim	TJLP + Fixed rate	10.19	0.67	74,236	137,787
BNDES Finem	TJLP + 1.80%	8.05	4.4	14,203	7,664
FINEP	TJLP + 1%	7.25	5.08	29,857	8,747
NCE	Fixed rate + CDI	15.13	2.2	471,494	81,257
Prepayment (interest)	CDI	13.86	0.5	341	-
Total domestic currency				**590,391**	**236,150**
Foreign currency					
ACC (US$)	Fixed rate + Exchange variation.	5.56	0.46	387,905	111,366
Financing of industrial complex (US$)	7,35 / 7,28% + Exchange variation	7.46	3.81	21,899	21,099
Prepayment (US$)	Libor+Fixed rate + Exchange variation	8.76	5.91	1,027,046	454,361
BNDES Exim (US$)	Basket of currencies + Fixed rate	11.55	0.89	20,661	28,913
Bonds (US$)	variation	9.63	7.95	869,188	647,109
BNDES Finem	Basket of currencies + 1.30%	8.90	4.4	2,792	3,316
NCE (US$)	CDI + Fixed rate + Exchange variation (US$) + Libor	8.77	3.34	452,966	254,919
Swap	Premium + Exchange variation	Premium + Exchange variation	0.5	24,735	-
Total foreign currency				**2,807,192**	**1,521,083**
Total indebtedness				**3,397,583**	**1,757,233**
Current liabilities				**577,500**	**246,463**
Non-current liabilities				**2,820,083**	**1,510,770**

					Consolidated
Credit line	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance 12.31.08**	**Balance 12.31.07**
Local currency					
FINAME	TJLP + F.R	9.92	3.7	11,544	7,234
BNDES Exim	TJLP + F.R	10.19	0.67	74,236	137,787
BNDES Finem	TJLP + 1.80	8.05	4.15	14,203	7,664
FINEP	TJLP + 1%	7.25	5.08	29,857	8,747
NCE	F.R+CDI	15.12	1.93	512,221	81,257
Working capital (R$)	F.R+CDI	17.88	1.88	102,814	7,890
Rural credit note (R$)	F.R	7.32	1.76	49,076	16,855
Prepayment (interest)	CDI	13.86	0.5	341	-
Other			0.58	33	178
Total domestic currency				**794,325**	**267,612**
Foreign currency					
ACC (US$)	F.R + E.V.	5.97	0.6	580,985	149,870
Financing of industrial complex (US$)	Libor + F.R + E.V	5.88	2.81	40,186	31,840
Prepayment (US$)	Libor+F.R + E.V	8.61	5.02	1,335,609	550,732
BNDES Exim (US$)	Basket of currencies + F.R	11.54	0.68	20,661	28,913
Bonds (US$)	F.R + E.V	9.63	7.95	869,188	647,109
BNDESB Finem	Basket of currencies + 1.30 CDI+F.R+E.V	8.90	4.15	2,792	3,316
NCE (US$)	(US$)+Libor	14.95	2	466,296	265,012
Swap	Premium + E.V	Premium + E.V	0.5	32,330	1,028
Working capital (US$)	F.R + Libor	6.04	3.17	58,797	61,414
Working capital (Pesos)	Stimulation unit	7.92	1.75	8,830	1,193
Bank loan	F.R	5.81	0.33	76,801	41,091
PAE (US$)	F.R	7.5	0.5	12,559	7,243
Financing facilities (US$)	F.R	6.5	0.75	14,115	11,357
Overdraft protection (US$)	Libor + 1.85%	4.93	1.25	-	6,200
Finimp	Libor+2% + commission 1.5%	7.72	-	-	31
Total foreign currency				**3,519,149**	**1,806,349**
Total indebtedness				**4,313,474**	**2,073,961**
Current liabilities				**1,232,097**	**428,105**
Non-current liabilities				**3,081,377**	**1,645,856**

The Company's types of loans and financing can be described as follows:

FINAME - Machinery and Equipment Finance

BNDES (National Bank for Economic and Social Development) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust values is URTJLP. These transactions are guaranteed by the acquired asset itself. Repayments will be made until October 2010.

BNDES - EXIM (export finance)

BNDES' credit line to encourage exports passed on by commercial banks. Funds raised under this credit line are used to finance exports. This finance agreement is partially adjusted using the TJLP (Long-term Interest Rate) and the rest is adjusted using the UMBNDES, which is made up of a basket of currencies which reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is partially guaranteed by a percentage of trade notes kept by agents who pass on the credit and endorsement. Repayments are made monthly. Installments include interest and mature from May 2008 to October 2010.

BNDES FINEM - Business Finance

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. This finance agreement is partially adjusted using the TJLP (Long-term Interest Rate) and the rest is adjusted using the UMBNDES, which is made up of a basket of currencies which reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is secured by bank guarantees given by Bank Bradesco. A portion of the principal plus interest will be repaid in monthly installments maturing from March 2008 to February 2013.

FINEP - Fund for Financing Studies and Projects

FINEP credit line for financing studies and projects. FINEP is a public institution linked to the Ministry of Science and Technology. The currency used for adjusting the finance agreement is URTJ01, which is based on TJLP variation. The finance agreement is guaranteed by a contract with Bradesco. It will be repaid in monthly installments maturing from October 2009 to October 2013.

NCE - Export Credit Note (ECN)

Credit line which grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, some of them denominated in R$ and some in USD, are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. Repayments will be made until March 2012.

Working capital

Funds raised under this credit line are used as working capital financing. There are transactions conducted in both BRL and Pesos. They are guaranteed by endorsements and mortgages. Repayments will be made until August 2011.

Rural credit note

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in BRL and linked to production. This finance is guaranteed by endorsement. Repayments will be maid until September 2009.

ACC - Advance on exchange contracts

Foreign credit line for export companies. Funds raised under this credit line are used for export financing.

ACC transactions are conducted in USD. Payment is linked to exports and guaranteed by promissory notes. Repayments will be made until August 2009.

Financing of industrial complex (USD)

Foreign credit line for acquisition of equipment. This transaction is conducted in USD, and is guaranteed by the financed equipment itself. Repayment is scheduled up to July 2012, with quarterly installments of the principal and interest.

Prepayment

Foreign credit line for export companies. Funds raised under this credit line are used for export financing. This transaction is conducted in USD and guaranteed by promissory notes, endorsements, supply contracts and export documents. In some cases no collaterals are offered. Repayments will be made from October 2008 to March 2013.

Bonds

Debt notes issued abroad - 144A. / Reg. S, which were used to acquire the units in Argentina and Uruguay. This finance was raised in USD, and does not have guaranties. Principal matures in November 2016, with interest paid every six months.

PAE - Export Loan

Chile's credit line for export companies. The purpose of the loans raised under this credit line, which may be used for any export contract, is to finance exports of lamb, food fish and other products brought to Brazil. The difference between this line and a normal one is that its exempt from IPE - *"Impuesto de Timbre y Estampilla"* (equivalent to the tax on financial transactions in Brazil) and only in 2009 there will no difference in relation to a common loan. Lines are raised in USD and are collateralized by bank guarantees.

Below is a debt maturity schedule:

	Company		Consolidated	
	12.31.08	**12.31.07**	**12.31.08**	**12.31.07**
Local currency				
1Q08	-	2,932	-	13,777
2Q08	-	14,955	-	22,234
3Q08	-	21,877	-	28,078
4Q08	-	25,886	-	27,740
1Q09	46,257	31,126	70,527	32,045
2Q09	22,385	19,170	29,351	19,572
3Q09	24,139	19,170	153,129	19,558
4Q09	7,861	7,333	9,603	7,709
2010	196,675	84,957	234,029	86,308
2011	267,774	3,646	271,092	4,981
2012	9,622	3,824	10,670	4,265
2013	7,262	1,274	7,508	1,345
2014	3,580	-	3,580	
2015	3,580	-	3,580	
2016	1,256	-	1,256	
	590,391	236,150	794,325	267,612
Foreign currency				
1Q08	-	58,109	-	113,518
2Q08	-	39,228	-	90,321
3Q08	-	40,136	-	77,842
4Q08	-	43,340	-	54,595
1Q09	86,303	9,638	316,512	24,613
2Q09	236,402	8,766	364,709	19,717
3Q09	35,617	5,814	102,859	13,477
4Q09	118,536	3,157	185,407	14,465
2010	158,538	119,567	206,030	140,585
2011	457,992	158,287	536,985	176,598
2012	380,419	192,206	433,836	207,923
2013	278,077	67,696	303,796	77,622
2014	107,023	67,478	113,861	77,445
2015	89,028	67,478	95,846	77,445
2016	859,257	640,183	859,308	640,183
	2,807,192	1,521,083	3,519,149	1,806,349
Total indebtedness	**3,397,583**	**1,757,233**	**4,313,474**	**2,073,961**

Following are the guarantees for loans and financing:

	Company		Consolidated	
	12.31.08	12.31.07	12.31.08	12.31.07
Financing balance	3,397,583	1,757,233	4,313,474	2,073,961
Guarantees:				
Without guarantees	1,662,974	700,493	1,802,053	776,972
Promissory note	626,878	470,511	640,483	492,260
Trade notes	55,850	114,368	74,387	114,368
Bank guarantee	16,995	10,981	90,712	21,398
Supply contract	47,104	35,684	60,434	45,777
Endorsement	865,565	341,404	1,267,993	385,559
Financed asset	260	695	13,764	13,202
Export documents	70,201	53,251	103,283	53,251
Facilities	51,756	29,846	51,756	31,832
Mortgage	-	-	56,774	44,803
Financial investment	-	-	115,905	80,561
Export credit	-	-	35,930	13,978

Considering that the notes issued by the Company (Bonds Marfrig) account for 20.15% of consolidated indebtedness, requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing outstanding on the balance sheet date. These requirements, regarding indebtedness, correspond to: Interest Coverage Rate (EBITDA/ net financial result ratio) may not be lower than 1.5; Net debt/EBITDA ratio may not be higher than 4.0.

17. LEASE PAYABLE

According to CVM Decision No. 554/08, finance lease operations are now recognized under the Company's current liabilities, instead of noncurrent liabilities, with an offsetting entry of the asset into property, plant and equipment, according to note 11.

Transactions agreed before the issue of the decision referred to above are not considered in the calculation of the covenants referred to in note 16.

					Company
Credit line	**Charges (% p.a.)**	**Weighted average interest rate (p.a.)**	**Weighted average maturity (years)**	**Balance 12.31.08**	**Balance 12.31.07**
Local currency					
Finance lease Vehicles	CDI (Interbank deposit rate) + Rat e	16.0%	3.6	20,080	-
Finance lease IT equipment	CDI + Rate	9.0%	3.9	14,486	-
Finance lease Machinery and equipment	CDI + Rate	14.7%	4.2	22,209	-
Finance lease Industrial facilities	CDI + Rate	16.4%	2.2	53,710	-
Finance lease Buildings	CDI + Rate	16.6%	2.6	41,032	-
Total local currency				**151,517**	**-**
Total Company				**151,517**	**-**
Current liabilities				**43,914**	
Noncurrent liabilities				**107,603**	

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Consolidated Balance 12.31.08	Balance 12.31.07
Local currency					
Finance lease Vehicles	CDI + Rate	16.0%	3.6	20,080	-
Finance lease IT equipment	CDI + Rate	9.0%	3.9	14,486	-
Finance lease Machinery and equipment	CDI + Rate	14.7%	4.2	22,209	-
Finance lease Industrial facilities	CDI + Rate	16.4%	2.2	53,710	-
Finance lease Buildings	CDI + Rate	16.6%	2.6	41,032	-
Total local currency				**151,517**	**-**
Foreign currency					
Finance lease Vehicles	Rate	33.3%	4.8	1,359	
Finance lease Machinery and equipment	Rate	64.9%	5.7	42,895	
Finance lease Industrial facilities	Rate	12.0%	5.0	2,576	
Finance lease Buildings	Rate	3.6%	4.0	6,350	
Total foreign currency				**53,179**	**-**
Total consolidated				**204,696**	**-**
Current liabilities				**62,582**	
Noncurrent liabilities				**142,114**	

Below is the lease maturity schedule:

	Company		Consolidated	
	12.31.08	**12.31.07**	**12.31.08**	**12.31.07**
Local currency				
1Q09	10,681	-	10,681	-
2Q09	10,883	-	10,883	-
3Q09	11,065	-	11,065	-
4Q09	11,285	-	11,285	-
2010	45,433	-	45,433	-
2011	42,232	-	42,232	-
2012	17,719	-	17,719	-
2013	2,219	-	2,219	-
Total local currency	**151,517**	**-**	**151,517**	**-**
Foreign currency				
1Q09	-	-	5,511	-
2Q09	-	-	4,598	-
3Q09	-	-	4,390	-
4Q09	-	-	4,170	-
2010	-	-	14,220	-
2011	-	-	10,668	-
2012	-	-	8,567	-
2013	-	-	1,055	-
Total foreign currency	**-**	**-**	**53,179**	**-**
Total lease	**151,517**		**204,696**	

Following are the guarantees for the leases:

	Company		Consolidated	
	12.31.08	12.31.07	12.31.08	12.31.07
Local currency				
Guarantees:	-	-	-	-
Financed asset	151,517	-	151,517	-
Total local currency	**151,517**	**-**	**151,517**	**-**
Foreign currency				
Guarantees:	-	-	-	-
Financed asset	-	-	53,179	-
Total foreign currency	**-**	**-**	**53,179**	**-**
Total	**151,517**		**204,696**	

The recognition of the operating lease still uses the previous accounting criterion, that is, the expense on lease is monthly recorded, according to CVM Decision No. 554/08.

Operating lease as of December 31, 2008 is as follows:

OPERATING LEASE

						Company
Financial Institution	Leased asset	Beginning date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	2008 expense amount
	Local currency					
CSI LATINA A. M. S.A	IT equipment	02/18/05	10.47%	3.8	282	85
CSI LATINA A. M. S.A	IT equipment	07/11/06	10.92%	2.9	2,270	909
CSI LATINA A. M. S.A	IT equipment	11/07/06	11.73%	2.9	1,344	545
CSI LATINA A. M. S.A	IT equipment	07/02/07	10.09%	2.9	1,173	464
CSI LATINA A. M. S.A	IT equipment	12/05/07	17.81%	4.9	1,046	121
CSI LATINA A. M. S.A	Machinery and equip.	05/03/04	10.39%	4.2	311	28
CSI LATINA A. M. S.A	Machinery and equip.	09/30/04	10.26%	3.9	389	20
CSI LATINA A. M. S.A	Machinery and equip.	12/21/05	6.93%	2.9	992	335
CSI LATINA A. M. S.A	Machinery and equip.	01/21/06	6.93%	2.9	1,332	507
CSI LATINA A. M. S.A	Machinery and equip.	02/15/06	8.45%	2.9	693	344
CSI LATINA A. M. S.A	Machinery and equip.	03/23/06	6.95%	2.9	2,278	849
CSI LATINA A. M. S.A	Machinery and equip.	03/28/07	11.19%	2.9	10,008	4,030
CSI LATINA A. M. S.A	Machinery and equip.	12/21/07	17.19%	4.4	1,498	171
CSI LATINA A. M. S.A	Machinery and equip.	01/10/08	17.19%	4.9	3,700	496
	Total local currency				**27,316**	**8,904**

Operating leases mature as follows:

	12/31/08
Local currency	
Up to 1 year	7,039
From 1 to 5 years	5,602
Over 5 years	-
	12,641

The Consolidated operational lease presents the same supramentioned contracts.

18. PROVISIONS

The Company and its controlled companies are involved in several lawsuits, in the ordinary course of its business, for which provisions based on legal counselors' estimates have been set up. The principal information about these lawsuits is presented below:

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Labor and social security	39,548	41,370	73,645	43,357
Tax	3,351	1,936	24,596	3,471
Civil	2,091	670	9,793	700
Other	-	-	441	626
	44,990	43,976	108,475	48,154

Contingencies liabilities which are not accounted for, are the following:

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Labor and social security	14,007	-	14,638	-
Tax	63,765	-	68,009	-
Civil	2,984	-	4,509	-
Other	-	-		-
	80,756	-	87,156	-

19. DEFERRED TAXES

	Company		Consolidated	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**
Income tax	29,336	31,727	86,105	44,969
Social contribution tax	10,563	11,424	22,914	12,308
	39,899	43,151	109,019	57,277

Refer to deferred taxes recorded when property, plant and equipment items were revalued. They will be settled as revalued assets are sold, written off, depreciated or amortized, according to their useful lives established in the revaluation report.

20. SHAREHOLDERS' EQUITY

a. Capital stock

Subscribed and paid-in capital stock as of December 31, 2008, discounted the expenses on private and initial public offering issue of shares totals R$2,525,639 (as of December 31, 2007, R$1,183,826) and comprises 267,943,954 common shares (as of December 31, 2007, 203,948,954 common shares), with no par value.

We present below the changes in the Company's capital stock during 2008, considering the capital contribution approved at the Board of Directors' meeting of August 12, 2008:

Date	Description	Amount
12/31/2007	Capital stock	1,183,826
1/1/2008	IPO expenses (1)	(30,273)
8/22/2008	Paid in by MMS Participacoes S.A.	25,000
8/29/2008	Paid in by BNDESPAR	472,483
9/17/2008	Paid in by Laurus Holdings Limited	430,000
9/17/2008	Paid in by Minority shareholders	65
10/15/2008	Paid in by BNDESPAR	243,172
10/15/2008	Paid in by other Financial Institutions	202,643
10/15/2008	Paid in by Laurus Holdings Limited	2,529
10/15/2008	Expenses on the private issue of shares (2)	(3,806)
12/31/2008	Capital stock	2,525,639

(1) Expenses on the initial public offering (IPO) made in 2007 fiscal year
(2) Expenses on the private issue of shares made in 2008 fiscal year

Based on CVM Decision No. 556/08, the Company recorded under shareholders' equity the costs incurred with raising funds through public and private issue of shares.

b. Retained earnings

	Income Reserve		
	Legal reserve	Earnings retention	Total
Opening balance of Income Reserve	3,217	-	3,217
Retention of retained earnings from closing balance in December 31, 2007, considering changes in accounting legislation	-	95,284	95,284
Retention of Retained earnings caused by adjustment originated from changes in accounting legislation	-	71,741	71,741
Absorption of loss from others	-	(2,215)	(2,215)
Closing balance of Income Reserve	3,217	164,810	168,027
(-) Treasury stock	-	(12,966)	(12,966)
Closing balance of Income Reserve considering Treasury stock deduction	3,217	151,844	155,061

Legal Reserve

Constituted, having base the percentage of 5% (Five percent) above Company's net profit, as defined in your statues and in the present legislation. In 2008 didn't have constitution of above-mentioned stock, considering the profit generated in exercise.

Earnings Retention

In Shareholders General Assembly, to be realizable in April 28, 2009, will be propose the earnings retention in amount of R$167.025, been the parcel of R$95.284 deriving from retaining earnings balance in December 31, 2007 and R$71.741 referring to adjustments promoted by alterations in the countable practical, according Law n°11.638/2007 and MP n° 449/2008. This retention is destined to finance parto f investiments projected for 2009, whose amount is presented in Management Report - item 16 - Business Projection of Income.

Still, will be propose for approval on above-mentioned Assembly, the loss absorption of 2008 exercise for the profit reserves (earnings retention) in amount of R$ 2.215.

Treasury Actions

In 2008 exercise the Company acquired 695.600 shares for amount of R$12.966, to the average cost, per share, of R$18,64. Those shares are designate to the program of long term bonus in shares and shares options, as described in explanatory note n°21. These shares will have right to dividend and revenues distributed eventually by the Company.

c. Equity Evaluation Adjustments

According to CVM Resolution n° 534/08, the Company create the accounts subgroup named “Equity Evaluation Adjustments”, which were recorded the exchange variance of equity investment in foreign countries, whose controller characterize like an autonomous entity related to Headquarter in Brazil.

d. Adjustments Retaining of Conversion

According foreseen in Office-Circular CVM/SNC/SEP n°01, of January 30,2009, just like in CVM Resolution n°534/08, the Company create the accounts subgroup named “Adjustments Retaining of Conversion”, which were recorded the exchange variance resultant from accountable conversions of foreign subsidiary, whose functional currency of onslaught differed from the controller.

e. Dividends

The Company’s obligatory dividend is at less 25% of adjusted net profit, according to the Societies for Shares Law and the Social Statute, refined in financial statements of Controller Company. The annual declaration of dividends, including the payment of the same, beyond the minimum obligatory dividend , demands approval in Ordinary General Assembly by majority of titular shareholders votes of Marfrig and will depend of many factors. Among this factors are the operational results , financial conditions, cash necessity and futures perspectives of the Company, among other factors that the Administration Counsel and Marfrig’s shareholders judge important.

In function of refined result in the year of 2008 and as measured judged adjusted in relation to its financial politics, the administration propose not be attributed dividends to distribute related to 2008 exercise, as well as its confirms have not declared interests above private capital in related exercise.

f. Minority interest

It’s relative to minority interest on Shareholders’ Equity of the Company.

21. MANAGEMENT’S COMPENSATION

The added value of the compensation received by the Company’s management for their services, and by the Board of Directors’ members in 2008 and 2007 is the following:

		Salary and Compensation	**Shares granting**	**Options Granting (1)**	**Total**
Board of directors	2007	642			642
	2008	1,654			1,654
Management	2007	3,853			3,853
	2008	2,634	1,596		4,230

(1) Considering that the value of the options is higher than the market value of the Company’s shares, the options would not be exercised as of December 31, 2008 and, accordingly, no compensation.

The Company has a long-term bonus program with restricted shares for its officers and share options for its counselors, as follows:

i. Approval of the plan

On May 7, 2007, a share purchase option plan was approved with the purpose of allowing management, employees and service providers to acquire the shares issued by the Company. The basic assumptions of the plan are the dilution of up to five percent of the Company’s capital stock, and the price of exercise of options based on the weighted average price, and volume of transactions of the Company's shares in the last 20 trading sessions immediately before the date the option is granted, with a discount of up to 15%. The options may be exercised as follows: 25% by the end of the first year; 25% by the end of the second year; 25% by the end of the third year; and 25% by the end of the fourth year; starting upon the signature of the corresponding option agreement.

Upon the exercise of an option acquired and payment of the exercise price, the participant receives a common share from capital stock. Except under certain circumstances, the options may not be exercised after the end of the relation of the participant with the Company.

On May 20, 2007, the Board of Directors decided on granting through share purchase options to its members the amount of R$3,000, and to Management's members (appointed under the Company's by-laws and executive) the amount of R$20,000. The Board of Directors was in charge of distributing the options granted among its members and among Management's members, according to their individual contributions to the Company's results. All the options will comply with the grace periods and maturities established in our share purchase option plan.

The price of exercise of options will be the weighted average price in relation to volume of transactions of the Company's shares in the last 20 trading sessions in BM&F BOVESPA immediately before the date the option is granted, with a discount of up to 15%.

ii Concession

On April 9, 2008, the Board of Directors authorized the acquisition of up to 699,489 shares of the Company, equivalent to 11% of outstanding shares, to be kept in treasury and further distributed to the participants of the long-term share bonus and option program, with limits previously approved at the Extraordinary Shareholders' Meeting held on May 20, 2007.

Such acquisition should observe the following limits and conditions, in accordance with the determinations of Instruction CVM no. 10/80:

1- Purpose	Maximize the creation of value for the shareholder through an efficient management of the capital structure and to align the interests of Marfrig's officers with those of market investors.
2- Characteristics of the program	The granting of shares in the restricted stock plan was made based on the average of the twenty trading sessions previous to March 04, 2008, without discount (R$15.097/share). A discount of 10% on above mentioned average was granted to board members, which will be the basis for the option. The granting to the officers and directors will be made at the ratio of 25% per year in 4 years, according to what was approved.
3- Number of shares to be acquired	up to 669,489 shares.
4- Maximum period for the execution of the authorized operations	until December 31, 2008
5- Number of outstanding shares in the market	69,948,954 shares
6- Acquisition place	BM&FBOVESPA
7- Maximum price of the shares	The acquisition price of the shares cannot exceed their respective prices in the Stock Exchange.
8- Intermediate institutions	Credit Suisse Hedging Griffo CTVM S.A., Bradesco BBI S.A. and ABN AMRO Real S.A.

iii Shares acquisition

On May 7, 2008, the Company acquired 205,600 shares, as authorized by its Board of Directors, to be kept in treasury, and further release to directors taking part in the long-term share bonus and option program, with limits already approved at the Extraordinary Annual Meeting held on May 20, 2007. This acquisition complied with the limits and conditions set forth by CVM Instruction No. 10/80. Acquisitions were made by Hedging Griffo CTVM S.A. and total R$ 3,886.

In the third quarter of 2008, the Company acquired another 490,000 shares for the amount of R$9,080, totalizing 695,600 shares in the amount of R$12,966, at the average cost of R$18.6400.

There will be no dilution of the participation of current shareholders when the restricted shares or options are exercised, given that the shares are kept in treasury for this purpose.

iv Participants' rights

All dividends and profit sharing, or their equivalent (cash, shares, or other) over unexercised Restricted Actions, will be considered participant's rights and will be credit by the Company for further release in their accounts upon the maturity of the restrictions.

The Company will have the option to pay such credits through accumulated dividends or profit sharing, or the equivalent amount in cash, Company's shares, or other form. If the payment is made through shares, the conversion will be by the average amount of the 20 trading sessions of BM&F BOVESPA previous to payment date, adjusted to the net amount of income tax levied on the credit granted.

The rights will be lost if the participant quits, or no longer provides services to the Company for any reason except death, disability, retirement or termination without cause. In these cases, all the restricted shares will mature and those not in effect will have the amounts released and become totally effective.

Upon capital increase, participants will be entitled to exercise subscription rights with own resources on the total amount granted, and the subscribed shares will be immediately released to the participant.

v Effects on the statement of operations if accounting was effective as of December 31, 2008

The table below shows the long-term restricted share bonus program for officers, and share option program for board members considering the effects in the Company's results if accounting was effective as of December 31, 2008.

						Share options			Restricted shares
	Beneficiaries	**Granting date**	**Performance period**	**Number of implied shares -not exercised options**	**Exercise price of the option**	**Option expiration date**	**Number of unvested shares**	**Market value of unvested shares as of 12.31.08**	**Effects on results as of 12.31.08 in case of accounting**
Board of directors	3	3/4/2008	3/4/2009	13,800	13.588	8/31/2009			(70)
	3	3/4/2008	3/4/2010	13,800	13.588	8/31/2010			(70)
	3	3/4/2008	3/4/2011	13,800	13.588	8/31/2011			(70)
	3	3/4/2008	3/4/2012	13,800	13.588	8/31/2012			(70)
Management	21	3/4/2008	3/4/2009				53,169	399	(399)
	21	3/4/2008	3/4/2010				53,169	399	(399)
	21	3/4/2008	3/4/2011				53,169	399	(399)
	21	3/4/2008	3/4/2012				53,169	399	(399)
TOTAL				55,200			212,676	1,596	(1,876)

22. INSURANCE COVERAGE

It is the Company's policy to insure its property, plant and equipment and inventories at risk, for amounts deemed sufficient to cover possible casualties. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

Below is a summary of the amounts insured by the Company:

	Company		Consolidated	
Description	**12/31/08**	**12/31/07**	**12/31/08**	**12/31/07**
Meat packing buildings and facilities	896,300	1,080,215	3,991,019	1,296,043
Inventories and loss of profit	346,800	239,252	2,850,404	460,066
Vehicles	20,305	6,622	31,251	8,894
Merchandise transportation	540,436	81,347	1,625,975	179,659
Directorss guarantees	40,000	40,000	104,341	51,513
Civil liability	1,673	300	306,960	7,679
Other	208,482	600	683,138	85,543
	2,053,996	1,448,336	9,593,088	2,089,397

23. FINANCIAL INSTRUMENTS - DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

a) Overall Perspective

The Company is exposed to market risks related to exchange, interest rate and commodities price fluctuations of a nature considered normal to its business. In order to minimize these risks, the Company has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

The Company's policies consist mainly of the following: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

Management is authorized to perform any and all acts related below up to the amount equivalent to ten percent (10%) of the Company's equity based on the last financial statements disclosed in the market, except that for amounts higher than five percent (5%) of Shareholder's Equity, an additional authorization from the Company's Finance Committee is necessary.

The Company's acts mentioned in the former paragraph are: (a) Offer guarantee for the obligations of the Company's controlled companies and/or wholly owned subsidiaries; (b) approve the acquisition of and/or disposal of permanent asset items; (c) Approve financial transactions, including leases; and (d) Approve single or group of transactions involving the Company and related parties, directly or indirectly.

The Company does not enter into leveraged transactions with derivatives or similar instruments which do not offer a minimum protection against its exposure to other currencies, and also adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining high level of cash balance and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

b) Interest rate risk management

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR or CDI (interbank deposit rate).

In order to reduce debt service costs, the Company continually monitors market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates.

In the year ended December 31, 2008 the Company did not have derivatives for hedging against interest rate risk.

c) Commodity price risk management

During its activities, the Company purchases some commodities, such as: corn, soybean meal, live cattle and swine, which are the biggest individual components of the production cost and are subject to certain variables.

The price of cattle and swine acquired from third parties is directly related to market conditions, being influenced by domestic availability and foreign market demand.

Corn and soybean meal are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others.

So as to reduce the impact over commodities, the Company manages inventory levels, keeps cattle confined and trades cattle at BM&FBOVESPA.

In the year ended December 31, 2008 the Company did not have derivatives for hedging against commodity price fluctuations.

d) Exchange risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 70% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural hedge against the maturities of future obligations in foreign currency.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Company's consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

e) Outstanding foreign currency and derivative position

Assets and liabilities in foreign currency are presented as follows:

			COMPANY
EXPOSURE			**Effects on exchange variation results**
Description	**12/31/08**	**12/31/07**	
OPERATING			
Accounts receivable	168,488	335,342	30,874
Advance on exchange contracts - ACEs	(52,641)	(97,535)	(47,735)
Imports payable	(23,170)	(16,677)	289
Subtotal	92,677	221,130	(16,572)
FINANCIAL			
Receivables from controlled companies	1,376,694	38,350	334
Loans and financing	(2,419,287)	(1,409,717)	(649,918)
Notes payable	(38,729)	(236,796)	1,611
Advance on exchange contracts	(387,905)	(111,366)	(11,206)
Balance of banks and financial investments	94,545	143	9,939
Subtotal	(1,374,682)	(1,719,386)	(649,240)
TOTAL	(1,282,005)	(1,498,256)	(665,812)
Exchange variation gain			404,019
Exchange variation loss			(1,069,831)
Exchange variation, net			(665,812)

			CONSOLIDATED
EXPOSURE			**Effects on exchange variation**
Description	**12/31/08**	**12/31/07**	**results**
OPERATING			
Accounts receivable	456,554	447,759	79,901
Advance on exchange contracts - ACEs	(102,389)	(109,242)	(41,979)
Imports payable	(45,923)	(26,155)	(4,714)
Subtotal	308,242	312,362	33,208
FINANCIAL			
Receivables from controlled companies	1,397,086	55,030	242
Loans and financing	(2,694,124)	(1,452,315)	(716,586)
Notes payable	(134,343)	(236,796)	1,611
Advance on exchange contracts	(592,085)	(165,561)	(72,027)
Balance of banks and financial investments	119,084	143	9,939
Subtotal	(1,904,382)	(1,799,499)	(776,821)
TOTAL	(1,596,140)	(1,487,137)	(743,613)
Exchange variation gain			479,159
Exchange variation loss			(1,222,772)
Exchange variation, net			(743,613)

As of December 31, 2008, outstanding derivatives are as follows:

							12.31.08
Instrument	**Maturity**	**Receivable**	**Payable**	**Counterpart of the principal amount**	**Notional amount**	**Fair value (*)**	**Amount payable**
NDF (over the counter - CETIP)	1/9/2009	JSD lower than 1.8725	USD higher than	1.8725 Citibank	20,000	46,812	(9,362)
NDF (over the counter - CETIP)	2/2/2009	JSD lower than 1.7805	USD higher than	1.7805 Safra	5,000	11,795	(2,892)
NDF (over the counter - CETIP)	1/12/2009	USD lower than1.825	USD higher than	1.825 Safra	5,000	11,710	(2,585)
NDF (over the counter - CETIP)	3/16/2009	USD lower than 1.948	USD higher than	1.948 Bio Banco	5,000	11,859	(2,119)
							(16,958)
Swap	6/22/2009	£ lower than 3.7376	£ higher than 3.	7376 HSBC	40,000	134,132	(15,372)
						216,307	(32,330)

(*) The fair value informed on the balance sheet represents an estimated average market point, calculated according to models and quotations available in the market or owners, which consider present or future market conditions. They are gross amounts before the levy of taxes, and assume redemptions or settlements only at the original maturities of transactions.

Sensitivity Analysis Table - cash effect (for each derivative)

In US dollar		Scenario Probable	Possible	Remote
Transaction	Risk	US$ = R$ 2.40	US$ = R$ 3.00	US$ = R$ 3.75
NDF - Sale	Appreciation of US$	(18,783)	(39,783)	(66,033)

In British pounds		Probable	Possible	Remote
Transaction	Risk	£ x R$ 3.25	£ x R$ 4.00	£ x R$ 5.00
Swap	Appreciation of £	19,504	(10,496)	(50,496)

Calculations - NDF

Parity US$/R$ as of 12/31/08		R$ 2.3370		Scenario		
Amount in US$	Agreed exchange rate	Maturity	Income (loss) as of 12/31/2008	Probable US$ = R$ 2.40	Possible US$ = R$ 3.00	Remote US$ = R$ 3.75
20,000	1.8725	1/9/2009	(9,362)	(10,550)	(22,550)	(37,550)
5,000	1.7805	2/2/2009	(2,892)	(3,098)	(6,098)	(9,848)
5,000	1 8250	1/12/2009	(2,585)	(2,875)	(5,875)	(9,625)
35,000	1.9480	3/16/2009	(2,119)	(2,260)	(5,260)	(9,010)
35,000	1.8634		(16,958)	(18,783)	(39,783)	(66,033)

Calculations - Swap £ / R$ 12/31/08

Parity £/R$ as of 12/31/08		R$ 3.4151		Scenario		
Amount in £	Agreed exchange rate	Maturity	Income (loss) as of 12/31/2008	Probable £ x R$ 3.25	Possible £ x R$ 4.00	Remote £ x R$ 5.00
40,000	3.7376	6/22/2009	(15,372)	19,504	(10,496)	(50,496)

The Company entered into non-speculative swap, NDF and futures contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing and trade accounts payable.

In the year ended December 31, 2008, a net loss of R$41,216 was incurred with derivatives, of which R$96,732 corresponded to losses on NDF transactions and R$55,516 to losses on Purchase Option transactions.

Assets and liabilities recorded as of December 31, 2008 for derivative transactions conducted for asset protection purposes, are stated as follows:

	Company 12/31/08	12/31/07	Consolidated 12/31/08	12/31/07
NDF	(9,363)	-	(16,958)	-
Swap	(15,372)	-	(15,372)	(1,028)
Swap - Financing (*)		(283,831)	-	(283,831)
	(24,735)	(283,831)	(32,330)	(284,859)

(*) The purpose of this transaction was to minimize the effects on exchange rates and heo rates. No losses are incurred with this transaction, given that it was settled on October 20, 2008, with a net gain of R$ 215.

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Company.

24. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated in accordance with prevailing legislation and the Temporary Tax Regime, provided for in Executive Act No. 449/2008.

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

Reconciliation of tax charges between effective and statutory rates is as follows:

Tax	12/31/08	12/31/07
Taxes	(322,953)	46,592
Add-backs	48,214	56,635
(-) Deductions	(168,634)	(9,365)
Income and social contribution tax bases	(443,373)	93,862
Income tax (15%)	-	14,079
Surtax (10%)	-	9,362
(-) PAT (Workers' Meal Program)	-	(563)
Total income tax	-	22,878
Social contribution tax (9%)	-	8,448

Effect on statement of operations

Tax	Group	12/31/08	12/31/07
(-) Income tax - current	Current liabilities	-	(22,878)
Income deferred tax - Reavaliation (1)	Non-current liabilities	2,391	2,391
Deferred income tax - other (2)	Non-current assets	193,685	3,363
Net	Income (loss)	196,076	(17,124)
(-) Social contribution tax - current	Current liabilities	-	(8,448)
Deferred social Contribution - Reavaliation (1)	Non-current liabilities	861	868
Deferred social contribution tax - other (2)	Non-current assets	69,727	1,211
Net	Income (loss)	70,588	(6,369)

(1) Refer to the reversal of deferred income and social contribution taxes stated in note 19, considering the add-back of depreciation of revalued assets to the taxable income and the social contribution tax basis.

(2) Refer to deferred income and social contribution taxes, calculated on: Taxes whose payment has been suspended (provisions), and which were added to the calculation of the taxable income and the social contribution tax basis; utilization for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in note 9.

25. SUBSEQUENT EVENTS

On January 2, 2009 the Company completed the payment of the acquisition of Moy Park Group in the amount of USD20,000,000.00 at the exchange rate of R$2.3480, equivalent to R$46,960.

On January 3, 2009 the Company completed the payment of the acquisition of Pena Paulo Ltda in the amount of USD85,000.

The Company is in negotiation with the Banks Rabobank of an NCE operation in the value of USD 30 million total, with stated period of 3 years, to LIBOR rate + 7% p.a., once that in March 04,2009 was advanced the value of R$45.00,00, by the Rabobank, with expiration for April 30,2009, to the rate CDI + 5% p.a, with purpose of initial operation bridge.

On March 5, 2009 the Company entred into a financing agreement of USD75 million with Bank Bradesco S/A with six years for repayment, annual amortization and grace period of one year, bearing LIBOR + 7.25% p.a.

* * *

Seara Alimentos Ltda.

Financial statements
December 31, 2009 e 2008

Seara Alimentos Ltda.

Financial statements
December 31, 2009 and 2008

Contents

Independent auditors' report

To
The Quotaholders and Directors
Seara Alimentos Ltda.
Itajaí—SC

1. We have examined the balance sheets of Seara Alimentos Ltda. ("the Company"), for the years ended December 31, 2009 and 2008 and the related statements of operations, changes in quotaholders' equity and cash flows for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Seara Alimentos Ltda. for the years ended December 31, 2009 and 2008, and the results of its operations, changes in its quotaholders' equity and cash flows for the years then ended, in conformity with accounting practices adopted in Brazil.

4. As mentioned in note 21a, on January 4, 2010, the sale of all of the shares of Babicora Holding Participações Ltda., the sole owner of Seara Alimentos Ltda., to CCKVL Holding B.V. was completed. Accordingly, the realization of the assets and liabilities of Seara Alimentos Ltda. as of December 31, 2009 are dependent upon the plans to be implemented by the new management of this Company.

5. These financial statements of Seara Alimentos Ltda. have been prepared for use in connection with an offer of notes outside of Brazil conducted by its new Parent Company Marfrig Alimentos S.A., which is a Public Company in Brazil subject to the rules and regulations issued by the Brazilian Securities and Exchange Commission ("CVM"). The financial statements of Seara Alimentos Ltda. have been prepared in accordance with accounting practices adopted in Brazil considering that the Company was a limited liability company as of December 31, 2009 and therefore not subject to the rules and regulations issued by the CVM. The Company has yet to finalize an assessment of the potential impacts on these financial statements had all CVM rules and regulations been applied.

São Paulo, April 23, 2010

KPMG Auditores Independentes
CRC SC-000071/F-8

Carlos Augusto Pires
Contador CRC SP-184830/O-7 S-SC

Seara Alimentos Ltda.

Balance sheets
December 31, 2009 and 2008
(In thousands of Reais)

	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	4	33,208	7,738
Financial instruments	16	15,599	-
Trade accounts receivable	5	131,664	153,384
Inventories	6	455,879	513,007
Related parties	8	79,738	133,953
Recoverable taxes	7	13,393	20,185
Prepaid expenses		1,122	1,084
Other credits		49,666	54,019
		780,269	883,370
Noncurrent assets			
Long-term receivables			
Recoverable taxes	7	234,073	183,483
Other credits		12,786	16,063
		246,859	199,546
Investments	9	93,678	100,436
Property, plant and equipment	10	647,753	622,391
Intangible assets	11	5,624	6,972
		747,055	729,799
		1,774,183	1,812,715

	Note	2009	2008
Liabilities			
Current liabilities			
Financing and loans	12	385,127	177,418
Financial instruments	16	-	71,574
Accounts payable to suppliers		153,765	167,538
Taxes payable		15,988	16,422
Salaries and vacation pay		47,426	48,600
Related parties	8	16,313	509,237
Other accounts payable		60,730	74,857
Income and social contribution taxes		-	14,189
		679,349	1,079,835
Noncurrent liabilities			
Financing and loans	12	21,458	218,953
Provision for contingencies	13	88,903	80,936
Other accounts payable		5,447	8,905
		115,808	308,794
Quotaholders' equity			
Capital	14	1,564,940	647,678
Equity valuation adjustments		(1,441)	28,284
Accumulated losses		(584,473)	(251,876)
		979,026	424,086
		1,774,183	1,812,715

See the accompanying notes to the financial statements.

Seara Alimentos Ltda.

Statements of operations
Years ended December 31, 2009 and 2008
(In thousands of Reais, except the loss per quota)

	Note	2009	2008
Revenues			
Sale of goods		2,984,575	3,065,579
Services rendered		10,349	16,601
		2,994,924	3,082,180
Deductions			
Sales taxes		(173,786)	(158,542)
Returns and discounts		(49,246)	(36,745)
		(223,032)	(195,287)
Net revenues		2,771,892	2,886,893
Cost of goods sold and services rendered		(2,679,254)	(2,409,935)
Gross profit		92,638	476,958
Operating (expenses) income			
Selling expenses		(275,157)	(236,992)
Administrative and general expenses		(119,037)	(114,474)
Financial expense, net	15	(55,524)	(184,763)
Equity in income of subsidiaries	9	22,967	3,139
Other operating income (expenses)		2,284	1,562
		(424,468)	(531,528)
Loss before income and social contribution taxes		(331,830)	(54,570)
Income and social contribution taxes		(767)	(17,954)
Loss for the year		(332,597)	(72,524)
Loss per quota - R$		(0.21)	(0,45)
Number of quotas at year end		1,564,940	160,100

See the accompanying notes to the financial statements.

Seara Alimentos Ltda.

Statements of changes in quotaholders' equity
Years ended December 31, 2009 and 2008
(In thousands of Reais)

	Note	Capital	Capital reserves	Equity valuation adjustments	Accumulated losses	Total
Balances at December 31, 2007		479,604	8,074	-	(173,982)	313,696
Adjustments for initial adoption of Law 11638/07 and Provisional Measure 449/08		-	-	-	(5,370)	(5,370)
Capital increase	14	160,000	-	-	-	160,000
Capital increase with reserves	14	8,074	(8,074)	-	-	-
Loss for the year		-	-	-	(72,524)	(72,524)
Accumulated conversion adjustments		-	-	28,284	-	28,284
Balances at December 31, 2008		647,678	-	28,284	(251,876)	424,086
Capital increase	14	917,262	-	-	-	917,262
Loss for the year		-	-	-	(332,597)	(332,597)
Accumulated conversion adjustments		-	-	(29,725)	-	(29,725)
Balances at December 31, 2009		1,564,940	-	(1,441)	(584,473)	979,026

See the accompanying notes to the financial statements.

Seara Alimentos Ltda.

Statements of cash flows
Years ended December 31, 2009 and 2008
(In thousands of Reais)

	2009	2008
Cash flows from operating activities		
Loss for the year	(332,597)	(72,524)
Adjustments for:		
Depreciation and amortization	115,314	95,524
Provisions	7,967	21,928
Unrealized exchange variation	(2,578)	129,400
Accrued interest	26,298	66,819
Gain on the sale of fixed assets	1,296	1,426
Equity in net income of subsidiaries	(22,967)	(3,139)
Unrealized (gain) loss with derivatives	(15,599)	66,204
	(222,866)	305,638
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	21,720	(44,036)
Decrease (increase) in inventories	57,128	(164,442)
Increase in recovarable taxes	(43,798)	(71,828)
Decrease (increase) in other credits	7,630	(17,200)
Increase in prepaid expenses	(38)	(405)
Decrease (increase) in related parties	54,215	(62,039)
Decrease in financial instruments	(71,574)	-
(Decrease) increase in trade accounts payable	(13,773)	12,055
(Decrease) increase in taxes payable	(434)	11,086
(Decrease) increase in salaries and vacation pay	(1,174)	1,417
(Decrease) increase in related parties	1,951	(12,491)
(Decrease) increase in other accounts payable	(15,007)	28,222
(Decrease) increase in income and social contribution taxes	(14,189)	14,189
Net cash (used in) provided by operating activities	(240,209)	166
Cash flows from investing activities		
Purchases of property, plant and equipment	(139,195)	(198,353)
Purchases of intangible assets	(1,915)	(613)
Proceeds from the sale of property, plant and equipment	485	1,120
Merger effect	-	21,084
Net cash used in investing activities	(140,625)	(176,762)
Cash flows from financing activities		
Capital increase	917,262	160,000
Proceedings from loans	1,940,232	1,709,516
Payments of loans	(2,410,013)	(1,660,120)
Interest paid on loans	(41,177)	(70,967)
Net cash provided by financing activities	406,304	138,429
Increase (decrease) in cash and cash equivalents	25,470	(38,167)
Increase (decrease) in cash and cash equivalents		
At beginning of year (Note 5)	7,738	45,905
At end of year (Note 5)	33,208	7,738
	25,470	(38,167)

See the accompanying notes to the financial statements.

1 Operations

Seara Alimentos Ltda., with headquarters in Itajaí/State of Santa Catarina, Brazil, has, as its main activities, the industrialization and sale of food products, raising and processing of poultry and pork, manufacturing of animal food and concentrates; industrialization of meat; ground transportation of its own products and those of third parties, import and export of products, sale of veterinary and farming products, rendering of support services, catering, consultancy and advisory services in terms of consumer relations, systems installation, configuration, development, support and consulting services, information technology and applications, rendering of storage and warehousing services in general for agricultural products, raw materials, meat in general, fish, as well as industrialized products, including products in containers, issue of tickets, warehouse deposit documents, warrants and other negotiable titles or documents, rendering of port services, building, renovating, expanding improving, leasing and operating port facilities of public and private use, either exclusive or in a mixed use format, and the sale, export and distribution of agricultural products in general, either its own or third parties', whether *in natura*, processed or industrialized form, as well as products of any nature. The Company is also allowed to hold interests in other companies.

On October 9, 2009, as a result of the partial spin-off of the quotaholder Cargill Agrícola S.A., followed by the transfer of the net assets spun off, to Babicora Holding Participação Ltda., the 647,677,889 shares representing the capital of the Company of R$ 647,678, held at that time by Cargill Agrícola S.A., were transferred to Babicora Holding Participação Ltda.. From that date onward, Seara Alimentos S.A. was transformed into a limited liability company, and had its name changed to Seara Alimentos Ltda.

2 Presentation of the financial statements

The financial statements were prepared in accordance with accounting practices generally adopted in Brazil, derived from the Brazilian Corporate Law, Pronouncements, Guidelines and Interpretations of the Accounting Pronouncements Committee and the rules of the Federal Accounting Council (CFC).

3 Description of significant accounting polices

Statement of operations

Income and expenses are determined on an accrual basis.

Revenue from sales of goods are recognized in the statement of operations when all the risks and rewards have been transferred to the buyer. Revenue from services rendered is recognized in the statement of operations in the proportion to the stage of completion of the service. Revenue is not recognized if there are significant uncertainties as to its realization.

Our revenues were derived from the following segments: poultry 56% (56% in 2008); pork 11% (11% in 2008); industrialized and processed goods 27% (27% in 2008).

Accounting estimates

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that the Company's Management uses its judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment; the allowance for doubtful accounts; allowance for inventory losses; deferred tax assets; the provision for contingencies; the valuation of financial instruments, assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in a different amount due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions at least once a year.

Financial instruments

Non-derivative financial instruments include interest-earning bank deposits, investments in debt instruments and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans, and financing, as well as accounts payable and other debts which are recognized initially at their fair value. After their initial recognition, non-derivative financial instruments are recognized as described below:

Instruments held to maturity

If the Company has the positive intention and ability to hold its debt instruments until maturity, they are classified as held to maturity. Investments held to maturity are stated at amortized cost using the effective interest rate, less possible decreases in their recoverable value.

Financial instruments at fair value through income

An instrument is classified at its fair value through income if it is held for trading, i.e. designated as such upon initially recognition. Financial instruments are designated at fair value through income if the Company manages these investments and makes buying or selling decisions based on their fair value in accordance with the strategy of the investment and risk management documented by the Company. After initial recognition, the related transaction costs are recognized to income when incurred. Financial instruments at fair value through income are measured at fair value and their fluctuations are recognized to income.

Loans and financing receivables

Loans and financing receivables are stated at the amortized cost through the use of the effective interest rate method, less possible decreases in the recoverable value.

Derivative financial instruments

The Company holds derivative financial instruments to hedge against risks related to foreign currencies, interest rate and commodities prices.

Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized to income when they have been incurred. After their initial recognition, derivatives are stated at their fair value and changes are recorded to income.

Derivatives to protect sales prices from risk of exchange rate variation are classified under quotaholders' equity at fair value and are recognized to income when realized in accordance with CPC no. 38.

Foreign currency

The Company's Management has determined that its functional currency is the Real in accordance with the rules established in CPC 02 – Effects of the Changes in Exchange Rates and Translation of Financial Statements.

Transactions in foreign currency, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date.

Gains and losses from the changes in the exchange rates on the monetary assets and liabilities are recognized in the statement of operations. Non-monetary assets and liabilities acquired or contracted in foreign currency and translated based on the exchange rates on the dates of the transactions or on the dates of valuation at fair value, when this is used.

Gains and losses arising from variations in investments abroad are recognized directly in quotaholders' equity under equity valuation adjustments and recognized in the statement of operations when these investments are fully or partially sold. The financial statements of subsidiaries abroad are converted from their local accounting practices to accounting practices adopted in Brazil and, subsequently, translated to the local functional currency at the exchange rate on the closing date.

Current and noncurrent assets

Trade accounts receivable

Trade accounts receivable are recorded at the amount billed, discounted to present value when applicable, including the respective direct taxes for which the Company is responsible, less the taxes withheld at source, which are considered tax credits.

The allowance for doubtful accounts was recorded in an amount considered sufficient by management to cover possible losses on the realization of the receivables.

Inventories

Inventories are valued based on historic cost of acquisition and production, plus expenditures for transport, storage and non-recoverable taxes. In the case of manufactured, work-in-process and finished goods, inventory includes the manufacturing overheads based on normal operating capacity. The value of inventories recorded does not exceed its market value.

Investments

Investments in subsidiaries are valued using the equity method.

Other investments that do not fit into the above category are valued at cost of acquisition, less a provision for losses, when applicable.

Property, plant and equipment

Recorded at the cost of acquisition, formation or construction. Depreciation is calculated using the straight-line method at the rates described in Note 10, which take into account the estimated useful life of the assets and the respective residual amounts.

Other expenses are capitalized only when there is an increase in the economic benefits of this item of plant, property and fixtures. Any other type of expense is charged to income when incurred.

Intangible assets

Intangible assets comprise the assets acquired from third parties are stated at the total cost of acquisition, less amortization expenses.

Decrease in recoverable value

The recoverable value of property, plant and equipment is tested at least annually for impairment if there are indications of loss in value.

Current and noncurrent liabilities

Stated at the known or estimated amounts, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet date.

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk involved.

Pension plans and post-employment benefits to employees

Cargillprev-Fundo Múltiplo de Previdência Privada is a closed private pension plan, established as a not-for-profit civil society of a non-economic nature, with administrative and financial autonomy, of which the Company is one of the sponsors and whose monthly contributions are calculated based on 200% of the basic contribution of the participant, which is limited to 4.5% of the contribution salary.

To comply with NPC no. 26 of IBRACON (Brazilian Institute of Independent Accountants), the Company, based on an actuarial report, recognizes the effects of these plans in the financial statements.

Government subsidies

A government subsidy is recognized to income over the period where the expenses it intends to offset are recognized, using a systematic basis, provided that the conditions of CPC 07 - Government Subsidies and Assistance are met. When the conditions for recognition to income are not met, the contra-entry of the government subsidy recorded in assets is made in a specific account within liabilities (or as a reducing account within assets).

Income and Social Contribution Taxes

Income and social contribution taxes, both current and deferred, are calculated based on the rates of 15%, plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax, and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carry forwards and negative basis of social contribution, limited to 30% of the taxable income.

The Company elected to use the Transition Tax Regime (RTT) established by Provisional Measure 449/08, under which calculations of income and social contribution taxes Social Integration Program (PIS) and the Contribution for Financing Social Security (COFINS) for the two-year period 2008-2009 continue to be determined on the methods and accounting criteria defined by Law 6404 of December 15, 1976, which was in force until December 31, 2007.

Reclassifications

Certain accounts as of and for the year ended December 31, 2008 were reclassified to improve comparability with the current year financial statements.

Within financial expenses, net, the amount of R$ 111,028 was reclassified from exchange variation, net to loss/income from transactions with derivatives.

4 Cash and equivalents

	2009	2008
Cash and bank deposits	33,208	7,738
	33,208	7,738

5 Trade accounts receivable

	2009	2008
Domestic customers	123,924	136,180
Foreign customers	16,206	24,222
Allowance for doubtful accounts	(8,466)	(7,018)
	131,664	153,384

6 Inventories

	2009	2008
Finished goods	162,425	194,389
Work in progress	690	1,743
Animals for slaughter	195,785	202,553
Raw materials	56,720	66,636
Maintenance and auxiliary materials	40,150	47,674
Inventory in transit	109	12
	455,879	513,007

Provisions for adjustments to realizable value were recorded to certain items considered obsolete, or with low turnover. The balances are presented net of these provisions, which amounted to R$ 20,280 at December 31, 2009 (R$14,646 at December 31, 2008).

7 Recoverable taxes

	2009	2008
ICMS (value added tax on sales and services)	41,829	28,449
IPI (excise tax)	1,116	1,818
Withholding income taxes	16,984	12,988
COFINS (tax for social security financing)	149,569	127,985
PIS (social integration program)	37,235	31,357
Other	733	1,071
	247,466	203,668
Current	13,393	20,185
Non-current	234,073	183,483

8 Related parties

Transactions with related parties are comprised of sales of products of Seara Alimentos Ltda. to its subsidiary and other related parties.

The main operations performed during the period are shown as follows:

	Subsidiary		Other related parties		Total	
	2009	2008	2009	2008	2009	2008
Statement of income – (-) Expense (+) Revenue						
Sales of goods and services	1,418,907	1,359,907	339,766	555,047	1,758,673	1,914,954
Financial revenue (expense), net	144,911	(275,060)	(1.511)	-	143,400	(275,060)
Total in statement of income	1,563,818	1,084,847	338,255	555,047	1.902,073	1.639.894
Balance sheet – (-) Liability (+) Assets						
Trade accounts receivable	55,025	49,850	24,713	84,103	79,738	133,953
Accounts payable	-	-	(16,313)	(14,362)	(16,313)	(14,362)
Loans	-	(494,875)	-	-	-	(494,875)
Total liability	-	(494,875)	(16,313)	(14,362)	(16,313)	(509,237)
Total in balance sheet	55,025	(445,025)	8,400	69,741	63,425	(375,284)

The amounts related to remuneration of key management, which includes remuneration, bonus and charges, amounted to R$7,142 (R$5,430 in 2008).

9 Investments

a. *Detail of balances*

	2009	2008
Investment at equity method	93,420	100,178
Other	258	258
	93,678	100,436

b. *Subsidiary's information*

	Seara International Ltd.	
	2009	2008
Capital	43,858	43,858
Number of quotas	800	800
Quotaholders' equity	93,420	100,178
Interest in capital at end of year - %	100%	100%
Interest in quotaholders' equity	93,420	100,178
Equity in earnings of subsidiaries	22,967	3,139
Exchange variation on investment	(29,725)	28,284

Seara International Ltd. is located in Cayman Island and it is mainly engaged on the commercialization, export and import of products substantially acquired from the Parent Company Seara Alimentos Ltda.

10 Property, plant and equipment

	Depreciation rate (% p.a.)	2009 Cost	2009 Depreciation	2009 Net	2008 Net
Items subject to depreciation					
Machinery and equipment	From 3.90 to 10.00	499,875	(195,994)	303,881	271,318
Buildings	From 2.50 to 4.00	339,800	(102,014)	237,786	215,220
Vehicles	From 10.00 to 20.00	77	(71)	6	8
Furniture and fixtures	From 6.62 to 10.00	22,742	(14,063)	8,679	9,046
Reforestation	Variable	7,767	(4,120)	3,646	3,112
Breeding stock	From 20.00 to 29.00	97,933	(33,284)	64,649	62,164
		968,194	(349,546)	618,648	560,867
Items not subject to depreciation					
Work in progress and other				11,777	44,858
Provision for loss				(4,880)	(5,542)
Land				22,208	22,208
				647,753	622,391

11 Intangible assets

	Amortization rate (% p.a.)	2009 Cost	Amortization	Net	2008 Net
Items subject to amortization					
Software	From 3.90 to 10.00	21,601	(16,729)	4,872	4,964
Concession	25.00	708	(85)	623	-
Other		-	-	-	613
Items not subject to amortization					
Developing software		129	-	129	1,395
		22,438	(16,814)	5,624	6,972

12 Financing and loans

	2009			2008		
	Current	Long-term	Total	Current	Long-term	Total
Working capital	155,683	-	155,683	83,532	-	83,532
FCO Empresarial	2,938	8,572	11,510	2,973	11,428	14,401
BNDES-exim	-	-	-	88,952	1,614	90,566
BNDES-automático	2,365	7,097	9,462	-	-	-
Finame	2,297	5,789	8,086	1,961	5,688	7,649
Export credit notes	221,844	-	221,844	-	200,223	200,223
	385,127	21,458	406,585	177,418	218,953	396,371

Long-term financing and loans were contracted under the following conditions and terms:

Financing	2009	2008	Description
FCO - Banco do Brasil	8,572	11,428	Interest of 10% per year, first lien on equipment.
BNDES-exim	-	1,614	80% TJLP / 20% exchange variation and interest of 2.8% per year
Finame	5.789	5,688	TJLP, BNDES remuneration 1.8% p.a. and bank remuneration of 0.5% per year
BNDES Automático	7,097	-	TJLP, BNDES remuneration 2.4% p.a. and bank remuneration of 0.5% per year
Export credit notes	-	200,223	TR and interest of 10.04% per year
	21,458	218,953	

Long-term financing and loans have the following payment schedule:

Maturity	
2011	7,584
2012	7,584
2013	5,946
2014	344
	21,458

13 Provision for contingencies

The Company is party to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, including tax, labor, civil and other proceedings.

Management recorded the following provisions for amounts considered sufficient to cover probable estimated losses from the current processes based on information from its legal counsel, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed:

	2009	2008
Tax contingencies	75,732	67,983
Labor contingencies	36,769	23,026
Other contingencies	14,929	22,521
Judicial deposit	(38,527)	(32,594)
Total provision for contingencies	88,903	80,936

The Company has other civil and tax contingencies for which the chances of loss, as assessed by Management and supported by legal counsel, are classified as "possible" at December 31, 2009.

14 Equity

Capital

At November 2009, an increase in the capital of the company was made in cash by the issue of 917,262,288 new quotas at R$ 1.00 each, increasing capital to R$154,940.

15 Financial expense, net

	2009	2008
Interest on short-term investments	346	591
Interest received	3,636	2,262
Other	324	525
Total financial income	4,306	3,378
Interest	(61,966)	(70,596)
CPMF (Tax on bank transactions)	-	(215)
Other	(2,460)	(4,929)
Total financial expenses	(64,421)	(75,740)
Exchange variation, net	132,667	(157,193)
(Loss) income from transactions with derivatives (exchange rate and interest rate hedging)	(128,071)	44,792
Financial expense, net	(55,524)	(184,763)

16 Financial instruments

The Company carries out operations with financial instruments to protect its exposure to the effects of exchange rate variations on its commitments indexed to foreign currency and interest rates. The management of these instruments is done through operating strategies aimed at assuring liquidity, profitability and security. The control policy consists of ongoing monitoring of the contracted conditions versus the existing conditions on the market.

All the operations with financial instruments are recognized in the Company's financial statements and classified as described in note 3.

The operations of the Company and its subsidiary are subject to the risk factors described below:

a. Exchange rate and interest risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company for the purchase of imports, the sale of products and the purchasing of financial instruments. In addition to the amounts payable and receivable in foreign currency, the Company has investments in subsidiary company abroad and makes purchases and sales in other currencies. The Company permanently assesses the utilization of hedges to mitigate these risks.

The interest risk arises from the possibility of the Company and its subsidiaries sustaining gains or losses arising from fluctuations in interest rates on its financial assets and liabilities. In order to mitigate this type of risk, the Company seeks to diversify the raising of funds in terms of prefixed and floating rates, and in certain circumstances hedges are utilized to lock-in the financial cost of the operations.

In accordance with the adoption of Technical Pronouncement CPC No. 38, “Financial Instruments, Recognition and Measurement,” derivative instruments with future maturities were recognized in the accounting records at fair value. On December 31, 2009, the nominal amounts and respective fair value are shown as follows:

Swap contracts				**2009**
Index	**Reference Value**	**Market value**	**Counterparty**	**Place of trading**
Long position				
Referential rate	184,000	225,306	Various banks	Over the counter
Short position				
Prefixed rate	184,000	230,131	Various banks	Over the counter
Total gain/(loss)		(4,825)		

Forward contracts				**2009**
Index	**Reference value**	**Market value**	**Counterparty**	**Place of trading**
Long position				
Dollar	1,036,332	(1,401)	Various banks	Over the counter
Short position				
Dollar	917,465	21,827	Various banks	Over the counter
Total gain/(loss)		20,426		

Swap contracts				**2008**
Index	**Reference value**	**Market value**	**Counterparty**	**Place of trading**
Long position				
Referential rate	184,000	202,698	Various bank	Over the counter
Short position				
Prefixed rate	184,000	204,003	Various bank	Over the counter
Total gain/(loss)	-	(1,305)		

Forward contracts				**2008**
Index	**Reference value**	**Market value**	**Counterparty**	**Place of trading**
Long position				
Dollar	726,798	(70,636)	Various banks	Over the counter
Short position				
Dollar	708,417	367	Various banks	Over the counter
Total gain/(loss)	18,381	(70,269)		

All the aforementioned transactions were properly registered and signed, the counterparties being the following financial institutions: Bradesco S.A., Banco HSBC, Banco Santander, Banco Votorantim.

b. Credit risk

Arises from the possibility of the Company suffering losses due to the default of their counterparties or of financial institutions where they have funds or financial investments. To mitigate these risks, the Company and its subsidiary have a policy of analyzing the financial position of their counterparties, as well as defining credit limits and constantly monitoring outstanding accounts. With respect to financial institutions, the Company and its subsidiaries only conduct transactions with low risk financial institutions as assessed by rating agencies.

Estimated market value

The company utilized the following methods and assumptions to estimate and disclose the fair value of its financial instruments at December 31, 2009 and 2008:

- **Cash and equivalents, short-term investments, trade accounts receivable and accounts payable, loans and financing:** The accounting values recorded in the balance sheet do not differ from their respective fair values;

- **Currency forwards:** The fair value of currency forwards was estimated based on the use of market curves on the respective dates of ascertainment, and adjusted to present value; and

- **Swap contracts:** The fair value of the contracts were estimated based on the use of market curves on the respective dates of ascertainment, and adjusted to present value.

The results reached are in line with the policies for contracting derivatives adopted by the Company and its subsidiary.

17 Insurance coverage

The Company has a policy of taking out insurance coverage for assets subject to risks in amounts considered sufficient to cover possible damages, considering the nature of its activity. The risk assumptions adopted, given their nature, are not part of an audit of financial statements and, accordingly, were not examined by our independent auditors.

At December 31, 2009, the insurance coverage against operating risks was comprised of R$ 594,600 for material damages and R$ 19,432 for civil liability.

18 Tax loss carry forwards

At December 31, 2009, the Company presented a balance of accumulated tax loss carry forwards of R$557,247 and a negative base for social contribution in the amount of R$579,105 (at December 31, 2008, the Company presented a balance of R$169,679 of tax loss carry forwards and a balance of R$185,499 of negative base for social contribution) which may be offset against a minimum of 30% of annual taxable income, with no statute of limitations.

19 Subsidies and government assistance

The Company obtained from the government of the State of Mato Grosso do Sul, tax incentives corresponding to the value added tax on sales and services (ICMS). The aforementioned benefit was recognized in the statement of operations in 2009.

20 Guarantees

The Company provided to third parties guarantees related to the acquisition of raw material during the year ended December 31, 2009.

21 Subsequent events

a. *Transfer of control*

As of January 4, 2010, Cargill Brazil Holdings B.V. (a company of the Cargill group) concluded the transfer of the parent company of Seara Alimentos Ltda. to CCKVL Holding B.V. (a company of the Marfrig group). The transfer of the control of Seara Alimentos Ltda. occurred by means of the selling of the total quotas of Babicora Holding Participações Ltda., the sole owner of the quotas of the Company. The irrevocable commitment for purchase and sale between the parties was signed on September 14, 2009. The new management is evaluating the plans of the Company for the coming periods.

b. *New pronouncements, interpretations and guidance that have been issued but that have not been adopted*

Within the conversion process of the accounting practices adopted in Brazil to the international financial reporting standards (IFRS) various pronouncements, interpretations and guidance were issued during year 2009 including the mandatory application for the years ended as from December 2010 and for the 2009 financial statements to be disclosed jointly with the 2010 financial statements for comparison purposes.

The Company has been evaluating the potential effects with respect to these pronouncements, interpretations and guidance, which may have material impact on the financial statements for the year ended December 31, 2009 to be comparatively presented with the financial statements for the year ending December 31, 2010, as well as for the coming years.

c. *Change in corporate structure*

On January 4, 2010, upon completion of its acquisition by the Marfrig Group, Seara Alimentos Ltda. was transformed from a limited liability company into a non-public corporation, and had its name changed to Seara Alimentos S.A.

d. *Financing and loans*

On March 31, 2010, Seara Alimentos S.A. executed an export credit note with Banco do Brasil S.A., in the total amount of R$ 265 million. Repayment of the principal amount under the note will be made in five successive annual installments, ending in March 2017, accruing interest at a rate of 118% of the CDI per year.

* * *

Jose Mayr Bonassi
Director

Ivo Jose Dreher
Director

Lucia Cristiana Ribas Gomez
Accountant CRC SC031723/O-6

THE COMPANIES LAW (2004 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

MEMORANDUM AND ARTICLES

OF

ASSOCIATION

OF

MARFRIG OVERSEAS LIMITED

THE COMPANIES LAW (2004 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

MARFRIG OVERSEAS LIMITED

1 The name of the Company is Marfrig Overseas Limited.

2 The registered office of the Company shall be at the offices of M&C Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, or at such other place as the Directors may from time to time decide.

3 The objects for which the Company is established are restricted to the following:

3.1 to issue notes (the "**Notes**") pursuant to an indenture (the "**Indenture)** to be entered into between the Company, Marfrig Frigoríficos Comércio de Alimentos Ltda. ("**Marfrig**"), The Bank of New York, as trustee, registrar, paying agent and transfer agent, The Bank of New York, as Luxembourg paying agent and transfer agent, and The Bank of New York, as Luxembourg listing agent;

3.2 to enter into:

3.2.1 the Indenture; and

3.2.2 the purchase agreement by and among the Company, Marfrig, Merrill Lynch & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated;

3.3 to enter into such other agreements and documents and take such other actions in relation to issuing the Notes and using the proceeds of the Notes in the manner described in the Offering Memorandum in respect of the Notes;

3.4 to enter into such other agreements and documents and take such other actions as the Directors may consider necessary or desirable in connection with the matters set out above, including any arrangements relating to the maintenance and administration of the Company; and

3.5 to engage in any other financing transactions involving Marfrig or its subsidiaries and to engage in or carry on any other activity and do anything of any nature which may seem to the Directors to be necessary or desirable in connection with any of the above objects.

4 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

5 The share capital of the Company is US$50,000 divided into 50,000 shares of a par value of US$1.00 each.

6 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

7 Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

WE, the subscriber to this Memorandum of Association, wish to be formed into a company pursuant to this Memorandum of Association, and we agree to take the number of shares shown opposite our name.

DATED this 25th day of October 2006.

SIGNATURE and ADDRESS OF SUBSCRIBER	NUMBER OF SHARES TAKEN
M&C Corporate Services Limited	One

of PO Box 309GT, Ugland House

South Church Street, George Town,

Grand Cayman, Cayman Islands

acting by:

____

David Noakes

____

Sharon Sekulic

____

Robert Blackman

Witness to the above signatures

I, Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true and correct copy of the Memorandum of Association of this Company duly incorporated on the day of October 2006.

REGISTRAR OF COMPANIES

Appendix A

THE COMPANIES LAW (2004 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

MARFRIG OVERSEAS LIMITED

INTERPRETATION

1 In these Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

"Articles"	means these articles of association of the Company.
"Auditor"	means the person for the time being performing the duties of auditor of the Company (if any).
"Company"	means the above named company.
"Directors"	means the directors for the time being of the Company.
"Dividend"	includes an interim dividend.
"Electronic Record"	has the same meaning as in the Electronic Transactions Law (2003 Revision).
"Member"	has the same meaning as in the Statute.
"Memorandum"	means the memorandum of association of the Company.
"Ordinary Resolution"	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.
"Register of Members"	means the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.
"Registered Office"	means the registered office for the time being of the Company.
"Seal"	means the common seal of the Company and includes every duplicate seal.
"Share" and **"Shares"**	means a share or shares in the Company and includes a fraction of a share.
"Special Resolution"	has the same meaning as in the Statute, and includes a

	unanimous written resolution.
"Statute"	means the Companies Law (2004 Revision) of the Cayman Islands.

2 In the Articles:

2.1 words importing the singular number include the plural number and vice versa;

2.2 words importing the masculine gender include the feminine gender;

2.3 words importing persons include corporations;

2.4 "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;

2.5 references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;

2.6 any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;

2.7 headings are inserted for reference only and shall be ignored in construing these Articles; and

2.8 in these Articles Section 8 of the Electronic Transactions Law (2003 Revision) shall not apply.

COMMENCEMENT OF BUSINESS

3 The business of the Company may be commenced as soon after incorporation as the Directors shall see fit.

4 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

ISSUE OF SHARES

5 Subject to the provisions, if any, in the Memorandum (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing Shares, the Directors may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other rights or restrictions, whether in regard to Dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper.

6 The Company shall not issue Shares to bearer.

REGISTER OF MEMBERS

7 The Company shall maintain or cause to be maintained the Register of Members in accordance with the Statute.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

8 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed forty days. If the Register of Members shall be closed for the purpose of determining Members entitled to notice of, or to vote at, a meeting of Members the Register of Members shall be closed for at least ten days immediately preceding the meeting.

9 In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or in order to make a determination of Members for any other purpose.

10 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a Dividend, the date on which notice of the meeting is sent or the date on which the resolution of the Directors declaring such Dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

CERTIFICATES FOR SHARES

11 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and subject to these Articles no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

12 The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

13 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

TRANSFER OF SHARES

14 Shares are transferable subject to the consent of the Directors who may, in their absolute discretion, decline to register any transfer of Shares without giving any reason. If the Directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

15 The instrument of transfer of any Share shall be in writing and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.

REDEMPTION AND REPURCHASE OF SHARES

16 Subject to the provisions of the Statute the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. The redemption of such Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Shares.

17 Subject to the provisions of the Statute, the Company may purchase its own Shares (including any redeemable Shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution.

18 The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.

VARIATION OF RIGHTS OF SHARES

19 If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-quarters of the issued Shares of that class, or with the sanction of a Special Resolution passed at a general meeting of the holders of the Shares of that class.

20 The provisions of these Articles relating to general meetings shall apply to every class meeting of the holders of one class of Shares except that the necessary quorum shall be one person holding or representing by proxy at least one third of the issued Shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll.

21 The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking pari passu therewith.

COMMISSION ON SALE OF SHARES

22 The Company may, in so far as the Statute permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares of the Company. Such commissions may be satisfied by the payment of cash and/or the issue of fully or partly paid-up Shares. The Company may also on any issue of Shares pay such brokerage as may be lawful.

NON RECOGNITION OF TRUSTS

23 The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share other than an absolute right to the entirety thereof in the registered holder.

LIEN ON SHARES

24 The Company shall have a first and paramount lien on all Shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such Share shall operate as a waiver of the Company's lien thereon. The Company's lien on a Share shall also extend to any amount payable in respect of that Share.

25 The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, if a sum in respect of which the lien exists is presently payable, and is not paid within fourteen clear days after notice has been given to the holder of the Shares, or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the Shares may be sold.

26 To give effect to any such sale the Directors may authorise any person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The purchaser or his nominee shall be registered as the holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the sale or the exercise of the Company's power of sale under these Articles.

27 The net proceeds of such sale after payment of costs, shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and any residue shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

CALL ON SHARES

28 Subject to the terms of the allotment the Directors may from time to time make calls upon the Members in respect of any monies unpaid on their Shares (whether in respect of par value or premium), and each Member shall (subject to receiving at least fourteen days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the Shares. A call may be revoked or postponed as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

29 A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

30 The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

31 If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine, but the Directors may waive payment of the interest wholly or in part.

32 An amount payable in respect of a Share on allotment or at any fixed date, whether on account of the par value of the Share or premium or otherwise, shall be deemed to be a call and if it is not paid all the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call.

33 The Directors may issue Shares with different terms as to the amount and times of payment of calls, or the interest to be paid.

34 The Directors may, if they think fit, receive an amount from any Member willing to advance all or any part of the monies uncalled and unpaid upon any Shares held by him, and may (until the amount would otherwise become payable) pay interest at such rate as may be agreed upon between the Directors and the Member paying such amount in advance.

35 No such amount paid in advance of calls shall entitle the Member paying such amount to any portion of a Dividend declared in respect of any period prior to the date upon which such amount would, but for such payment, become payable.

FORFEITURE OF SHARES

36 If a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than fourteen clear days notice requiring payment of the amount unpaid together with any interest, which may have accrued. The notice shall specify where payment is to be made and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.

37 If the notice is not complied with any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all Dividends or other monies declared payable in respect of the forfeited Share and not paid before the forfeiture.

38 A forfeited Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Directors think fit. Where for the purposes of its disposal a forfeited Share is to be transferred to any person the Directors may authorise some person to execute an instrument of transfer of the Share in favour of that person.

39 A person any of whose Shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of those Shares together with interest, but his liability shall cease if and when the Company shall have received payment in full of all monies due and payable by him in respect of those Shares.

40 A certificate in writing under the hand of one Director or officer of the Company that a Share has been forfeited on a specified date shall be conclusive evidence of the fact as against all persons claiming to be entitled to the Share. The certificate shall (subject to the execution of an instrument of transfer) constitute a good title to the Share and the person to whom the Share is disposed of shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

41 The provisions of these Articles as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the par value of the Share or by way of premium as if it had been payable by virtue of a call duly made and notified.

TRANSMISSION OF SHARES

42 If a Member dies the survivor or survivors where he was a joint holder, and his legal personal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest. The estate of a deceased Member is not thereby released from any liability in respect of any Share, which had been jointly held by him.

43 Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors, elect either to become the holder of the Share or to have some person nominated by him as the transferee. If he elects to become the holder he shall give notice to the Company to that effect, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by that Member before his death or bankruptcy, as the case may be.

44 If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

45 A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the Share. However, he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share. If the notice is not complied with within ninety days the Directors may thereafter withhold payment of all Dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

AMENDMENTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND ALTERATION OF CAPITAL

46 The Company may by Ordinary Resolution:

46.1 increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

46.2 consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

46.3 by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value; and

46.4 cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

47 All new Shares created in accordance with the provisions of the preceding Article shall be subject to the same provisions of the Articles with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.

48 Subject to the provisions of the Statute and the provisions of these Articles as regards the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:

48.1 change its name;

48.2 alter or add to these Articles;

48.3 alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and

48.4 reduce its share capital and any capital redemption reserve fund.

REGISTERED OFFICE

49 Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its Registered Office.

GENERAL MEETINGS

50 All general meetings other than annual general meetings shall be called extraordinary general meetings.

51 The Company shall, if required by the Statute, in each year hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall appoint and if no other time and place is prescribed by them, it shall be held at the Registered Office on the second Wednesday in December of each year at ten o'clock in the morning. At these meetings the report of the Directors (if any) shall be presented.

52 The Company may hold an annual general meeting, but shall not (unless required by Statute) be obliged to hold an annual general meeting.

53 The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.

54 A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than ten per cent. in par value of the capital of the Company which as at that date carries the right of voting at general meetings of the Company.

55 The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.

56 If the Directors do not within twenty-one days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the said twenty-one days.

57 A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

58 At least five days' notice shall be given of any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

58.1 in the case of an annual general meeting, by all the Members (or their proxies) entitled to attend and vote thereat; and

58.2 in the case of an extraordinary general meeting, by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent. in par value of the Shares giving that right.

59 The accidental omission to give notice of a general meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings of that meeting.

PROCEEDINGS AT GENERAL MEETINGS

60 No business shall be transacted at any general meeting unless a quorum is present. Two Members being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative shall be a quorum unless the Company has only one Member entitled to vote at such general meeting in which case the quorum shall be that one Member present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative.

61 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

62 A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

63 If a quorum is not present within half an hour from the time appointed for the meeting or if during such a meeting a quorum ceases to be present, the meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time or such other place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Members present shall be a quorum.

64 The chairman, if any, of the board of Directors shall preside as chairman at every general meeting of the Company, or if there is no such chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting, or is unwilling to act, the Directors present shall elect one of their number to be chairman of the meeting.

65 If no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall choose one of their number to be chairman of the meeting.

66 The chairman may, with the consent of a meeting at which a quorum is present, (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.

67 A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands, the chairman demands a poll, or any other Member or Members collectively present in person or by proxy and holding at least ten per cent. in par value of the Shares giving a right to attend and vote at the meeting demand a poll.

68 Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost or not carried by a particular majority, an entry to that effect in the minutes of the proceedings of the meeting shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

69 The demand for a poll may be withdrawn.

70 Except on a poll demanded on the election of a chairman or on a question of adjournment, a poll shall be taken as the chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.

71 A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the general meeting directs, and any business other than that upon which a poll has been demanded or is contingent thereon may proceed pending the taking of the poll.

72 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall be entitled to a second or casting vote.

VOTES OF MEMBERS

73 Subject to any rights or restrictions attached to any Shares, on a show of hands every Member who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative or proxy, shall have one vote and on a poll every Member shall have one vote for every Share of which he is the holder.

74 In the case of joint holders of record the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

75 A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other person on such Member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

76 No person shall be entitled to vote at any general meeting or at any separate meeting of the holders of a class of Shares unless he is registered as a Member on the record date for such meeting nor unless all calls or other monies then payable by him in respect of Shares have been paid.

77 No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

78 On a poll or on a show of hands votes may be cast either personally or by proxy. A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting. Where a Member appoints more than one proxy the instrument of proxy shall state which proxy is entitled to vote on a show of hands.

79 A Member holding more than one Share need not cast the votes in respect of his Shares in the same way on any resolution and therefore may vote a Share or some or all such Shares either for or against a resolution and/or abstain from voting a Share or some or all of the Shares and, subject to the terms of the instrument appointing him, a proxy appointed under one or more instruments may vote a Share or some or all of the Shares in respect of which he is appointed either for or against a resolution and/or abstain from voting.

PROXIES

80 The instrument appointing a proxy shall be in writing, be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.

81 The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:

81.1 not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

81.2 in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

81.3 where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director;

81.4 provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited (no later than the time for holding the meeting or adjourned meeting) at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

82 The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

83 Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company at the Registered Office before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

CORPORATE MEMBERS

84 Any corporation or other non-natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.

SHARES THAT MAY NOT BE VOTED

85 Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

DIRECTORS

86 There shall be a board of Directors consisting of not less than one person (exclusive of alternate Directors) provided however that the Company may from time to time by Ordinary Resolution increase or reduce the limits in the number of Directors. The first Directors of the Company shall be determined in writing by, or appointed by a resolution of, the subscribers.

POWERS OF DIRECTORS

87 Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

88 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine by resolution.

89 The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

90 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

APPOINTMENT AND REMOVAL OF DIRECTORS

91 The Company may by Ordinary Resolution appoint any person to be a Director or may by Ordinary Resolution remove any Director.

92 The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.

VACATION OF OFFICE OF DIRECTOR

93 The office of a Director shall be vacated if:

93.1 he gives notice in writing to the Company that he resigns the office of Director; or

93.2 if he absents himself (without being represented by proxy or an alternate Director appointed by him) from three consecutive meetings of the board of Directors without special leave of absence from the Directors, and they pass a resolution that he has by reason of such absence vacated office; or

93.3 if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or

93.4 if he is found to be or becomes of unsound mind; or

93.5 if all the other Directors of the Company (being not less than two in number) resolve that he should be removed as a Director.

PROCEEDINGS OF DIRECTORS

94 The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two if there are two or more Directors, and shall be one if there is only one Director. A person who holds office as an alternate Director shall, if his appointor is not present, be counted in the quorum. A Director who also acts as an alternate Director shall, if his appointor is not present, count twice towards the quorum.

95 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

96 A person may participate in a meeting of the Directors or committee of Directors by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a person in a meeting in this manner is treated as presence in person at that meeting. Unless otherwise determined by the

Directors the meeting shall be deemed to be held at the place where the chairman is at the start of the meeting.

97 A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.

98 A Director or alternate Director may, or other officer of the Company on the requisition of a Director or alternate Director shall, call a meeting of the Directors by at least two days' notice in writing to every Director and alternate Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors (or their alternates) either at, before or after the meeting is held.

99 The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

100 The Directors may elect a chairman of their board and determine the period for which he is to hold office; but if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

101 All acts done by any meeting of the Directors or of a committee of Directors (including any person acting as an alternate Director) shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director or alternate Director as the case may be.

102 A Director but not an alternate Director may be represented at any meetings of the board of Directors by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

PRESUMPTION OF ASSENT

103 A Director of the Company who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIRECTORS' INTERESTS

104 A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

105 A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.

106 A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

107 No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

108 A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

MINUTES

109 The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at meetings of the Company or the holders of any class of Shares and of the Directors, and of committees of Directors including the names of the Directors or alternate Directors present at each meeting.

DELEGATION OF DIRECTORS' POWERS

110 The Directors may delegate any of their powers to any committee consisting of one or more Directors. They may also delegate to any managing director or any Director holding any other executive office such of their powers as they consider desirable to be exercised by him provided that an alternate Director may not act as managing director and the appointment of a managing director shall be revoked forthwith if he ceases to be a Director. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.

111 The Directors may establish any committees, local boards or agencies or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees or local boards. Any such appointment may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of any such committee, local board

or agency shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.

112 The Directors may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Directors may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Directors at any time.

113 The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.

114 The Directors may appoint such officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors may think fit. Unless otherwise specified in the terms of his appointment an officer may be removed by resolution of the Directors or Members.

ALTERNATE DIRECTORS

115 Any Director (other than an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.

116 An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence.

117 An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.

118 Any appointment or removal of an alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Directors.

119 An alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

NO MINIMUM SHAREHOLDING

120 The Company in general meeting may fix a minimum shareholding required to be held by a Director, but unless and until such a shareholding qualification is fixed a Director is not required to hold Shares.

REMUNERATION OF DIRECTORS

121 The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of

Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

122 The Directors may by resolution approve additional remuneration to any Director for any services other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.

SEAL

123 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors. Every instrument to which the Seal has been affixed shall be signed by at least one person who shall be either a Director or some officer or other person appointed by the Directors for the purpose.

124 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

125 A Director or officer, representative or attorney of the Company may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

126 Subject to the Statute and this Article, the Directors may declare Dividends and distributions on Shares in issue and authorise payment of the Dividends or distributions out of the funds of the Company lawfully available therefor. No Dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Statute.

127 Except as otherwise provided by the rights attached to Shares, all Dividends shall be declared and paid according to the par value of the Shares that a Member holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date, that Share shall rank for Dividend accordingly.

128 The Directors may deduct from any Dividend or distribution payable to any Member all sums of money (if any) then payable by him to the Company on account of calls or otherwise.

129 The Directors may declare that any Dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

130 Any Dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered

address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any Dividends, bonuses, or other monies payable in respect of the Share held by them as joint holders.

131 No Dividend or distribution shall bear interest against the Company.

132 Any Dividend which cannot be paid to a Member and/or which remains unclaimed after six months from the date of declaration of such Dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend shall remain as a debt due to the Member. Any Dividend which remains unclaimed after a period of six years from the date of declaration of such Dividend shall be forfeited and shall revert to the Company.

CAPITALISATION

133 The Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of Dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

BOOKS OF ACCOUNT

134 The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

135 The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.

136 The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

AUDIT

137 The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors, and may fix his or their remuneration.

138 Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.

139 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.

NOTICES

140 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, cable, telex, fax or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member). Any notice, if posted from one country to another, is to be sent airmail.

141 Where a notice is sent by courier, service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays) following the day on which the notice was delivered to the courier. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted. Where a notice is sent by cable, telex or fax, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.

142 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

143 Notice of every general meeting shall be given in any manner hereinbefore authorised to every person shown as a Member in the Register of Members on the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of

record but for his death or bankruptcy would be entitled to receive notice of the meeting, and no other person shall be entitled to receive notices of general meetings.

WINDING UP

144 If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

145 If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

INDEMNITY

146 Every Director, agent or officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him as a result of any act or failure to act in carrying out his functions other than such liability (if any) that he may incur by his own fraud or wilful default. No such Director, agent or officer shall be liable to the Company for any loss or damage in carrying out his functions unless that liability arises through the fraud or wilful default of such Director, agent or officer.

FINANCIAL YEAR

147 Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

TRANSFER BY WAY OF CONTINUATION

148 If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

DATED this 25th day of October 2006.

M&C Corporate Services Limited

of PO Box 309GT, Ugland House

South Church Street, George Town,

Grand Cayman, Cayman Islands

acting by:

____

David Noakes

____

Sharon Sekulic

____

Robert Blackman

Witness to the above signatures

I, Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true and correct copy of the Articles of Association of this Company duly incorporated on the day of October 2006.

____

REGISTRAR OF COMPANIES

PRINCIPAL EXECUTIVE OR REGISTERED OFFICES

MARFRIG OVERSEAS LIMITED
P.O. Box 309
Ugland House, Grand Cayman
KY1 – 1104
Cayman Islands

MARFRIG ALIMENTOS S.A.
Av. Brigadeiro Faria Lima, 1912, #7B
São Paulo – SP
Brazil

PRINCIPAL PAYING AGENT

The Bank of New York Mellon Trust (Japan), Ltd.
Fukoku Seimei building
2-2-2, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-8580,
Japan

TRUSTEE, PAYING AGENT AND TRANSFER AGENT

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Global Trust Services — Americas
101 Barclay Street, Floor 4E
New York, New York 10286
USA

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To Marfrig Overseas Limited and Marfrig Alimentos S.A. as to United States Law

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INDEPENDENT ACCOUNTANTS

To Marfrig Alimentos S.A.

BDO Auditores Independentes
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14015-130 Ribeirão Preto, São Paulo, Brazil

LUXEMBOURG LISTING AGENT AND PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Areogolf Center
1A Hoehenhof
L-1736 Senningerberg
Luxembourg

U.S.$500,000,000

Marfrig Overseas Limited

9.50% Notes due 2020

Unconditionally and Irrevocably Guaranteed by

Marfrig Alimentos S.A. and certain of its subsidiaries

Offering Memorandum

Global Coordinator

Credit Suisse

Joint Book-running and Joint Lead Managers

Itaú **Santander** **BB Securities** **Bradesco BBI**

May 27, 2010