# US$375,000,000

**Marfrig Overseas Limited**

*(an exempted company incorporated under the laws of the Cayman Islands)*

**9.625% Senior Notes due 2016**

Unconditionally and Irrevocably Guaranteed by Marfrig Frigoríficos e Comércio de Alimentos Ltda.

Marfrig Overseas Limited, or Marfrig Overseas, an exempted company incorporated under the laws of the Cayman Islands, is a newly formed entity incorporated for the purpose of offering US$375,000,000 aggregate principal amount of its 9.625% Senior Notes due 2016, or the notes. The notes are unconditionally and irrevocably guaranteed by Marfrig Frigoríficos e Comércio de Alimentos Ltda., or Marfrig, a limited liability company organized under the laws of the Federative Republic of Brazil.

Marfrig Overseas will pay interest on the notes on May 16 and November 16 of each year, beginning on May 16, 2007. The notes will mature on November 16, 2016. Marfrig Overseas may redeem the notes in whole, but not in part, at any time at the redemption price described in this listing memorandum. Marfrig Overseas may also redeem the notes upon the occurrence of certain specified tax events.

The notes will be unsecured senior obligations and will rank equally with unsecured senior indebtedness of Marfrig Overseas. The guarantee of the notes will be a senior unsecured obligation of Marfrig and will rank equally with all of Marfrig's other senior unsecured obligations. For a more detailed description of the notes, see "Description of the Notes".

Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The notes sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL market.

**Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 12 of this listing memorandum.**

The notes were initially sold to investors at a price equal to 98.434% of the principal amount thereof, plus accrued interest from November 16, 2006, the closing date.

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or the securities laws of any other jurisdiction. Unless they are registered, the notes may be offered only in transactions that are exempt from, or not subject to, registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, we are offering the notes only to qualified institutional buyers pursuant to Rule 144A under the Securities Act, or Rule 144A, and non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act, or Regulation S. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions".

The notes were delivered in book-entry form through The Depository Trust Company, as depositary, for the accounts of its participants, including Euroclear Bank, S.A./N.V. and Clearstream Banking, *société anonyme*, Luxembourg, against payment therefor on November 16, 2006.

## Merrill Lynch & Co.

**The date of this listing memorandum is September 26, 2007.**

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In this listing memorandum, "we," "us" and "our" refer to Marfrig Frigoríficos e Comércio de Alimentos Ltda. and its consolidated subsidiaries, except where the context requires otherwise. All references to "Marfrig Overseas" refer to Marfrig Overseas Limited and all references to "Marfrig" or the "Company" refer to Marfrig Frigoríficos e Comércio de Alimentos Ltda. 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.

You should rely only on the information contained in this listing memorandum. None of Marfrig Overseas, Marfrig or Merrill Lynch, Pierce, Fenner & Smith Incorporated, or the initial purchaser, has authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. None of Marfrig Overseas, Marfrig or the initial purchaser is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

This listing memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on prospectus for Securities.

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**This listing memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any note offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this listing memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth in this listing memorandum is correct at any date subsequent to the date of this listing memorandum.**

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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.

This listing memorandum has been prepared by Marfrig Overseas and Marfrig solely for use in connection with the proposed offering of the notes. Marfrig Overseas, Marfrig and the initial purchaser reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this listing memorandum. No person is authorized to give any information or to make any representation not contained in this listing memorandum and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of Marfrig Overseas, Marfrig or the initial purchaser. By accepting delivery of this listing memorandum, prospective investors agree to the foregoing and to make no photocopies of this listing memorandum.

The distribution of this listing memorandum and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this listing memorandum comes are required by us and the initial purchaser to inform themselves about and to observe any such restrictions. See “Transfer Restrictions” for information concerning certain transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this listing memorandum;

- you have had the opportunity to review all of the documents described herein;

- you have not relied on the initial purchaser or any person affiliated with the initial purchaser in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this listing memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchaser.

In making an investment decision, prospective investors must rely on their own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been approved or recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this listing memorandum. Any representation to the contrary is a criminal offense.

This offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this listing memorandum under the caption “Transfer Restrictions.” You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. This listing memorandum forms the prospectus for admission to the Luxembourg Stock Exchange.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR

ANY OTHER JURISDICTION.  SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

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## 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.**

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### NOTICE TO RESIDENTS OF BRAZIL

The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*, or the CVM, the Brazilian securities commission.  Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without such prior registration.  Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the notes is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of the notes to the public in Brazil.  The initial purchaser has agreed not to offer or sell the notes in Brazil, except in circumstances which do not constitute a public offering or distribution of securities under applicable Brazilian laws and regulations.

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### NOTICE TO MEMBERS OF THE PUBLIC OF THE CAYMAN ISLANDS

SECTION 194 OF THE COMPANIES LAW (2004 REVISION) OF THE CAYMAN ISLANDS PROVIDES THAT AN EXEMPTED COMPANY (SUCH AS MARFRIG OVERSEAS) THAT IS NOT LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE IS PROHIBITED FROM MAKING ANY INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR ANY OF ITS NOTES.  EACH PURCHASER OF THE NOTES AGREES THAT NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE NOTES.

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## NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The initial purchaser has represented and agreed that (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of The Financial Services and Markets Act of 2000, or the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to us; and (2) it has complied, and will comply, with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

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## NOTICE TO RESIDENTS OF THE 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"), the initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time (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; or (c) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of notes 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 the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive 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.

**FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS LISTING MEMORANDUM, SEE "TRANSFER RESTRICTIONS."**

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See "Risk Factors" for a description of certain factors relating to an investment in the notes, including information about our business. Neither Marfrig Overseas, Marfrig nor the initial purchaser nor any of its representatives is making any representation to any prospective investor regarding the legality of an investment in the notes under applicable legal investment or similar laws. You should not consider any information in this listing memorandum to be legal, business or tax advice. Prospective investors should consult with their own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

## MARKET DATA

We have obtained the market and competitive position data, including market forecasts, used throughout this listing memorandum from internal surveys, market research, publicly available information and industry publications. We include data from reports prepared by us; Datamark Ltda., or Datamark, a Brazilian consulting firm that specializes in consumer products; the United States Department of Agriculture, or the USDA; the Brazilian Ministry of Agriculture (*Ministério da Agricultura*); the Brazilian Association of Processed Meat Exporting

Companies (*Associação Brasileira das Indústrias Exportadores de Carnes Industrializados*), or ABIEC; the Rabobank Group (the Rabobank Group consists of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA in Amsterdam, its affiliated Rabobanks, Interpolis NV in Tilburg, Robeco Group NV in Rotterdam, De Lage Landen International BV in Eindhoven, Schretlen & Co NV in Amsterdam, Effectenbank Stroeve NV in Amsterdam, FGH Bank NV in Utrecht, Rabohypotheekbank NV in Amsterdam, Onderlinge Waarborgmaatschappij Rabobanken BA in Amsterdam and their group companies), or Rabobank; Fortune Magazine, or Fortune; the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE; and the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES. Industry publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such 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 purchaser make any representation as to the accuracy of such information. Marfrig Overseas accepts responsibility for the correct reproduction or extraction of the information.

## 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 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 state 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 only if 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:

- civil actions may be brought before Brazilian courts in connection with this listing memorandum based solely 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.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This listing memorandum contains statements that are or may constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Many of the forward-looking statements contained in this listing memorandum can be identified by the use of forward-looking words such as "anticipate," "believe," "may," "could," "expect," "should," "plan," "predict," "intend," "estimate" and "potential," or similar expressions. These statements appear in a number of places in this listing memorandum and include, but are not limited to, statements regarding our intent, our belief or our current expectations with respect to:

- our strategic direction and future operation;
- the implementation of our principal operating strategies;
- our acquisitions and joint ventures;
- the implementation of our financing strategy and capital expenditure plan;
- the competitive nature of the industry in which we operate;
- the outbreak of any diseases affecting livestock, such as bovine spongiform encephalopathy (commonly known as "mad cow disease"), or BSE, or foot and mouth disease, or F&M disease;
- any adverse judicial or administrative decision rendered against us;
- the factors discussed under "Risk Factors" in this listing memorandum;
- other factors or trends affecting our financial conditions or results of operations; and
- other statements contained in this listing memorandum regarding matters that are not historical facts.

Forward-looking statements are only our current expectations and are based on our management's beliefs and assumptions and on information currently available to management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to:

- the performance of the Brazilian, Argentine and Uruguayan economies in general;
- changes in foreign exchange rates and/or interest rates;
- competition in the Brazilian and international beef industry and other markets in which we operate;
- changes in consumer demand;
- developments in, or changes to, the laws, regulations and governmental policies governing our business and products, including environmental and sanitary liabilities;
- the cost and availability of financing;
- adverse legal or regulatory disputes or proceedings; and
- changes in regional, national and international business and economic conditions and inflation.

This list of factors is not exclusive, and other risks and uncertainties may cause actual results to differ materially from those in the forward-looking statements. Various risks, uncertainties and other important factors have been identified in "Risk Factors."

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

All references in this listing memorandum to "*real*," "*reais*" or the symbol "R$" are to the Brazilian *real*, the legal currency of Brazil. All references to "U.S. dollars," "dollars" or "US$" are to U.S. dollars, the legal currency of the United States.

Unless otherwise indicated, all financial information relating to us that is presented in U.S. dollars in this listing memorandum has been translated from *reais* using the PTAX-800 exchange rate of R$2.050 to US$1.00, the PTAX-800 exchange rate as of March 31, 2007, as published by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. As of June 30, 2007, the PTAX-800 exchange rate of *reais* to US$1.00 was R$1.926. PTAX-800 is the average of all rates traded on the commercial market during the day as calculated by the Central Bank at market close. It is generally used in Brazil as the exchange rate for financial transactions. The U.S. dollar equivalent information presented in this listing memorandum is provided solely for the convenience of the readers of this listing memorandum and should not be construed as implying that the *reais* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any rate. See "Exchange Rates" for information regarding exchange rates for the *real* since January 1, 2001.

### Financial Statements

We maintain our books and records in *reais*.

We prepare our financial statements and interim financial information in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended, or the Brazilian Corporate Law;
- the rules and regulations of the CVM; and
- the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), or IBRACON.

Brazilian GAAP varies in significant respects from accounting principles generally accepted in the United States, or U.S. GAAP. For a discussion of the significant differences as they relate to our financial statements, see "Appendix A—Summary of Principal Differences Between Brazilian GAAP and U.S. GAAP."

### Rounding

Certain amounts and percentages included in this listing memorandum have been rounded to facilitate their presentation. The totals presented in certain tables therefore may not be an arithmetic aggregation of the figures that precede them.

### Notices

All notices to holders of the notes will, so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *d'Wort*). We may also choose to list notices on the website of the Luxembourg Stock Exchange (www.bourse.lu).

## SUMMARY

*This summary highlights information contained elsewhere in this listing memorandum. This summary does not contain all the information that may be important to investors in the notes. You should read this entire listing memorandum carefully, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, and our financial statements and related notes beginning on page F-1 before deciding whether to invest in the notes.*

### Overview

We are one of the largest producers of beef and beef by-products in South America, according to data derived from information compiled by Brazilian public companies operating in the industry, INDEC and INAC. We believe we are the fourth largest beef producer in the world. We produce and distribute fresh, frozen and processed beef products to customers in Brazil and abroad. We also distribute other types of meat and food products, including frozen pre-cooked potato chips, pork and lamb cuts, frozen vegetables, poultry, fish, ready meals and pasta. Our product mix includes beef cuts, special beef cuts, frozen cooked beef, canned beef and beef jerky.

As of March 31, 2007, we had a total daily slaughtering capacity of 12,900 head of cattle. We believe we are the second largest beef producer in terms of slaughtering capacity in Brazil, with a daily capacity of 10,300, and the largest in Uruguay, according to INAC, with a daily capacity of 1,900. Our activities in Uruguay also include slaughtering of sheep. As of March 31, 2007, daily slaughtering capacity in Argentina was 700 head of cattle. In 2006, we believe we were one of the largest beef exporters in South America, according to data derived from information compiled by SECEX, INDEC and INAC and taking into account our exports from Brazil, Uruguay, Argentina and Chile. Taking into account the processing plants we acquired during 2006, we were the largest beef exporter in Uruguay in terms of tonnage and currently have the largest share of the 2006/2007 European Union reduced-tariff importation quota for beef, or the Hilton Quota, for South America.

We export our beef products to distributors and wholesale customers located in the main international markets, in particular Europe, the United States and Japan. In Brazil, we use our efficient distribution platform to deliver our beef and lamb products, as well as other food products such as frozen pre-cooked potatoes and fish, to large wholesale customers, including some of the main supermarket and fast food chains, and also directly to food service customers such as restaurants and beef specialty stores, among others. We believe we are the leading food service provider to food service customers in the States of São Paulo and Rio de Janeiro. We believe we are the largest importer and distributor of frozen pre-cooked potato chips, lamb cuts and other special cuts in Brazil.

We operate 12 modern processing plants in the main cattle raising regions of 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 and Goiás. We also operate a distribution center in Santo André, State of São Paulo, located near our main food service customers, one canned beef processing plant in Rio de Janeiro, one deboning and distribution plant in Chile and one trading company in the United Kingdom. We recently began operating four additional processing plants, two of which are located in the State of São Paulo, one in the State of Rio Grande do Sul and one in Uruguay, and one additional distribution center in Porto Alegre, State of Rio Grande do Sul. For additional information, see "—Recent Events."

As of March 31, 2007, we invested a total of R$91 million in the expansion and modernization of four of our plants, which we expect to be concluded by the end of 2007.

We believe we have a competitive advantage compared to our competitors, as we are able to fulfill the needs of our customers from different processing plants, minimizing the effect that any potential sanitary, economic, labor and governmental restrictions in any specific region may have on our production.

The following table sets forth certain of our financial and operational data.

| | Year ended December 31, | | | Three months ended March 31, | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006(1) | 2006(1) | 2007 |
| | In millions of *reais* (except operational data and percentages) | | | | |
| Gross operating revenue | 1,362.3 | 1,482.6 | 2,818.0 | 512.8 | 734.7 |
| Domestic | 835.3 | 777.9 | 1,349.0 | 258.6 | 379.9 |
| Exports | 527.0 | 704.7 | 1,469.0 | 254.2 | 354.8 |
| Net income | 25.0 | 33.7 | 80.1 | 12.0 | 19.4 |
| EBITDA(2) | 69.2 | 121.2 | 275.3 | 31.5 | 74.1 |
| EBITDA margin | 5.3% | 8.9% | 10.8% | 6.7% | 11.2% |
| Head of cattle slaughtered in Brazil (in thousands) | 987.0 | 1,032.0 | 1,494.3 | 297.7 | 445.8 |
| Head of cattle slaughtered offshore (in thousands) | — | — | 416.7 | 101.9 | 96.5 |
| Sales volume (in thousands of tons) | 379.3 | 371.2 | 714.9 | 142.5 | 204.4 |

(1) Reflects unaudited pro forma information, as if our subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

(2) EBITDA is not a measure recognized by Brazilian GAAP. In accordance with CVM Circular No. 1/2007, EBITDA may be reconciled with the financial statements as follows: net income (loss) before income tax and social contribution, results of unconsolidated equity holdings, net financial result, net non-operating result, minority interests, and depreciation and amortization. EBITDA does not have a standardized meaning and may not be comparable to EBITDA or other similar measures used by other companies. EBITDA should not be considered as an alternative to net income or loss as indicators of our operating performance or as an alternative to cash flow as an indicator of our liquidity.

**Our Strengths**

Our competitiveness and solid growth prospects, both domestically and internationally, are a result of the following strengths:

- ***Brand recognition and solid reputation.*** We are one of the leading beef producers in South America, with a portfolio of brands we believe are recognized in Brazil as symbols of quality and consistency, such as “Bassi,” “Montana” and “Palatare.” In addition, our brand “GJ” is one of the leading Brazilian beef export brands. We also own other prestigious brands, including “Aberdeen Angus” and “AB&P” in Argentina and “Tacuarembó,” “Hamby” and “Bernina” in Uruguay We believe that our solid reputation and international brand recognition allow us to build long-term relationships with our customers and obtain attractive margins in the sale of our products.

- ***Diversified and flexible operating base.*** We have a diversified operating base, with 12 processing plants in the main cattle raising regions of Brazil, Argentina and Uruguay, one distribution center in Santo André, State of São Paulo, one canned beef processing plant in Rio de Janeiro, one deboning and distribution plant in Chile and one trading company in the United Kingdom. We recently began operating four additional processing plants, two of which are located in the State of São Paulo, one in the State of Rio Grande do Sul and one in Uruguay, and one additional distribution center in Porto Alegre, State of Rio Grande do Sul. In addition, we acquired land in Itú, State of São Paulo, on which we intend to build a new distribution center with high storage capacity. With production facilities spread out across Brazil, Argentina, Uruguay and Chile, we are able to slaughter cattle and process beef efficiently, take advantage of increasing international trade opportunities and mitigate the potential impacts of cattle disease outbreaks, such as foot and mouth disease, or F&M disease. We export fresh beef from Uruguay to the United States, Canada, Mexico and the Caribbean, and we export fresh beef from Chile to the main global consumer markets, including United States, Japan and

Europe, and bone-in beef to Europe. Our diversified operating base and the strategic location of our plants permit us to have consistent product quality and to process our products near the cattle regions, export ports and domestic markets.

- ***Customer diversification and global distribution.*** We maintain diversified customer bases and distribution channels, which provide multiple avenues for potential growth while at the same time mitigating the risks associated with individual markets. In Brazil, we have an efficient distribution platform to sell our beef and other food service products to over 15,000 customers, with more than 17,000 delivery points, including restaurants, beef specialty stores and some of the largest Brazilian retailers. In Brazil, our largest retailer customer accounted for 1.3% of our net revenues in 2006. Our products were also exported to customers in 56 countries, none of which accounted for more than 2.5% of our net revenues in the year ended December 31, 2006. Our acquired operations in Argentina and Uruguay contributed to the further diversification of our distribution channels by giving us access to new customers. Our distribution capacity in the domestic and international markets gives us flexibility to adjust the volumes sold in these markets according to market opportunities.

- ***Experienced and entrepreneurial management.*** Our management team has extensive experience in the beef processing industry. Our current management has been responsible for our sales growth, operations optimization, successful integration of our recent acquisitions and our overall strategic planning in recent years.

- ***Modern facilities with capacity to produce value-added products.*** Our processing plants were all acquired or built in the last seven years and have been or are being modernized and designed to produce a wide range of beef products, including value-added products such as premium beef cuts and frozen cooked beef. We believe our plant located in Promissão, State of São Paulo, is one of the most modern plants in South America. Our modern facilities provide us access to customers such as global supermarket chains that require the highest quality standards from their suppliers. We continuously invest to expand our business, maintain our operations in accordance with international standards and optimize our logistics. Since 2006, our investments in the acquisition, expansion and modernization of plants totaled R$464.5 million, and during 2007 we plan to continue to invest in expanding the capacity of our plants and acquire, lease or build new distribution centers.

- ***Operational scale and low production costs.*** We benefit from low production costs in Brazil, Argentina and Uruguay, which rank among the most competitive beef producers in the world. Due to plentiful land availability, cattle raising and production costs in Brazil are the lowest in the global beef industry, which leads to competitive pricing and increased volume of exports. Argentina and Uruguay also have low production costs that contribute to their positions as significant beef exporters. Our volume of exports and domestic sales permit us to maintain the scale necessary to conduct and expand our activities in competitive markets. Our current size creates economies of scale and the opportunity to achieve the higher quality required in the markets in which we operate.

**Our Strategy**

Our goal is to increase our market shares in the domestic and international markets and enhance our growth and profitability by pursuing the following principal strategies:

- ***Continue to grow in the domestic and international markets with solid customer relationships.*** We intend to continue to grow in the international beef and lamb markets through investing in new markets and developing and consolidating our operations in markets in which we already operate, through increased sales by our trading company in the United Kingdom and creation of new high value-added products. By increasing our production, we may gain access international markets currently supplied by other Brazilian companies. We currently export to 56 countries, while Brazilian beef is exported to more than 151 countries. We will also continue to invest in the expansion and consolidation of our position in the domestic markets of Brazil, Argentina and Uruguay. We intend to maintain our policy of examining opportunities in foreign and Brazilian markets, in order to maximize profitability while maintaining our relationships with our customers. By operating in both domestic and international markets, we believe we are well prepared to maintain our production capacity and revenues during changes in market conditions, such as sanitary restrictions and exchange rate fluctuations.

- ***Expand production of value-added products.*** We intend to expand our offerings of value-added processed beef products, by increasing the production of frozen cooked beef, beef jerky, canned meats, ready meals and leather (wet blue and finished), in order to increase our profitability. Our processed beef products are not subject to sanitary restrictions. In addition, branded premium cuts allow us to obtain higher margins in food service sales, while processed beef has a higher average value per ton than fresh beef on international markets. We intend to expand our products mix in order to maximize our profitability, developing new lines of special beef cuts and prepared meats. In November we formed a partnership with the Brazilian Angus Association (*Associação Brasileira de Angus*), or ABA, so as to launch the Angus beef certification program. The Angus beef, which is part of our selection of special cuts, is considered to have a high aggregated value and to be a high quality cut of beef. One of the program's objectives is to meet the Brazilian demand for the Angus beef cuts that come from our processing plants. ABA's goal is to slaughter 1,000 Angus cattle a month beginning July 2007, which represents 0.25% of our total monthly slaughtering capacity.

- ***Expand our food service activities.*** A primary focus of our strategy is the food service market, including restaurants, supermarkets, corporate cafeterias, beef specialty stores and fast food outlets. We constantly seek to increase the number of our product offerings in order to serve our food service customers with a "one-stop shopping" option by providing them with a full range of food products used in their daily operations, which we believe differentiates us from our competitors. By maximizing our existing distribution capabilities and cross-selling our products, we can expand our food service business and, consequently, increase our domestic food service sales.

- ***Pursue selected growth opportunities and selected acquisitions and expand our production capacity.*** The beef industries in South America are fragmented. We believe the trend towards the consolidation of the beef industry, already seen in developed countries, will occur in South America. In 2006, we were responsible for approximately 3% of total slaughtering in Brazil, 12.4% in Uruguay and 0.8% in Argentina. Many of our competitors in South America do not have adequate scale or capital structures to compete efficiently. We constantly invest in the expansion of our production capacity, equipment acquisition, maintenance and training of our employees. In addition, taking advantage of our experience in the implementation of acquisitions and integration of the companies acquired, we continuously monitor the market, seeking acquisition opportunities and strategic partnerships that offer us new markets, new products and gains in scale and that lead to operating synergies. As a result of our previous acquisitions, we have increased slaughter output by a compounded 38.2% from 2002 to 2006. We intend to continue to expand our production by hiring and training more employees to enhance the utilization rate of our existing plants without the need to make significant investments in equipment. We also will continue to evaluate opportunities to acquire new processing plants in Brazil and abroad, and are considering investments related to cattle raising.

**Competitive Strengths of Brazil, Argentina, Uruguay and Chile in the Production of Beef**

Brazil has the largest commercial cattle herd and is the leading exporter of beef in the world. The volume of Brazilian exports increased at a compound annual growth rate, or CAGR, of 25.4% from 2000 to 2006, notwithstanding the commercial and sanitary import restrictions against Brazilian fresh and frozen beef imposed by the United States, Canada, Mexico and Japan. Uruguayan and Chilean beef are not subject to these same restrictions. Uruguayan beef may be exported to the United States, Canada, Mexico and the Caribbean, and Chilean beef to the main beef importers, including the United States, Japan, South Korea and Europe. Boned fresh beef may also be exported to Europe.

Brazil, Argentina, Uruguay and Chile have several competitive advantages in producing beef, including:

- **Low production cost.** Brazil has one of the lowest production cost among major global producers, due to the low cost of land, extensive raising practices, low cost of labor and ample supply of raw materials. According to AgraFNP, a consulting firm specializing in agribusiness and member of the Agra Informa Inc. group, the costs of raising cattle in Brazil are 40% lower than those in the United States and up to 15% lower than those in Australia.

- **High growth potential.** According to the USDA, Brazil has the largest commercial cattle herd in the world with 180.3 million head of cattle; Argentina (the fifth largest cattle herd) and Uruguay (the eleventh largest cattle herd) have cattle herds of 51.2 million and 12.1 million head of cattle, respectively. According to USDA data for 2006, Brazil has a slaughter rate, or Rate of Output, of 23.3%, Argentina and Uruguay have Rates of Output of 29.0% and 22.1%, respectively, compared to 31.3% in Australia and 34.8% in the United States, evidencing a growth potential for production in those countries without the need for increases in cattle herds. In addition, Brazil has large amounts of available grazing land, another factor that will permit substantial increases in Brazilian beef production.

- **Disease-resistant breeding practices and other advantages.** Brazilian, Argentinean, Uruguayan and Chilean cattle are mostly grass-fed and/or are provided vegetable-based feed, which is largely viewed as a practice that eliminates the risk of an outbreak of bovine spongiform encephalopathy (commonly referred to as "mad cow disease"), or BSE. In addition, Brazilian beef is characterized by its low fat content and lack of chemicals and growth hormones used in other countries. These key factors are important for marketing Brazilian beef in international markets, in particular in developed nations.

- **Strong domestic market demand.** Brazil and Argentina have very large domestic markets, which consume approximately 80% and 84% of their respective beef production.

**History**

In 1986, our chief executive officer and controlling quotaholder, Mr. Marcos Molina dos Santos, started his first business, a sole butcher house, when he was only 16 years old. Over the next years, Mr. Molina dos Santos expanded his business, and, in 1993, he incorporated Marfrio Indústria, Comércio, Importação e Exportação, Ltda., or Marfrio, our predecessor company. By 1998, Marfrio had established itself as an important distributor of superior cuts of cattle, pork, chicken, fish and imported vegetables in the State of São Paulo, with a diverse portfolio of customers, including many of the top restaurants in the city of São Paulo.

In 2000, Marfrig was incorporated and we leased our first processing plant in Bataguassu, State of Mato Grosso do Sul. Our export business was created the next year when we acquired an additional plant in Promissão, State of São Paulo, together with the well-known export brand "GJ". In 2002, Marfrio was sold and all our activities of production, exports and distribution were concentrated in Marfrig.

In 2003 and 2004, we acquired the Tangará plant and the Paratinga plant in the State of Mato Grosso. In April 2006, we acquired a plant in Mineiros, State of Goiás, and in August 2006 we acquired the plants of Chupinguaia in the State of Rondônia, São Gabriel in the State of Rio Grande do Sul and Porto Murtinho in the State of Mato Grosso do Sul. In October 2006, we acquired another plant in Promissão, State of São Paulo, and the plants of Taquarembó in Uruguay and the Argentine Breeders and Packers, or AB&P, in Argentina.

**Recent Events**

On May 5, 2007, we entered into a purchase agreement in connection with assets of a processing plant located in the State of São Paulo. The purchase price is R$25 million, payable by January 3, 2008. Possession of the assets was transferred to us on June 1, 2007.

On May 10, 2007, we entered into a purchase agreement for the acquisition of all shares of capital stock of Masplen Limited, which in turn owns all of the shares of capital stock of Pampeano Alimentos S.A., or Pampeano. Pampeano owns a processing plant in Hulha Negra, State of Rio Grande do Sul. The purchase price is US$20 million, payable in installments up to January 5, 2012. We have been operating Pampeano's processing plant since April 1, 2007.

On May 18, 2007, we entered into a purchase agreement for the acquisition of all shares of capital stock of Prestcott International S.A., a company organized in Uruguay, which in turn owns all of the shares of capital stock of Cledinor S.A., a company also organized in Uruguay, which operates the processing plant Frigorífico La Caballada. The purchase price is US$16.3 million, payable by January 4, 2008.

On May 21, 2007, we entered into a purchase agreement for the acquisition of land in Itú, State of São Paulo, in which we intend to build a new distribution center.

On May 28, 2007, we entered into five-year lease agreements in connection with a distribution center located in Porto Alegre, State of Rio Grande do Sul, and property and equipment related to a processing plant in Louveira, State of São Paulo.

For additional information on these agreements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Subsequent Events."

On June 26, 2007, we carried out a primary offering of 35,000,000 common shares and certain of our shareholders carried out a secondary offering of 17,200,000 common shares at a price of R$17.00 per common share. Our common shares began trading on June 29, 2007 on the *Novo Mercado* segment of the BOVESPA under the symbol "MRFG3."

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Our principal executive offices are located at Rua Acarapé, 559, Santo André, São Paulo, Brazil. Our phone number and our facsimile number is +5511 4422-7200. Our website is www.marfrig.com.br. The information contained on our website is not incorporated by reference in this listing memorandum and should not be relied on for any purpose related to an investment in the notes.

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**The Issuer**

Marfrig Overseas, the issuer of the notes, is a newly formed exempted company incorporated with limited liability in the Cayman Islands, and a wholly-owned subsidiary of Marfrig, a Brazilian limited liability company. Marfrig Overseas was incorporated on October 25, 2006. Marfrig owns directly 100% of the issued shares of Marfrig Overseas. 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. Its registered office is at P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, and its constitutional documents and any other documents concerning Marfrig Overseas that are referred to in this listing memorandum can be inspected at Marfrig Overseas' principal executive offices in Brazil at Rua Acarapé, 559, Santo André, São Paulo, Brazil and also at the offices of the Luxembourg paying agent. Marfrig Overseas does not operate a staffed office in the Cayman Islands.

The purpose of the issuer is to engage in transactions related to the offering of the notes as well as other financing transactions involving Marfrig or its subsidiaries. Prior to the issuance of the notes, Marfrig Overseas has not engaged in any business activity. The board of directors of Marfrig Overseas consists of two directors, Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos. The memorandum and articles of association of Marfrig Overseas restricts the scope of its business operations to issuing the notes, complying with its obligations under the notes, using the proceeds of the notes in the manner described in this listing memorandum and engaging in financing transactions involving Marfrig or its subsidiaries. The principal executive offices of Marfrig Overseas are located at Rua Acarapé, 559, Santo André, São Paulo, Brazil.

## 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 listing memorandum. Terms, which are defined in other sections of this listing memorandum, have the same meaning when used in this summary.

| | |
|---|---|
| **Issuer** | Marfrig Overseas |
| **Notes offered** | US$375,000,000 in aggregate principal amount of 9.625% Senior Notes due 2016. |
| **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. |
| **Issue price** | 98.434% of the principal amount of the notes. |
| **Maturity date** | November 16, 2016. |
| **Interest** | Interest will accrue on the notes at the annual rate of 9.625% from the original date of issuance under the indenture and will be payable semi-annually in arrears each May 16 and November 16 of each year, commencing on May 16, 2007. |
| **Indenture** | The notes will be issued under an indenture among Marfrig Overseas, Marfrig, The Bank of New York, as trustee, registrar, paying agent and transfer agent, The Bank of New York (Luxembourg) S.A., as Luxembourg special paying agent, transfer agent and listing agent. |
| **Ranking** | 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.<br><br>The guarantee will be a general irrevocable and unconditional senior obligation of Marfrig and is not secured by any collateral. The guarantee will rank equally with Marfrig's senior unsecured indebtedness (except those obligations preferred by operation of law) and will be senior to Marfrig's subordinated indebtedness. The guarantee will effectively be subordinated to Marfrig's secured indebtedness to the extent of the value of the assets securing such indebtedness.<br><br>Prior to the issuance of the notes, Marfrig Overseas had no debt outstanding. As of September 30, 2006, Marfrig had an aggregate amount of R$92.0 million of secured indebtedness outstanding and an aggregate amount of R$556.7 million of unsecured indebtedness outstanding. |
| **Optional Redemption** | We may redeem the notes, in whole but not in part, at any time, by paying a make-whole premium described in this listing memorandum. |

**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, 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 listing memorandum.

**Use of Proceeds** ................................................... We intend to use the net proceeds from the notes, after deducting amounts paid in connection with commissions and other expenses of the offering, for the repayment of certain of our outstanding debt and for acquisition purposes.

**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 listing 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$2,000 and integral multiples of US$1,000 in excess thereof. See “Description of the Notes.” |
| **Trading and Listing**............................................ | Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF market. |
| **PORTAL** ............................................................ | The notes that are sold to qualified institutional buyers are expected to be eligible for trading in the PORTAL Market. |
| **ERISA and Certain Other Considerations**....... | See “ERISA and Certain Other Considerations”. |
| **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. |
| **Trustee, registrar, paying agent and transfer agent**..................................................................... | The Bank of New York. |
| **Luxembourg special paying agent and transfer agent**..................................................................... | The Bank of New York (Luxembourg) S.A. |
| **Luxembourg listing agent** ................................. | The Bank of New York (Luxembourg) S.A. |

## SUMMARY FINANCIAL AND OTHER INFORMATION

The tables in this section present selected financial data obtained from our financial statements for the years ended December 31, 2004 and 2005, our consolidated financial statements for the year ended December 31, 2006 and the three months ended March 31, 2007, and our unaudited pro forma income statements for the year ended December 31, 2006 and the three months ended March 31, 2006. These statements have been prepared in accordance with Brazilian GAAP. See "Presentation of Financial and Other Information," "Selected Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," together with our financial statements and related notes, included elsewhere in this listing memorandum. The tables below also present operating and financial data that are not part of our financial statements.

Our financial statements for the years ended December 31, 2004 and 2005 and our consolidated financial statements for the year ended December 31, 2006 were audited by BDO Trevisan Auditores Independentes, and those for the three months ended March 31, 2006 and 2007 were subject to a limited review by BDO Trevisan Auditores Independentes. Our unaudited pro forma financial statements were prepared to reflect the results of our subsidiaries Marfrig Chile, AB&P, Tacuarembó and Inaler as if they had been acquired on December 31, 2005, based on historical audited income statements of these companies for the periods indicated. The assumptions used in the preparation of our unaudited pro forma income statements and the application of pro forma adjustments to results of historical audited income statements were subject to a limited review by BDO Trevisan Auditores Independentes.

**Income Statement Data**

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | (In millions of R$) | | | | | | |
| **Gross operating revenue** | **1,362.3** | **1,482.6** | **2,391.0** | **2,818.0** | **373.5** | **512.8** | **734.7** |
| Domestic market | 835.3 | 777.9 | 1,225.8 | 1,349.0 | 212.8 | 258.6 | 379.9 |
| International market | 527.0 | 704.7 | 1,165.2 | 1,469.0 | 160.7 | 254.2 | 354.8 |
| Deductions from gross revenue | (55.8) | (122.8) | (260.5) | (269.6) | (39.7) | (42.7) | (71.6) |
| Taxes on sales | (19.3) | (60.5) | (104.1) | (111.8) | (16.8) | (19.4) | (31.0) |
| Returns and discounts | (36.5) | (62.2) | (156.4) | (157.9) | (22.9) | (23.2) | (40.6) |
| **Net operating revenue** | **1,306.5** | **1,359.8** | **2,130.5** | **2,548.3** | **333.7** | **470.1** | **663.2** |
| Cost of goods sold | (1,130.5) | (1,130.8) | (1,710.2) | (2,074.5) | (284.0) | (401.9) | (521.9) |
| **Gross profit** | **176.1** | **229.0** | **420.3** | **473.8** | **49.8** | **68.2** | **141.2** |
| Operating revenue (expenses) | (114.0) | (120.8) | (205.4) | (237.0) | (32.6) | (43.1) | (80.8) |
| Selling | (65.5) | (84.9) | (136.1) | (157.6) | (25.3) | (32.1) | (48.4) |
| Administrative and general | (46.3) | (30.9) | (56.0) | (64.8) | (8.1) | (11.6) | (26.6) |
| Interest on shareholders' equity | (2.2) | (5.0) | — | — | — | — | (3.6) |
| Other operating revenue (expenses) | — | — | (13.3) | (14.6) | 0.7 | 0.6 | (2.2) |
| **Result of operations before financial revenue (expenses)** | **62.1** | **108.2** | **214.9** | **236.8** | **17.2** | **25.1** | **60.4** |
| Financial revenue (expenses) | (31.1) | (59.0) | (147.4) | (146.9) | (7.5) | (8.4) | (33.0) |
| **Operating revenue** | **31.0** | **49.2** | **67.6** | **89.9** | **9.6** | **16.7** | **27.4** |
| Non-operating result | 0.4 | (0.1) | — | — | — | — | (0.2) |
| **Income before taxes and social contribution** | **31.4** | **49.1** | **67.6** | **89.9** | **9.6** | **16.7** | **27.2** |
| Income tax | (8.8) | (14.9) | (14.5) | (21.0) | (2.3) | (3.8) | (8.9) |
| Social contribution | 0.2 | (5.5) | (4.4) | (4.4) | (0.9) | (0.9) | (2.5) |
| **Income before adjustment relating to interest on shareholders' equity** | **22.8** | **28.7** | **48.6** | **64.4** | **6.4** | **12.0** | **15.8** |
| Adjustment relating to interest on shareholders' equity | 2.2 | 5.0 | 14.3 | 14.3 | — | — | 3.6 |
| **Income before minority interest** | **25.0** | **33.7** | **63.0** | **78.7** | **6.4** | **12.0** | **19.4** |

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | (In millions of R$) | | | | | | |
| Minority interest | — | — | 1.3 | 1.4 | — | — | — |
| **Net income** | **25.0** | **33.7** | **64.3** | **80.1** | **6.4** | **12.0** | **19.4** |

(1) Reflects unaudited pro forma information, as if our subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

**Balance Sheet Data**

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 |
| | (In millions of R$) | | | |
| **Current assets** | **238.4** | **407.6** | **1,176.7** | **1,485.3** |
| Cash and cash equivalents | 7.3 | 38.6 | 291.7 | 62.9 |
| Short-term investments | — | — | — | 512.7 |
| Accounts receivable (domestic customers) | 100.0 | 115.1 | 185.9 | 194.7 |
| Accounts receivable (international customers) | 20.1 | 64.8 | 178.2 | 139.4 |
| Inventory | 30.1 | 90.8 | 347.4 | 355.1 |
| Taxes recoverable | 74.0 | 97.8 | 165.3 | 206.6 |
| Prepaid expenses | 0.3 | 0.1 | 1.3 | 1.5 |
| Other amounts receivable | 6.7 | 0.2 | 6.9 | 12.3 |
| **Non-current assets** | **2.1** | **2.1** | **17.9** | **16.2** |
| Investments | 0.5 | 0.1 | 0.2 | 0.2 |
| Compulsory deposits | 0.0 | 0.2 | 1.8 | 2.2 |
| Notes receivable | — | — | 0.9 | 0.9 |
| Deferred taxes | — | — | 14.4 | 8.1 |
| Other receivables | 1.6 | 1.8 | 0.6 | 4.8 |
| **Permanent assets** | **98.8** | **262.4** | **523.2** | **705.4** |
| Investments | — | — | 93.7 | 130.8 |
| Fixed | 98.8 | 262.4 | 429.5 | 562.5 |
| Deferred | — | — | — | 12.1 |
| **Total assets** | **339.3** | **672.1** | **1,717.8** | **2,207.0** |
| **Current liabilities** | **242.4** | **316.6** | **420.0** | **464.8** |
| Suppliers | 89.2 | 112.0 | 212.8 | 201.4 |
| Personnel, social charges and benefits | 26.5 | 46.3 | 57.1 | 48.0 |
| Taxes, fees and contributions | 3.6 | 4.3 | 18.4 | 19.2 |
| Loans and financing | 121.2 | 153.7 | 118.1 | 188.0 |
| Other obligations | 1.9 | 0.4 | 13.5 | 8.2 |
| **Long-term liabilities** | **35.2** | **179.9** | **1,052.2** | **1,506.7** |
| Loans and financing | 6.6 | 105.9 | 929.0 | 947.7 |
| Convertible notes | — | — | — | 205.0 |
| Convertible debentures | — | — | — | 204.9 |
| Suppliers | — | 5.0 | — | — |
| Taxes, fees and contributions | 21.9 | 19.3 | 70.5 | 67.1 |
| Deferred taxes | 6.7 | 49.6 | 52.8 | 50.7 |
| Provisions | — | — | — | 31.2 |
| **Minority shareholders' interest** | **—** | **—** | **24.6** | **10.5** |
| **Shareholders' equity** | **61.7** | **175.6** | **221.0** | **224.9** |
| Capital | 20.8 | 140.0 | 140.0 | 140.0 |
| Reserves | 13.2 | — | — | 0.7 |
| Retained earnings | 27.7 | 35.6 | 81.0 | 84.2 |
| **Total liabilities and shareholders' equity** | **339.3** | **672.1** | **1,717.8** | **2,207.0** |

### Other Financial Data

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | (In millions of R$, unless otherwise indicated) | | | | | | |
| Net income | 25.0 | 33.7 | 64.3 | 80.1 | 6.4 | 12.0 | 19.4 |
| Income tax and social contribution | 8.6 | 20.4 | 19.0 | 25.4 | 3.2 | 4.7 | 11.4 |
| Non-operating result | (0.4) | 0.1 | — | — | — | — | 0.2 |
| Financial revenue (expenses) | 31.1 | 59.0 | 147.4 | 146.9 | 7.5 | 8.4 | 33.0 |
| Depreciation and amortization | 4.9 | 8.0 | 18.3 | 24.2 | 4.0 | 6.4 | 10.1 |
| Minority interests | — | — | (1.3) | (1.3) | — | — | — |
| EBITDA(2) | 69.2 | 121.2 | 247.7 | 275.3 | 21.1 | 31.5 | 74.1 |
| EBITDA margin | 5.3% | 8.9% | 11.6% | 10.8% | 6.3% | 6.7% | 11.2% |

(1) Reflects unaudited pro forma information, as if the subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

(2) EBITDA is not a measure recognized by Brazilian GAAP. In accordance with CVM Circular No. 1/2007, EBITDA may be reconciled with the financial statements as follows: net income (loss) before income tax and social contribution, results of unconsolidated equity holdings, net financial result, net non-operating result, minority interests, and depreciation and amortization. EBITDA does not have a standardized meaning and may not be comparable to EBITDA or other similar measures used by other companies. EBITDA should not be considered as an alternative to net income or loss as indicators of our operating performance or as an alternative to cash flow as an indicator of our liquidity.

# RISK FACTORS

*Before making an investment decision, you should consider all of the information set forth in this listing memorandum, as supplemented or amended. In particular, you should consider the special considerations applicable to an investment in us and in Brazil, including the risk factors set forth below. In general, investing in the securities of issuers in emerging market countries, such as Brazil, involves a higher degree of risk than investing in the securities of issuers in the United States.*

*Additional risks and uncertainties not currently known to us, or those that we currently deem to be immaterial, may also materially and adversely affect us. Any of the following risks could materially affect us. In such case, you may lose all or part of your original investment.*

*This listing memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this listing memorandum. See "Cautionary Statement Regarding Forward-Looking Statements."*

## 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, could adversely affect our activities.***

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. The Brazilian government's actions to control inflation and other regulations and policies have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls, limits on imports, and other actions. Our business, financial condition and results of operations may be adversely affected by changes in Brazilian policies or regulations involving or affecting:

- interest rates;
- monetary policy;
- exchange controls and restrictions on remittances of payments outside of Brazil, such as those which were imposed on such remittances (including dividends) in 1989 and early 1990;
- currency exchange rate fluctuations;
- inflation;
- social instability;
- price instability;
- liquidity of Brazilian capital and financial markets;
- effects of environmental legislation;
- fiscal and tax policies;
- fluctuations in the growth of the Brazilian economy, as measured by GDP; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policies or regulations affecting these or other factors in the future may contribute to heightened volatility in the Brazilian securities markets and of securities issued abroad by Brazilian companies.

In addition, in October 2006 general elections were held in Brazil, from which new state governors emerged and the current president, Luiz Inácio Lula da Silva, was reelected to serve a second term. It is impossible to foresee how policies that may be adopted by the new or reelected government officials would affect the Brazilian economy or our business.

***Inflation and efforts by the Brazilian government to curb inflation may contribute to economic uncertainty in Brazil and could adversely affect us.***

Brazil has historically experienced high rates of inflation, which decreased after the implementation by the Brazilian government of the so-called *Plano Real* in 1994. The adoption of policies such as floating exchange rates and devaluation of the *real* vis-à-vis the U.S. dollar may contribute to creating additional inflationary pressure, and consequently to the adoption of recessive government policies, which may affect the Brazilian economy as a whole, including us.

If Brazil should again experience substantial inflation in the future, the Brazilian government's actions to combat inflation may lead to economic deceleration and a reduction in purchasing power of the population, which may adversely affect our business, financial condition and results of operations.

In addition, the Brazilian government's actions to combat inflation, combined with uncertainties as to future policies that may be implemented by the Brazilian government to control inflation, could increase the volatility of the Brazilian capital markets. Any future measures taken by the Brazilian government to control inflation, including the adjustments of interest rates, interventions in the foreign exchange market and other actions to adjust or fix the value of the *real*, may adversely affect the Brazilian economy, our business, financial condition and results of operations.

The Central Bank sets the basic interest rates generally applicable to the Brazilian banking system, taking into account the growth of the Brazilian economy, the inflation rate and other indicators. At the end of 2003 and 2004, the official target interest rate in Brazil, as set by the Monetary Policy Committee (*Comitê de Política Monetária—COPOM*), or COPOM, was set at 16.5% and 17.8%, respectively. The interest rate continued to increase steadily, and in August 2005, the interest rate reached 19.75%. In September 2005, COPOM began to lower the official target interest rate, which reached 18% in December 2005. Subsequently, in the beginning of 2006, COPOM continued lowering the target interest rate, and as of October 18, 2006 it was 13.75%.

In addition, our indebtedness, like other companies in our industry, is affected by fluctuations in market interest rates. Should interest rates rise, the costs and payments relating to the service of our floating-rate debt obligations would also rise, and it may become more difficult for us to obtain needed debt financing on terms that we deem favorable. In this event, our business, financial condition and results of operations may be negatively affected.

***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 18.7% in 2001 and 52.3% in 2002. Although the *real* appreciated 18.2%, 8.1% and 13.7% against the U.S. dollar in 2003, 2004 and 2005, respectively, there can be no assurance that the *real* would not depreciate or be devalued against the U.S. dollar again. On June 30, 2007, the U.S. dollar-*real* exchange rate was R$1.926 per US$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. On the other hand, 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, in particular, our results of operations.

***Economic developments and the perception of risk in other countries, especially other emerging market countries, may adversely affect the Brazilian economy and our business.***

The Brazilian economy, the capital markets and Brazilian companies are affected to varying degrees by economic and market conditions locally and in other countries, including emerging market countries, as well as by investors' reactions to these conditions. The offer of credit to Brazilian companies is influenced by the economic and market conditions prevailing in Brazil and, to varying degrees, in other emerging market countries, in particular Latin American countries.

Developments and the conditions prevailing in other emerging market countries have in the past significantly affected the availability of credit and resulted in considerable decreases in investor demand and volume of foreign investments in Brazil. There can be no assurance that future developments in emerging market countries and government measures in these countries would not adversely affect the offer of credit in the local and international markets, thereby negatively affecting the Brazilian economy, our business and results of operations. If our access to the capital and finance markets should be restricted, we could have difficulties in implementing our capital expenditure plan and maintaining our market share, which may adversely affect our financial condition and results of operations and the market value of the notes.

**Risks Relating to our Business and the Industry in Which We Operate**

***Outbreaks of F&M disease or other cattle diseases in Brazil, Argentina, Uruguay or Chile may materially adversely affect us, and consequently, the price of our common shares.***

F&M disease is a highly contagious and infectious disease that affects cattle, among other cloven-hooved animals, and causes fever, followed by the development of blisters mainly located in the mouth and on the feet of these animals. On October 11, 2005, Brazilian authorities detected the virus that causes F&M disease on a cattle ranch in the State of Mato Grosso do Sul, which had previously been considered free of F&M disease due to an ongoing vaccination program. F&M disease was subsequently detected in a number of surrounding cattle ranches in the State of Mato Grosso do Sul. As a result of that outbreak of F&M disease in Brazil, approximately 56 countries suspended or restricted fresh beef imports from Brazil. Several of these countries (including Egypt) have banned imports only from the State of Mato Grosso do Sul, while other countries (including the members of the European Union) have also banned imports of fresh beef from the States of Paraná and São Paulo. Certain other countries (including Chile and South Africa) suspended imports of fresh beef from all of Brazil.

If F&M disease were to spread to other Brazilian states in which we maintain operations or to Argentina, Uruguay, or Chile, countries where our recently-acquired plants are located and that are currently free from F&M disease, import restrictions on beef would likely be expanded. Additional restrictions would materially adversely affect our results of operations and the price of our common shares.

In addition, an outbreak of BSE or other diseases affecting cattle in Brazil, Argentina, Uruguay or Chile could result in restrictions on domestic and export sales of our beef products, including our processed beef products. As sales of beef products, including processed beef products, represented 95.6% of our net revenues in the three months ended March 31, 2007, any restrictions placed on such sales would adversely affect us. In addition, outbreaks of diseases affecting cattle or concerns about such diseases, whether or not resulting in regulatory action, often lead to cancellations of orders by our customers and to adverse publicity that may have an adverse effect on consumer demand and, as a result, could adversely affect our results of operations and the market price of our common shares.

***We could be adversely affected by government policies and regulations affecting the cattle sector and related industries.***

Cattle production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the cattle industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on beef products, can influence industry profitability, the use of land resources, the location and size of cattle production, whether unprocessed or processed commodity products are traded, and the volume and types of imports and exports.

Government policies in Brazil and other jurisdictions may adversely affect the supply, demand for and prices of beef products, restrict our ability to do business in our existing and target domestic and export markets and could adversely affect our results of operations, and accordingly, our ability to make payment under the notes. Our operations are subject to extensive regulation and oversight by the Ministries of Agriculture of Brazil, Argentina and Uruguay and state, local and foreign authorities regarding the processing, packaging, storage, distribution, advertising and labeling of our products, including food safety standards. For example, on May 5, 2005, the Brazilian Ministry of Agriculture suspended exports of processed beef to the United States after a team of veterinarians from the United States recommended that the Brazilian government improve sanitary and monitoring procedures at Brazilian slaughterhouses. The team concluded that Brazilian government sanitary inspection teams were not adequately qualified. Although this ban was lifted by the Brazilian Ministry of Agriculture on June 29, 2005, these suspensions, as well as suspensions and restrictions imposed recently by numerous countries in light of an outbreak of F&M disease in Brazil, and any future suspensions or restrictions imposed by Brazilian governmental authorities or governmental authorities in other jurisdictions could have adversely affect us.

***If our products become contaminated, we may be subject to product liability claims, product recalls and restrictions on exports that would adversely affect us.***

Our beef products may be subject to contamination by organisms producing food-borne illnesses. These organisms are generally found in the environment, and therefore, they could be present in our products through our food processing operations. For example, *E. coli* is one of many food-borne illnesses commonly associated with beef products. Once contaminated products have been shipped for distribution, illness or death may result. We may be subject to significant liability if the consumption of any of our products causes injury, illness or death. Contamination of our products also may create adverse publicity that could negatively affect us and our reputation.

***We may be subject to penalties for antitrust violations.***

On June 21, 2005, the Economic Law Secretariat (*Secretaria de Direito Econômico*), or the SDE, initiated administrative proceedings against 11 Brazilian beef companies, including us and other large beef producers. The proceedings relate to allegations that we and these beef companies may have breached Brazilian antitrust regulations by entering into agreements to establish the price of cattle purchased for slaughter. Although SDE found that we violated these regulations, a final binding determination on this matter can only be made by the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), or CADE, which is the ultimate Brazilian antitrust agency.

On January 30, 2007, the Office of the General Counsel of CADE issued its opinion on the case, supporting the SDE's allegations that eight of the 11 companies investigated, including us, had violated Brazilian antitrust regulations. More recently, on April 25, 2007, the Federal Prosecutors Office (*Ministério Público Federal*) also issued an opinion that these eight companies, including us, had violated antitrust regulations. These opinions are not binding, and CADE has the discretionary power to decide on the case.

If CADE ultimately decides that we violated Brazilian antitrust regulations, CADE may impose administrative penalties on us, including an administrative fine that may range from 1% to 30% of our gross revenues in 2004 (the year preceding the initiation of the investigation, which is generally the period considered by CADE to calculate the fine) in addition to criminal proceedings that may be determined by a Brazilian public prosecutor and fines imposed against the administrators directly or indirectly responsible for such conduct that may vary from 10% to 50% of the amount of the fine imposed against such company. In case of an unfavorable CADE decision, we may appeal in the Brazilian courts. Any adverse decision could result in a material adverse effect on us and the market price of our common shares.

***Our operating margins may be negatively affected by fluctuating raw material costs and selling prices and other factors that are beyond our control.***

Our operating margins are dependent on the purchase price of raw materials (primarily livestock) and the price at which our beef products can be sold, among other factors. These prices can vary significantly, including over relatively short periods of time, as a result of a number of factors, including the relative supply and demand for beef and the market for other protein products, including poultry, pork and fish. The supply and market price of the cattle that constitute our principal raw material and represent the substantial majority of our cost of goods sold are dependent upon a variety of factors over which we have little or no control, including outbreaks of diseases such as F&M disease, fluctuations in the size of herds maintained by producers, the relative cost of feed, economic conditions and weather.

We do not enter into long-term sales arrangements with our customers and, as a result, the prices at which we sell our products are determined in large part by market conditions. A significant decrease in beef prices for a sustained period of time could adversely affect our revenues and, unless our raw material costs and other costs correspondingly decrease, our operating margins. Price swings in raw materials, and the resultant impact on the prices that we charge for our products, may adversely affect us. If we face increased costs, we may not be able to pass these higher costs along to our customers.

***We face significant competition in our business, which may adversely affect our market share and profitability.***

The beef industry is highly competitive. In Brazil, our major beef competitors are Bertin, Friboi, Frigorífico Independência, Frigorífico Minerva and Frigorífico Mercosul. In international beef markets, we compete with numerous producers, including Cargill, Tyson Foods, Smithfield Foods and Swift in the United States, Australian Meat, Teys Bros and Nippon Meat Packers in Australia, Finexcor and Swift in Argentina, and San Juanito in Uruguay. Many factors influence our competitive position, including our operating efficiency and the availability, quality and cost of raw materials and labor force. Some of our competitors have greater financial and marketing resources, larger customer bases and greater breadth of product offerings than we do. If we are unable to remain competitive with these beef producers in the future, our market share may be adversely affected.

***We may face additional regulatory, operational and sanitary risks in Argentina, Chile and Uruguay as a result of our recent acquisitions.***

Since October 2006, we have acquired three processing plants in Argentina and Uruguay. We believe that these processing plants would have accounted for approximately 18.5% of our overall net revenues in the year ended December 31, 2006 had they been acquired at the beginning of the year. As a result of these acquisitions, we now have subsidiaries that are subject to specific risks associated with Argentina and Uruguay, as well as risks associated with Chile, where we have a deboning and distribution plant. For example, the Argentine, Chilean and Uruguayan governments could intervene in their respective economies by making significant changes in policies and regulations, including actions to control inflation, increases in interest rates, changes in tax policy, price controls, currency devaluations, capital controls (including limitations on the distributions of dividends to foreign investors), limits on exports and imports and other actions. In addition, our operations in those countries could be subject to different constraints than those we face in Brazil, such as a lack of modern facilities, limitations on labor force availability and qualification, raw material shortages and administrative restrictions. Additionally, certain of the companies that we recently acquired do not have formalized systems of internal controls or accounting systems as sophisticated as ours. Furthermore, any outbreak of cattle diseases in Argentina, Chile and Uruguay, or sanitary restrictions imposed on these countries, may significantly affect the operations of our subsidiaries in those countries, including production and export sales.

If regulatory measures, operational constraints and sanitary restrictions materially affect our subsidiaries in Argentina, Chile and Uruguay, we may not receive distributions from such subsidiaries and consequently our results of operations and the price of the common shares may be adversely affected.

***We may continue to grow through acquisitions that involve risks that could adversely affect us.***

We will continue to consider acquisitions of processing plants in Brazil and abroad where attractive opportunities exist. Acquisitions of processing plants may involve risks that could have a negative effect on us, such as:

- declines in our results of operations;
- unanticipated problems or legal liabilities; and

- inclusion of incompatible operations.

In addition, we may be unable to realize the anticipated benefits from acquisitions because acquired plants may produce lower gross margins than our current plants in the event of failures in integrating the acquired plants into our operating systems, difficulties in integrating existing employees or our inability to make investments in new equipment. The acquisition of processing plants, and the performance of those plants at lower-than-expected levels, could adversely affect us.

***Compliance with environmental regulations may result in significant costs, and failure to comply with environmental regulations may result in civil, as well as criminal, penalties and liability for damages.***

Our operations are subject to extensive and increasingly stringent regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes. Failure to comply with these regulations can have serious adverse consequences for us, including criminal as well as civil and administrative penalties and negative publicity. We have incurred and will continue to incur capital and operating expenditures to continue to comply with these laws and regulations. Additional environmental requirements imposed in the future or our inability to obtain environmental licenses could require us to incur significant additional costs and could adversely affect us.

***Changes in consumer preferences could adversely affect our business.***

We are subject to changing consumer trends, demands and preferences. Our products compete with other protein sources, including poultry and pork. Our failure to anticipate, identify or react to changes in these trends could lead to reduced demand and price for our products, among other concerns, and could have a material adverse effect on our business, financial condition, results of operations and market value of our market shares.

***Any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business.***

We depend on intensive use of labor in our activities. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition, results of operations and the market value of our common shares.

***We hedge our operations and may incur substantial losses.***

We use a number of derivative instruments such as interest rate, exchange rate and commodities swaps, to protect ourselves from changes in market prices and reduce our financial expenses. If the evolution of market prices does not match our expectations, we may incur substantial losses, which could have a material adverse effect on our business, financial condition, results of operations and the market value of our common shares.

***We are party to legal and administrative proceedings related to FUNRURAL. Unfavorable outcomes in these pending proceedings may materially adversely affect us.***

We are involved in certain legal and administrative proceedings related to the FUNRURAL contribution, which is a contribution required to be withhold and paid by us on behalf of individuals producers of agricultural goods, including our cattle suppliers. We received tax assessment notices in connection with this contribution and subsequently filed a lawsuit disputing the requirement to withhold any related amounts. On May 29, 2007, we were granted a preliminary decision allowing us not to withhold any amounts until a final decision is made on the merits of our lawsuit. For additional information, see “Business—Legal Proceedings—Tax and Social Security Proceedings.”

We cannot guarantee that we will obtain favorable final decisions in these proceedings. In addition, our provisions may not be sufficient to cover the liabilities of which we are subject. If unfavorable final decisions are rendered in one or more of these proceedings, we could be required to pay substantial amounts, which could materially adversely affect our results of operations and the market price of our common shares.

***Some of our plants and properties do not have municipal or fire department licenses.***

In order to occupy and use a building, it is necessary to obtain an official certificate evidencing that construction was properly concluded, which is the Permit of Conclusion (*Alvará de Conclusão*) or an equivalent certificate issued by the municipal government. Furthermore, non-residential properties must have the following licenses in order to be operated: the Permit and License of Use and Operation (*Alvará e Licença de Uso e Funcionamento*), issued by the relevant municipal government, and the Certificate of Inspection (*Auto de Vistoria do Corpo de Bombeiros*), issued by the fire department.

Some of the properties that we operate do not yet have one or more of these licenses. The lack of these licenses may result in penalties which vary from fines to, depending on the case, the obligation to demolish buildings constructed improperly or to close those facilities. Penalties in relation to our facilities, especially the closing down of facilities, may have a negative effect on 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 the notes 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 of Brazil, or 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 such payments with funds held by Marfrig outside Brazil. We cannot assure you that such an authorization will be obtained or that such 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 have applied to admit the notes to trading on the Euro MTF market of the Luxembourg Stock Exchange, we cannot provide you with any assurances that the application will be accepted. 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 such 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, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in the beef processing industry, political and economic developments in and affecting Brazil, risk associated with Brazilian issuers of such 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 such payment at the exchange rate on (i) the date of actual payment, (ii) the date on which such judgment is rendered, or (iii) the actual due date of the obligations, as published by the Central Bank. There can be no assurance that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

## USE OF PROCEEDS

The total net proceeds from the sale of the notes are estimated to be approximately US$363.5 million, after deducting commissions paid to the initial purchaser by us in connection with the offering, but before deducting legal fees and certain other expenses. We intend to use approximately US$214.0 million of the net proceeds from the issuance of the notes to refinance outstanding indebtedness, approximately US$123.2 million to fund acquisitions and approximately US$26.3 million for general corporate purposes.

## EXCHANGE RATES

Before March 14, 2005, there were two principal legal foreign exchange markets in Brazil: the commercial rate exchange market and the floating rate exchange market. On March 4, 2005, the CMN enacted Resolution No. 3,265, pursuant to which the floating rate market and the commercial market were unified into a single exchange market, effective as of March 14, 2005. The regulation allows, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a foreign person or legal entity, without limitation as to amount. However, the underlying transaction must be valid. Foreign currencies may be purchased through financial institutions domiciled in Brazil and authorized to operate in the exchange market. The purchase and sale of foreign currency in Brazil has to be carried out through these institutions. Recently, pursuant to Resolution No. 3,398, the Central Bank announced new regulations in order to allow Brazilian exporters of goods and services to keep a certain percentage of the proceeds received as payment for their exports outside of Brazil. The past regulations set forth that Brazilian exporters were obliged to remit to Brazil all funds received outside of Brazil as payment for their exports. The new regulation now allows Brazilian exporters to keep these funds abroad in accounts maintained with financial institutions located outside of Brazil, invest these funds abroad or use these funds for the payment of obligations of such Brazilian exporters outside of Brazil.

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. Since the beginning of 2001, the Brazilian exchange market has been increasingly volatile, and, until early 2003, the value of the *real* declined relative to the U.S. dollar. The *real* appreciated against the U.S. dollar in 2004, 2005 and 2006. On December 31, 2006, the exchange rate for U.S. dollars was R$2.138 per US$1.00. In the past, the Central Bank has intervened occasionally to control unstable movements of foreign 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 market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future. For more information on these risks, see "Risk Factors—Risks Relating to Macroeconomic Factors."

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** |
|---|---|---|---|---|
| 2002 | 3.533 | 2.931 | 2.271 | 3.955 |
| 2003 | 2.889 | 3.072 | 2.822 | 3.662 |
| 2004 | 2.654 | 2.926 | 2.654 | 3.205 |
| 2005 | 2.341 | 2.434 | 2.163 | 2.762 |
| 2006 | 2.138 | 2.177 | 2.059 | 2.371 |
| 2007 (through September 25, 2007) | 1.866 | 1.988 | 1.845 | 2.156 |

| **Month** | **Period-end** | **Average(2)** | **Low** | **High** |
|---|---|---|---|---|
| January 2007 | 2.125 | 2.138 | 2.125 | 2.156 |
| February 2007 | 2.118 | 2.096 | 2.077 | 2.118 |
| March 2007 | 2.050 | 2.089 | 2.050 | 2.139 |
| April 2007 | 2.034 | 2.032 | 2.023 | 2.048 |
| May 2007 | 1.929 | 1.982 | 1.929 | 2.031 |
| June 2007 | 1.926 | 1.931 | 1.905 | 1.964 |
| July 2007 | 1.878 | 1.883 | 1.845 | 1.918 |
| August 2007 | 1.962 | 1.962 | 1.873 | 2.156 |
| September 2007 (through September 25, 2007) | 1.866 | 1.866 | 1.862 | 1.964 |

Source: Central Bank.

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

(2) Represents the average of the exchange rates on the closing of each day during the month.

Exchange rate variations will affect the U.S. dollar equivalent of the *real* price of the common shares on the BOVESPA as well as the U.S. dollar equivalent of any distributions we make in *reais* with respect to our common shares. See "Risk Factors—Risks Relating to Macroeconomic Factors—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us."

As of June 30, 2007, the selling rate published by the Central Bank was R$1.926 per US$1.00.

## CAPITALIZATION

The table below sets forth our short-term and long-term debt, shareholders' equity and total capitalization as of March 31, 2007.

The information below was derived from our audited consolidated financial statements as of March 31, 2007. You should read the table below together with the information in "Presentation of Financial and Other Information," "Selected Financial and Other Operating Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as our financial statements and explanatory notes, included elsewhere in this listing memorandum.

| | March 31, 2007(1) | | | | | |
|---|---|---|---|---|---|---|
| | **Actual** | | **As Adjusted Before the IPO(2)** | | **As Adjusted After the IPO** | |
| | **(in millions)** | | | | | |
| Cash and cash equivalents | US$ 280.8 | R$ 575.7 | US$ 275.5 | R$ 564.8 | US$ 554.0 | R$ 1,134.5 |
| Total short-term debt | 91.7 | 188.0 | 91.7 | 188.0 | 91.7 | 188.0 |
| Total long-term debt | 462.3 | 947.7 | 462.3 | 947.7 | 462.3 | 947.7 |
| Convertible notes | 100.0 | 205.0 | — | — | — | — |
| Convertible debentures | 100.0 | 204.9 | — | — | — | — |
| Shareholders' equity(3) | 109.7 | 224.9 | 299.8 | 614.7 | 578.3 | 1,184.4 |
| **Total capitalization(4)** | **663.7** | **1,770.5** | **853.8** | **1,750.4** | **1,132.3** | **2,320.1** |

(1) Solely for the convenience of the reader, *real* amounts at and for the period ended March 31, 2007 have been translated into U.S. dollars at the exchange rate as of March 31, 2007 of R$2.050 to US$1.00. See "Exchange Rates" for further information about fluctuations in exchange rates.

(2) Adjusted to reflect the conversion into common shares of convertible debentures and convertible notes issued by us, based on a price per common share of R$17.00 less a conversion discount of 10%, and the payment after March 31, 2007 of dividends and interest on shareholders' equity in the total amount of R$10.9 million.

(3) Giving effect to a revaluation of certain of our assets in December 2005, which resulted in an increase in our shareholders' equity of R$130 million.

(4) Total capitalization corresponds to total short-term and long-term bank loans plus total shareholders' equity.

Other than the changes reflected in our capitalization as a result of our initial public offering and the exercise of the over-allotment option, there has been no material change to our capitalization.

## SELECTED FINANCIAL AND OTHER INFORMATION

The tables in this section present selected financial data obtained from our financial statements for the years ended December 31, 2004 and 2005, our consolidated financial statements for the year ended December 31, 2006 and the three months ended March 31, 2007, and our unaudited pro forma income statements for the year ended December 31, 2006 and the three months ended March 31, 2006. These statements have been prepared in accordance with Brazilian GAAP. See “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” together with our financial statements and related notes, included elsewhere in this listing memorandum. The tables below also present operating and financial data that are not part of our financial statements.

Our financial statements for the years ended December 31, 2004 and 2005 and our consolidated financial statements for the year ended December 31, 2006 were audited by BDO Trevisan Auditores Independentes, and those for the three months ended March 31, 2006 and 2007 were subject to a limited review by BDO Trevisan Auditores Independentes. Our unaudited pro forma financial statements were prepared to reflect the results of our subsidiaries Marfrig Chile, AB&P, Tacuarembó and Inaler as if they had been acquired on December 31, 2005, based on historical audited income statements of these companies for the periods indicated. The assumptions used in the preparation of our unaudited pro forma income statements and the application of pro forma adjustments to results of historical audited income statements were subject to a limited review by BDO Trevisan Auditores Independentes.

**Income Statement Data**

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | (In millions of R$) | | | | | | |
| **Gross operating revenue** | **1,362.3** | **1,482.6** | **2,391.0** | **2,818.0** | **373.5** | **512.8** | **734.7** |
| Domestic market | 835.3 | 777.9 | 1,225.8 | 1,349.0 | 212.8 | 258.6 | 379.9 |
| International market | 527.0 | 704.7 | 1,165.2 | 1,469.0 | 160.7 | 254.2 | 354.8 |
| Deductions from gross revenue | (55.8) | (122.8) | (260.5) | (269.6) | (39.7) | (42.7) | (71.6) |
| Taxes on sales | (19.3) | (60.5) | (104.1) | (111.8) | (16.8) | (19.4) | (31.0) |
| Returns and discounts | (36.5) | (62.2) | (156.4) | (157.9) | (22.9) | (23.2) | (40.6) |
| **Net operating revenue** | **1,306.5** | **1,359.8** | **2,130.5** | **2,548.3** | **333.7** | **470.1** | **663.2** |
| Cost of goods sold | (1,130.5) | (1,130.8) | (1,710.2) | (2,074.5) | (284.0) | (401.9) | (521.9) |
| **Gross profit** | **176.1** | **229.0** | **420.3** | **473.8** | **49.8** | **68.2** | **141.2** |
| Operating revenue (expenses) | (114.0) | (120.8) | (205.4) | (237.0) | (32.6) | (43.1) | (80.8) |
| Selling | (65.5) | (84.9) | (136.1) | (157.6) | (25.3) | (32.1) | (48.4) |
| Administrative and general | (46.3) | (30.9) | (56.0) | (64.8) | (8.1) | (11.6) | (26.6) |
| Interest on shareholders’ equity | (2.2) | (5.0) | — | — | — | — | (3.6) |
| Other operating revenue (expenses) | — | — | (13.3) | (14.6) | 0.7 | 0.6 | (2.2) |
| **Result of operations before financial revenue (expenses)** | **62.1** | **108.2** | **214.9** | **236.8** | **17.2** | **25.1** | **60.4** |
| Financial revenue (expenses) | (31.1) | (59.0) | (147.4) | (146.9) | (7.5) | (8.4) | (33.0) |
| **Operating revenue** | **31.0** | **49.2** | **67.6** | **89.9** | **9.6** | **16.7** | **27.4** |
| Non-operating result | 0.4 | (0.1) | — | — | — | — | (0.2) |
| **Income before taxes and social contribution** | **31.4** | **49.1** | **67.6** | **89.9** | **9.6** | **16.7** | **27.2** |
| Income tax | (8.8) | (14.9) | (14.5) | (21.0) | (2.3) | (3.8) | (8.9) |
| Social contribution | 0.2 | (5.5) | (4.4) | (4.4) | (0.9) | (0.9) | (2.5) |
| **Income before adjustment relating to interest on shareholders’ equity** | **22.8** | **28.7** | **48.6** | **64.4** | **6.4** | **12.0** | **15.8** |
| Adjustment relating to interest on shareholders’ equity | 2.2 | 5.0 | 14.3 | 14.3 | — | — | 3.6 |
| **Income before minority interest** | **25.0** | **33.7** | **63.0** | **78.7** | **6.4** | **12.0** | **19.5** |

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | | | | (In millions of R$) | | | |
| Minority interest .................................... | — | — | 1.3 | 1.4 | — | — | — |
| **Net income** | **25.0** | **33.7** | **64.3** | **80.1** | **6.4** | **12.0** | **19.4** |

(1) Reflects unaudited pro forma information, as if our subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

**Balance Sheet Data**

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 |
| | (In millions of R$) | | | |
| **Current assets** | **238.4** | **407.6** | **1,176.7** | **1,485.3** |
| Cash and cash equivalents | 7.3 | 38.6 | 291.7 | 62.9 |
| Short-term investments | — | — | — | 512.7 |
| Accounts receivable (domestic customers) | 100.0 | 115.1 | 185.9 | 194.7 |
| Accounts receivable (international customers) | 20.1 | 64.8 | 178.2 | 139.4 |
| Inventory | 30.1 | 90.8 | 347.4 | 355.1 |
| Taxes recoverable | 74.0 | 97.8 | 165.3 | 206.6 |
| Prepaid expenses | 0.3 | 0.1 | 1.3 | 1.5 |
| Other amounts receivable | 6.7 | 0.2 | 6.9 | 12.3 |
| **Non-current assets** | **2.1** | **2.1** | **17.9** | **16.2** |
| Investments | 0.5 | 0.1 | 0.2 | 0.2 |
| Compulsory deposits | 0.0 | 0.2 | 1.8 | 2.2 |
| Notes receivable | — | — | 0.9 | 0.9 |
| Deferred taxes | — | — | 14.4 | 8.1 |
| Other receivables | 1.6 | 1.8 | 0.6 | 4.8 |
| **Permanent assets** | **98.8** | **262.4** | **523.2** | **705.4** |
| Investments | — | — | 93.7 | 130.8 |
| Fixed | 98.8 | 262.4 | 429.5 | 562.5 |
| Deferred | — | — | — | 12.1 |
| **Total assets** | **339.3** | **672.1** | **1,717.8** | **2,207.0** |
| **Current liabilities** | **242.4** | **316.6** | **420.0** | **464.8** |
| Suppliers | 89.2 | 112.0 | 212.8 | 201.4 |
| Personnel, social charges and benefits | 26.5 | 46.3 | 57.1 | 48.0 |
| Taxes, fees and contributions | 3.6 | 4.3 | 18.4 | 19.2 |
| Loans and financing | 121.2 | 153.7 | 118.1 | 188.0 |
| Other obligations | 1.9 | 0.4 | 13.5 | 8.2 |
| **Long-term liabilities** | **35.2** | **179.9** | **1,052.2** | **1,506.7** |
| Loans and financing | 6.6 | 105.9 | 929.0 | 947.7 |
| Convertible notes | — | — | — | 205.0 |
| Convertible debentures | — | — | — | 204.9 |
| Suppliers | — | 5.0 | — | — |
| Taxes, fees and contributions | 21.9 | 19.3 | 70.5 | 67.1 |
| Deferred taxes | 6.7 | 49.6 | 52.8 | 50.7 |
| Provisions | — | — | — | 31.2 |
| **Minority shareholders' interest** | **—** | **—** | **24.6** | **10.5** |
| **Shareholders' equity** | **61.7** | **175.6** | **221.0** | **224.9** |
| Capital | 20.8 | 140.0 | 140.0 | 140.0 |
| Reserves | 13.2 | — | — | 0.7 |
| Retained earnings | 27.7 | 35.6 | 81.0 | 84.2 |
| **Total liabilities and shareholders' equity** | **339.3** | **672.1** | **1,717.8** | **2,207.0** |

**Other Financial Data**

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | (In millions of R$, unless otherwise indicated) | | | | | | |
| Net income | 25.0 | 33.7 | 64.3 | 80.1 | 6.4 | 12.0 | 19.4 |
| Income tax and social contribution | 8.6 | 20.4 | 19.0 | 25.4 | 3.2 | 4.7 | 11.4 |
| Non-operating result | (0.4) | 0.1 | — | — | — | — | 0.2 |
| Financial revenue (expenses) | 31.1 | 59.0 | 147.4 | 146.9 | 7.5 | 8.4 | 33.0 |
| Depreciation and amortization | 4.9 | 8.0 | 18.3 | 24.2 | 4.0 | 6.4 | 10.1 |
| Minority interests | — | — | (1.3) | (1.3) | — | — | — |
| EBITDA(2) | 69.2 | 121.2 | 247.7 | 275.3 | 21.1 | 31.5 | 74.1 |
| EBITDA margin | 5.3% | 8.9% | 11.6% | 10.8% | 6.3% | 6.7% | 11.2% |

(1) Reflects unaudited pro forma information, as if the subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

(2) EBITDA is not a measure recognized by Brazilian GAAP. In accordance with CVM Circular No. 1/2007, EBITDA may be reconciled with the financial statements as follows: net income (loss) before income tax and social contribution, results of unconsolidated equity holdings, net financial result, net non-operating result, minority interests, and depreciation and amortization. EBITDA does not have a standardized meaning and may not be comparable to EBITDA or other similar measures used by other companies. EBITDA should not be considered as an alternative to net income or loss as indicators of our operating performance or as an alternative to cash flow as an indicator of our liquidity.

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

*The discussion below is based on, and should be read in conjunction with, our financial statements and related notes for the years ended on December 31, 2004 and 2005, as well as our consolidated financial statements and those of our subsidiaries and related notes for the year ended on December 31, 2006 and the three months ended March 31, 2007 and the combined pro forma financial statements of the three years ended March 31, 2006, included elsewhere in this listing memorandum and discussed in this section. Our financial statements were prepared in accordance with Brazilian GAAP. This discussion should also be read in conjunction with the information presented under the sections entitled "Presentation of Financial and Other Information," "Summary Financial and Other Information," "Selected Financial and Other Information," and with other financial information presented in this listing memorandum.*

*The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in this section in regard to forward-looking statements as a result of various factors, including, without limitation, those set forth in the sections entitled "Forward-Looking Statements," "Risk Factors" and the matters described in this listing memorandum in general.*

### Overview

We are one of the largest producers of beef and beef by-products in South America, according to data derived from information compiled by Brazilian public companies operating in the industry, INDEC and INAC. We believe we are the fourth largest beef producer in the world. We produce and distribute fresh, frozen and processed beef products to customers in Brazil and abroad. We also distribute other types of meat and food products, including frozen pre-cooked potato chips, pork and lamb cuts, frozen vegetables, poultry, fish, ready meals and pasta. Our product mix includes beef cuts, special beef cuts, frozen cooked beef, canned beef and beef jerky.

As of March 31, 2007, we had a total daily slaughtering capacity of 12,900 head of cattle. We believe we are the second largest beef producer in terms of slaughtering capacity in Brazil, with a daily capacity of 10,300, and the largest in Uruguay, according to INAC, with a daily capacity of 1,900. Our activities in Uruguay also include slaughtering of sheep. As of March 31, 2007, daily slaughtering capacity in Argentina was 700 head of cattle. In 2006, we believe we were one of the largest beef exporters in South America, according to data derived from information compiled by SECEX, INDEC and INAC and taking into account our exports from Brazil, Uruguay, Argentina and Chile. Taking into account the processing plants we acquired during 2006, we were the largest beef exporter in Uruguay in terms of tonnage and currently have the largest share of the 2006/2007 European Union reduced-tariff importation quota for beef, or the Hilton Quota, for South America.

### Brazilian Macroeconomic Scenario

We conduct most of our activities in Brazil, where the Brazilian government has a strong influence on the economy through changes in policies and regulations. The Brazilian government's measures to control inflation and implement other regulations and policies include, among others, changes to interest rate and fiscal policies, price controls, currency devaluation, capital controls, limits on imports and blocking accounts. These measures can undermine consumers' confidence and income, business and foreign investment, and all of these factors can affect our business, financial situation and operating results in any fiscal year.

The main indicators in the Brazilian economy posted significant improvements beginning in 2004. GDP grew 5.7% and the average unemployment rate was 9.6% on December 31, 2004 in Brazil's main metropolitan regions, according to estimates published by IBGE, resulting in an increase in the demand for goods and services. Brazil posted a primary fiscal surplus of 4.6% of GDP on December 31, 2004, which was above the target set by the International Monetary Fund of 4.3% of GDP. Brazil posted a positive current account balance of US$11.7 billion. Inflation, measured by the Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA, was 7.6% and the average long-term interest rate (*Taxa de Juros de Longo Prazo*), or TJLP, was 9.8%. In 2004, the *real* appreciated 8.1% against the U.S. dollar in comparison with 2003. However, the increase in economic activity led to inflationary pressures, resulting in the maintenance of high interest rates.

In 2005, the *real* appreciated 9.8% against the U.S. dollar. Even with this currency appreciation, Brazil had a positive current account balance of US$13.9 billion, the largest surplus it had ever posted. The average unemployment rate reduced from 9.6% on December 31, 2004 to 8.3% on December 31, 2005, in Brazil's main metropolitan areas, according to IBGE estimates. In 2005 inflation measured by the IPCA index, was 5.7% and the average TJLP interest rate was 9.8%. GDP grew 2.9% the same year.

In 2006, the *real* continued its trend and appreciated 8.7% against the U.S. dollar. Even with the currency appreciation, Brazil posted a positive current account balance of US$13.2 billion. The average unemployment rate grew from 8.3% on December 31, 2005 to 8.4% on December 31 2006, in Brazil's main metropolitan areas, according to IBGE estimates. In 2006 the average inflation rate, measured by the IPCA index, was 3.1% and the average TJLP interest rate was 7.9%.

In the three months ended March 31, 2007, the *real* appreciated 5.6% against the U.S. dollar. Even with the currency appreciation, Brazil posted a positive current account balance of US$1.7 billion. The average unemployment rate grew from 8.4% on December 31, 2006 to 10.1% on March 31 2007, in Brazil's main metropolitan areas, according to IBGE estimates. As of March 2007 the average inflation rate, measured by the IPCA index, was 3.0% and the average TJLP interest rate was 6.5%.

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

| | Year ended December 31, | | | Three months ended March 31, |
|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** |
| GDP growth | 5.7% | 2.9% | 3.7% | N.A. |
| Inflation (IGP-M)(1) | 12.4% | 1.2% | 3.8% | 4.3% |
| Inflation (IPCA)(2) | 7.6% | 5.7% | 3.1% | 3.0% |
| Inflation (INPC)(3) | 6.1% | 5.1% | 2.8% | 3.2% |
| CDI(4) | 16.2% | 19.1% | 12.5% | 12.7% |
| TJLP(5) | 9.8% | 9.8% | 7.9% | 6.5% |
| Appreciation (depreciation) of the *real* against the U.S. dollar | 8.1% | 11.8% | 8.7% | 5.6% |
| Exchange rate at end of period (US$1.00) | R$ 2.654 | R$ 2.341 | R$ 2.138 | R$ 2.050 |
| Average exchange rate (US$1.00)(6) | R$ 2.926 | R$ 2.434 | R$ 2.177 | R$ 2.108 |

Source: Fundação Getúlio Vargas, IpeaData, Central Bank and Bloomberg.

(1) General Market Prices Index (*Índice Geral de Preços-Mercado*), or IGP-M, as measured by Fundação Getúlio Vargas.

(2) As measured by the IBGE.

(3) National Consumer Prices Index (*Índice Nacional de Preços ao Consumidor*), or INPC, as measured by the IBGE.

(4) The CDI is the average rate for intraday, interbank deposits in Brazil (accumulated for the month at the end of the period, annualized).

(5) Long-term interest rate published quarterly by the Central Bank (average of period).

(6) Average of the exchange rates during the period.

**Financial Presentation and Accounting Policies**

Our financial statements prepared in accordance with Brazilian GAAP for the years ended December 31, 2004 and 2005 and the three months ended March 31, 2006, as well as the consolidated financial statements for the year ended December 31, 2006 and for the three months ended March 31, 2007, are included in this listing memorandum.

Our consolidated income statement for the year ended December 31, 2006 includes five months of operations of our Chilean subsidiary Marfrig Chile, which became our subsidiary on July 28, 2006, three months of operations of our Argentine subsidiary AB&P, which became our subsidiary on October 12, 2006, three months of operations of our Uruguayan subsidiary Tacuarembó, which became our subsidiary on October 20, 2006, and one month of operations of our Uruguayan subsidiary Inaler, which became our subsidiary on December 8, 2006.

Our financial statements for the years ended December 31, 2004 and 2005 and our consolidated financial statements for the year ended December 31, 2006 were audited by BDO Trevisan Auditores Independentes, and those for the three months ended March 31, 2006 and 2007 were subject to a limited review by BDO Trevisan Auditores Independentes.

***Discussion of Critical Accounting Policies***

The financial statements included in this listing memorandum include our unconsolidated and consolidated financial statements, and were prepared in accordance with the Brazilian GAAP. The critical accounting policies described here are those that are material for describing our financial condition and results, in the aspects in which this determination is more difficult, subjective and complex, subject to judgments, estimates and assumptions, requiring estimates regarding questions that involve uncertainty. For the preparation of these financial statements, our management used estimates and assumptions to account for assets, liabilities and transactions. Our unconsolidated and consolidated financial statements include various estimates that are subjective and complex, relating to the useful life of fixed assets, provisions for contingent liabilities, estimated periods for the recovery and amortization of acquisition and investment premiums, provisions for taxes, provisions for doubtful debtors, provisions for management and employee bonuses and other similar items.

We adopt the following accounting practices:

*Effects of Changes in Exchange Rates*

The effects of changes in exchange rates are recognized through adjustments of the indexed assets and liabilities, with an entry in financial revenue and expenses.

*Determination of Result*

The result is determined on an accrual basis and takes into account the income, charges and effects of inflation, calculated according to official indexes or rates, incident on our assets and liabilities, and the effects of marking assets to market or realization value, when applicable.

*Current and Long-Term Assets and Liabilities*

Assets are shown at the realization value and liabilities at known or calculable amounts, including, when applicable, the corresponding income, charges and inflation adjustments.

As of March 31, 2007, inventory is shown at the average purchase or production cost, which is less than the market or realization value. In the three months ended March 31, 2006, as well as in the years ended December 31, 2005 and 2004, finished or work-in-process product inventory was valued by the fiscal method, taking as a basis 70% of the highest sales price achieved during the period for the finished products, and 56% of the highest sales price achieved during the period for work-in-process products.

The change of the valuation criteria for finished and work-in-process product inventories did not have a material effect on the financial statements for the quarter ending on March 31, 2007, but had an effect of R$11.2 million on our results of operations for the year ended December 31, 2006.

The remaining stock of raw materials and supply materials was valued at the average cost of acquisition or production, which is less than their realization or market value.

*Investments and Fixed Assets*

Investments in subsidiaries are valued by the equity method. Other investments are valued at the cost of acquisition, subtracting, when applicable, the provision for probable losses in the realization of their value.

Our fixed assets are shown at historical cost for those acquired since January 1, 1996. On the basis of reports prepared by experts, we revalued our fixed assets on December 31, 2003 and December 31, 2005.

Depreciation is calculated by the straight-line method at rates that take the useful economic life of the assets into account.

*Other Current and Non-Current Assets*

The other current and non-current assets are shown at cost or realization value, including, when applicable, the income received to the date of the balance sheets.

*Income Tax and Social Contribution*

Current taxes are calculated and booked on the basis of taxable profits, in accordance with the legislation and rates in effect. Deferred tax liabilities, which include deferred income tax and social contribution, were established in connection with the revaluation of certain of our assets. Deferred tax assets are established on the balances of tax losses and temporary differences, and deferred social tax assets are constituted on temporary differences.

*Consolidation of Financial Statements*

In the consolidation of our financial statements and those of our subsidiaries for the year ended December 31, 2006 and the three months ended March 31, 2007, the effects of intercompany trading were eliminated.

The financial statements for the subsidiaries located abroad were originally prepared in local currency and in accordance with the laws in effect in their respective countries, and were reviewed by independent auditors, adjusted to the accounting practices of IFRS, and converted into U.S. dollars. They were then converted to Brazilian GAAP and *reais* at the exchange rate on the date of the financial statements.

**Principal Factors Affecting our Results of Operations**

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

Our domestic sales represented 52.5% of our gross revenues in Brazil in the three months ended March 31, 2007. As a Brazilian company with substantially all of its operations in Brazil, 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 growth rate of GDP in Brazil. Because of our significant share in the Brazilian fresh beef markets, fluctuations in Brazilian demand for fresh beef products affect our production levels and revenues.

Brazilian GDP growth has fluctuated significantly, and we anticipate that it will likely continue to do so. Our management believes that economic growth in Brazil should positively affect our future revenues and results of operations. However, a period of low growth or recession in Brazil could reduce our future revenues and negatively impact our results of operations.

***Effects of Fluctuations in Cattle and Beef Prices***

Fluctuations in the domestic and international market price of beef significantly affect our operating revenue, and fluctuations in the domestic price of cattle have significant effects on our costs of goods sold.

*Effects on Net Operating Revenue*

Our domestic and international beef prices are set generally by market conditions, 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 beef 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 prices, outbreaks of diseases and sanitary restrictions imposed in Brazil and abroad.

*Effects on Cost of Goods Sold*

Cattle is our main raw material. Purchases of cattle (including transportation and purchases of carcasses from third parties) represented approximately 81.9% of our total cost of goods sold in Brazil in the three months ended March 31, 2007. Among other material costs are labor and packaging materials.

We do not control domestic cattle prices. The cost of cattle varies in accordance with domestic market prices, which fluctuate depending on the supply and demand for cattle. We generally purchase cattle on credit (30 days), and the prices we pay for cattle are based on the 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 Brazil for our products than prevailing domestic prices and margins. The difference in prices and margins between the Brazilian and export markets results in part from generally higher demand for beef in international market, particularly with respect to premium cuts, and the higher purchase power in developed countries.

In the three months ended on March 31, 2007, approximately 51.6% of our net revenues in Brazil was derived from export sales of beef products. Our net revenues derived from export sales of fresh beef and processed beef increased by 59.6%, from R$162.3 million in the three months ended March 31, 2006 to R$259 million in the same period in 2007.

***Effects of Exchange Rate Variations between the* Real *and the United States Dollar***

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 because a substantial portion of our revenue is linked to U.S. dollars and we have U.S. dollar-denominated debt that requires us to make principal and interest payments in U.S. dollars.

Practically all of our export sales are expressed in U.S. dollars. When the *real* depreciates against the U.S. dollar, assuming the international market prices of our products remain constant, our revenue from exports increases. Conversely, when the *real* appreciates against the U.S. dollar, assuming the international market prices for our products remain constant, our revenue from exports decreases.

Our U.S. dollar-denominated indebtedness represented 90.9% of our outstanding indebtedness on March 31, 2007. As a result, when the *real* depreciates against the U.S. dollar, the interest costs on our U.S. dollar-denominated indebtedness increases in *reais*, which negatively affects our results of operations in *reais*, and our total liabilities and debt service obligations in *reais* increase, and our financial expenses tend to increase as a result of foreign exchange losses that we must record. Conversely, when the *real* appreciates against the U.S. dollar, the interest costs on our U.S. dollar-denominated indebtedness decrease in *reais*, which positively affects our results of operations in *reais*, our total liabilities and debt service obligations in *reais* decrease, and our financial expenses tend to decrease as a result of foreign exchange gains we must record.

Exports 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 fully match them.

***Effect of Level of Indebtedness***

As of March 31, 2007, the total consolidated outstanding indebtedness was R$1,135.7 million, not considering the debentures and notes issued by us that are mandatorily convertible into our common shares. The level of our indebtedness results in significant financial expenses that are reflected in our financial statements. Financial expenses consist of interest expense, exchange variations of U.S. dollar and other foreign currency-denominated debt, and other items as set forth in the notes to our interim, consolidated financial information.

During the three months ended on March 31, 2007, we recorded net financial expenses of R$33 million, of which R$43.3 million consisted of expenses of fees, charges and interest, R$7.5 million of foreign exchange gains and R$2.8 million of financial revenue.

**Results of Operations**

***Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006***

*Net operating revenue*

Net operating revenue increased by 98.7%, from R$333.7 million in the three months ended March 31, 2006 to R$663.2 million for the same period in 2007. This increase is a result of two main factors.

The first factor was a R$167.8 million, or 50.3%, increase in our net revenues generated in Brazil, from R$333.7 million in the three months ended March 31, 2006 to R$501.5 million for the same period in 2007, due to an increase in sales, both international and domestic, related to our increase in production capacity in Brazil, which increased 49.7%, from 298,000 head of cattle slaughtered in the first quarter of 2006 to 446,000 head of cattle slaughtered in the first quarter of 2007. This increase was due to: the expansion of the our plants in Bataguassu, in the state of Matto Grosso do Sul, and Tangará, in the state of Matto Grosso; the construction of the plant in Porto Murtinho, in the state of Matto Grosso do Sul; and the purchase of the plant in Chupinguaia, in the state of Rondônia, and of a second plant in Promissão, in the state of São Paulo, and the lease of the plants in Mineiros, in the state of Goiás, São Gabriel, in the state of Rio Grande do Sul, all of which were already in operation and occurred after the end of the first quarter in 2006.

Our net sales revenue from exports increased by 59.7%, from R$162.2 million in the three months ended March 31, 2006 to R$259 million for the same period in 2007. This is due to the increase in fresh meat sales to the European Union, Middle East and Russia and the sale of frozen, cooked beef (a higher value-added product, the production of which is destined for the international market) to the United States, Japan and the European Union. Sales of cooked, frozen beef increased 19.8%, from 2,694 tons in the first quarter of 2006 to 3,227 tons in the first quarter of 2007. Even in light of a situation of average appreciation of 4% of the *real* against the U.S. dollar, we increased our share in the international market, also recording an improvement in our average U.S. dollar sales price.

Our net revenue from sales in domestic markets (wholesale and food service) increased by 41.4%, from R$171.5 million in the three months ended March 31, 2006 to R$242.5 million in the same period in 2007, keeping pace with the increase in sales volume.

The second factor was the consolidation of revenue from the acquisitions that took place after the first quarter of 2006, which represented an increase of R$161.6 million, or 24.4%, of our consolidated net operating revenue.

*Cost of goods sold*

Our cost of goods sold increased 83.8%, from R$284 million in the three months ended March 31, 2006 to R$521.9 million for the same period in 2007. This increase is mainly due to the increased slaughter of cattle and the increase in direct and indirect labor expenses, as a result of the processing plants that began operating in Brazil, as well as the consolidation of the cost of goods sold from the acquisitions that took place after the first quarter of 2006, which together represented an increase of R$140.1 million, or 26.8%, of the cost of goods sold.

As a percentage of net operating revenue, the cost of goods sold decreased from 85.1% in the three months ended March 31, 2006 to 78.7% for the same period in 2007, as a result of: the reduction of 87.6% of the purchases of carcasses from third parties; the increase of 208.5% in the discounts obtained in the purchase of cattle, from R$1.2 million in the three months ended March 31, 2006 to R$3.6 million for the same period in 2007; a change during 2006 in the valuation of inventory from the fiscal method to the average purchase or production cost method; and improvement of the productive process with the implementation of a methods and measurements program, seeking to reduce costs and reward the employees with the best results.

Depreciation and amortization expenses increased by 166.7%, from R$3.6 million in the three months ended March 31, 2006 to R$9.6 million for the same period in 2007, as a result of the acquisition of fixed assets, the depreciation of the new plants described above and the consolidation of depreciation of the acquisitions that occurred after the first quarter of 2006, which together represented an increase of R$2.4 million, or 25% of depreciation and amortization expense.

*Gross profit*

Gross profit increased by 183.7%, from R$49.8 million in the three months ended March 31, 2006 to R$141.3 million for the same period in 2007, while the gross margin grew from 14.9% in the three months ended March 31, 2006 to 21.3% for the same period in 2007.

The increase in gross profit, as well as gross margin, are a result of the increase in our exports of both fresh meat and of higher-added-value products, such as cooked frozen beef, which present more attractive gross margins, and the reduction of the cost of goods sold, as well as the consolidation of the gross profit of the acquisitions that occurred after the first quarter of 2006, which together represented an increase of R$21.6 million, or 147.9% of gross profit.

*Selling, general and administrative expenses*

Our selling, general and administrative expenses increased by 147.6%, from R$32.6 million, or 9.8% of net revenue, in the three months ended March 31, 2006 to R$80.8 million, or 12.2% of net operating revenue, for the same period in 2007. The increase was a result of three factors.

The first factor was an increase of 91.2% or R$23.1 million in selling expenses, due to freight expenses, which increased from R$19.3 million in the three months ended March 31, 2006 to R$29 million in the same period in 2007, and the consolidation of the selling expenses of the acquisitions that occurred after the first quarter of 2006, which together represented an increase of R$5.4 million, or 11.2% of selling expenses.

The second factor was an increase of 228.4% or R$18.5 million in administrative expenses, due to the expansion and purchase of plants as described above, the increase of labor expenses, from R$3.7 million in the three months ended March 31, 2006 to R$6.5 million in the same period in 2007, and an increase in expenses with services provided by third parties, which went from R$500,000 in the three months ended March 31, 2006 to R$4.2 million for the same period in 2007. The consolidation of the administrative expenses of the acquisitions that occurred after the first quarter of 2006 represented an increase of R$7.8 million or 29.3% in administrative expenses. Depreciation and amortization of the fixed assets used in administrative and selling activities increased by 25%, from R$400,000 in the three months ended March 31, 2006 to R$500,000 for the same period in 2007.

The third factor was a distribution of interest on shareholders' equity of R$3.6 million in the three months ended March 31, 2007, while in the same period in 2006 there was no distribution of interest on shareholders' equity.

*Financial income (expenses)*

Our net financial expenses increased by 341.3%, from R$7.5 million in the three months ended March 31, 2006 to R$33.1 million for the same period in 2007, as a result of the increase of 176.4% in interest on loans, taxes and tariffs, which increased from R$10.6 million in the three months ended March 31, 2006 to R$30.2 million in the same period in 2007, in line with the increase in our indebtedness.

*Income tax and social contribution*

Our income tax and social contribution increased by 255.9%, from R$3.2 million in the three months ended March 31, 2006 to R$11.4 million for the same period in 2007, as a result of an increase in our profits; taxation of provisions for contingencies, which are not deductible for purposes of calculating income tax and social contribution; and the consolidation of income tax and social contribution expenses that occurred after the first quarter of 2006, which together represented an increase of R$2.3 million, or 20.2% of income tax and social contribution expense.

*Adjustment relating to interest on shareholders' equity*

Interest on shareholders' equity was recorded as an operating expense and such expense is reversed so that the payment can be made through the allocation of income directly in the retained earnings account.

*Minority interest*

Minority interest increased due to the consolidation of the results of Marfrig Chile, which has a 50% controlling interest in Quinto Quarto, and Tacuarembó, both of which were acquired after the end of the first quarter of 2006.

*Net income*

Our net income increased by 201.8%, from R$6.4 million in the three months ended March 31, 2006 to R$19.4 million for the same period in 2007, reflecting the increase in the sale of products with a higher added value, greater efficiency in the production process and the consolidation of the net income from the acquisitions that occurred after the first quarter of 2006, which together represented an increase of R$6.3 million, or 32.5% of net income. The net margin varied from 1.9% in the three months ended March 31, 2006 to 2.9% for the same period in 2007.

**Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

*Net operating revenue*

Net operating revenue increased by 56.7%, from R$1,359.8 million in 2005 to R$2,130.5 million in 2006. This increase is a result of two main factors.

The increase in our net revenue of R$637.1 million, or 46.9%, from R$1,359.8 million in 2005 to R$1,996.9 million in 2006, was due to an increase in sales, both international and domestic, as a result of the increased production in Brazil, which increased 44.8%, from 1,032,000 head of cattle slaughtered in 2005 to 1,494,000 head of cattle slaughtered in 2006. This was due to: the expansion of our plants in Bataguassu, in the state of Mato Grosso do Sul, and Tangará, in the state of Mato Grosso; the construction of the plant in Porto Murtinho, in the state of Mato Grosso do Sul; and the purchase of the plant in Chupinguaia, in the state of Rondônia, and of a second plant in Promissão, in the state of São Paulo, and the lease of the plants in Mineiros, in the state of Goiás, São Gabriel, in the state of Rio Grande do Sul, all of which were already in operation and occurred after the end of the first quarter in 2006.

Our net revenue from exports increased by 48.6%, from R$729.4 million in 2005 to R$1,083.9 million in 2006. This was due to the increase in fresh meat sales to the European Union, Middle East and Russia (with Russia beginning to import meat from Brazil again in 2006), and the sale of cooked frozen beef (a higher-value-added product, the production of which is destined for the international market) to the United States, Japan and the European Union. The sale of cooked frozen beef increased by 83.2%, from 6,363 tons in 2005 to 11,657 tons in 2006. Even in light of the average 8.7% appreciation of the *real* against the U.S. dollar, we increased our share of sales on the international market, reflecting an improvement in our U.S. dollar sales prices, due to an increase of demand and a mix of higher-value-added products.

Our net revenue from sales in domestic markets (wholesale and food service) increased by 44.8%, from R$630.4 million in 2005 to R$913 million in 2006, accompanying the increase of the volume of sales.

The second factor was the consolidation of net revenues from the acquisitions that occurred in 2006, which together represented an increase of R$133.6 million in our revenue, or 6.3% of our consolidated net revenue.

*Cost of goods sold*

The cost of products sold increased by 51.2%, from R$1,130.8 million in 2005 to R$1,710.2 million in 2006, mainly due to the increased slaughter of cattle, and the consolidation of the cost of goods sold from the acquisitions that occurred in 2006, which together represented an increase of R$119.7 million, or 7% of the cost of goods sold.

As a percentage of net revenue, the cost of products sold decreased 83.2% to 80.3%, as a result of the reduction of 0.7% of the average price of cattle, from R$54.08 in 2005 to R$53.68 in 2006, and the valuation of inventory by a new cost system adopted in 2006, which enables the valuation of inventory to be in accordance with Brazilian GAAP, and generated a decrease of R$11.2 million, or 0.7% of the cost of goods sold.

Depreciation and amortization expense increased by 177.6%, from R$6.7 million in 2005 to R$18.6 million in 2006, as a result of the acquisition of fixed assets, the reappraisal of the industrial facilities recorded as of December 31, 2005, and the consolidation of the depreciation and amortization expenses from the acquisitions that occurred in 2006, which together represented an increase of R$3.2 million, or 14.7% of the depreciation and amortization expense.

*Gross profit*

Gross profits increased by 83.5%, from R$229 million in 2005 to R$420.3 million in 2006, while the gross margin increased from 16.8% in 2005 to 19.7% in 2006.

The increase in the gross profit, as well as the gross margin, are a result of the increase in exports of fresh beef, as well as higher-value-added products such as frozen cooked beef, which present more attractive margins, and the consolidation of the gross profit from the acquisitions that were made in 2006, which together represented an increase of R$14 million, or 3.3% of gross profit.

*Selling, general and administrative expenses*

Our selling, general and administrative expenses increased by 70%, from R$120.8 million, or 8.9% of net revenue in 2005 to R$205.3 million, or 9.6% of net revenue in 2006. The increase is a result of four factors.

The first factor was the increase of 54.1%, or R$46 million, in selling expenses due mainly to the increase in freight expenses, which increased from R$60 million in 2005 to R$98.4 million in 2006. The second factor was the increase of 65%, or R$20.1 million, in administrative expenses due to expenses for services provided by third parties, which increased from R$3.7 million in 2005 to R$9.8 million in 2006, and taxes and fees related to title registration of the plants purchased in 2006, which amounted to R$1.8 million.

The third factor was the consolidation of the administrative and selling expenses of the acquisitions that occurred in 2006, which together represented R$9.8 million or 4.8% of selling, administrative and general expenses. Depreciation and amortization expense, relating to the fixed asset used in administrative and selling activities increased by 23.2%, from R$1.3 million in 2005 to R$1.6 million in 2006.

Finally, the payment of interest on equity increased by 191.8%, from R$4.9 million in 2005 to R$14.3 million in 2006.

*Financial income (expenses)*

Our net financial expenses increased by 149.8%, from R$59 million in 2005 to R$147.4 million in 2006, as a result of the increase of 96% in interest on loans, taxes and charges, from R$53.2 million in 2005 to R$104.3 million in 2006, in line with the increase in our indebtedness, the payment of commission in the amount of R$12.3 million and taxes on the financial operations in the amount of R$16.1 million related to the loans taken out and discharged in 2006 during the restructuring of our indebtedness. The increase in financial expenses was affected by the rescheduling of bank debt in the amount of R$35 million in 2006.

*Income tax and social contribution*

Income tax and social contribution decreased by 7.3%, from R$20.4 million in 2005 to R$18.9 million in 2006, as a result of the recording of deferred taxes in the amount of R$10.9 million.

*Adjustment relating to interest on shareholders' equity*

Interest on shareholders' equity was recorded as an operating expense and such expense is reversed so that the payment can be made through the allocation of income directly in the retained earnings account.

*Minority interest*

Minority interest relates to the consolidation of results of our subsidiaries Marfrig Chile, which has a 50% controlling interest in Quinto Quarto, and Tacuarembó, both of which were acquired in 2006. In 2006, the reversal of the minority interest was R$1.3 million.

*Net income*

Our net income increased by 90.8%, from R$33.7 million in 2005 to R$64.3 million in 2006, reflecting the increase in the sales of higher-added-value products, improved efficiency in the production process and the consolidation of the net income from the acquisitions made in 2006, which together represented an increase of R$2.4 million, or 3.7% of net income. The net margin increased from 2.5% in 2005 to 3% in 2006.

**Year Ended December 31, 2005 Compared to Year Ended December 31, 2004**

*Net operating revenue*

Net operating revenue increased by 4.1%, from R$1,306.5 million in 2004 to R$1,359.8 million in 2005.

The net sales revenue from exports increased by 37.4%, from R$530.8 million in 2004 to R$729.4 million in 2005, due to an increase in our exports of fresh beef to the European Union, Russia and the Middle East and of frozen cooked beef to the United States and European Union. Our revenue from exports was partially offset by the appreciation of the *real* by an average of 16.8% against the U.S. dollar, and by sanitary restrictions imposed on the export of fresh Brazilian beef in October 2005, in response to the outbreak of F&M disease in that year.

The net sales revenue from domestic market decreased by 18.7%, from R$775.8 million in 2004 to R$630.4 million in 2005, as a result of the reallocation of a greater volume of our production to the export market.

*Cost of goods sold*

The cost of goods sold remained at the same level, from R$1,130.5 million, or 86.5% of net revenue, in 2004 to R$1,130.8 million, or 83.2% of net revenue, in 2005.

Despite the increase in net revenue, our cost of goods sold decreased due to a change in the accounting treatment of tax credits related to Contribution for the Social Integration Program (*Programa de Integração Social*), or PIS, and the Contribution for Social Security (*Contribuição para o Financiamento da Seguridade Social*), or COFINS. These tax credits were calculated as tax deductions on sales through the first half of 2004, but, as a result of the implementation of the Enterprise Resource Planning, or ERP, software, these tax credits began to be treated as deductions from cost of goods sold in the second half of 2004. Therefore, these tax credits only reduce cost of goods sold from that date, having a partial effect on the cost of goods sold during 2004. In 2005, this change in accounting criteria produced an effect throughout the entire fiscal year and represented a decrease of R$39.6 million in the cost of goods sold. Setting aside the change in the accounting treatment of the tax credits relating to PIS and COFINS, the cost of the goods sold would have increased 3.5%, keeping pace with the evolution of the net revenue for the period.

In addition, the main factors that influenced the composition of the cost of goods sold were: the increased slaughter of cattle, from 987,000 head in 2004 to 1 million in 2005; the reduction of 9.8% in the average price of cattle from R$59.94 in 2004 to R$54.08 in 2005; and, the change in accounting allocation criteria in the second half of 2004, when we began to include production expenses in the cost of goods sold (which formerly were accounted for in selling, general and administrative expenses).

Depreciation and amortization expense increased by 45.7%, from R$4.6 million 2004 to R$6.7 million in 2005, due to the acquisitions of real estate and the expansion of our plants in Promissão, in the state of São Paulo, Bataguassu, in the state of Mato Grosso do Sul and Tangará da Serra, in the state of Mato Grosso.

*Gross profit*

Gross profit increased by 30.1%, from R$176 million in 2004 to R$229 million in 2005, while the gross margin increased from 13.5% in 2004 to 16.8% in 2005.

The increase in gross profit as well as gross margin result from the increase in our exports of both fresh beef and higher-added-value products, such as frozen cooked beef, that present more attractive gross margins.

*Selling, general, and administrative expenses*

Our selling, general, and administrative expenses increased by 6%, from R$114 million, or 8.7% of net revenue, in 2004 to R$120.8 million, or 8.9% of net revenue, for the same period in 2005. The increase was a result of four factors.

The first factor was an increase of 29.6%, or R$19.4 million in selling expenses due to the increase in freight expenses, which increased from R$49.3 million in 2004 to R$60 million in 2005. The second factor was a decrease of 33.3% of administrative expenses that decreased from R$46.3 million in 2004 to R$30.9 million in 2005, as a result of the implementation of the ERP software that optimized our administrative processes.

The third factor was a change in the accounting treatment criteria which occurred in the second half of 2004, from which time we began to include production expenses in the cost of goods sold (which formerly were accounted for in selling and administrative expenses). Depreciation and amortization expense relating to the real estate used in the administrative and selling processes increased by 333.3% from R$300,000 in 2004 to R$1.3 million in 2005, due to the acquisitions of real estate and the expansion of our plants in Promissão, in the state of São Paulo, Bataguassu, in the state of Mato Grosso do Sul and Tangará da Serra, in the state of Mato Grosso.

Finally, the distribution of interest on own equity increased by 122.7%, from R$2.2 million in 2004 to R$4.9 million in 2005.

*Financial income (expenses)*

Our net financial expenses increased by 89.7%, from R$31.1 million in 2004 to R$59 million in 2005, mainly as a result of the increase by 66.8% of interest on loans, taxes and charges, from R$31.9 million in 2004 to R$53.2 million in 2005, in line with the increase in our indebtedness; and the increase of 196.9% in expenses due to exchange rate variations, from R$3.3 million in 2004 to R$9.8 million in 2005.

*Income tax and social contribution*

Income tax and social contribution increased by 137.2%, from R$8.6 million in 2004 to R$20.4 million in 2005, due to the increase in profits in 2005 and the increase in the calculation base for Corporate Income Tax (*Imposto de Renda de Pessoa Jurídica*) and Social Contribution on Net Income (*Contribuição Social sobre o Lucro Líquido*) resulting from tax assessments for the year 2005 that were being contested administratively at that time.

*Adjustment relating to interest on shareholders' equity*

Interest on shareholders' equity was recorded as an operating expense and such expense is reversed so that the payment can be made through the allocation of income directly in the retained earnings account.

*Minority interest*

There was no minority interest during 2004 and 2005.

*Net income*

Net income increased by R$8.8 million, from R$24.9 million in 2004 to R$33.7 million in 2005.

**Liquidity and Capital Resources**

***Sources and Uses of Cash***

Our main cash sources include cash flow generated by our operating activities and short-term and long-term indebtedness. Our main uses of cash involve costs and expenses related to the operation of our business, capital expenditures, including the investment in new plants, expansion and/or modernization of existing plants and our indebtedness repayment requirements.

Our cash flow from operations in the years ended December 31, 2004, 2005 and 2006, and in the three months ended March 31, 2007, was R$(56.8) million, R$(54.4) million, R$(268.4) million and R$0.5 million, respectively. Cash needs in these periods were supplied by short-term and long-term indebtedness.

We believe that these sources will continue to be sufficient to meet our current funding needs, which include working capital, investment capital, repayment of debt and payment of dividends.

**Cash Used in Investments**

Capital used in investments, purchases of fixed assets and pre-operating expenses in the years ended December 31, 2004, 2005 and 2006, and in the three months ended March 31, 2007, was R$32.1 million, R$85.9 million, R$251.3 million and R$213.2 million, respectively.

In the years ended December 31, 2004, 2005 and 2006, and in the three months ended March 31, 2007, our allocations of resources were directed mainly to the expansion of our operations. In the years ended December 31, 2004, 2005 and 2006, we invested R$32.1 million, R$85.9 million and R$105.2 million, respectively, in the construction, acquisition, maintenance, modernization and/or expansion of our plants. In addition, in the year ended December 31, 2006, we invested R$146.1 million in the acquisitions of beef producers in Brazil and abroad and, in the three months ended March 31, 2007 we invested R$122.2 million in the acquisition of beef producers in Brazil and abroad and R$91 million in the construction, maintenance, modernization and/or expansion of our plants.

**Other Applications of Funds**

In the years ended December 31, 2004, 2005 and 2006, we made payments of interest on shareholders' equity in the amount of R$2.2 million, R$4.9 million and R$14.3 million, respectively. In the three months ended March 31, 2007, dividends and interest on shareholders' equity were paid in the amounts of R$7.8 million and R$3.6 million, respectively.

**Indebtedness**

Excluding our convertible debt represented by debentures and notes that are mandatorily convertible into our common shares, as of March 31, 2007 our total outstanding indebtedness was R$1,135.7 million, consisting of R$188 million of short-term indebtedness (or 16.6% of our total indebtedness), and R$947.7 million of long-term indebtedness (or 83.4% of our total indebtedness).

As of March 31, 2007, approximately R$248.6 million, or 21.9%, of our outstanding indebtedness was secured. In general, our indebtedness is secured by a percentage of our accounts receivable. In addition, our indebtedness is generally guaranteed by our shareholders Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos. For additional information on these guarantees, see "Related Party Transactions."

As of March 31, 2007, R$103.4 million, or 9.1%, of our outstanding indebtedness was denominated in *reais*, and the remaining R$1,032.3 million, or 90.9%, in foreign currencies.

Many of these facilities contain covenants that restrict, among others, our capacity to incur additional debt, create liens, enter into transactions with related parties, issue or sell capital stock of subsidiaries, merge and sell assets. In addition, these facilities contain cross-default and cross-acceleration clauses.

*Short-term debt*

Our short-term debt amounted to R$188 million on March 31, 2007. We have credit lines with a variety of domestic and international banks to finance our cash flow needs. We believe that we will continue to be able to obtain additional credit to finance our needs for working capital on the basis of our history and current market conditions.

*Long-term debt*

The following table sets forth our main outstanding long-term debt instruments as of March 31, 2007:

| Facility | Outstanding Balance (in millions of R$) | Final Maturity |
|---|---|---|
| BNDES-Exim loans | R$53.6 | March, 2009 |
| Export prepayment financings (denominated in US$) | 77.5 | September, 2011 |
| Export credit certificate (denominated in US$) | 41.0 | March, 2012 |
| Fixed rate notes (denominated in US$) | 768.9 | November, 2016 |
| **Subtotal** | **R$941.0** | |

| Facility | Outstanding Balance (in millions of R$) | Final Maturity |
|---|---|---|
| Convertible debentures | R$204.9 | March, 2009 |
| Convertible notes (denominated in US$) | 204.9 | March, 2009 |
| **Total** | **R$1,350.8** | |

*BNDES-Exim loans*

We entered into loans with BNDES-Exim through a financial agent. These loans are aimed at financing our capital expenditures related to the expansion of our export-oriented production capacity. These loans bear interest calculated based on 80% of TJLP plus 20% of a currency basket (*cesta de moedas*), which is a rate that reflects the daily exchange rate changes in the currencies that comprise BNDES' funding, plus a 4% per year margin. The principal amount and the interest applicable to the lines of credit are due every quarter, with final maturity in March 2009. As of March 31, 2007, our outstanding debt balance of BNDES-Exim loans was R$53.6 million.

*Export prepayment financings*

In the normal course of our business, we enter into several export prepayment financings which, as of March 31, 2007, amounted to a total outstanding balance of R$77.5 million, or US$37.8 million. These financings are denominated in U.S. dollars and have an average annual interest rate of LIBOR plus 4.2%.

*Export credit certificate*

On March 1, 2007, we entered into an export credit certificate facility in the amount of US$20 million. This contract bears interest at a rate of 9.35%, payable quarterly. The principal amount is due on March 1, 2012.

*Fixed rate notes*

On November 16, 2006, our subsidiary Marfrig Overseas Limited issued notes in the aggregate amount of US$375 million, maturing in 10 years with an annual interest rate of 9.625%, payable semi-annually. The notes are unconditionally guaranteed by us. The notes may be accelerated in certain situations and include a number of covenants that restrict, among other things, creation of new indebtedness, granting of liens and payment of dividends. For additional information on these restrictions, see "Risk Factors—Risks Relating to our Business and the Industry in which We Operate" and "Market Information and Securities Issued—Securities Issued." Merrill Lynch, Pierce, Fenner & Smith Incorporated acted as the initial purchaser in this transaction. Currently, Merrill Lynch Credit Products LLC, which is an affiliate of one of the lead underwriters and agents in this offering, holds a total of US$40 million of these notes.

*Convertible debt*

On March 26, 2007, we issued subordinated convertible debentures in the aggregate amount of US$100 million. The convertible debentures, which mature on March 29, 2009 and bear interest at 4.75% per annum, are mandatorily convertible into our common shares. The indenture and other related documents are governed by Brazilian law. Merrill Lynch Credit Products LLC, an affiliate of one of the lead underwriters and agents for this offering, holds all of these convertible debentures.

On March 30, 2007, we issued subordinated convertible notes in the aggregate amount of US$100 million. The convertible notes, which mature on March 30, 2009 and bear interest at 4.75% per annum, are mandatorily convertible into our common shares. The convertible notes and related purchase agreement are governed by New York law. ABN AMRO Bank N.V., London Branch, an affiliate of one of lead underwriters and agents for this offering, holds all of these convertible notes.

Both the convertible debentures and the convertible notes will be automatically converted into our common shares upon the occurrence of this offering. The conversion ratio will be calculated based on the price per share in this offering less a discount of 10%, assuming that the offering will occur on or before December 31, 2007. For additional information on the terms and conditions of the convertible debentures and the convertible notes, see "Market Information and Securities Issued—Securities Issued."

## Contractual Obligations

As of March 31, 2007, our contractual obligations amounted to R$1,135.7 million, all of which relate to our bank indebtedness. There was no outstanding balance relating to the acquisition of plants or other investments.

The table below sets forth the outstanding balance of our contractual obligations as of March 31, 2007:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | 2007 | 2008 | 2009 | From 2009 to 2016 |
| | (in millions of *reais*) | | | | |
| Bank indebtedness | 1,135.7 | 188.0 | 87.3 | 31.2 | 829.2 |
| **Total contractual obligations** | **1,135.7** | **188.0** | **87.3** | **31.2** | **829.2** |

## Off-Balance Sheet Arrangements

We hedge in the ordinary course of business exchange rate, interest rate and commodities risks related to our financings and our cattle purchases on a transaction by transaction basis, through derivative instruments such as swap contracts (U.S. dollar to CDI or LIBOR to fixed interest rates and vice-versa), futures contracts traded on the BM&F and forward contracts. Only the notional value of these contracts is reflected in our books. We do not believe any of these transactions would pose a material risk to us.

## EBITDA

EBITDA is not a measure recognized by Brazilian GAAP. In accordance with CVM Circular No. 1/2007, EBITDA may be reconciled with the financial statements as follows: net income (loss) before income tax and social contribution, results of unconsolidated equity holdings, net financial result, net non-operating result, minority interests, and depreciation and amortization. EBITDA does not have a standardized meaning and may not be comparable to EBITDA or other similar measures used by other companies. EBITDA should not be considered as an alternative to net income or loss as indicators of our operating performance or as an alternative to cash flow as an indicator of our liquidity.

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

| | Years ended December 31, | | | | Three months ended March 31, | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006(1) | 2006 | 2006(1) | 2007 |
| | (In millions of R$, unless otherwise indicated) | | | | | | |
| Net income | 25.0 | 33.7 | 64.3 | 80.1 | 6.4 | 12.0 | 19.4 |
| Income tax and social contribution | 8.6 | 20.4 | 19.0 | 25.4 | 3.2 | 4.7 | 11.4 |
| Non-operating result | (0.4) | 0.1 | — | — | — | — | 0.2 |
| Financial revenue (expenses) | 31.1 | 59.0 | 147.4 | 146.9 | 7.5 | 8.4 | 33.0 |
| Depreciation and amortization | 4.9 | 8.0 | 18.3 | 24.2 | 4.0 | 6.4 | 10.1 |
| Minority interests | — | — | (1.3) | (1.3) | — | — | — |
| EBITDA | 69.2 | 121.2 | 247.7 | 275.3 | 21.1 | 31.5 | 74.1 |
| EBITDA margin | 5.3% | 8.9% | 11.6% | 10.8% | 6.3% | 6.7% | 11.2% |

(1) Reflect unaudited pro forma information, as if the subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

## Subsequent Events

On May 5, 2007, we entered into a purchase agreement for the acquisition of the brand "Kilo Certo" and other assets in connection with a processing plant located in São Paulo, State of São Paulo. Possession of the assets was transferred to us on June 1, 2007. The purchase price of the assets is R$25 million, payable by January 3, 2008. Of this total amount, R$3 million will be deposited in an escrow account until June 1, 2010 as a guarantee for contingencies and potential liabilities of the sellers. This guaranteed amount may be increased in the event new liabilities are identified. We may rescind the acquisition of the assets in case new contingencies of more than R$7.5

million are identified. The purchase agreement establishes that the sellers shall transfer title to the assets free from encumbrances or defects, on or before the last installment payment. We will continue to operate the acquired assets in the same processing plant through a lease agreement. We believe the acquisition of these assets will contribute to the development of our production and to our sale of higher value-added products.

On May 10, 2007, we entered into a purchase agreement for the acquisition of all shares of capital stock of Masplen Limited, a company organized under the laws of Jersey, which in turn owns all of the shares of capital stock of Pampeano, a company organized under the laws of the Federative Republic of Brazil. Pampeano owns a canned beef and beef jerky processing plant in Hulha Negra, State of Rio Grande do Sul. The purchase price is US$20 million, payable in installments up to January 5, 2012. Any potential liabilities existing prior to the execution of the purchase agreement may be deducted from the installment payments of the purchase price. In addition, the sellers have provided an indemnity in our favor for a period of 24 months. The shares of Pampeano were given as security for payment of a portion of the purchase price. We have been operating Pampeano's processing plant since April 1, 2007 and we believe the acquisition will contribute not only to the development of our production and to our sale of higher value-added products, but will also create new business opportunities in the region.

On May 18, 2007, we entered into a purchase agreement for the acquisition of all shares of capital stock of Prestcott International S.A., a company organized in Uruguay, which in turn owns all of the shares of Cledinor S.A., a company also organized in Uruguay, which operates Frigorífico La Caballada, a beef and lamb processing plant. The purchase price is US$16.3 million, payable by January 4, 2008. The purchase price may be adjusted according to special financial statements to be made as of the purchase date, provided that the parties may rescind the transaction if the adjustment is US$500,000 or more. Certain properties of Cledinor S.A. are subject to a mortgage that secures payment of a U$10 million debt of the seller, which has been assumed by us. Of the total purchase price, US$2.5 million will be held in escrow until June 1, 2009 or until this mortgage is cancelled, in order to cover potential liabilities and contingencies of the seller.

On May 21, 2007, we entered into a purchase agreement for the acquisition of 250,000 square meters of land in Itú, State of São Paulo. The purchase price is R$5.6 million, of which R$350,000 were paid as down payment, R$1.5 million will be paid upon transfer of title and the remaining in four monthly installments after transfer of title. We intend to use this land to build a new distribution center with high storage capacity.

On May 28, 2007, we entered into a five-year lease agreement in connection with a distribution center located in Porto Alegre, State of Rio Grande do Sul. The distribution center has approximately 1,800 square meters of offices and refrigerated storage area. The monthly rent is R$25,000. This lease agreement will allow the development of our food service operations in the south region, in particular in the States of Rio Grande do Sul and Santa Catarina. From this new distribution center we intend to distribute the products we make in Brazil and abroad, and provide food services to restaurants and other food service customers.

On the same date, we entered into lease agreements for property and equipments in connection with a frozen cooked beef processing plant in Louveira, State of São Paulo. The monthly rent is approximately R$58,300 for the property and R$77,000 for the equipment, in each case for a term of five years. This plant will expand the capacity of one of our plants in Promissão.

**Qualitative Disclosure about Market Risks**

We are exposed to market risks arising from our normal business activities. 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. Therefore, we are exposed 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.

***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.

## INDUSTRY OVERVIEW

### World Beef Industry

#### *Consumption*

Beef is a protein-rich source of nutrition and the world's third most consumed type of meat after pork and poultry. In 2006, approximately 51.7 million tons of beef was consumed globally. The world's beef consumption is concentrated in the western hemisphere and remained generally stable in 2005 and 2006.

The biggest growth in world beef consumption in the coming years is expected to take place in East and Southeast Asia, Latin America and the Middle East, as a result of anticipated population growth and growth in income per capita (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 BSE and F&M disease, have generally been allayed and health concerns have diminished with the benefits of beef's nutritional value having been established within most major consumer markets.

The following table illustrates beef consumption per capita in the countries set forth below for 2002, 2003, 2004, 2005, 2006 (preliminary) and 2007 (estimated):

**Beef Consumption per Capita (in kilograms per year)**

| Country | 2007(E) | 2006(P) | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|
| Argentina | 65.3 | 63.9 | 61.8 | 64.2 | 62.6 | 61.6 |
| United States | 43.2 | 43.0 | 42.8 | 43.2 | 42.5 | 44.3 |
| Uruguay | 40.6 | 39.3 | 35.4 | 39.7 | 37.0 | 49.4 |
| Brazil | 37.5 | 36.9 | 36.4 | 34.8 | 34.5 | 35.8 |
| Australia | 35.7 | 35.5 | 36.6 | 37.5 | 39.8 | 35.6 |
| Canada | 33.8 | 34.4 | 33.6 | 32.5 | 33.1 | 31.1 |
| New Zealand | 30.4 | 30.7 | 31.2 | 31.5 | 37.5 | 31.5 |
| Mexico | 23.3 | 23.4 | 22.8 | 22.6 | 22.3 | 23.5 |
| European Union(1) | 18.0 | 18.1 | 17.9 | 18.2 | 18.3 | 18.0 |
| Russia | 16.3 | 16.6 | 17.5 | 16.0 | 16.4 | 16.9 |
| China | 5.9 | 5.6 | 5.4 | 5.2 | 4.9 | 4.5 |
| India | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 |

Source: USDA.
(E) Estimates.
(P) Preliminary results.
(1) The data for the European Union includes data from the 25 member countries in all of the years indicated.

#### *Production*

The world's cattle inventory remained generally stable from 2005 to 2006, with approximately 1.0 billion head of cattle at December 31, 2006. This number is expected by industry analysts to increase slightly by the end of 2007. In 2006, herd expansions were notable in Brazil, China and the United States, while the largest reductions occurred in Mexico and Russia due to reduced supplies of animal feed and shortages of other raw materials.

The slaughter of cattle worldwide is expected by industry analysts to grow to 312 million heads in 2007, from 308 million heads in the previous year. Brazil and China are expected to show the largest gains. Beef production in various countries is also expected to continue to rise along with beef consumption.

The table below sets forth the worldwide production of beef in millions of tons in 2003, 2004, 2005, 2006 (preliminary) and 2007 (estimated):

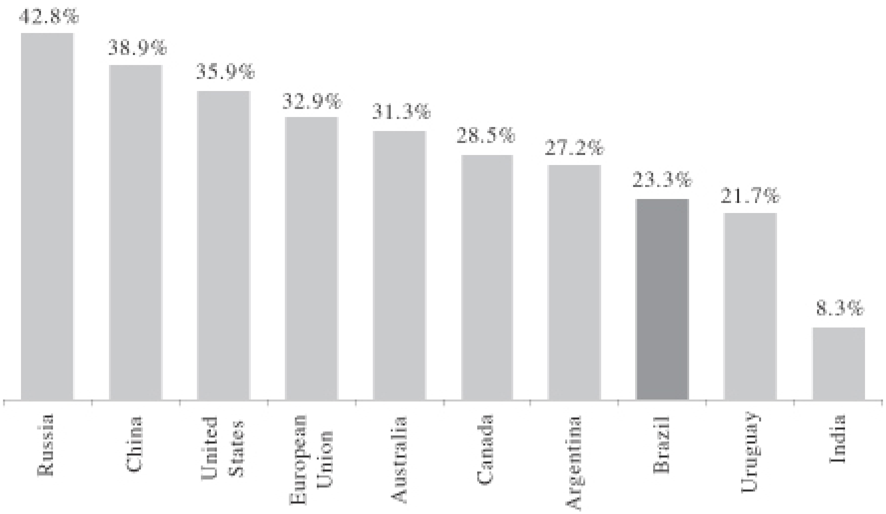
**Worldwide Beef Production (in millions of tons)**

| Country | 2007(E) | 2006(P) | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| United States | 12.1 | 12.0 | 11.3 | 11.3 | 12.0 |
| Brazil | 9.3 | 9.0 | 8.6 | 8.0 | 7.4 |
| European Union(1) | 7.9 | 7.9 | 7.8 | 8.0 | 8.1 |
| China | 7.9 | 7.5 | 7.1 | 6.8 | 6.3 |
| Argentina | 3.1 | 3.1 | 3.2 | 3.1 | 2.8 |
| India | 2.5 | 2.4 | 2.3 | 2.1 | 2.0 |
| Mexico | 2.2 | 2.2 | 2.1 | 2.1 | 2.0 |
| Australia | 2.3 | 2.2 | 2.1 | 2.1 | 2.1 |
| Russia | 1.4 | 1.4 | 1.5 | 1.6 | 1.7 |
| Canada | 1.4 | 1.4 | 1.5 | 1.5 | 1.2 |
| New Zealand | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Others | 4.0 | 4.0 | 4.3 | 4.0 | 3.8 |
| **Total** | **54.8** | **53.8** | **52.5** | **51.3** | **50.1** |

Source: USDA.
(E) Estimates.
(P) Preliminary results.
(1) The data for the European Union includes data from the 25 member countries in all of the years indicated.

The slaughter rate is the ratio of the number of slaughtered cattle to the size of the herd. The younger the cattle are at the time of slaughter, the higher the slaughter rate. The table below sets forth the annual slaughter rates of main beef producers in 2006:

**Annual Slaughter Rates of Main Beef Producers (2006)**




Source: USDA. Figures represent the average of estimated year-end results for 2005 and 2006.

The types of breeds and feeding system characteristics in Brazil make the Brazilian slaughter rate one of the lowest among commercial beef-producing countries, suggesting a significant potential for growth. South

America and Oceania are currently the major beef producing surplus areas in the world, while the European Union, North America, Russia and East Asia constitute deficit regions.

***Exportation***

Due to growing global demand and the expected further liberalization of trade barriers, beef exports are expected to increase over the next few years. Exports in countries such as Brazil, Argentina and Uruguay are expected to increase in 2007. The following tables sets forth the world's leading beef exporting countries in 2003, 2004, 2005, 2006 (preliminary) and 2007 (estimated):

**World's Leading Beef Exporting Countries (in millions of tons)**

| Countries | 2007(E) | 2006(P) | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Brazil | 2,235 | 2,109 | 1,867 | 1,628 | 1,175 |
| Australia | 1,530 | 1,459 | 1,413 | 1,394 | 1,264 |
| India | 800 | 750 | 627 | 499 | 439 |
| New Zealand | 600 | 541 | 589 | 606 | 558 |
| United States | 585 | 523 | 317 | 209 | 1,142 |
| Uruguay | 520 | 510 | 487 | 410 | 325 |
| Argentina | 500 | 556 | 762 | 623 | 386 |
| Canada | 420 | 440 | 551 | 557 | 383 |
| European Union(1) | 200 | 220 | 254 | 358 | 388 |
| China | 102 | 99 | 91 | 61 | 43 |
| Mexico | 40 | 38 | 31 | 18 | 12 |
| Others | 39 | 28 | 102 | 133 | 224 |
| **Total** | **7,571** | **7,273** | **7,091** | **6,496** | **6,339** |

Source: USDA
(E) Estimates.
(P) Preliminary results.
(1) The data for the European Union includes data from the 25 member countries in all of the years indicated.

***Importation***

The United States and Russia are currently the world's largest beef importers. Over the next few years, the European Union, which currently is 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 to adjust to the European Union regulations. Although Japan slightly reduced its beef imports in 2006 due to the import restrictions on beef from the United States (which increased beef prices), the country is expected to increase its beef imports over the next few years, including suppliers other than the United States.

The following table sets forth the world's leading beef importing countries in 2003, 2004, 2005, 2006 (preliminary) and 2007 (estimated):

**World's Leading Beef Importing Countries (in millions of tons)**

| Country | 2007(E) | 2006(P) | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| United States | 1,497 | 1,399 | 1,632 | 1,669 | 1,363 |
| Russia | 960 | 955 | 993 | 730 | 720 |
| Japan | 700 | 692 | 700 | 647 | 851 |
| European Union | 580 | 560 | 600 | 584 | 463 |
| Mexico | 375 | 372 | 325 | 287 | 370 |
| Egypt | 240 | 225 | 214 | 168 | 123 |
| South Korea | 295 | 290 | 243 | 218 | 444 |
| Canada | 170 | 159 | 133 | 111 | 274 |

| Country | 2007(E) | 2006(P) | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Others | 592 | 563 | 584 | 477 | 466 |
| **Total** | **5,409** | **5,215** | **5,424** | **4,891** | **5,074** |

Source: USDA
(E) Estimates.
(P) Preliminary results.

***Competitiveness***

The competitiveness of a beef producer in the international market is significantly impacted by its cost structure. The two main components of the overall cost structure are raw materials and processing costs. The net effective cost of a producer takes into account revenues generated from the sale of by-products from beef production, such as hides and offal. The competitiveness of a plant in the international market is also affected by transportation and distribution costs. According to AgraFNP, the costs of raising cattle in Brazil are 40% lower than those in the United States and up to 15% lower than those in Australia.

The revenues generated from sales of the edible and non-edible by-products extracted from the 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 offals, red offals (liver, heart and tongue), other offals (pancreas, intestine and stomach), inedible fats and others (blood, bone and hides).

***BSE***

Brazil, Argentina and Uruguay are considered to be free of BSE and are viewed as less vulnerable to the disease because their cattle herds graze freely in pastures or are fed a vegetable-based ration free of animal by-products. In addition, Brazil is classified by the Scientific Steering Committee (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 descarted."

***Trade Restrictions***

The international beef market is divided between the Pacific block (North and Central America, Australia and New Zealand and the Far East) and the Atlantic block (Europe, Africa, the Middle East and South America). This division not only reflects historical and geographical ties but also certain sanitary criteria. The Pacific block prohibits imports of beef (except for pre-cooked, processed products) from countries or regions where there are active F&M disease vaccination programs. Europe allows imports of fresh beef 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 beef 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 treated with hormones used to promote growth, citing health concerns. Brazilian, Uruguayan and Argentine cattle are not treated with growth hormones and accordingly may benefit from any extension of the existing European Union ban on U.S. beef.

**The Brazilian Beef Industry**

With an estimated 187.7 million head of cattle in 2007, Brazil has 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 table below shows the cattle inventory of the principal beef producing countries (in millions of head) at December 31, 2003, 2004, 2005, 2006 and 2007 (estimated):

**Live Cattle Herd (in millions of head)**

| Country | 2007(E) | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| India | 282.0 | 282.0 | 282.3 | 282.5 | 283.1 |
| Brazil | 187.7 | 180.3 | 173.8 | 169.6 | 165.5 |
| China | 149.5 | 145.3 | 141.6 | 137.8 | 134.7 |
| United States | 97.6 | 97.1 | 96.7 | 95.4 | 94.9 |
| European Union(1) | 84.8 | 85.2 | 85.8 | 86.4 | 87.5 |
| Argentina | 51.6 | 51.2 | 50.2 | 50.2 | 50.8 |
| Australia | 28.4 | 26.6 | 27.8 | 27.3 | 26.6 |
| Mexico | 26.5 | 26.9 | 26.9 | 27.6 | 28.4 |
| Russia | 18.3 | 19.0 | 19.9 | 21.1 | 22.3 |
| Canada | 13.9 | 14.3 | 14.8 | 15.1 | 14.7 |
| Others | N/A | 74.5 | 75.1 | 75.0 | 78.4 |
| **Total** | N/A | 1,003.8 | 998.0 | 998.0 | 986.9 |

Source: USDA

(E) Estimated

(1) The data for the European Union includes data from the 25 member countries in all of the years indicated.

Brazil's beef exports have increased by approximately 27.5% on average from 2000 through 2006 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;
- a reduction in sanitary and trade barriers; and
- a drought in Australia, a leading beef exporter to Asian countries, in 2002 and 2003.

In April 2007, according to data released by the Brazilian Foreign Trade Office (*Secretaria de Comércio Exterior*), or Secex, Brazilian exports of fresh beef reached approximately US$267 million and the average price of beef sold by Brazilian exporters was US$2.50 per kilogram in 2006.

On average, the cost of land in Brazil is significantly lower when compared to the United States and Europe. In addition, there is more grazing land available in Brazil compared to the other major beef producing countries, which allows Brazilian cattle breeders to utilize open grazing as opposed to the intensive and confined breeding and feeding practices used in the United States, Canada and countries in the European Union. In addition, the cost of feed in Brazil is generally lower than in other major beef producing countries, as natural feeds (hay or grass) are cheaper than grain-based feeds. These factors contribute to give Brazil substantially lower cattle-raising costs compared to other major beef producing markets.

***Competitive Advantages***

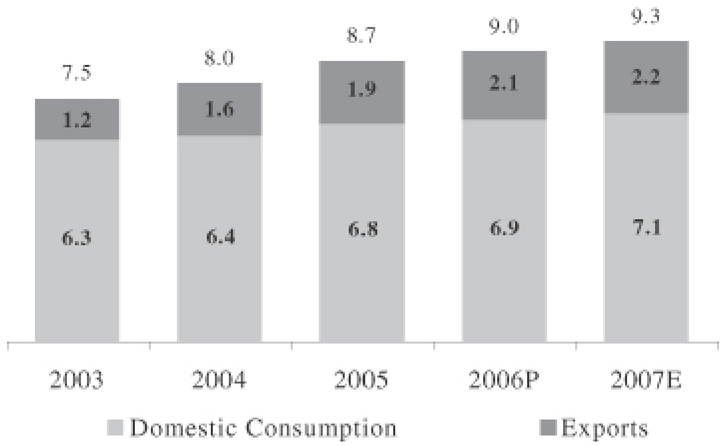
Brazil offers several competitive advantages in producing beef when compared to its competitors in the international market, including:

- *Low Production Cost:* Brazil has the lowest production cost among major global producers. According to AgraFNP, the costs of raising cattle in Brazil are 40% lower than those in the United States.
- *High Growth Potential:* Brazil currently has the largest commercial cattle herd in the world with approximately 180.3 million head and one of the lowest slaughter rates. If Brazil were to increase its slaughter rate, it would improve its rate of output. In addition, Brazil has the largest amount of available grazing land in the world, with an estimated capacity to double its existing cattle herd.

- *Disease-Resistant Breeding Practices:* Unlike most other major beef producers (including the United States, the European Union and Australia), Brazilian cattle are grass-fed, which is largely viewed as a factor that eliminates the risk of an outbreak of BSE disease among Brazilian cattle.
- *Health and Quality Advantages:* Brazilian beef is characterized by its low fat content and non-use of chemicals and growth hormones, which are key factors used in marketing Brazilian beef, primarily to developed nations.

Brazil has a very large domestic market, which currently consumes approximately 76.7% 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. The following chart illustrates the evolution of Brazilian beef production, domestic consumption, and exports in millions of tons:

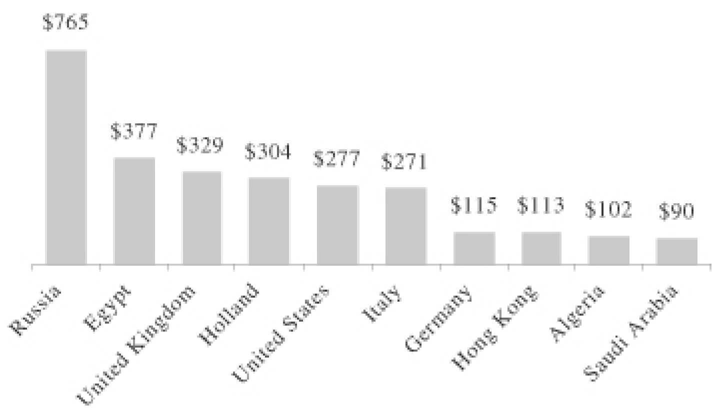
**Brazilian Domestic Consumption and Exports of Beef (in millions of tons)**




Source: USDA.

The Brazilian beef export market was approximately 2.1 million tons in 2006, according to USDA. The following table sets forth the overall amount in millions of U.S. dollars and Brazilian beef exports as a percentage of total exports in the most important export markets for Brazilian beef in 2006:

**Destination of Brazilian Beef Exports in 2006 (in US$ millions)**

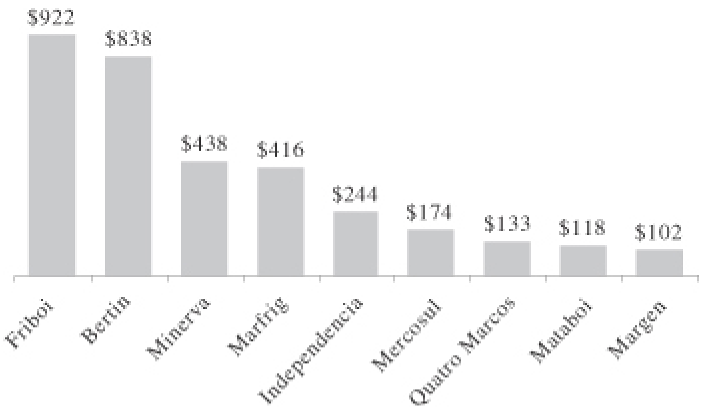



Source: ABIEC.

The productivity of Brazilian cattle ranchers, as measured by the slaughter rate, has increased from 18.8% in 1994 to 23.3% in 2006. The slaughter rate represents the percentage of the entire Brazilian herd that has reached the required maturity state for slaughtering in a given year.  However, this percentage is low when compared to other countries.  For example, Russia, China, the United States and the European Union have slaughter rates of 42.8%, 38.9%, 35.9% and 32.9%, respectively.

The graph below presents the main Brazilian exporters of beef in 2006:

**Main Brazilian Companies Exporting Beef in 2006 (in US$ millions)**




Source: Secex.

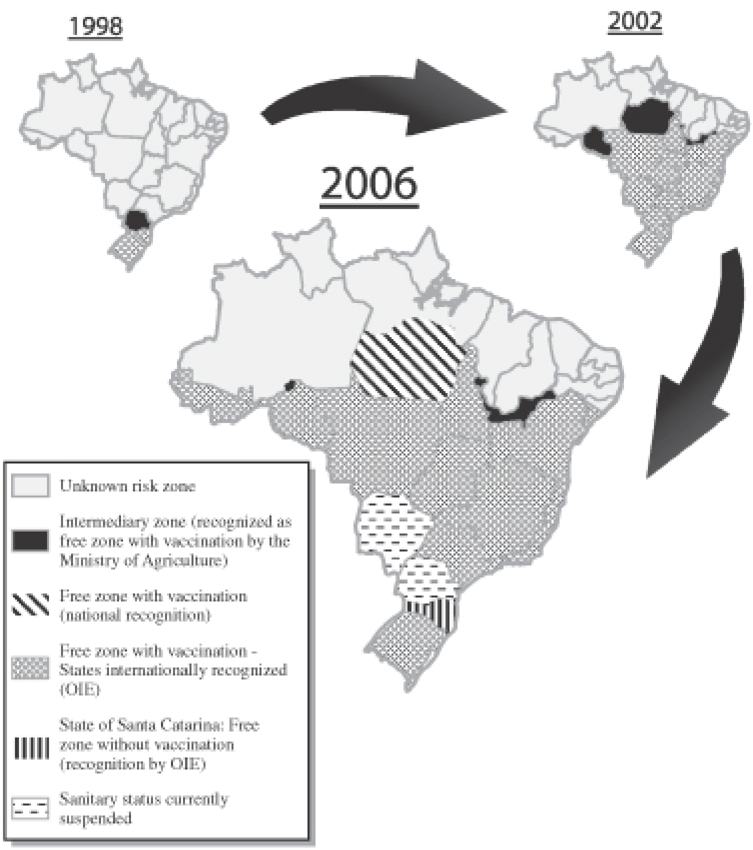
***Sanitary Risks***

Sanitary risks are very important considerations in the meat sector of any country.  Brazil currently adopts a sanitary regulation that takes 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, Russia and Hong Kong.  Zoning has not yet been accepted, however, by other important beef importers, and, as a consequence, Brazil does not export raw 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.  The majority of the Brazilian herd is located in areas considered free of F&M disease.  It is important to note that F&M disease is an animal health problem and does not affect humans.  Fresh beef exports are limited during a breakout in order to prevent herd economic losses in foreign markets.

**F&M Disease in Brazil**
**Evolution of Classification Zones**




Source: Brazilian Ministry of Agriculture.

Such efforts, however, did not prevent the discovery of an F&M disease case in early October 2005 in the southern part of the State of Mato Grosso do Sul, an area located in the free zone with vaccination.  As a result, approximately 56 countries have indefinitely suspended or restricted fresh beef imports from Brazil.  Several of these countries (including Egypt) have banned imports only from the State of Mato Grosso do Sul, while other countries (including the countries of European Union) also banned imports of fresh beef from the neighboring States of Paraná and São Paulo.  Certain other countries (including Chile and South Africa) have suspended imports of fresh beef from all of Brazil.

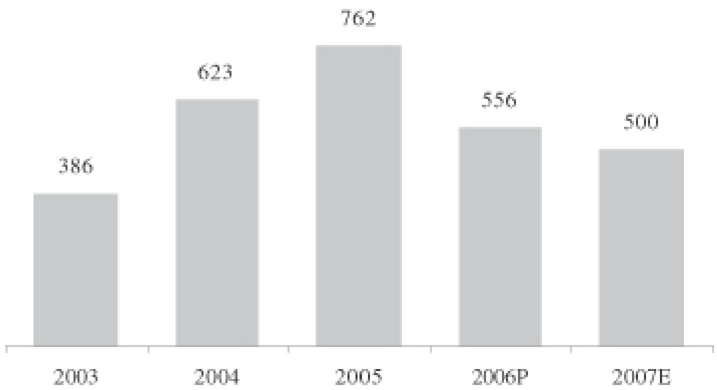
In May 2007, the World Organisation for Animal Health (OIE) recognized the southern area of the State of Pará as a free zone with vaccination, as well as the State of Santa Catarina as a free zone without vaccination.

**The Argentine and Uruguayan Beef Industry**

Argentina has a substantial cattle herd for commercial purposes, with an estimated 50.2 million head of cattle in 2006, larger than Australia, Mexico and Russia. The country has been an important player in the world beef market for many years and currently ranks fifth in world beef exports.

Argentine exports have increased significantly in recent years. The table below shows the evolution of Argentine beef exports from 2003 through 2006, and estimated exports for 2007:

**Argentine Beef Exports (in thousands of tons)**

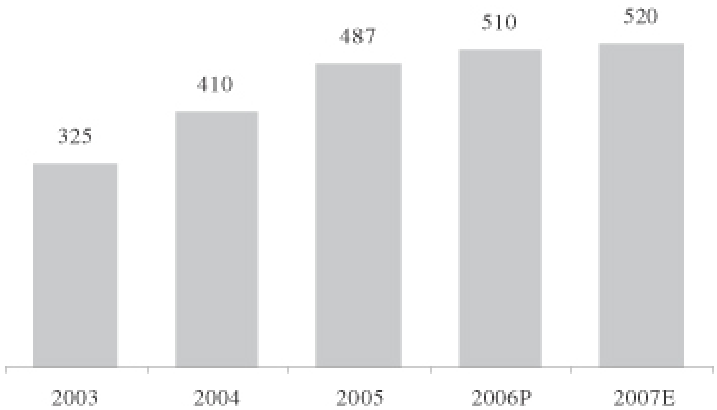



Source: USDA
(E) Estimated.
(P) Preliminary results.

In 2006 the Argentine beef exports decreased 34.4% due to measures taken by the local government. In March 2006 the Argentine government announced a six-month beef export ban in order to control the rising prices of beef in the internal market. Argentine cattle herd is currently classified as F&M disease-free with vaccination.

Uruguay, with an estimated 11.7 million head of cattle in 2006, is also an important beef exporter. The table below shows the evolution of Uruguayan beef exports from 2003 through 2006, and estimated exports for 2007:

**Uruguayan Beef Exports (in thousands of tons)**




Source: USDA
(E) Estimated.
(P) Preliminary results.

From January through April 2007, the United States and Canada accounted for 63.6% of Uruguay's total beef exports, and Mexico, which reopened its market to fresh, boneless beef from Uruguay in August 2006, is also expected to become a significant export market. Uruguay's beef exports for 2007 are expected to increase due to stronger demand from export markets, especially countries that are members of the North American Free Trade Agreement (NAFTA). The Uruguayan cattle herd is currently classified as F&M disease-free with vaccination.

Competitiveness in the international beef market is directly related to the cost of acquiring cattle, the prime material. The cost of cattle, in turn, is particularly influenced by the form of raising (confinement or pastures), cost of land and cost of labor.

## BUSINESS

We are one of the largest producers of beef and beef by-products in South America, according to data derived from information compiled by Brazilian public companies operating in the industry, INDEC and INAC. We believe we are the fourth largest beef producer in the world. We produce and distribute fresh, frozen and processed beef products to customers in Brazil and abroad. We also distribute other types of meat and food products, including frozen pre-cooked potato chips, pork and lamb cuts, frozen vegetables, poultry, fish, ready meals and pasta. Our product mix includes beef cuts, special beef cuts, frozen cooked beef, canned beef and beef jerky.

As of March 31, 2007, we had a total daily slaughtering capacity of 12,900 head of cattle. We believe we are the second largest beef producer in terms of slaughtering capacity in Brazil, with a daily capacity of 10,300, and the largest in Uruguay, according to INAC, with a daily capacity of 1,900. Our activities in Uruguay also include slaughtering of sheep. As of March 31, 2007, daily slaughtering capacity in Argentina was 700 head of cattle. In 2006, we believe we were one of the largest beef exporters in South America, according to data derived from information compiled by SECEX, INDEC and INAC and taking into account our exports from Brazil, Uruguay, Argentina and Chile. Taking into account the processing plants we acquired during 2006, we were the largest beef exporter in Uruguay in terms of tonnage and currently have the largest share of the 2006/2007 European Union reduced-tariff importation quota for beef, or the Hilton Quota, for South America.

We export our beef products to distributors and wholesale customers located in the main international markets, in particular Europe, the United States and Japan. In Brazil, we use our efficient distribution platform to deliver our beef and lamb products, as well as other food products such as frozen pre-cooked potatoes and fish, to large wholesale customers, including some of the main supermarket and fast food chains, and also directly to food service customers such as restaurants and beef specialty stores, among others. We believe we are the leading food service provider to food service customers in the States of São Paulo and Rio de Janeiro. We believe we are the largest importer and distributor of frozen pre-cooked potato chips, lamb cuts and other special cuts in Brazil.

We operate 12 modern processing plants in the main cattle raising regions of 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 and Goiás. We also operate a distribution center in Santo André, State of São Paulo, located near our main food service customers, one canned beef processing plant in Rio de Janeiro, one deboning and distribution plant in Chile and one trading company in the United Kingdom. We recently began operating four additional processing plants, two of which are located in the State of São Paulo, one in the State of Rio Grande do Sul and one in Uruguay, and one additional distribution center in Porto Alegre, State of Rio Grande do Sul. For additional information, see "—Recent Events."

As of March 31, 2007, we had invested a total of R$91 million in the expansion or modernization of four of our plants, which we expect to be concluded by the end of 2007.

We believe we have a competitive advantage compared to our competitors, as we are able to fulfill the needs of our customers from different processing plants, minimizing the effect that any potential sanitary, economic, labor and governmental restrictions in any specific region may have on our production.

The following table sets forth certain of our financial and operational data.

| | Year ended December 31, | | | Three months ended March 31, | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006(1) | 2006(1) | 2007 |
| | In millions of *reais* (except operational data and percentages) | | | | |
| Gross operating revenue | 1,362.3 | 1,482.6 | 2,818.0 | 512.8 | 734.7 |
| Domestic | 835.3 | 777.9 | 1,349.0 | 258.6 | 379.9 |
| Exports | 527.0 | 704.7 | 1,469.0 | 254.2 | 354.8 |
| Net income | 25.0 | 33.7 | 80.1 | 12.0 | 19.4 |
| EBITDA(2) | 69.2 | 121.1 | 275.3 | 31.5 | 74.1 |
| EBITDA margin | 5.3% | 8.9% | 10.8% | 6.7% | 11.2% |
| Head of cattle slaughtered in Brazil (in thousands) | 987.0 | 1,032.0 | 1,494.3 | 297.7 | 445.8 |
| Head of cattle slaughtered offshore (in thousands) | — | — | 416.7 | 101.9 | 96.5 |
| Sales volume (in thousands of tons) | 379.3 | 371.2 | 714.9 | 142.5 | 204.4 |

(1) Reflects unaudited pro forma information, as if our subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

(2) EBITDA is not a measure recognized by Brazilian GAAP. In accordance with CVM Circular No. 1/2007, EBITDA may be reconciled with the financial statements as follows: net income (loss) before income tax and social contribution, results of unconsolidated equity holdings, net financial result, net non-operating result, minority interests, and depreciation and amortization. EBITDA does not have a standardized meaning and may not be comparable to EBITDA or other similar measures used by other companies. EBITDA should not be considered as an alternative to net income or loss as indicators of our operating performance or as an alternative to cash flow as an indicator of our liquidity.

**Our Strengths**

Our competitiveness and solid growth prospects, both domestically and internationally, are a result of the following strengths:

- ***Brand recognition and solid reputation.*** We are one of the leading beef producers in South America, with a portfolio of brands we believe are recognized in Brazil as symbols of quality and consistency, such as “Bassi,” “Montana” and “Palatare.” In addition, our brand “GJ” is one of the leading Brazilian beef export brands. We also own other prestigious brands, including “Aberdeen Angus” and “AB&P” in Argentina and “Tacuarembó,” “Hamby” and “Bernina” in Uruguay We believe that our solid reputation and international brand recognition allow us to build long-term relationships with our customers and obtain attractive margins in the sale of our products.
- ***Diversified and flexible operating base.*** We have a diversified operating base, with 12 processing plants in the main cattle raising regions of Brazil, Argentina and Uruguay, one distribution center in Santo André, State of São Paulo, one canned beef processing plant in Rio de Janeiro, one deboning and distribution plant in Chile and one trading company in the United Kingdom. We recently began operating four additional processing plants, two of which are located in the State of São Paulo, one in the State of Rio Grande do Sul and one in Uruguay, and one additional distribution center in Porto Alegre, State of Rio Grande do Sul. In addition, we acquired land in Itú, State of São Paulo, on which we intend to build a new distribution center with high storage capacity. With production facilities spread out across Brazil, Argentina, Uruguay and Chile, we are able to slaughter cattle and process beef efficiently, take advantage of increasing international trade opportunities and mitigate the potential impacts of cattle disease outbreaks, such as foot and mouth disease, or F&M disease. We export fresh beef from Uruguay to the United States, Canada, Mexico and the Caribbean, and we export fresh beef from Chile to the main global consumer markets, including United States, Japan and Europe, and bone-in beef to Europe. Our diversified operating base and the strategic location of our plants permit us to have consistent product quality and to process our products near the cattle regions, export ports and domestic markets.
- ***Customer diversification and global distribution.*** We maintain diversified customer bases and distribution channels, which provide multiple avenues for potential growth while at the same time

mitigating the risks associated with individual markets. In Brazil, we have an efficient distribution platform to sell our beef and other food service products to over 15,000 customers, with more than 17,000 delivery points, including restaurants, beef specialty stores and some of the largest Brazilian retailers. In Brazil, our largest retailer customer accounted for 1.3% of our net revenues in 2006. Our products were also exported to customers in 56 countries, none of which accounted for more than 2.5% of our net revenues in the year ended December 31, 2006. Our acquired operations in Argentina and Uruguay contributed to the further diversification of our distribution channels by giving us access to new customers. Our distribution capacity in the domestic and international markets gives us flexibility to adjust the volumes sold in these markets according to market opportunities.

- ***Experienced and entrepreneurial management.*** Our management team has extensive experience in the beef processing industry. Our current management has been responsible for our sales growth, operations optimization, successful integration of our recent acquisitions and our overall strategic planning in recent years.
- ***Modern facilities with capacity to produce value-added products.*** Our processing plants were all acquired or built in the last seven years and have been or are being modernized and designed to produce a wide range of beef products, including value-added products such as premium beef cuts and frozen cooked beef. We believe our plant located in Promissão, State of São Paulo, is one of the most modern plants in South America. Our modern facilities provide us access to customers such as global supermarket chains that require the highest quality standards from their suppliers. We continuously invest to expand our business, maintain our operations in accordance with international standards and optimize our logistics. Since 2006, our investments in the acquisition, expansion and modernization of plants totaled R$464.5 million, and during 2007 we plan to continue to invest in expanding the capacity of our plants and acquire, lease or build new distribution centers.
- ***Operational scale and low production costs.*** We benefit from low production costs in Brazil, Argentina and Uruguay, which rank among the most competitive beef producers in the world. Due to plentiful land availability, cattle raising and production costs in Brazil are the lowest in the global beef industry, which leads to competitive pricing and increased volume of exports. Argentina and Uruguay also have low production costs that contribute to their positions as significant beef exporters. Our volume of exports and domestic sales permit us to maintain the scale necessary to conduct and expand our activities in competitive markets. Our current size creates economies of scale and the opportunity to achieve the higher quality required in the markets in which we operate.

**Our Strategy**

Our goal is to increase our market shares in the domestic and international markets and enhance our growth and profitability by pursuing the following principal strategies:

- ***Continue to grow in the domestic and international markets with solid customer relationships.*** We intend to continue to grow in the international beef and lamb markets through investing in new markets and developing and consolidating our operations in markets in which we already operate, through increased sales by our trading company in the United Kingdom and creation of new high value- added products. By increasing our production, we may gain access international markets currently supplied by other Brazilian companies. We currently export to 56 countries, while Brazilian beef is exported to more than 151 countries. We will also continue to invest in the expansion and consolidation of our position in the domestic markets of Brazil, Argentina and Uruguay. We intend to maintain our policy of examining opportunities in foreign and Brazilian markets, in order to maximize profitability while maintaining our relationships with our customers. By operating in both domestic and international markets, we believe we are well prepared to maintain our production capacity and revenues during changes in market conditions, such as sanitary restrictions and exchange rate fluctuations.
- ***Expand production of value-added products.*** We intend to expand our offerings of value-added processed beef products, by increasing the production of frozen cooked beef, beef jerky, canned meats, ready meals and leather (wet blue and finished), in order to increase our profitability. Our processed beef products are not subject to sanitary restrictions. In addition, branded premium cuts

allow us to obtain higher margins in food service sales, while processed beef has a higher average value per ton than fresh beef on international markets. We intend to expand our products mix in order to maximize our profitability, developing new lines of special beef cuts and prepared meats. In November we formed a partnership with the Brazilian Angus Association (*Associação Brasileira de Angus*), or ABA, so as to launch the Angus beef certification program. The Angus beef, which is part of our selection of special cuts, is considered to have a high aggregated value and to be a high quality cut of beef. One of the program's objectives is to meet the Brazilian demand for the Angus beef cuts that come from our processing plants. ABA's goal is to slaughter 1,000 Angus cattle a month beginning July 2007, which represents 0.25% of our total monthly slaughtering capacity.

- ***Expand our food service activities.*** A primary focus of our strategy is the food service market, including restaurants, supermarkets, corporate cafeterias, beef specialty stores and fast food outlets. We constantly seek to increase the number of our product offerings in order to serve our food service customers with a "one-stop shopping" option by providing them with a full range of food products used in their daily operations, which we believe differentiates us from our competitors. By maximizing our existing distribution capabilities and cross-selling our products, we can expand our food service business and, consequently, increase our domestic food service sales.
- ***Pursue selected growth opportunities and selected acquisitions and expand our production capacity.*** The beef industries in South America are fragmented. We believe the trend towards the consolidation of the beef industry, already seen in developed countries, will occur in South America. In 2006, we were responsible for approximately 3% of total slaughtering in Brazil, 12.4% in Uruguay and 0.8% in Argentina. Many of our competitors in South America do not have adequate scale or capital structures to compete efficiently. We constantly invest in the expansion of our production capacity, equipment acquisition, maintenance and training of our employees. In addition, taking advantage of our experience in the implementation of acquisitions and integration of the companies acquired, we continuously monitor the market, seeking acquisition opportunities and strategic partnerships that offer us new markets, new products and gains in scale and that lead to operating synergies. As a result of our previous acquisitions, we have increased slaughter output by a compounded 38.2% from 2002 to 2006. We intend to continue to expand our production by hiring and training more employees to enhance the utilization rate of our existing plants without the need to make significant investments in equipment. We also will continue to evaluate opportunities to acquire new processing plants in Brazil and abroad, and are considering investments related to cattle raising.

**Competitive Strengths of Brazil, Argentina, Uruguay and Chile in the Production of Beef**

Brazil has the largest commercial cattle herd and is the leading exporter of beef in the world. The volume of Brazilian exports increased at a compound annual growth rate, or CAGR, of 25.4% from 2000 to 2006, notwithstanding the commercial and sanitary import restrictions against Brazilian fresh and frozen beef imposed by the United States, Canada, Mexico and Japan. Uruguayan and Chilean beef are not subject to these same restrictions. Uruguayan beef may be exported to the United States, Canada, Mexico and the Caribbean, and Chilean beef to the main beef importers, including the United States, Japan, South Korea and Europe. Boned fresh beef may also be exported to Europe.

Brazil, Argentina, Uruguay and Chile have several competitive advantages in producing beef, including:

- **Low production cost.** Brazil has one of the lowest production cost among major global producers, due to the low cost of land, extensive raising practices, low cost of labor and ample supply of raw materials. According to AgraFNP, a consulting firm specializing in agribusiness and member of the Agra Informa Inc. group, the costs of raising cattle in Brazil are 40% lower than those in the United States and up to 15% lower than those in Australia.
- **High growth potential.** According to the USDA, Brazil has the largest commercial cattle herd in the world with 180.3 million head of cattle; Argentina (the fifth largest cattle herd) and Uruguay (the eleventh largest cattle herd) have cattle herds of 51.2 million and 12.1 million head of cattle, respectively. According to USDA data for 2006, Brazil has a slaughter rate, or Rate of Output, of 23.3%, Argentina and Uruguay have Rates of Output of 29.0% and 22.1%, respectively, compared to 31.3% in Australia and 34.8% in the United States, evidencing a growth potential for production in

those countries without the need for increases in cattle herds. In addition, Brazil has large amounts of available grazing land, another factor that will permit substantial increases in Brazilian beef production.

- **Disease-resistant breeding practices and other advantages.** Brazilian, Argentinean, Uruguayan and Chilean cattle are mostly grass-fed and/or are provided vegetable-based feed, which is largely viewed as a practice that eliminates the risk of an outbreak of bovine spongiform encephalopathy (commonly referred to as "mad cow disease"), or BSE. In addition, Brazilian beef is characterized by its low fat content and lack of chemicals and growth hormones used in other countries. These key factors are important for marketing Brazilian beef in international markets, in particular in developed nations.
- **Strong domestic market demand.** Brazil and Argentina have very large domestic markets, which consume approximately 80% and 84% of their respective beef production.

**Recent Events**

On May 5, 2007, we entered into a purchase agreement in connection with assets of a processing plant located in the State of São Paulo. The purchase price is R$25 million, payable by January 3, 2008. Possession of the assets was transferred to us on June 1, 2007.

On May 10, 2007, we entered into a purchase agreement for the acquisition of all shares of capital stock of Masplen Limited, which in turn owns all of the shares of capital stock of Pampeano Alimentos S.A., or Pampeano. Pampeano owns a processing plant in Hulha Negra, State of Rio Grande do Sul. The purchase price is US$20 million, payable in installments up to January 5, 2012. We have been operating Pampeano's processing plant since April 1, 2007.

On May 18, 2007, we entered into a purchase agreement for the acquisition of all shares of capital stock of Prestcott International S.A., a company organized in Uruguay, which in turn owns all of the shares of capital stock of Cledinor S.A., a company also organized in Uruguay, which operates the processing plant Frigorífico La Caballada. The purchase price is US$16.3 million, payable by January 4, 2008.

On May 21, 2007, we entered into a purchase agreement for the acquisition of land in Itú, State of São Paulo, in which we intend to build a new distribution center.

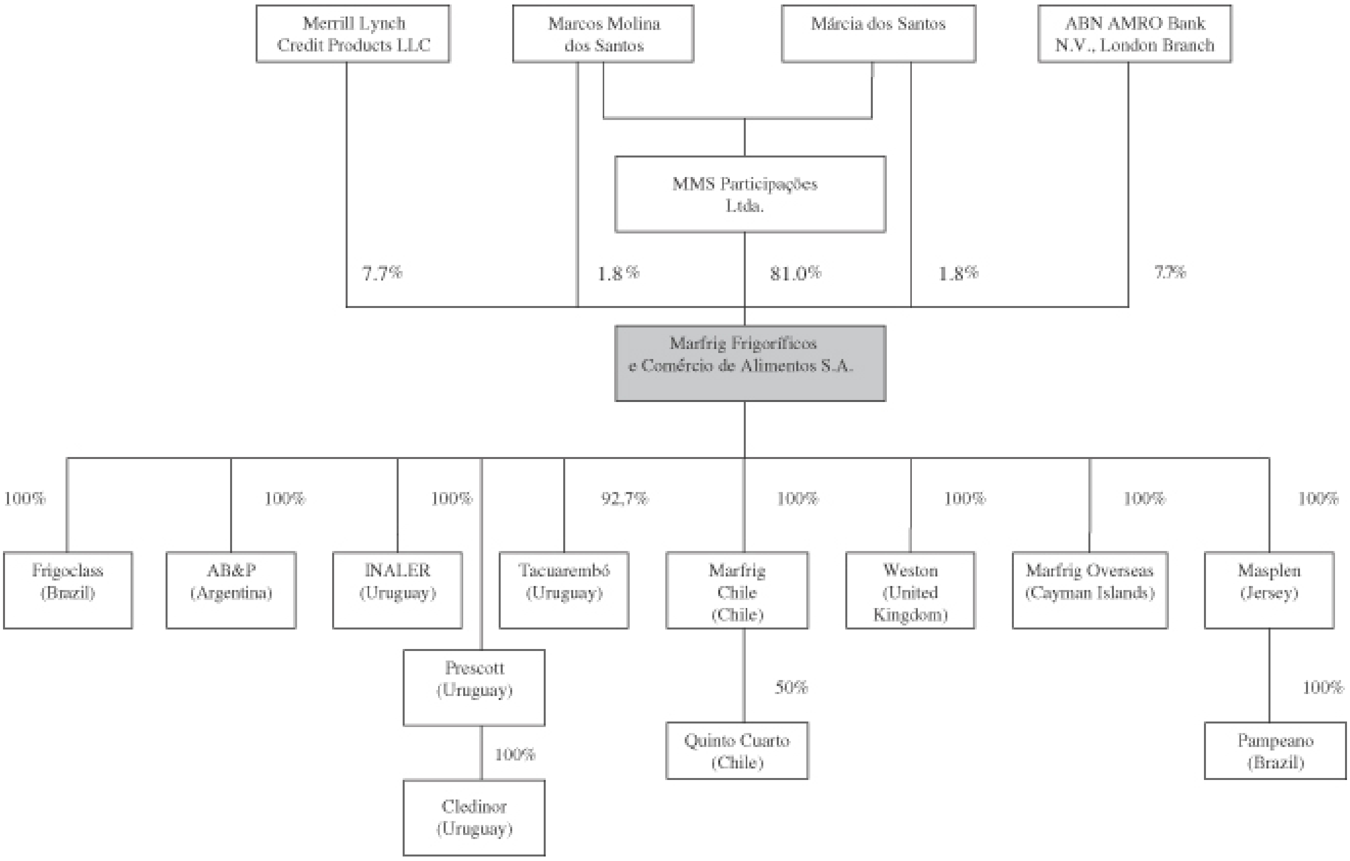
On May 28, 2007, we entered into five-year lease agreements in connection with a distribution center located in Porto Alegre, State of Rio Grande do Sul, and property and equipment related to a processing plant in Louveira, State of São Paulo.

For additional information on these agreements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Subsequent Events."

On June 26, 2007, we carried out a primary offering of 35,000,000 common shares and certain of our shareholders carried out a secondary offering of 17,200,000 common shares at a price of R$17.00 per common share. Our common shares began trading on June 29, 2007 on the *Novo Mercado* segment of the BOVESPA under the symbol "MRFG3."

**Corporate Structure**

The following graph sets forth our current corporate structure, including our shareholders, our subsidiaries and percentages of interests in voting stock, assuming conversion of our convertible debt:




We are a holding company that coordinate the activities of our plants in Brazil and hold interests in our subsidiaries located abroad. Frigoclass owns the assets of our processing plant Promissão II, in the State of São Paulo. The main activity of AB&P is the slaughtering of cattle and processing of beef in Argentina. Inaler Cledinor, and Tacuarembó have as main activities the slaughtering of cattle and sheep and the processing of beef in Uruguay. Marfrig Chile is a holding company that has a 50% controlling interest in Quinto Cuarto, which in turn has as main activities the deboning and distribution of beef products in Chile. Weston is our subsidiary in the United Kingdom, responsible for trading with our products exported to the European Union. Marfrig Overseas is a financial subsidiary created in connection with our issuance of notes in the international markets. Masplen is a holding company that has a 100% interest in Pampeano, which has as main activities the processing of canned meat and beef jerky in the State of Rio Grande do Sul.

## Location of Processing Plants and Subsidiaries

The following map sets forth the location of our processing plants and subsidiaries as of June 1, 2007:


Source: Marfrig

## History and Acquisitions

In 1986, Mr. Marcos Antonio Molina dos Santos started his first business when he was only 16 years old. In 1998 Mr. Molina dos Santos established himself as an important distributor of cuts of cattle, pork, chicken, fish and imported vegetables in the State of São Paulo, with a diverse portfolio of customers, including many of the top restaurants in the city of São Paulo. In 2000, our founding shareholders formed Marfrig Frigoríficos e Comércio de Alimentos Ltda., which was recently transformed into our Company, and leased our first processing plant in Bataguassu, State of Mato Grosso do Sul. Our export business was created the next year when we leased a second plant in Promissão, State of São Paulo, and acquired the rights to use the well-known export brand “GJ”.

In 2003 and 2004, we acquired the Tangará da Serra plant and the Paranatinga plant in the State of Mato Grosso. In April 2006, we acquired a plant in Mineiros, State of Goiás. In July 2006 we established Marfrig Chile and through this subsidiary acquired on September 1, 2006 a 50% interest in Quinto Cuarto. In August 2006 we acquired the plants of Chupinguaia in the State of Rondônia and São Gabriel in the State of Rio Grande do Sul. In October 2006, we acquired the plants of Tacuarembó in Uruguay and AB&P in Argentina. In December 2006, we completed construction of a plant in Porto Murtinho in the State of Mato Grosso do Sul and acquired Inaler, our second plant in Uruguay. In January 2007, we acquired a second plant in Promissão, State of São Paulo.

We recently started operations of four additional processing plants, of which two are located in the State of São Paulo, one in the State of Rio Grande do Sul and one in Uruguay, and one additional distribution center in Porto Alegre, State of Rio Grande do Sul. In May 2007, we entered into a purchase agreement in connection with land in which we intend to build a new distribution center in Itú, State of São Paulo. For additional information, see "—Recent Events."

**Meat Processing**

***Raw Materials Procurement***

Our main raw material is cattle, representing 81% of our cost of goods sold in the year ended December 31, 2006. We do not raise our own cattle. We procure cattle from more than 10,000 cattle ranchers, each of whom is located an average of 300 kilometers from one of our slaughtering facilities. Cattle are then transported in a combination of proprietary and third-party trucks to our plants, where they are slaughtered, deboned and processed. We believe this procurement strategy minimizes transportation costs and improves meat quality by reducing stress on the cattle.

We employ cattle buyers located throughout the principal cattle producing areas in Brazil. These buyers 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 only purchase cattle from select, registered producers based on rigorous animal selection guidelines. 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. Additionally, we regularly review the Brazilian Ministry of Labor's watch list of cattle ranchers that have inadequate labor standards in order to avoid purchasing cattle from any such cattle ranchers. All cattle that we receive are inspected by veterinarians from the Federal Inspection Service, which control our production and processing of cattle.

Cattle purchases have two main forms of payment terms: term (payment 30 days from delivery) and cash (payment upon delivery with a discount of up to 4% on the term price, depending on market conditions at the time of purchase). Our strategy is to lower our procurement costs by favoring purchases on a cash basis 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 corn and soybean meal prices, weather and farmers' access to capital. Since prices to the end consumer in each of our markets tend to vary in proportion to the variations in the price of cattle, we believe we would be able to pass along any increase in cattle prices.

Based on data compiled by the IBGE for 2005, we have the following availability of cattle in a radius of 300 kilometers from each of our processing plants indicated below:

| Processing Plant | Total Herd | Variation 2005/2001 | Annual Slaughter Availability (20% of total herd) | Daily Slaughter Availability (300 days/year) |
|---|---|---|---|---|
| São Gabriel | 9,121,260 | 1.5% | 1,824,252 | 6,081 |
| Promissão | 19,249,648 | 1.0% | 3,849,930 | 12,833 |
| Bataguassu | 5,559,093 | 7.6% | 1,111,819 | 3,706 |
| Porto Murtinho | 4,688,136 | 21.5% | 937,627 | 3,125 |
| Mineiros | 8,244,997 | 4.5% | 1,648,999 | 5,497 |
| Tangará | 5,619,831 | 22.2% | 1,123,966 | 3,747 |
| Paranatinga | 3,293,910 | 16.6% | 658,782 | 2,196 |

| Processing Plant | Total Herd | Variation 2005/2001 | Annual Slaughter Availability (20% of total herd) | Daily Slaughter Availability (300 days/year) |
|---|---|---|---|---|
| Chupinguaia | 7,623,272 | 60.6% | 1,524,654 | 5,082 |

Source: IBGE/Marfrig

***Processing Plants***

As of March 31, 2007, we were capable of slaughtering approximately 12,900 head of cattle per day in 12 slaughtering, processing and industrializing 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 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 cattle diseases.

Our processing plants are designed to perform the full range of activities related to our fresh beef products: slaughtering, deboning, preparation of traditional, special 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, portion control beef, canned meats, ready meals and beef jerky.

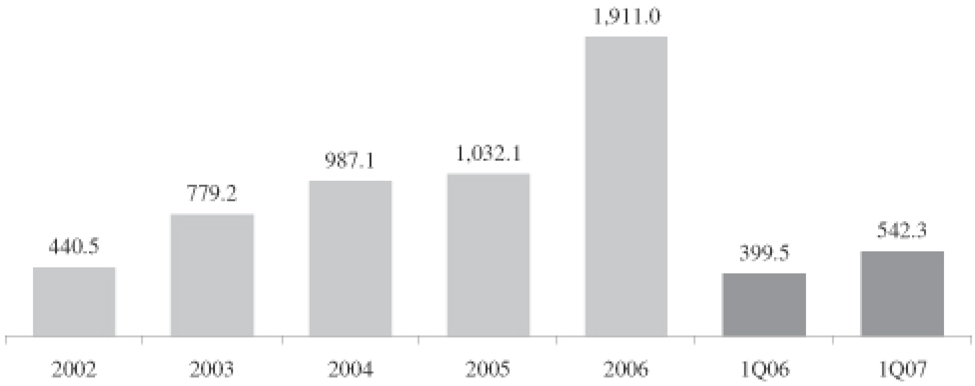
Our processing plants utilize modern equipment to process and package our products. We also customize the production and packaging of products for several large domestic and international customers. The designs of our facilities emphasizes worker safety to ensure compliance with all regulations and to reduce worker injuries. Our processing plants are also designed to reduce waste, and dispose of waste materials in accordance with applicable environmental standards.

Our processing plants also permit the removal of cattle hides, which are then sold to local tanneries. In the second half of 2007, we expect to start processing cattle hides in our tannery, which is under construction and is located in Bataguassu, State of Mato Grosso do Sul. Our leather processing capacity is expected to be 3,000 hides per day.

Production capacity of our plants is a function of 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 expanding slaughter capacity or buying carcasses from third parties. In 2006, we bought 25,000 tons of carcasses from third parties for processing in our plants.

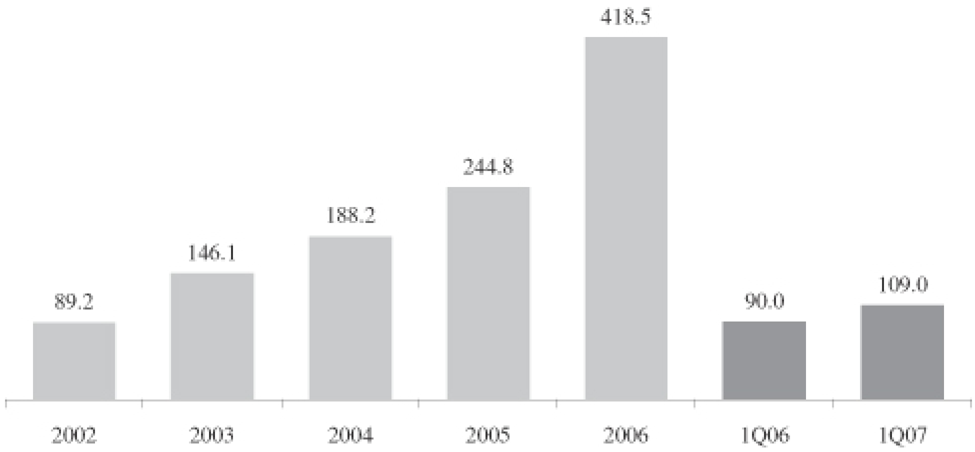
Our slaughter volume in Brazil has increased significantly during the last four years and has had an average growth rate of 38.2% annually from 2002 through 2006. The same increase has occurred with our deboning volume, with an average growth rate of 40% annually from 2002 through 2006. The charts below set forth the growth of the slaughtering and deboning volumes from 2002 through 2006, as well as in the three months ended March 31, 2006 and 2007, taking into account the volumes of our acquired and leased plants since January 2006:

**Number of Cattle Slaughtered (Thousand Heads)**




Source: Marfrig

**Volume of Deboning Evolution (Thousand Tons)**




Source: Marfrig

In the first quarter of 2006 we slaughtered 297,651 head of cattle in Brazil, compared with slaughter of 445,801 in the same period in 2007, which represents growth of 49.7%. Comparing our quantity slaughtered in Brazil in the first quarter of 2006, of 297,651 heads, with our total slaughter after our acquisitions in Brazil, Chile, Uruguay and Argentina, which totaled 542,333, we experienced a growth of 82.2%.

Our production capacity utilization rate in Brazil increased from 83.8% in 2003 to 88.9% in 2004 and 92% in 2005. However, given our acquisitions of new processing plants in 2006 and the corresponding increase in total capacity, our production utilization rate was only 81%.

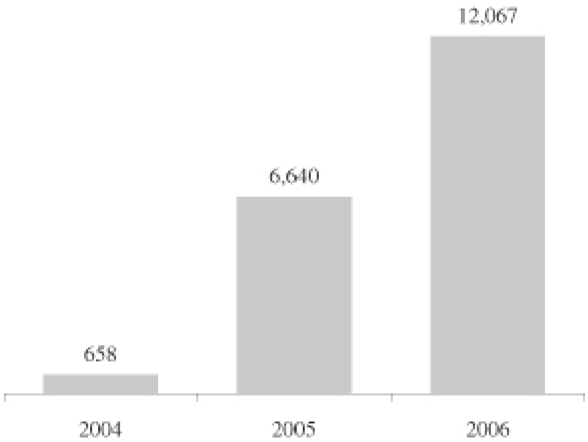
All of our beef products are subject to stringent animal husbandry and food safety procedures. Our processing plants operate under strict food safety and quality assurance requirements to comply with domestic and international customer requirements and Brazilian and foreign governmental safety standards. We maintain rigorous quality control measures at each stage of our production process and are committed to the humane treatment and slaughter of cattle.

The Brazilian Ministry of Agriculture has implemented a comprehensive monitoring system, which 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 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 plants in order to expedite export procedures at the ports.

With the exception of our plants located in Porto Murtinho and Rondônia, which are being modernized, all of our plants are authorized by the Brazilian Ministry of Agriculture to export, and our main plants, located in Promissão, Bataguassu, Tangará da Serra, Paranatinga and Mineiros, also have European Union sanitation certificates allowing us to export to European Union nations. However, although the plants are licensed, since October 2005 the plants in São Paulo and Mato Grosso do Sul cannot export to the European Union due to restrictions applied to those states.

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. The chart below shows the evolution of our frozen cooked beef volumes since production started in July 2004:

**Frozen Cooked Beef Evolution (Tons)**




Source: Marfrig

Our plant in Promissão has an electric generating unit that can provide 60% of the plant's electricity requirements and is fueled by sugar cane. However, although it can be started at any time, due to the fuel costs vis-à-vis alternatives, it is not in use. The other plants contract electricity directly with local electricity distributors and none of them have suffered any type of prolonged electricity service interruption. All plants have boilers to generate steam and supply hot water required for our production. The boilers do not produce electricity, but 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.

**Business Units**

Our activities in Brazil are divided into three core business units:

- *Exports*. We export chilled and frozen beef cuts and cooked frozen beef to distributors and other wholesale customers located mainly in Europe and the Middle East and we export frozen cooked beef to distributors and other wholesale customers located in the United States, Japan and Europe.
- *Domestic Wholesale*. We distribute our products in Brazil to large retailers and other wholesale customers, including some of the main supermarket and fast food chains.
- *Domestic Food Service*. We also distribute our products in Brazil to food service customers such as restaurants and beef specialty stores, among others. Our goal is to deliver fully customized packages and to provide services that add value to our customers, including storage and logistic services.

The chart that follows summarizes the total volumes and gross revenues of each of our business units in Brazil, as well as our subsidiaries abroad, for the year ended December 31, 2006 and three months ended March 31, 2006 and 2007.

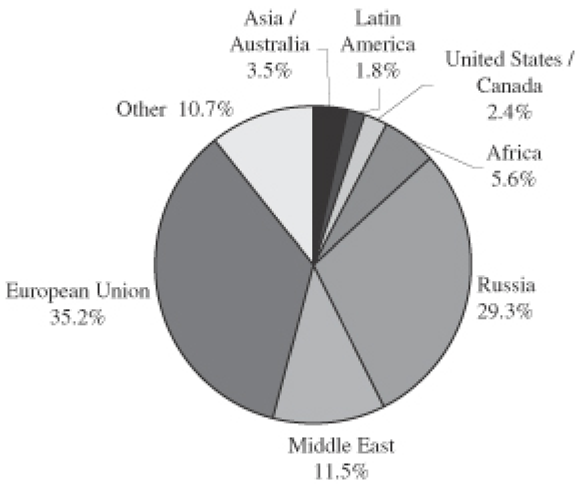
| | Year ended December 31, | | | Three months ended March 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006(1) | | | 2006(1) | | | 2007 | | |
| | Volume Sold | Net Revenues | | Volume Sold | Net Revenues | | Volume Sold | Net Revenues | |
| | (thousand tons) | (R$ millions) | % | (thousand tons) | (R$ millions) | % | (thousand tons) | (R$ millions) | % |
| **Domestic—Wholesale** | | | | | | | | | |
| Fresh beef | 145.6 | 536.1 | 21.0% | 26.9 | 87.8 | 18.7% | 38.9 | 127.7 | 19.3% |
| Processed beef | 1.8 | 6.0 | 0.2% | — | — | — | 1.1 | 4.4 | 0.7% |
| Others (including leather) | 215.1 | 143.2 | 5.6% | 40.0 | 29.6 | 6.3% | 61.8 | 41.1 | 6.2% |
| **Domestic—Food Service** | | | | | | | | | |
| Fresh beef | 33.7 | 197.0 | 7.7% | 7.1 | 38.1 | 8.1% | 7.3 | 47.5 | 7.2% |
| Others | 22.9 | 75.8 | 3.0% | 5.1 | 16.0 | 3.4% | 6.4 | 21.8 | 3.3% |
| **Total Domestic Exports** | **419.0** | **958.2** | **37.6%** | **79.1** | **171.5** | **36.5%** | **115.6** | **242.5** | **36.6%** |
| Fresh beef | 154.4 | 947.3 | 37.2% | 27.5 | 140.8 | 29.9% | 47.7 | 232.9 | 35.1% |
| Processed beef | 11.7 | 91.4 | 3.6% | 2.7 | 21.5 | 4.6% | 3.2 | 26.1 | 3.9% |
| **Total Exports** | **166.1** | **1,038.7** | **40.8%** | **30.2** | **162.3** | **34.5%** | **50.9** | **259.0** | **39.1%** |
| **Total Brazil** | **585.1** | **1,996.9** | **78.4%** | **109.3** | **333.7** | **71.0%** | **166.5** | **501.5** | **75.6%** |
| Argentina | 34.3 | 119.0 | 4.7% | 4.2 | 26.4 | 5.6% | 9.8 | 31.6 | 4.8% |
| Uruguay | 82.9 | 351.8 | 13.8% | 22.0 | 86.2 | 18.3% | 25.2 | 96.1 | 14.5% |
| Tradings | 12.6 | 80.6 | 3.2% | 3.8 | 23.8 | 5.1% | 3.0 | 33.9 | 5.1% |
| **Total Abroad** | **129.8** | **551.4** | **21.6%** | **30.0** | **136.4** | **29.0%** | **38.0** | **161.6** | **24.4%** |
| **Total** | **714.9** | **2,548.3** | **100.0%** | **139.3** | **470.1** | **100.0%** | **204.4** | **663.2** | **100.0%** |

(1) Reflects unaudited pro forma information, as if our subsidiaries Quinto Cuarto, AB&P, Tacuarembó and Inaler, which were acquired on September 1, October 12, October 20 and December 8, 2006, respectively, had been acquired on December 31, 2005.

### *Exports*

We export fresh beef since 2001, and processed frozen cooked beef since 2004. Frozen cooked beef permits us to reach international markets that have imposed sanitary restrictions to fresh beef exports from Brazil, such as the United States, while at the same time increasing our margins as a result of being a value-added product.

The graph below sets forth the destination of our exports in 2006, by region:




We use our in-house sales professionals to sell our products abroad. In addition, we have a trading subsidiary in the United Kingdom to explore business opportunities and enhance customer service. We currently have 37 sales and export support professionals. We are currently considering opening new sales offices in other countries to further increase our export sales and customer service capabilities.

We market our beef products abroad through several distribution channels, including national and regional retailers, such as supermarket chains, independent grocers, club stores and wholesale distributors; food processors; and the food service industry, including food service distributors, fast food, restaurant and hotel chains and other institutional customers.

In 2006, we exported our products from Brazil to 56 countries, generating approximately R$1,038.7 million in net revenues, or 52% of our total net revenues.

***Wholesale***

Our in-house sales professionals also sell our products to wholesale customers in Brazil, including supermarket chains, large retailers, food industries and others. In 2006, our wholesale sales represented approximately R$685.3 million in net revenues, or 34% of our total net revenues.

**Food Service**

We currently have a base of food service customers that includes fast food chains, restaurants, hospitals, hotel chains and other institutional customers, located mainly in the States of São Paulo and Rio de Janeiro. In most cases, we receive orders from our food service customers and deliver our products in less than 24 hours, using our proprietary fleet of 60 refrigerated trucks.

In line with our business strategy, we are currently expanding our product offerings in order to serve our food service customers with the full range of products needed in their daily operations. Such products are expected to include rice, olive oil and wine, among others. By using our existing distribution network and making cross-sales of products, we believe we can expand our food service business significantly in the coming years.

In 2006, food service generated approximately R$272.8 million in net revenues, or 13.7% of our total net revenues. Approximately 72.2% of net food service revenues for 2006 was derived from the sale of beef. The remaining 27.8% of net revenues generated by food service in 2006 was derived from the sale of other food products.

The following table sets forth a breakdown of the sales volumes and net revenues of our domestic divisions for 2006.

| | **December 31, 2006** | |
|---|---|---|
| | **Net revenues (In millions of *reais*)** | **%** |
| Wholesale—Beef | 536.2 | 56% |
| Food Service | 197.0 | 21% |
| Other products (including hide) | 225.0 | 23% |
| **Total** | **958.2** | **100%** |

**Trading**

We import products from Uruguay, Argentina, Chile and other countries, which are distributed to wholesale and food service customers in Brazil. We distribute in Brazil internationally-known meat brands, such as “Nirea” from Uruguay and “Aberdeen Angus” from Argentina.

In 2006, we imported approximately 23,300 tons of products for the aggregate price of US$39.1 million. The main imported products are frozen pre-cooked potatoes from Argentina, ribeyes, striploins, rump caps and other special cuts from Argentina and Uruguay, lamb cuts from Argentina, Uruguay, Paraguay and Chile, fish from Chile and vegetables from Belgium.

We imported in 2006 approximately 13,100 tons of frozen pre-cooked potatoes, which represented 22.2% of the total exports of frozen pre-cooked potatoes from Argentina. We also imported approximately 658 tons of fish, 3,500 tons of lamb and 3,700 tons of special beef cuts.

**Distribution and Logistics**

Our business depends on our ability to distribute our products to customers in Brazil and abroad. We distribute our beef products domestically both directly from our plants and through our distribution centers.

Outsourced companies are responsible for transportation of our production from our processing plants to our distribution center in large refrigerated trucks. We use our proprietary fleet of 60 refrigerated trucks to distribute our products to domestic customers. The trucks are routed by a modern logistics system that optimizes routes and product allocations based on delivery schedules.

We contract third party carriers to deliver containers of our products to port facilities for export. Exports are made through the port of Santos in the State of São Paulo, and, to a lesser extent, through the ports of Paranaguá and Itajaí in the States of Paraná and Santa Catarina, respectively.

We have recently acquired land in Itú, State of São Paulo, in which we intend to build a new distribution center. See "—Recent Events." We believe this new distribution center will have a storage capacity of approximately 32,100 tons, which would represent an increase of 200% compared to our current storage capacity of 10,700 tons.

***Information Technology***

In 2004, we implemented an ERP software system, which has allowed us to improve internal controls and enhance our decision-making capabilities. More recently, we implemented distribution planning software that optimizes deliveries to our food service customers by efficiently organizing cargoes inside delivery trucks and managing the fleet with GPS monitoring.

In addition, in 2006 we invested in a costs monitoring system that permits us to comply with both the corporate and tax methods of costs allocation for accounting purposes. This system is capable of tracking inventory transfers and average costs of purchases and production.

**Customers**

We have a base of more than 15,000 customers and more than 17,000 delivery locations, which enables us to reduce market risks by selling our products to different niches and by quickly shifting the allocation of our production in case any particular market is closed due to sanitary or economic restrictions.

In 2006 we sold our products to export, wholesale and food service customers in Brazil and in 56 other countries. In 2006 our 10 largest exports customers accounted for approximately 18.7% of our export sales, or approximately 10.1% 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 2.5% of our total net revenues in 2006.

In Brazil in 2006 our 10 largest wholesale customers accounted for approximately 55% of our wholesale sales, or approximately 17.6% of our total net revenues. Our wholesale customers include Companhia Brasileira de Distribuição – CBD, Carrefour, Wal-Mart and Sadia. We did not have any wholesale customer that individually represented more than 6.3% of our total net revenues in 2006.

In 2006, our 10 largest food service customers accounted for approximately 17.6% of our food service sales, or approximately 2.4% of our total net revenues. Our food service customers include well-known restaurant and beef specialty stores brands, such as Rubaiyat, Fogo de Chão, Porcão, Montana, Novilho de Prata, McDonald's, Habib's, Outback Steakhouses, China in Box, Marba, Mario's, Giraffa's, Kilo Certo, and others. We did not have any food service customer that individually represented more than 1.35% of our total net revenues in 2006.

We currently balance our domestic market sales against export sales in order to be protected against adverse external conditions, including sanitary restrictions and other commercial barriers. We believe our ability to quickly shift distribution between local and export markets, due to our long-standing commercial relationships, is a key differentiating factor.

**Operations in Uruguay and Argentina**

We have two plants in Uruguay that were acquired in the second semester of 2006 and that together have capacity to slaughter 1,900 head of cattle per day. The Tacuarembó plant also has the capacity to produce cooked, frozen beef, beef jerky, bresaola and organic beef, and the Inaler plant is also capable of slaughtering sheep.

We are the largest beef exporter and also have the largest 2006/2007 Hilton Quota in Uruguay. The plants of Tacuarembó and Inaler units were responsible for 12% of the annual slaughter in Uruguay, where we are also the exclusive hamburger supplier for the McDonald's chain.

Uruguay gives us a privileged position of access to the Unites States, Canadian and Mexican markets for fresh meet. Uruguay has a quota of 20,000 tons that are exempt from customs duties for the United States and 11,800 tons for Canada. There is also a trade agreement with Mexico to reduce import duties.

In Argentina we also acquired a plant in the second semester of 2006 that has the capacity to slaughter 700 head of cattle a day. In Argentina we have 1,138 tons of Hilton Quota for 2006/2007, equivalent to 5% of the total quota for Argentina. In 2006 our plant was responsible for approximately 1% of the total slaughter in Argentina.

The plants of Tacuarembó in Uruguay and AB&P in Argentina are approved by Tesco, the global supermarkets chain, as suppliers of beef cuts to its stores in the United Kingdom.

**Brands**

We use a set of well-recognized brands targeted at various market segments.

In Brazil, our main export brands are "GJ" (premium market) and "Palatare" (middle-income market), and our main food service brands are "Bassi" (premium market), "Montana Grill" and "Montana Grill Express" (high-middle-income market), and "Carnes Resfriadas Palatare" and "Marfrig" (low-income market). We own the brands "GJ," "Carnes Resfriadas Palatare," and have filed for the registration of the brands "Palatare" and "Marfrig," which are currently pending. Brand ownership in Brazil is obtained only by means of registration with the Brazilian Institute of Industrial Property (INPI), which entitles its owner exclusive use in the entire country. While the registration process is pending, a registrant has only preliminary rights to use the brand in connection with its products. In addition, we are licensed to use the brands "Bassi," "Montana Grill" and "Montana Grill Express."

In Argentina, our brands include "Hughes," "Aberdeen Angus," "Good Beef," "Gauchos Beef" and "Argentine Breeders & Packers." In Uruguay, our brands include "Bernina," "Burgerbif," "Montevideo," "Hamby" and "Tacuarembó."

**Competition**

The beef industry is highly competitive, both in the purchase of cattle and in the sale of fresh and processed beef products. Our products also compete with a large number of other protein sources, including poultry and pork. We believe that the principal competitive factors in the beef processing industry are price, quality, food safety, product distribution and brand loyalty.

In Brazil, our major beef competitors are Bertin, Friboi, Frigorífico Independência, Frigorífico Minerva and Frigorífico Mercosul. In Argentina, our major beef competitors are Finexcor and Swift, and in Uruguay, Frigorífico PUL and Frigorífico Colonia. In international beef markets, we compete with numerous producers, including Cargill, Tyson Foods, Smithfield Foods and Swift & Co. in the United States, and Australian Meat, Teys Bros and Nippon Meat Packers in Australia.

**Employees**

The table below sets forth our number of employees on December 31, 2004, 2005 and 2006, as well as March 31, 2007:

| | Year ended December 31, | | | Three months ended March 31, |
|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 |
| Argentina | — | — | 455 | 459 |
| Uruguay M)[1] | — | — | 1,739 | 1,819 |
| Brazil | 5,000 | 6,074 | 9,672 | 10,864 |
| Chile | — | — | 125 | 155 |
| United Kingdom | — | — | 7 | 11 |
| **Total** | **5,000** | **6,074** | **11,998** | **13,308** |

We believe we have a good relationship with our employees and their unions, and there have been no strikes or significant stoppages in our activities in the last three years.

We provide to our employees various benefits, including meals, life insurance, transportation, medical plans and emergency treatment. In addition, in order to increase the participation and motivation of our employees, we have a profit sharing plan.

**Properties**

As of March 31, 2007, owned eight of our 12 processing plants, namely those located in Chupinguaia, Tangará da Serra, Porto Murtinho, Bataguassu and Promissão II in Brazil, as well as our plants in Argentina and Uruguay. 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 lease our plant Promissão I, have a services agreement with a third party for operation of the plant in Três Rios,

In addition to these plants, in May 2007 we entered into five-year lease agreements for a plant in Louveira, State of São Paulo, and for a distribution center in Porto Alegre, State of Rio Grande do Sul, and into a purchase agreement for a parcel of land in Itú, State of São Paulo, in which we intend to build a new distribution center. Our distribution center in Santo André was originally leased, but was acquired and paid for by us in September 18, 2006 in a judicial auction that is pending confirmation.

Except for the plants owned by Pampeano and Cledinor, currently our properties are not subject to any security interests.

As of March 31, 2007, we had invested the total amount of R$91 million in the expansion or modernization of four of our plants, which we expect be concluded by the end of 2007.

The table below sets forth the location, capacity and status of the plants we operate in Brazil, Uruguay, Argentina and Chile:

| | Slaughtering Capacity | Processed Beef Capacity | Status |
|---|---|---|---|
| **Brazil** | **(heads of cattle)** | **(tons per day)** | |
| Bataguassu—MS | 2,000 | — | Ownership |
| Chupinguaia—RO | 600 | — | Ownership |
| Louveira—SP (1) | — | 25 | Lease Agreement |
| Mineiros—GO | 2,000 | — | Lease Agreement |
| Pampeano—RS (1) | — | 117 | Ownership |
| Paranatinga—MT | 1,000 | — | Lease Agreement |
| Porto Murtinho—MS | 600 | — | Lease Agreement |
| Promissão I—SP | 1,000 | 80 | Lease Agreement |
| Promissão II—SP | 500 | — | Ownership |
| São Gabriel—RS | 600 | — | Lease Agreement |
| São Paulo—SP (1) | — | 50 | Lease Agreement |
| Tangara—MT | 2,000 | — | Ownership |
| Três Rios—RJ | — | 32 | Services Agreement |
| **Subtotal** | **10,300** | **112** | |

| | Slaughtering Capacity | Processed Beef Capacity | Status |
|---|---|---|---|
| **Uruguay** | | | |
| Tacuarembó | 1,200 | 20 | Ownership |
| Inaler | 700 | — | Ownership |
| Cledinor (1) | 800 | — | Ownership |
| **Subtotal** | **2,700** | **20** | |
| **Argentina** | | | |
| AB&P | 700 | — | Ownership |
| **Subtotal** | **700** | **—** | |
| **Chile** | | | |
| Quinto Cuarto | — | — | Ownership |
| **Subtotal** | **—** | **—** | |
| **Total** | **13,700** | **324** | |
| **Distribution Center** | | | |
| Santo André—SP | — | — | Ownership |
| Porto Alegre—RS (1) | — | — | Lease Agreement |

(1) Acquired or leased after March 31, 2007.

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

| | Year ended December 31, | | | Three months ended March 31, |
|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 |
| Slaughtering capacity (thousand heads) | 3,500 | 4,300 | 10,150 | 12,900 |

With our recent acquisitions, our slaughtering capacity increased to 13,700 heads of cattle per day and our processed and industrialized products capacity increased to 342 tons per day.

**Insurance**

We are currently insured against a variety of risks, including losses and damages relating to our processing plants and fleet of trucks. We also carry a directors and officers policy issued by Chubb Brazil, with coverage in the amount of R$40 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.

**Sanitation and Environmental Matters**

Our beef 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 beef 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. Beef products must be registered with the Ministry of Agriculture. We work closely with the Brazilian Ministry of Agriculture to ensure our compliance with applicable sanitation and operations laws and regulations.

Strict compliance with all Brazilian sanitation and environmental laws, whether federal, state or municipal, including maintaining our licenses in full force and effect, is one of our most important priorities. 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, in order to determine those that cause or could cause material environmental damages. Through our environmental management programs, we seek to identify opportunities for improving production processes, as well as preventing the occurrence of negative environmental impacts.

We believe that we are in substantial compliance with all Brazilian governmental sanitation and environmental laws and regulations.

**Material Contracts**

We currently do not have any contract that is material to us, except for the contracts described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Subsequent Events."

**Legal 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 that are likely to result in unfavorable decisions. We do not make provisions for the estimated losses from suits and proceedings that may possibly result or are unlikely to result in unfavorable decisions. We classify each lawsuit into one of these three categories based upon the advice of external counsel and specialized technical advisors responsible for each matter.

As of March 31, 2007, we maintained a provision of R$31.2 million for lawsuits and administrative proceedings in which we were a defendant, including tax, labor and civil matters. In April, this provision was increased to R$43.7 million, as a result of the reclassification of the amount of R$12.5 million, previously recorded as current liability, in connection with a tax assessment notice for social security contributions in which proceeding we submitted an administrative defense.

***Tax and Social Security Proceedings***

As of March 31, 2007, we were defendants in 15 judicial and administrative proceedings related to tax and social security matters, involving the total amount of R$71.1 million, of which we provisioned R$27.5 million. In April 2007, this provision was increased to R$40 million, as a result of the reclassification mentioned above.

*Social Security Contributions*

As of March 31, 2007, we were defendants in eight administrative proceedings, claiming amounts related to social security allegedly due by us. We filed the appropriate defenses to question whether these amounts are due and decisions are currently pending. The total amount involved in these proceedings is R$47.6 million, of which part was subsequently paid and R$42.7 million is being contested, for which a provision has been made in the amount of R$36.5 million (giving effect to the reclassification mentioned above). Based on the opinion of external counsel, we believe that losses under contingencies are possible in relation to some of the proceedings and probable in relation to the others.

A portion of these social security claims relate to the FUNRURAL contribution, which is a contribution required to be withhold and paid by us on behalf of individuals producers of agricultural goods, including our cattle suppliers. We are disputing in courts this requirement and have obtained a preliminary decision allowing us not to withhold this contribution pending a final decision. The amount involved in these proceedings is R$4.8 million, for which we provisioned R$2.5 million. Based on the opinion of external counsel, we believe that losses under contingencies are possible in relation to some of the proceedings and probable in relation to the others.

In addition to contesting these claims, we filed a lawsuit seeking recognition of our right to set off any amounts due under these claims against our IPI tax credits. We already obtained a favorable decision, which is pending appeal.

*Federal Taxes and Contributions*

As of March 31, 2007, we were defendants in two administrative proceedings, claiming amounts related to corporate income tax, as well as related contributions on income (CSSL, PIS and COFINS), allegedly due by us.

We are contesting these claims, as we believe that a portion is already subject to the statute of limitations and the remaining were calculated incorrectly or are being unduly claimed. The total amount involved in these proceedings is R$2.4 million, for which no provision has been made because our external counsel has classified loss under this contingency as only possible.

*ICMS Tax*

As of March 31, 2007, we were defendants in five administrative proceedings, claiming amounts related to presumed ICMS credits 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 R$15.3 million in connection with our branch in Santo André and R$1.3 million in connection with our branch in Promissão. Most of these disputed credits have been claimed but not effectively used by us. No provision has been for these proceedings because our external counsel has classified loss under this contingency as remote.

In addition to these proceedings, we received tax assessment notices for ICMS taxes allegedly unpaid in connection with products returns. We filed the appropriate defenses to question whether these amounts are due and decisions are currently pending. The total amount involved is R$3.5 million, for which no provision has been made because our external counsel has classified loss under this contingency as only possible.

There are other tax assessment notices for ICMS taxes claimed by the States of Goiás, Paraná and São Paulo, in the total amount of R$1.0 million, for which provisions have been made.

***Labor Proceedings***

As of March 31, 2007, we were defendants in 501 labor lawsuits in the total amount of approximately R$17.5 million. Based on the advice of our external counsel, we have made a provision of R$3.4 million in connection with these lawsuits. A large percentage of the labor claims filed against us relate to issues commonly alleged against other beef producers, such as demands for overtime and sick pay.

***Civil Proceedings***

As of March 31, 2007, we were defendants in 12 civil lawsuits in the total amount of approximately R$4.9 million, for which we provisioned R$0.3 million and made judicial deposits in the amount of R$1.3 million. Our civil lawsuits typically involve claims related to our commercial dealings.

We are defendant in a lawsuit brought by Comanche Assessoria de Bens Ltda. in connection with the alleged undue termination of a lease agreement for a rural property in Batayporã, State of Mato Grosso do Sul. The amount involved is R$2.9 million. In October 2006 a decision was issued in our favor and appeal is pending. Our external counsel considered losses under this contingency remote, and accordingly no provision has been made.

***Beef Industry Antitrust Administrative Procedure***

On June 21, 2005 the SDE initiated administrative proceedings against 11 Brazilian beef companies, including us and other large beef producers. The proceedings relate to allegations that we and these beef companies may have breached Brazilian antitrust regulations by entering into agreements to establish the price of cattle purchased by us and them for slaughter. Although SDE found that we violated these regulations, a final binding determination on this matter can only be made by CADE, which is the ultimate Brazilian antitrust agency.

On January 30, 2007, the Office of the General Counsel of CADE issued its opinion on the case, supporting the SDE's allegations that eight of the 11 companies investigated, including us, had violated Brazilian antitrust regulations. More recently, on April 25, 2007, the Federal Prosecutors Office (*Ministério Público Federal*) issued a similar opinion that these eight companies, including us, had violated antitrust regulations. These opinions are not binding, and CADE has the discretionary power to decide on the case.

If CADE ultimately decides that we violated Brazilian antitrust regulations, CADE may impose administrative penalties on us, including an administrative fine that may range from 1% to 30% of our gross revenues in 2004 (the year preceding the initiation of the investigation, which is generally the period considered by CADE to calculate the fine) in addition to criminal proceedings that may be determined by a Brazilian public prosecutor and fines imposed against the administrators directly or indirectly responsible for such conduct that may vary from 10% to 50% of the amount of the fine imposed against such company. In case of an unfavorable CADE decision, we may appeal in the Brazilian courts. See "Risk Factors—Risks Relating to Our Business and the Industry in Which We Operate—We may be subject to penalties for antitrust violations."

## OWNERSHIP AND MANAGEMENT

### Ownership

Marfrig owns directly 100% of the issued shares of Marfrig Overseas. Marfrig Overseas was established to issue the notes and act as a finance subsidiary of Marfrig. 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. Its registered office is at P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, and its constitutional documents and any other documents concerning Marfrig Overseas which are referred to in this listing memorandum can be inspected at Marfrig Overseas' headquarters in Brazil.

The total capital of Marfrig as of November 10, 2006 consisted of 140,000 quotas with a par value of R$1.00 per quota. Each quota includes the right to a single vote. Marcos Molina dos Santos currently holds 70,000 quotas and Márcia Aparecida Pascoal Marçal dos Santos currently holds 70,000 quotas.

### Management

Pursuant to our bylaws, our management is composed of a board of directors (*conselho de administração*) and an executive committee (*diretoria*). Our bylaws also provide for a fiscal council that is not permanent and that may be instated 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 officers. Under Brazilian Corporate Law, the board of directors is also responsible for the hiring of the independent auditors.

All board of director decisions are made by majority vote of those members present at the relevant meeting.

According to our bylaws, our board of directors must be composed of a minimum of five and a maximum of nine members. Each member must be a shareholder in our company, although no minimum shareholding is stipulated. The directors are elected by a general shareholders' meeting, with a unified, two-year term of office. The term of office is the period between two general shareholders' meetings. 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* regulation, a minimum of 20% of the members of our board of directors should be independent. Our board members are required to sign, prior to taking office, the administrators' instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* regulations.

In addition, under Brazilian Corporate Law, the members of the board of directors are prohibited from acting in any transaction or business in which their interests conflict with our own. For further information, see "Description of the Capital Stock—Board of Directors."

The members of our board of directors were elected in our shareholders' meetings held on March 26, May 7 and May 20, 2007, with a term of office until our general shareholders' meeting to be held in 2009.

The table below sets forth the name, age, title and date of election of the members of our board of directors:

| Directors | Age | Title | Date of Election |
|---|---|---|---|
| Marcos Antonio Molina dos Santos | 37 | Chairman | 03.26.2007 |
| Márcia Aparecida Pascoal Marçal dos Santos | 34 | Director | 03.26.2007 |
| Rodrigo Marçal Filho | 32 | Director | 03.26.2007 |
| Marcelo Correa | 51 | Independent Director | 05.07.2007 |
| Carlos Geraldo Langoni | 61 | Independent Director | 05.07.2007 |
| Antonio Maciel Neto | 49 | Independent Director | 05.20.2007 |

Below is a brief biographical description of each member of our board of directors:

*Marcos Antonio Molina dos Santos.* Mr. Molina dos Santos is the chairman of our board of directors and chief operation officer. He has worked in the beef sector since the age of 16, when he opened his first business. Mr. Molina dos Santos has been our chief executive officer since the incorporation of our company.

*Márcia Aparecida Pascoal Marçal dos Santos.* Ms. Santos is a member of our board of directors. She has large experience with our company and from 2000 to 2006 was in charge of our financial and our internal audit teams.

*Rodrigo Marçal Filho.* Mr. Marçal Filho is a member of our board of directors. 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.

*Marcelo Correa.* Mr. Correa is an independent director. He is currently the chief executive officer of Grupo Neoenergia S.A., a member of the board of directors of the National Operator of Electric System (*Operador Nacional do Sistema Elétrico*), or ONS, Coelba, Cosern, Celpe, Itapebi, Termopernambuco, PCH I, Afluente, Goiás Sul and Baguari I. He was also the chairman of VCB Energia S.A. from 1997 to 2004 and of the board of directors of CPFL—Piratininga from 2001 to 2002 and a member of the fiscal council of RGE—Rio Grande Energia from 1997 to 1999 and CPFL—Paulista. Mr. Correa holds a degree in civil engineering from PUC/RJ and has a MBA in Finance from IBMEC.

*Carlos Geraldo Langoni.* Mr. Langoni is an independent director. 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 has also been the chairman of the Central Bank of Brazil from 1980 to 1983. Mr. Langoni has a Ph.D. in Economics from the University of Chicago.

*Antonio Maciel Neto.* Mr. Maciel is an independent director. 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 federal government of Brazil, 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*), or PBQP. He began his professional career at Petrobrás in 1980, where he worked for 10 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.

**Advisory Committees to the Board of Directors**

Our bylaws provide for the creation of technical and consulting committees to assist the board of directors. Such committees may contain members of our board of directors, our executive committee or external service providers. Once installed, the board of directors determine the attributes of the committees, as well as their objectives. Currently we have installed the following committees:

***Audit Committee***

The audit committee assists the board of directors in conducting internal and external audit procedures, in matters involving accounting and disclose of financial information, and in evaluating the legal and internal financial compliance controls.

***Compensation and Human Resources Committee***

The compensation and human resources committee assists the board of directors in strategies, policies and internal norms related to human resources, including the setting of compensation and benefits offered to our management and senior employees.

***Financial Committee***

The financial 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.

***Executive Committee***

The members of our executive committee are our legal representatives and are responsible mainly for the day-to-day management of our business and for setting up the general policies and directives established by our board of directors.

Under Brazilian Corporate Law, each member of the executive committee must be a resident in Brazil, and may or may not be a shareholder. In addition, up to, at most, one third of the members of the board of directors may hold a position in the executive committee.

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 executive committee will have a minimum of two, and a maximum of seven members with the following titles: chief executive officer, chief operating officer and investor relations 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* regulations. Currently, our executive committee is composed of four members, for a three-year term of office, with the possibility of reelection.

The table below sets forth the name, age, titles and date of election of the members of our executive committee:

| Name | Age | Position | Date of Election |
|---|---|---|---|
| Marcos Antonio Molina dos Santos | 37 | Chief Executive Officer | 03.26.2007 |
| James Cruden | 58 | Chief Operating Officer | 03.26.2007 |
| Ricardo Florence dos Santos | 52 | Investor Relations Officer | 05.07.2007 |
| James Dominic Cleary | 42 | Chief Financial Officer | 05.20.2007 |

Below is brief biographical description of the members of our executive committee (except for those officers who are members of the board of directors):

*James 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. da Australia, a company owned by Vestey Group Ltd., or Vestey Group, a traditional British food company. In 1974, he went 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 Vestey Group's companies in Brazil in 1982 to be 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, having responsibility over our industrial process and wholesale and export activities. He 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 had worked for two years at UOL Inc. (Grupo Folha de São Paulo) as an investor relations executive officer. He had worked from 2006 to 2007 as an adjunct investor relations executive officer at Brasil Telecom. He had been a member of the board of Grupo Pão de Açúcar from 1995 to 1999; of UOL—Grupo Folha in 2001; of Dentalcorp Sand from 2002 to 2006, and of the Brazilian Institute of Investor Relations (*Instituto Brasilieiro de Relações com Investidores*), or IBRI, from 1998 to 2001, of which he is currently a member of the fiscal council.

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 has a graduate degree from Universidade Presbiteriana Mackenzie and a master's degree in business administration from IBMEC São Paulo.

*James Dominic Cleary*. Mr. Cleary is our chief financial officer. He had been an auditor for O'Connor, Lavin Murphy (Ireland) from 1983 to 1987. He was also an auditor at Coopers & Lybrand in Jersey Island from 1987 to 1990. In 1990, he became the financial controller of Pampeano, where he later became president, from 1992 to 2007 when he joined us. Mr. Cleary is a Fellow of the Institute of Chartered Accountants in Ireland.

**Non-Statutory Executive Committee**

Our internal management is organized by a non-statutory executive committee. This committee is comprised of experienced professionals in each area.

The names, dates and positions of each of the members of our non-statutory executive committee are presented below:

| Name | Position Held | Age |
|---|---|---|
| Airton Eduardo Guerra | Industrial Executive Officer for Brazil | 58 |
| Alain Martinet | General Executive Officer for Argentina | 64 |
| Alexandre Eduardo de Melo | Controller | 30 |
| Alexandre José Mazzuco | Financial Executive Officer | 37 |
| Andrew Murchie | Exports Executive Officer | 38 |
| Antonio Sobrinho Almeida de Souza | Sales and Food Service Executive Officer | 38 |
| Bassem Sami Akl Akl | Technical Executive Officer | 46 |
| Brigget Cecília Valenzuela Onate Ortega | Internal Controls Executive Officer | 42 |
| Heraldo Geres | General Counsel | 38 |
| José Fraga Júnior | Logistics and Supply Executive Officer | 39 |
| Luciano Oliveira Borges | Wholesale Executive Officer | 38 |
| Martin Secco Arias | General Executive Officer for Uruguay | 41 |
| Raul E. Ferraz Mendes | Cattle Purchases Executive Officer | 59 |
| Renato Prates | Industrial Executive Officer for Uruguay | 46 |
| Ricardo Alves da Conceição | Institutional Relations Executive Officer | 63 |
| Rodrigo Marçal Filho | Infrastructure Executive Officer | 32 |

Below is a brief biography of the members of our non-statutory executive committee (except for those officers who are members of the board of directors or our executive committee):

*Airton Eduardo Guerra.* Mr. Guerra is our industrial executive officer for Brazil. He worked at Frigorífico Bordon from 1959 to 2000, when he joined us. He has a high school degree.

*Alain Martinet.* Mr. Martinet is our executive officer responsible for our operations in Argentina. He has worked in the beef industry for over 30 years. He was manager of the international beef department of Louis Dreyfus Corporation USA from 1978 to 1984, general manager and later commercial officer of Frigorífico Rio-platense from 1985 to 1992, and officer of Swift Argentina from 2001 to 2006. He joined us in October 2006.

*Alexandre Eduardo de Melo.* Mr. Melo is our controller. He is responsible for the supervision of our accounting, tax, fiscal and invoice teams. He has been working in the beef industry since 2000, originally as an auditor and consultant. Mr. Melo worked for Trevisan Auditores from January 2003 to January 2004, as an assistant auditor and a supervisor. He then became chief accountant of Santa Helena Indústria de Alimentos S.A. until March 2004, when he joined us. Mr. Melo holds a bachelor's degree in accounting from the Universidade de São Paulo and a post-graduate degree in tax law from Universidade São Judas Tadeu.

*Alexandre Mazzuco.* Mr. Mazzuco is our financial executive officer. He has worked in the financial area since 1985, with extensive experience in conducting all aspects of controllership and market relations in companies experiencing large turnarounds in their organization, including operational restructuring and capital structure modification. He began his career in 1985, at Companhia Paulista de Fertilizantes, where he worked for 12 years. After that, Mr. Mazzuco worked as controller for Fábrica Nacional de Vidros de Segurança Ltda., or FANAVID, from 1999 to 2002. He conducted the negotiations with the Asahi Glass Group (one of the largest glass working groups in the world), which eventually led to their participation in the equity of FANAVID. There he also conducted the ISO 9000 certification and the implementation of ERP software. Mr. Mazzuco joined us in 2002. He holds a master's degree in corporate management from Fundação Getúlio Vargas, a degree in finance and controlling, and in business administration from IMES—Universidade Municipal de São Caetano do Sul.

*Andrew Murchie.* Mr. Murchie is our exports executive officer. He has 15 years of experience in the beef industry, in both Brazilian and multinational companies. He began his career in 1990 at Anglo Alimentos S.A., where he worked as a trading manager. He had worked at BF Alimentos from 1998 to 2000 and at Grupo Friboi from 2001 to 2003. Mr. Murchie joined us in 2003. He holds a high school degree.

*Antonio Sobrinho Almeida Souza.* Mr. Souza is our sales and food service executive officer. He has been working for the beef, lamb and chicken industry since 1999. He worked for Perdigão from 1989 to 1996. After that, he became the sales manager of Frigorífico GJ until 2000, when the company was leased to Frigorífico Bonsucesso until 2003 (Frigovira), where he worked as a business manager. He also worked for the Martins e Campos distribution center. He holds a degree in business administration from Universidade Santo Amaro.

*Bassem Sami Akl Akl*. Mr. Bassem is our technical executive officer. He has 22 years of experience in the beef industry. He had worked with numerous companies in the industry, including Frigorífico Anglo from 1985 to 2003, BF Produtos Alimentícios, from 1985 to 2003, and Grupo Friboi Ltda. from 2003 to 2006. He joined us in March 2006. He is also a professor at Fundação Educacional de Barretos. Mr. Bassem holds a degree in food engineering from Fundação Educacional de Barretos and a master's degree in business administration from Fundação Getúlio Vargas.

*Brigget Cecília Valenzuela Onate.* Mrs. Ortega is our internal controls executive officer. She has a degree in accounting and joined us in 2001. From 1996 to 2000, she was the treasurer of FM Fichet Indústria Metalúrgica Ltda.

*Heraldo Geres.* Mr. Geres is our general counsel. From 2001 to 2006, he was an associate at Benício Advogados where he specialized in contracts. Since 2004, he is a professor of tax law at Universidade São Marcos. Mr. Geres holds a degree in law from Faculdades Metropolitanas Unidas, a business degree and a post-graduate degree in tax law from Pontifícia Universidade Católica de São Paulo. He is a candidate for a master's degree in political and economic law from Universidade Presbiteriana Mackenzie.

*José Fraga Júnior.* Mr. Fraga is our logistics and supply executive officer. Mr. Fraga has been working for us since 1988 when he started as a commercial representative for the region of Leme, São Paulo. He holds a degree in law from Fundação Pinhalense de Ensino.

*Luciano Oliveira Borges.* Mr. Oliveira is our wholesale executive officer. He has been working in the beef industry for over 15 years. Mr. Oliveira worked at Banco do Brasil from 1980 to 1986. He worked at Bom Charque from 1990 to 2000, when he joined us. He holds a high school degree.

*Martin Secco Arias.* Mr. Arias is our executive officer responsible for our operations in Uruguay. From 1987 to 1992, he was an executive officer at 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 Universidade Católica do Uruguai and a post-graduate degree in management from Universidade de Montevideo.

*Raul E. Ferraz Mendes.* Mr. Mendes is our cattle purchase executive officer. He has over 30 years experience in the beef industry. He began his career as a cattle purchaser at Frigorífico Bordon in 1972, where he worked until 1979. He worked at Frigorífico Kaiowa from 1980 to 1991, also as a cattle purchaser. From 1991 to 1993, Mr. Mendes was the head cattle purchaser in the state of Mato Grosso do Sul for Frigorífico Anglo. From 1999 to 2003, he worked for Bertin Ltda., implementing new factories and coordinating the purchase of cattle in Ribas do Rio Pardo, in the state of Mato Grosso do Sul, in Campo Grande, in the state of Mato Grosso do Sul, and in Mozarlândia, in the state of Goiás. Mr. Mendes then worked for Grupo Friboi Ltda. from 2004 to 2006, coordinating the purchase of cattle in Presidente Epitácio, in the state of São Paulo. He joined us in April 2006. He holds a high school degree.

*Renato Prates.* Mr. Prates is our industrial executive officer for Uruguay. He has been working with us since 2001 and has also been responsible for industrial operations and research and development. Mr. Prates has over 25 years of experience in the beef industry. From 1982 to 1986 he worked at Swift Armour. He worked for 10 years at Frigorífico Rio Pel. From 1996 to 1998, he worked in the industrial sector of Frigorífico Arapuntago. From 1998 to 2001, he worked for Grupo Frigovira, where he was responsible for the group's relationships with federal inspectors, customers, and suppliers. Mr. Prates has a graduate degree in veterinary medicine from Universidade Federal de Pelotas and a post-graduate degree in business administration from Fundação Getúlio Vargas.

*Ricardo Alves da Conceição.* Mr. Conceição is our institutional relations executive officer. He was a vice president of Banco do Brasil S.A., in Brasília, from 2001 to 2006, Deputy Minister of Agriculture, member of the National Council of Agricultural Policy (*Conselho Nacional de Política Agrícola*), or CNPA, from 1995 to 2006, of the economic department of the Ministry of Treasury (*Ministério da Fazenda*), in Brasília, and a member of the Agro Business Council of the Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastacimento*), or CONSAGRO, from 2000 to 2006. Mr. Conceição holds a degree in economic science from Centro de Ensino Unificado de Brasília, or CEUB, and a degree in letters (Portuguese and English) from Faculdade de Filosofia, Ciências e Letras de Caratinga.

**Fiscal Council**

Under 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. We do not currently have a fiscal council.

Whenever established, the fiscal council will be composed of a minimum of three and a maximum of five members with an equal number of substitutes. Only residents of Brazil who possess 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* regulations. Under Brazilian Corporate Law, when the fiscal council does not operate on a full-time basis, it can be established at the general shareholders' meeting, at the request of the shareholders who hold at least 10% of common shares, for a term of office that ends on the date of the next general shareholders' meeting. This percentage may be reduced to up 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 common shares are entitled to separately elect a member of the fiscal council and his substitute, 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 part of our board of directors, executive committee or participate 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 listing memorandum:

| Name | Number of Common Shares | (%) |
|---|---|---|
| Marcos Antonio Molina dos Santos(1) | 69,999,998 | 50% |
| Márcia Aparecida Pascoal Marçal do Santos(1) | 69,999,998 | 50% |
| Rodrigo Marçal Filho | 1 | — |
| Marcelo Correa | 1 | — |
| Carlos Geraldo Langoni | 1 | — |
| Antonio Maciel Neto | 1 | — |
| **Total** | **140,000,000** | **100%** |

(1) Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Aparecida Pascoal Marçal do Santos are our indirect controlling shareholders. See "Principal and Selling Shareholders."

### Compensation

Under 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. The board of directors has the duty to decide how to allocate the amount fixed between its members and those of the executive committee.

For the year ended December 31, 2006, the aggregate compensation of the members of our management totaled R$1.4 million. On May 7, 2007, our shareholders, at a general shareholders' meeting, established an aggregate compensation of R$9 million for the members of our management for 2007. This increase in the aggregate compensation reflects changes in our management structure, considering this offering.

### Family Relationship between Members of our Management and our Shareholders

Mr. Molina dos Santos, chairman of the board of directors and chief executive officer, and his wife, Mrs. Márcia Aparecida Pascoal Marçal dos Santos, member of our board of directors, hold 99.99% of our capital stock. Mr. Rodrigo Marçal Filho, member of our board of directors, is the brother of Márcia Aparecida Pascoal Marçal dos Santos.

### Stock Option Plan

On May 7, 2007, we approved a stock option plan to allow our management, employees and service providers to acquire our common shares, aiming at: encouraging the expansion, success and execution of our corporate objectives, aligning the interests of our shareholders with those of our management, employees and service providers and allowing us to attract and maintain managers, employees and service providers.

The plan may not cause a dilution greater than 5% of our capital stock. The exercise price of the options is based on the average price of shares sold in the last 20 trading days of the BOVESPA immediately before the option grant date, in the case the options are granted after this offering. Options granted will vest 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 each case from the option grant date. By exercising an option and paying the exercise price, the option holder will receive one common share of our capital stock. Except in certain circumstances, the options may not be exercised after the termination of employment of an option holder.

On May 20, 2007, our board of directors authorized future grant of options for the members of our board of directors in an amount equivalent to R$3 million and to our executive officers in an amount equivalent to R$20 million. The board of directors will award options to its members and the executive officers according to individual contributions to our performance. All of the options are subject to the terms and conditions of our stock option plan.

### Material Contracts and Other Obligations

There are no material contracts or obligations between us and members of our management, except for those described in "Related Party Transactions."

## RELATED PARTY TRANSACTIONS

Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos have guaranteed several of our financial agreements, for which they received no consideration. Upon default under any of such agreements, they 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."

James Dominic Cleary, our chief financial officer, was a party to the purchase agreement with Masplen Limited in connection with the acquisition of Pampeano, because he owned one share of Pampeano that was subsequently transferred to us. For additional information on the acquisition of Pampeano, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Subsequent Events."

According to our bylaws, our board of directors has to approve any of our transactions involving related parties, in amounts over an authorized threshold for transactions to be defined by the board of officers. Related party means, directly or indirectly, any members of our management, employee or shareholder holding with more than 10% of our capital stock.

## DESCRIPTION OF THE NOTES

*The following summary describes certain provisions of the notes and the indenture. This summary 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 summary 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 November 16, 2006 (the "Indenture"), among Marfrig Overseas Limited, Marfrig Frigoríficos e Comércio de Alimentos Ltda. and The Bank of New York, as trustee, registrar, transfer agent and principal paying agent (the "Trustee") and The Bank of New York (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 during normal business hours at the Company's principal office and at the 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 Frigoríficos e Comércio de Alimentos Ltda. and its successors under the Indenture, in each case excluding its Subsidiaries, and "Marfrig Overseas" means Marfrig Overseas Limited, and its successors under the Indenture, in each case excluding its Subsidiaries.

### 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$375,000,000. 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 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$2,000 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$375,000,000. The Notes will mature on November 16, 2016 (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 9.625% from November 16, 2006, 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 May 16 and November 16 of each year, commencing on May 16, 2007, to the person in whose name a Note is registered at the close of business on the preceding April 30 or October 31 (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 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 will pay to Marfrig Overseas 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, holders of Notes entitled to the money must look only to Marfrig Overseas and not to the trustee or any of the paying agents for payment as general creditors.

**The Guarantee**

The Company has unconditionally and irrevocably guaranteed in full 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, which guarantee forms a part of the Indenture, a copy of which may be reviewed at the executive offices of the Company and the offices of the trustee and any other paying agent, including the Luxembourg special paying agent and principal paying agent. The guarantee will be a general irrevocable and unconditional senior obligation of the Company and is not secured by any collateral. The guarantee will rank equally with the Company's senior unsecured indebtedness (except those obligations preferred by operation of law) and will be senior to the Company's subordinated indebtedness. The guarantee will effectively be subordinated to the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness.

**Ranking**

The Notes will be Marfrig Overseas's senior unsecured obligations. Marfrig Overseas has no other indebtedness other than the Notes.

The Guarantee will constitute the unconditional, senior unsubordinated obligation of the Company ranking *pari passu* with all of the Company's existing and future senior unsecured obligations (except those obligations preferred by statute or operation of law).

**Future Subsidiary Guarantors**

If a Restricted Subsidiary Incurs any Indebtedness over US$20 million (excluding Refinancing Indebtedness), individually or in the aggregate, after the Closing Date then such Restricted Subsidiary shall provide a Restricted Subsidiary Guarantee in the same amount as such Indebtedness upon the Incurrence of any such Indebtedness. The Restricted Subsidiary Guarantees will be joint and several obligations of the Restricted Subsidiaries. Each Restricted Subsidiary Guarantee will be senior to the payment in full of all Subordinated Obligations of such Restricted Subsidiary. The obligations of each Restricted Subsidiary under its Restricted Subsidiary Guarantee will be limited to the extent necessary to prevent such Restricted Subsidiary Guarantee from constituting a fraudulent conveyance under applicable law.

The Luxembourg Stock Exchange will be notified by the Company in the event a Restricted Subsidiary becomes a Subsidiary Guarantor.

**Optional Redemption**

Marfrig Overseas may redeem the Notes in whole, but not in part, in U.S. dollars, at any time before their Maturity Date, at its option, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed, and (2) the sum of the present values of the remaining scheduled payments of principal and interest and Additional Amounts (if any) on the Notes to be redeemed discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points plus, in each case, accrued and unpaid interest on the principal amount being redeemed to the redemption date. Notice of such redemption to each holder of Notes must be mailed and published in accordance with the provisions set out under the Indenture not less than 30 days nor more than 60 days prior to the redemption date.

"Treasury Rate" means, with respect to the 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 "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will 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 redemption date or does not contain such yields, the rate per annum 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 of the redemption date. The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an independent investment banker as having an actual or interpolated maturity comparable to the remaining term ("Remaining Life") of the Notes to be redeemed 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 comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to the redemption date, (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means an independent investment banking institution of international standing appointed by Marfrig.

"Reference Treasury Dealer" means a primary U.S. government securities dealer or its affiliates and their respective successors in New York City, New York.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, 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 Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City, New York time, on the third Business Day preceding such redemption date.

**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 ("Excess Additional Amounts"), 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 Excess 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 Company's Interest Coverage Ratio would be less than 1.5:1 and the Net Debt to EBITDA Ratio would be greater than 4.00:1; 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 September 30, 2006 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 U.S.$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 (so long as such Restricted Subsidiary shall have provided a Restricted Subsidiary Guarantee on or prior to the Incurrence of such Indebtedness), may Incur Indebtedness if:

(a) on the date of such Incurrence and after giving effect thereto and the application of the proceeds therefrom, the Interest Coverage Ratio would be no less than 1.5:1 and the Net Debt to EBITDA Ratio would be no greater than 4.00:1; and

(b) no Event of Default shall have occurred and be continuing.

(2) Notwithstanding clause (1) above, the Company or any Restricted Subsidiary (so long as such Restricted Subsidiary shall have provided a Restricted Subsidiary Guarantee on or prior to the Incurrence of such Indebtedness), 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 Restricted 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 Restricted 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 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 and 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 and vehicles (other than trucks described in (C) below) up to an aggregate amount not to exceed US$5.0 million, (B) aircraft up to an aggregate amount not to exceed US$15 million and (C) trucks used to transport either 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; provided that in each case (A), (B) and (C), the equipment, vehicles, aircraft or trucks 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 US$30 million.

(3) Notwithstanding the foregoing, neither the Company nor any Restricted Subsidiary may Incur any Indebtedness pursuant to clause (2) above if the proceeds thereof are used, directly or indirectly, to repay, prepay, redeem, defease, retire, refund or refinance any Subordinated Obligations, unless 100% of such Indebtedness will be subordinated to the Notes or the applicable Restricted Subsidiary Guarantee to at least the same extent as such Subordinated Obligations being repaid.

(4) 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 above clauses, 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.

In addition, the Company will not permit any Unrestricted Subsidiary to Incur any Indebtedness or issue any shares of Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this covenant, the Company shall be in Default of this covenant).

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.

***Limitation on Liens***

The Company covenants and agrees that neither it nor any Restricted Subsidiary will issue, assume or Guarantee 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 obligation then existing or thereafter created) or the Restricted Subsidiary Guarantees, as applicable, 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 obligation) 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, or good faith deposits, letters of credit and performance, surety, appeal or similar bonds in connection with bids, tenders, contracts (other than for 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 incurred in the ordinary course of business;

(f) 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 more than 60 days past due or are being contested in good faith by appropriate proceedings;

(g) easements, rights of way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company;

(h) 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;

(i) 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;

(j) Liens (including extensions and renewals) with respect to Indebtedness Incurred to finance the acquisition of real or personal property acquired after the Closing Date; *provided* that (i) such Lien is created solely for the purpose of securing the payment of Indebtedness Incurred to finance the costs (including the costs, other than internal costs of the Company or any of its Restricted Subsidiaries, of design, development, acquisition, construction, installation, improvement, transportation or integration) of acquiring the item of property or assets subject thereto and such Lien is created prior to, at the time of or within 360 days after the later of the acquisition, the completion of construction or the commencement of the full operation of such property, (ii) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property or assets, together with customary costs and charges related to such financing and (iii) such Lien shall not extend to cover any property or assets other than such items of property or assets and any improvements on such items;

(k) Liens in existence on the Closing Date;

(l) Liens incurred under the BNDES – FINEM, BNDES – EXIM and FINEP programs;

(m) Liens created to guarantee or otherwise secure Indebtedness in an aggregate principal amount not to exceed US$20 million; and

(n) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the clauses (a) through (m) 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 U.S.$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 U.S.$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 may not extend to any other property owned by the Company or any Restricted Subsidiary;

(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 may not extend to any other property owned by the Company or any Restricted Subsidiary;

(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 restricts 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) 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;

(vi) 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

(vii) existing on the Closing Date and any amendments, extensions, renewals or replacements thereof.

***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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 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$2,000 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$2,000. 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).

Within 30 days following any Change of Control, 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 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.

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$2,000 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 Restricted 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$20 million or more;
- except as permitted by the Indenture, any Restricted 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 or if the Trustee shall determine that such action would be prejudicial to holders of the Notes not taking part in such direction.

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 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 or the Cayman Islands, 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, the beneficial owner of the Note or the Trustee 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;

(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;

(h) in respect of any taxes imposed in connection with a Note presented for payment by or on behalf of a holder thereof 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 if the holder of the Note is a resident of the European Union for tax purposes; or

(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 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 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 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 listing 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 Quotaholders**

No past, present or future director, officer, partner, employee, incorporator, quotaholder 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 of 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.

In the event that a Restricted Subsidiary provides a Restricted Subsidiary Guarantee or is released from its obligations under a Restricted 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 Restricted Subsidiary Guarantee in the *d'Wort*, send a copy of such notice to the Luxembourg Stock Exchange and, in the case of the granting of a new Restricted Subsidiary Guarantee, deposit a copy of the Restricted 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. We may also choose to list notices on the website of the Luxembourg Stock Exchange (www.bourse.lu).

**Luxembourg Listing Agent, Luxembourg Special Paying Agent and Luxembourg Transfer Agent**

The Bank of New York (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 Luxembourg Listing Agent, the Luxembourg Special Paying Agent and the Luxembourg Transfer Agent are set forth on the inside back cover of this listing 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*. We may also choose to list notices on the website of the Luxembourg Stock Exchange (www.bourse.lu). 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.

The Notes will mature on November 16, 2016 (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 9.625% from November 16, 2006, 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 May 16 and November 16 of each year, commencing on May 16, 2007, to the person in whose name a Note is registered at the close of business on the preceding April 30 or October 31 (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 must surrender the Notes to any paying agent for the Notes to collect principal payments.

**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 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 and the Company such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by Marfrig Overseas and the Company, 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 Notes 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 Restricted 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."

"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.

"BNDES – EXIM Program" means the special credit line financial agreement due in September 2009 from Banco Nacional de Desenvolvimento Econômico e Social, under its export financing program.

"BNDES – FINEM" means the special credit facility due in December 2006 from Banco Nacional de Desenvolvimento Econômico e Social.

"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 Marcos Molina dos Santos or Márcia Aparecida Pascoal Marçal dos Santos) 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 November 16, 2006.

"Company" means Marfrig Frigoríficos e Comércio de Alimentos Ltda.

"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 Interest Charges" means, with respect to any Person, for any period, (i) total interest expense, including any withholding tax payable thereon, whether paid or accrued, of such Person payable for such period with respect to all outstanding Indebtedness of such Person, including, without limitation, original issue discount, accreted principal, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capitalized Lease Obligations, imputed interest with respect to Attributable Debt, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing to the extent such letters of credit and bankers' acceptance financing constitute Indebtedness, the net effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates and the interest expense of any Indebtedness guaranteed by such person, (ii) the interest of such Person that was capitalized during such period and (iii) any payments of principal of such Person.

"Consolidated Net Income" means, for any period, consolidated net income (loss) for such period of the Company and its consolidated Restricted Subsidiaries, if any; *provided, however*, that there shall not be included in such Consolidated Net Income:

(1) any net income of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:

(a) subject to the limitations contained in clauses (3), (4), (5) and (6) below, the Company's equity in the net income of a Person in which it has an ownership interest lower than required for such Person to be consolidated for such period shall be included to reflect the Company's equity in such net income; but only to the extent that such Person actually distributes the Company's equity in such Person's net income to the Company; and

(b) the Company's equity in the net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary;

(2) any net income (or loss) of any Person acquired by the Company or a Restricted Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition, except that such net income shall be included up to the amount that such Person actually distributes to the Company;

(3) any gain (but not loss) realized upon the sale or other disposition of any asset of the Company or any Restricted Subsidiary (including pursuant to any Sale and Lease-Back Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (but not loss) realized upon the sale or other disposition by the Company or any Restricted Subsidiary of any Capital Stock of any Person;

(4) any non-cash extraordinary or otherwise non-recurring gain or loss;

(5) any unrealized gain or loss related to currency fluctuation;

(6) the non-cash effect of a change in accounting principles; and

(7) any net income (but not loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that:

(a) subject to the limitations contained in clauses (3), (4), (5) and (6) above, the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that such Restricted Subsidiary actually distributes to the Company; and

(b) the Company's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary.

"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 Restricted Subsidiaries, if any, *minus* the sum of cash and cash equivalents recorded as current assets in the Company's most recent consolidated quarterly balance sheet (except for any Capital Stock in any Person).

"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."

"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.

"FINEP" means a special credit line from Financiadora de Estudos e Projetos – FINEP.

"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 reimbursement obligations of such Person in respect of the face amount of letters of credit or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (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 or the completion of such services;

(5) all Capitalized Lease Obligations and all Attributable Debt of such Person;

(6) 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);

(7) 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;

(8) to the extent not otherwise included in this definition, all Hedging Obligations of such Person, to the extent such Hedging Obligations do not result from fluctuations in foreign currency exchange rates or interest rates or from changes in Brazilian inflation; and

(9) all obligations of the type referred to in clauses (1) through (8) 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 Coverage Ratio" means, for any period of four consecutive fiscal quarters ending on or most recently prior to any date of determination for which financial statements are available of the Interest Coverage Ratio, (i) Consolidated EBITDA for such period divided by (ii) Consolidated Interest Charges for such period; *provided*, *however*, that:

(a) if the Company or any Restricted Subsidiary has (x) Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Interest Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Interest Charges for such period shall be calculated on a pro forma basis as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation) or (y) repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Interest Coverage Ratio, Consolidated EBITDA and Consolidated Interest Charges for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(b) 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 or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period; and Consolidated Interest Charges for such period shall be reduced by an amount equal to the Consolidated Interest Charges directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, redeemed, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries, if any, in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Charges for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries, if any, are no longer liable for such Indebtedness after such sale);

(c) 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 and Consolidated Interest Charges 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; and

(d) 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 (b) or (c) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Interest Charges 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.

"Interest Payment Date" means each May 16 and November 16 of each year, commencing on May 16, 2007.

"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” in the section of this information statement entitled “Description of the Notes.”

“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;

(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) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Net Debt to EBITDA Ratio, Consolidated EBITDA for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness.

“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., ABN AMRO Real S.A., Banco do Brasil S.A. or Banco Itaú S.A.

“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.

"*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) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced;

(3) 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

(4) 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.

"Restricted Subsidiary Guarantee" means any Guarantee by a Restricted Subsidiary of Marfrig Overseas's obligations with respect to the Notes, executed pursuant to the provisions of the Indenture.

"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 that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"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 Restricted 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; 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 Guarantor" means any Restricted Subsidiary that has provided a Restricted 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 tax consequences of holding 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 with 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 abroad and, thus, the notes 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 holder 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 recognized 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 tax haven jurisdiction (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership), unless a lower rate is provided for in an applicable tax treaty between Brazil and the country where the non-Brazilian holder of the payment has its domicile.

#### *Payments on the notes made by Marfrig*

If, by any chance, a Brazilian source – such as Marfrig – is required to carry out any payment as a guarantor in connection with the notes to a non-Brazilian holder, Brazilian tax authorities could attempt to impose withholding income 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 any applicable tax treaty between Brazil and the country of the beneficiary.

All fund transfers in connection with financial transactions in Brazil are subject to the temporary contribution on financial transactions, or the CPMF, which is levied at a rate of 0.38% of any bank account withdrawals. The CPMF burden is incurred by the Brazilian payor. The CPMF expires on December 31, 2007, although the Brazilian government may extend it to transform the CPMF into a permanent tax.Pursuant to Decree No. 4,494/2002, conversion into Brazilian currency of proceeds received by a Brazilian entity and the conversion into foreign currency of proceeds in *reais* are subject to taxation of foreign exchange transactions, or the

IOF/Câmbio. Except in limited cases, the IOF/Câmbio is 0%, although the Brazilian government may increase this rate up to 25%, but only with respect to future transactions.

**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. 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 purchase, ownership, and disposition of the notes. The discussion that follows is based on the U.S. Internal Revenue Code of 1986, as amended (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 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, a 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.

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 the 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 withholding taxes are imposed, 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 certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability for income taxes withheld by us. Alternatively, a U.S. Holder may elect to claim a deduction for such income taxes in computing its U.S. federal taxable income provided that the election shall apply to all foreign income taxes paid or accrued by the U.S. Holder for the taxable year. For purposes of the foreign tax credit limitation, foreign source income is classified in one of several "baskets," and the credit for foreign taxes paid or accrued with respect to foreign source income in any basket is limited to U.S. federal income tax allocable to that income. In taxable years beginning before January 1, 2007, interest generally will constitute foreign source income in the "high withholding tax interest" basket if the notes are subject to a withholding tax at a rate of 5.0% or higher. If the notes are not subject to a withholding tax at such rate or in any in taxable years beginning after December 31, 2006, interest generally will be in the "passive income" basket. The calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions involves 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. For example, the maximum rate of tax under current law for capital assets held for more than one year will generally be 15%. 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 withholding tax is imposed 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 withholding tax unless such U.S. Holder has other foreign source income. 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.

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.

**Cayman Islands Tax Considerations**

The following discussion of certain Cayman Islands income tax consequences of an investment in the notes is based on the advice of Maples and Calder as to Cayman Islands law. 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, shall apply for and expects to obtain 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 day of , 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, foreign 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. Fiduciaries of any such plans should consult with their counsel before purchasing any notes.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any notes (or interests in notes) are acquired by a Plan with respect to which Marfrig, or the initial purchaser, or any of their respective affiliates is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire notes and the circumstances under which such decision is made. We cannot assure you that any exemption will be available with respect to any particular transaction involving the notes, or, if available, that any particular exemption 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 or foreign or other plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code 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 or non-U.S. or other plan, a violation of any substantially similar federal, state, local or foreign 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 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.

## PLAN OF DISTRIBUTION

We intend to offer the notes to the initial purchaser, Merrill Lynch, Pierce, Fenner & Smith Incorporated. Subject to the terms and conditions contained in a purchase agreement dated November 10, 2006 between us, Marfrig Overseas and the initial purchaser, we have agreed to sell to the initial purchaser and the initial purchaser has agreed to purchase from us US$375,000,000 principal amount of the notes.

The initial purchaser has agreed to purchase all of the notes being sold pursuant to the purchase agreement if any of the notes are purchased. The initial purchaser has advised us it proposes initially to offer the notes at the price listed on the cover page of this listing memorandum.

We have agreed to indemnify the initial purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchaser may be required to make in respect of those liabilities.

The initial purchaser is offering the notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as, but not limited to, the receipt by the initial purchaser of officer's certificates and legal opinions. The initial purchaser reserves the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

**Notes Are Not Being Registered**

The initial purchaser proposes to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The initial purchaser will not offer or sell the notes except:

- to persons it reasonably believes to be qualified institutional buyers, or
- pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S.

Notes sold pursuant to Regulation S may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S), except under an exemption from the registration requirements of the Securities Act or under a registration statement declared effective under the Securities Act.

The initial purchaser has represented to us that it has not offered or sold and will not offer or sell any notes in Brazil, except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. The notes have not been and will not be registered with the CVM, the Brazilian securities commission. Any public offering or distribution of the notes in Brazil would require prior registration with the CVM.

Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

**No Sale of Similar Securities**

We have agreed, with exceptions, not to sell or transfer any debt securities for 60 days after the date of this listing memorandum without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we have agreed not to directly or indirectly (subject to certain exceptions):

- offer, pledge, sell, or contract to sell any debt securities;
- sell any option or contract to purchase any debt securities;
- purchase any option or contract to sell any debt securities;

- grant any option, right or warrant for the sale of any debt securities;
- file a registration statement for any debt securities; or
- lend or otherwise dispose of or transfer any debt securities.

This lockup provision applies to debt securities or any securities convertible into or exercisable or exchangeable for debt securities.

**New Issue of Notes**

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. securities exchange or for quotation of the notes on any automated dealer quotation system. The initial purchaser has advised us that it presently intends to make a market in the notes after completion of this offering. However, it is under no obligation to do so and may discontinue any market-making activities at any time without any notice.

The notes are expected to be eligible for trading in the PORTAL market, the National Association of Securities Dealers' market for designated securities through an automated quotation and communication system that facilitates private offerings, resales, trading, clearing and settlement of securities eligible for resale under Rule 144A. However, that does not ensure that a liquid or active public trading market for the notes will develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors.

**Price Stabilization and Short Positions**

In connection with the offering, the initial purchaser may engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the initial purchaser creates a short position in the notes in connection with the offering, *i.e.*, if it sells more notes than are listed on the cover page of this listing memorandum, the initial purchaser may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor the initial purchaser makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchaser makes any representation that the initial purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Other Relationships**

The initial purchaser and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. In addition, an affiliate of the initial purchaser may purchase some of the notes offered hereby for its proprietary trading account. We intend to use a portion of the net proceeds from the issuance of the notes to pay off an outstanding loan or loans with an affiliate of the initial purchaser.

## TRANSFER RESTRICTIONS

*The following information relates to the form and transfer of the notes. Because of the following restrictions, purchasers of notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the notes.*

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the notes are being offered and sold only (1) to QIBs in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act.

Each purchaser of notes offered hereby, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchaser as follows:

1. It understands and acknowledges that the notes have not been registered under the Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act, or any other applicable securities law, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. It is not an affiliate (as defined in Rule 144 under the Securities Act) of Marfrig or acting on behalf of Marfrig and it is either:

   (a) a QIB and is aware that any sale of the notes to it will be made in reliance on Rule 144A. Such acquisition will be for its own account or for the account of another QIB; or

   (b) a person who, at the time the buy order for the notes was originated, was outside the United States and was not a U.S. person (and was not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S under the Securities Act.

3. It acknowledges that neither we nor the initial purchaser or any person representing us or the initial purchaser has made any representation to it with respect to Marfrig or the offering or sale of any notes, other than the information contained in this listing memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the notes. It acknowledges that no representation or warranty is made by the initial purchaser as to the accuracy or completeness of such materials. It has had access to such financial and other information concerning Marfrig and the notes as it has deemed necessary in connection with its decision to purchase the notes, including an opportunity to ask questions of and request information from us or the initial purchaser.

4. It is purchasing the notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirements of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such notes pursuant to an effective registration statement under the Securities Act, Rule 144A, Regulation S or any exemption from registration available under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the notes and each subsequent holder of the notes by its acceptance thereof will agree (I) to offer, resell, pledge or otherwise transfer such notes only in accordance with the Securities Act and any applicable securities law of any State of the United States and, prior to the expiration of the holding period applicable to sales of the notes under Rule l44(k) under the Securities Act (or any successor provision) (the "resale restriction termination date"), only (a) to Marfrig or an affiliate of Marfrig, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A to a person it

reasonably believes is a QIB that purchases for its own account or for the account of a QIB in a principal amount of not less than US$100,000 for the purchaser and each such account to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S, or (e) pursuant to another available exemption from the registration requirements of the Securities Act; (II) in connection with any transfer of any note in certificated form, to check the box provided on the reverse thereof relating to the manner of such transfer and surrender such note to the trustee; (III) if any proposed transfer is being made in accordance with (I)(d) or (e) above prior to the resale restriction termination date, to acknowledge that Marfrig reserves the right, prior to such transfer, to require the delivery of such certifications, legal opinions or other information satisfactory to Marfrig to confirm that the proposed transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; (IV) to acknowledge that the trustee will not be required to accept for registration of transfer any notes, except upon presentation of evidence satisfactory to Marfrig and the trustee that the foregoing restrictions on transfer have been complied with; and (V) to agree to provide to any person acquiring any of the notes from it a notice advising such person that resales of the notes are restricted as stated herein and that certificates representing the notes may bear a legend to that effect.

5. Each purchaser of notes acknowledges that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH MARFRIG OR ANY AFFILIATE OF MARFRIG WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO MARFRIG OR AN AFFILIATE OF MARFRIG, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (C) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (E) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (PROVIDED THAT AS A CONDITION TO REGISTRATION OF TRANSFER OF THIS SECURITY AS SET FORTH ABOVE, MARFRIG OR THE TRUSTEE MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE THAT IT, IN ITS ABSOLUTE DISCRETION, DEEMS NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION), AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE HOLDER OF THIS SECURITY (OR ANY INTEREST IN THIS SECURITY) HEREBY REPRESENTS AND AGREES EITHER THAT (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTES WILL NOT BE AN “EMPLOYEE BENEFIT PLAN” OR OTHER “PLAN” AS DEFINED IN, AND THAT IS SUBJECT TO, THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH “EMPLOYEE BENEFIT PLAN” OR “PLAN” OR OTHER GOVERNMENTAL PLAN, CHURCH PLAN OR FOREIGN OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF

THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST IN THIS SECURITY) WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL PLAN, CHURCH PLAN OR FOREIGN OR OTHER PLAN, A VIOLATION OF ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR FOREIGN LAW).

6. It acknowledges that we and the initial purchaser will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of notes are no longer accurate, it shall promptly notify Marfrig and the initial purchaser. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

7. With respect to the purchase and holding of any note or notes (or any interest therein), either (a) the purchaser and holder is not (i) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (ii) a "plan" described in Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan or plan or (iv) a governmental plan, foreign plan or church or other plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code; or (b) its purchase and holding of any note or notes (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental plan, foreign plan or church or other plan, a violation of any substantially similar federal, state or local law).

## 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 Shearman & Sterling LLP. Certain matters under New York law will be passed upon for the initial purchaser by Milbank, Tweed, Hadley and McCloy 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 purchaser 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 financial statements for the years ended December 31, 2004 and 2005 and our consolidated financial statements for the year ended December 31, 2006, prepared in accordance with Brazilian GAAP, have been audited by BDO Trevisan Auditores Independentes, as stated in their report appearing herein, and as included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

BDO Trevisan Auditores Independentes has conducted a limited review of our financial statements for the three months ended March 31, 2006 and 2007, prepared in accordance with Brazilian GAAP and in accordance with specific standards established by IBRACON and the Brazilian Federal Accounting Council. However, BDO Trevisan Auditores Independentes has not audited nor expressed an opinion on such interim financial information. Accordingly, the degree of reliance on their review report based on such information should be restricted in light of the limited nature of the review procedures applied.

## LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearing and settlement through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the notes are as follows:

| | **Restricted Global Note** | **Regulation S Global Note** |
|---|---|---|
| CUSIP | 56656P AA 1 | G5814R AA 6 |
| ISIN | US56656PAA12 | USG5814RAA61 |
| Common Codes | — | 027554237 |

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements, which consolidate the results of our subsidiaries including Marfrig Overseas 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 our articles of association (*contrato social*), the by-laws of Marfrig Overseas and any future consolidated financial statements of Marfrig, as well as the indenture (including the Guarantee and forms of the notes), will be available during normal business hours at our executive offices, the offices of the trustee and any other paying agent, including the Luxembourg special paying agent and principal paying agent.

3. Except as disclosed in this listing memorandum, there has been no material adverse change in our financial position since December 31, 2006, the date of the latest audited financial statements included in this listing memorandum.

4. Except as disclosed in this listing 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 listing 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 for the notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

6. The creation and issuance of the notes were authorized by the resolution of Marfrig Overseas' board of directors of November 10, 2006.

7. BDO Trevisan Auditores Independentes has agreed to the inclusion of its reports in this listing memorandum in the form and context in which they are included.

## INDEX TO FINANCIAL STATEMENTS

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

# MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

# FINANCIAL STATEMENTS AS OF MARCH 31, 2007 AND 2006

BDO Trevisan

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

**LIMITED REVIEW REPORT**

To the Shareholders and Management of
Marfrig Frigoríficos e Comércio de Alimentos S.A.

1. We have performed a limited review of the accompanying individual (Company) and consolidated balance sheets of Marfrig Frigoríficos e Comércio de Alimentos S.A. as of March 31, 2007, and the related statements of income, changes in shareholders' equity, and changes in financial position for the quarter then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to issue the report, without expressing an opinion on these financial statements. The financial statements of the controlled company Frigoclass Alimentos S.A. for the quarter ended March 31, 2007 have been reviewed by us, and the financial statements of the controlled companies Argentine Breeders & Packers S.A., Marfrig Chile Inversiones Ltda., Inaler S.A., Frigorífico Tacuarembó S.A. and Weston Importers Ltd for the quarter ended March 31, 2007 have been reviewed by other independent auditors, member firms of BDO network. Our opinion on the balances of investments in those companies and corresponding equity in earnings or loss is based on the work of those auditors.

2. Our limited review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON) and consisted principally of applying analytical procedures to financial data and making inquiries of certain officials of the Company who have responsibility for accounting and financial matters about the criteria adopted in the preparation of the financial statements as of March 31, 2007. Since this review did not constitute an audit in accordance with Brazilian auditing standards, we do not express an opinion on the aforementioned financial statements.

3. Based on our limited review and on the work of other independent auditors, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices.

BDO Trevisan

**LIMITED REVIEW REPORT**

To the Shareholders and Management of
Marfrig Frigoríficos e Comércio de Alimentos S.A.

4. We have reviewed the individual (Company) financial statements for the quarter ended March 31, 2006, and our limited review report thereon, dated May 9, 2006 was qualified regarding the inventory valuation criterion (tax criterion) which was properly regulated in order to be appropriate for the cost system developed by the Company. The consolidated financial statements for the quarter ended March 31, 2006, due to the acquisition of the companies Frigoclass Alimentos S.A., Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A., Inaler S.A. and the setup of the companies Weston Importers Limited and Marfrig Chile Inversiones Limitada, the parent company of Quinto Cuarto S.A., were prepared so that the accounting information could be compared, assuming that on March 31, 2006 those acquisitions and setups had already been considered for the preparation of the financial statements of Marfrig Frigoríficos e Comércio de Alimentos S.A. To prepare those financial statements we adopted the assumptions mentioned in Note 25, and in relation to the financial statements of the controlled companies our work was based on the limited review reports by other independent auditors. Those financial statements were prepared following the same limited review procedures mentioned in paragraph 2, and based on our limited review and on the limited review reports issued by other independent auditors, we are not aware of any material modifications that should be made to those financial statements for them to be in conformity with Brazilian accounting practices.

5. As explained in note 2, the financial statements were originally prepared and presented on April 12, 2007. However, due to the public offering of shares under analysis by the Brazilian Securities and Exchange Commission (CVM), and considering that on April 17, 2007 CVM, through OFÍCIO/CVM/SEP/GEA-2/No. 0126/2007, set forth requirements for the filing request, the Company decided to present again on April 19, 2007 its financial statements for the quarter ended March 31, 2007, acting on such request.

6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Ribeirão Preto, April 12, 2007. (April 19, 2007 for note 2)

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 MARCH 31**

**(In thousands of Brazilian reais)**

| | | Company | Consolidated | Pro forma Combined |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 51.257 | 58.487 | 62.936 | 63.758 |
| Temporary cash investments | 512.729 | | 512.729 | |
| Trade accounts receivable - domestic | 151.386 | 123.424 | 194.730 | 133.142 |
| Trade accounts receivable - foreign | 118.194 | 78.210 | 139.410 | 115.813 |
| Inventories of goods and merchandise | 323.948 | 110.816 | 355.132 | 136.864 |
| Recoverable taxes | 186.565 | 105.692 | 206.647 | 120.737 |
| Prepaid expenses | 808 | 393 | 1.468 | 709 |
| Other receivables | 467 | 860 | 12.267 | 13.181 |
| | 1.345.354 | 477.882 | 1.485.320 | 584.204 |
| NONCURRENT ASSETS | | | | |
| Financial investments | 200 | 137 | 200 | 137 |
| Compulsory deposits | 2.192 | 218 | 2.192 | 218 |
| Notes receivable | 2.880 | 1.758 | 934 | 1.030 |
| Deferred taxes | 7.611 | | 8.058 | 1.336 |
| Other receivables | | 1.030 | 4.840 | 2.364 |
| | 12.883 | 3.143 | 16.224 | 5.084 |
| PERMANENT ASSETS | | | | |
| Investment | 265.472 | 125 | 130.840 | 125 |
| Property, plant and equipment | 436.501 | 262.975 | 562.452 | 391.606 |
| Deferred charges | | | 12.135 | 13.495 |
| | 701.973 | 263.100 | 705.427 | 405.226 |
| | 2.060.210 | 744.125 | 2.206.971 | 994.514 |

**EXHIBIT 1 (Page 2)**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.**

**BALANCE SHEETS AS OF MARCH 31**

**(In thousands of Brazilian reais)**

| | | Company | Consolidated | Pro forma Combined |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Trade accounts payable | 152.185 | 88.302 | 201.405 | 140.197 |
| Accrued payroll and related charges | 42.213 | 54.554 | 47.976 | 57.248 |
| Accrued taxes, fees and contributions | 12.058 | 5.988 | 19.226 | 9.813 |
| Loans and financing | 137.512 | 163.217 | 188.000 | 195.020 |
| Other payables | 617 | 261 | 8.232 | 7.911 |
| | 344.585 | 312.322 | 464.839 | 410.189 |
| NONCURRENT LIABILITIES | | | | |
| Loans and financing | 938.972 | 182.765 | 947.726 | 199.216 |
| Convertible notes | 204.950 | | 204.950 | |
| Convertible debentures | 204.926 | | 204.926 | |
| Accrued taxes, fees and contributions | 67.134 | 18.139 | 67.134 | 18.139 |
| Deferred taxes | 45.596 | 48.848 | 50.729 | 55.795 |
| Provisions | 27.358 | | 31.224 | 526 |
| Other payables | 1.784 | | | |
| | 1.490.720 | 249.752 | 1.506.689 | 273.677 |
| Minority interest | | | 10.544 | 175 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital stock | 140.000 | 140.000 | 140.000 | 248.759 |
| Reserves | 657 | | 657 | 8.841 |
| Retained earnings | 84.248 | 42.051 | 84.242 | 52.873 |
| | 224.905 | 182.051 | 224.899 | 310.473 |
| | 2.060.210 | 744.125 | 2.206.971 | 994.514 |

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 FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.**

**STATEMENT OF INCOME**
**FOR THE QUARTER ENDED MARCH 31**
**(In thousands of Brazilian reais)**

| | Company | | Consolidated | Pro forma Combined |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| GROSS SALES | | | | |
| Domestic | 299.419 | 212.762 | 379.886 | 258.613 |
| Foreign | 270.842 | 160.716 | 354.845 | 254.150 |
| | 570.261 | 373.478 | 734.731 | 512.763 |
| DEDUCTIONS FROM GROSS SALES | | | | |
| Sales taxes | (28.476) | (16.831) | (30.994) | (19.424) |
| Returns and discounts | (40.251) | (22.907) | (40.574) | (23.226) |
| NET SALES | 501.534 | 333.740 | 663.163 | 470.113 |
| Cost of goods sold | (381.867) | (283.956) | (521.924) | (401.946) |
| GROSS INCOME | 119.667 | 49.784 | 141.239 | 68.167 |
| OPERATING REVENUES (EXPENSES) | | | | |
| Commercial expenses | (43.006) | (25.298) | (48.380) | (32.099) |
| Administrative and general | (18.788) | (8.052) | (26.614) | (11.565) |
| Equity in loss of controlled companies | (790) | | | |
| Interest on equity capital | (3.647) | | (3.647) | |
| Other operating revenues (expenses) | (2.216) | 719 | (2.163) | 559 |
| | (68.447) | (32.631) | (80.804) | (43.105) |
| OPERATING INCOME BEFORE INFLATION AND FINANCIAL ADJUSTMENTS | 51.220 | 17.153 | 60.435 | 25.062 |
| FINANCIAL REVENUES (EXPENSES) | | | | |
| Financial income | 1.687 | 176 | 2.783 | 1.003 |
| Financial expenses | (41.475) | (13.291) | (43.272) | (15.274) |
| Exchange gain | 24.940 | 25.299 | 25.403 | 25.807 |
| Exchange variation effect - translation | | | (192) | |
| Exchange loss | (17.554) | (19.714) | (17.763) | (19.886) |
| | (32.402) | (7.530) | (33.041) | (8.350) |
| OPERATING INCOME | 18.818 | 9.623 | 27.394 | 16.712 |
| Non-operational income | (160) | 17 | (163) | (2) |
| INCOME BEFORE TAXES | 18.658 | 9.640 | 27.231 | 16.710 |
| Income Tax | (6.683) | (2.337) | (8.942) | (3.797) |
| Social contribution | (2.473) | (870) | (2.473) | (870) |
| | (9.156) | (3.207) | (11.415) | (4.667) |
| INCOME BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL | 9.502 | 6.433 | 15.816 | 12.043 |
| Reversal of interest on equity capital | 3.647 | | 3.647 | - |
| INCOME BEFORE MINORITY INTEREST | 13.149 | 6.433 | 19.463 | 12.043 |
| Minority interest | | | (45) | (23) |
| NET INCOME FOR THE QUARTER | 13.149 | 6.433 | 19.418 | 12.020 |
| PER THOUSAND SHARES - in Brazilian reais | 93,92 | 45,95 | 138,70 | 85,86 |

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**

**(In thousands of Brazilian reais)**

| | Capital stock | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|
| AT JANUARY 1, 2006 | 140.000 | | 35.618 | 175.618 |
| Net income for the quarter | | | 6.433 | 6.433 |
| AT MARCH 31, 2006 | 140.000 | | 42.051 | 182.051 |
| Interest on equity capital | | | (14.340) | (14.340) |
| Net income | | | 55.470 | 55.470 |
| AT DECEMBER 31, 2006 | 140.000 | | 83.181 | 223.181 |
| Net income | | | 13.149 | 13.149 |
| Legal Reserve | | 657 | (657) | |
| Dividends | | | (7.778) | (7.778) |
| Interest on equity capital | | | (3.647) | (3.647) |
| AT MARCH 31, 2007 | 140.000 | 657 | 84.248 | 224.905 |

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 FRIGORIFICOS E COMERCIO DE ALIMENTOS S.A.**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**
**FOR THE QUARTER ENDED MARCH 31**

**(In thousands of Brazilian reais)**

| | 2007 | 2006 |
|---|---|---|
| SOURCES OF FUNDS | | |
| From operations: | | |
| Net income | 13.149 | 6.433 |
| Noncash items: | | |
| . Depreciation and amortization | 7.218 | 3.974 |
| . Noncurrent monetary variations and charges | (17.164) | (793) |
| . Deferred federal taxes | (813) | (789) |
| . Equity in loss of controlled companies | 790 | - |
| Funds from operations | 3.180 | 8.825 |
| | | |
| From third parties: | | |
| Decrease in noncurrent assets | 5.129 | 4 |
| Increase in noncurrent liabilities | 487.800 | 98.334 |
| TOTAL SOURCES OF FUNDS | 496.109 | 107.163 |
| | | |
| USES OF FUNDS | | |
| In noncurrent assets | 432 | 1.078 |
| In investments | 122.230 | 125 |
| In property, plant and equipment | 90.987 | 4.504 |
| Decrease in noncurrent liabilities | | 6.677 |
| Transfer from noncurrent to current liabilities | 15.257 | 20.181 |
| Interest on equity capital | 3.647 | |
| Dividends | 7.778 | |
| TOTAL USES OF FUNDS | 240.331 | 32.565 |
| | | |
| INCREASE IN NET WORKING CAPITAL | 255.778 | 74.598 |
| | | |
| REPRESENTED BY | | |
| | | |
| Current assets | | |
| At beginning of quarter | 1.042.292 | 407.565 |
| At end of quarter | 1.345.354 | 477.882 |
| | 303.062 | 70.317 |
| Current liabilities | | |
| At beginning of quarter | 297.301 | 316.603 |
| At end of quarter | 344.585 | 312.322 |
| | 47.284 | (4.281) |
| | | |
| INCREASE IN NET WORKING CAPITAL | 255.778 | 74.598 |

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE QUARTERS ENDED MARCH 31, 2007 AND 2006**

**(In thousands of Brazilian reais)**

## 1. OPERATIONS

Marfrig Frigoríficos e Comércio de Alimentos S.A. (the "Company"), whose capital is 100% Brazilian, carries out meat packing activities consisting of cattle, swine, sheep and equine 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; purchase and sale of live cattle, horses and pigs; participation as shareholder or partner in any company; labor supplying to other companies; production, distribution and marketing of soaps, laundry preparations; disinfectants, softeners and other hygiene and cleaning products.

The Company's financial and equity position should be considered within an integrated operation context of Marfrig Frigoríficos e Comércio de Alimentos S.A. (Brazil), Frigoclass Alimentos S.A. (Brazil), AB&P - Argentine Breeders & Packers S.A. (Argentina), Frigorífico Tacuarembó S.A. (Uruguay), Inaler S.A. (Uruguay), Marfrig Chile Inversiones Ltda. (Chile) and Weston Importers Ltd. (United Kingdom).

## 2. FINANCIAL STATEMENTS PRESENTATION AND PREPARATION

The individual and consolidated financial statements are expressed in thousands of Brazilian reais and have been prepared in accordance with the accounting practices adopted in Brazil, as laid down in the Corporate Law (Law 6,404/76 and subsequent amendments), standards and instructions of the Brazilian Securities Commission (CVM), and under the accounting standards issued by the Brazilian Institute of Independent Auditors – IBRACON, considering the CVM Resolution No. 488/05, and IBRACON's pronouncement NPC 27.

The financial statements for the quarter ended March 31, 2006 have been prepared to reflect the financial situation and operating income, considering that the Company's administrative and operational structure on January 1, 2006 already included the controlled companies. For that reason the financial statements for the quarter ended March 31, 2006, are called pro forma.

The financial statements were originally prepared and presented on April 12, 2007. However, due to the public offering of shares under analysis by the Brazilian Securities and Exchange Commission (CVM), and considering that on April 17, 2007 CVM, through OFÍCIO/CVM/SEP/GEA-2/No. 0126/2007, set forth requirements for the filing request, the Company decided to present again on April 19, 2007 its financial statements for the quarter ended March 31, 2007, acting on such request.

The following are the main differences to be considered:

**Pro forma combined equity**

On March 31, 2006 the balance sheet account balances of controlled companies Frigoclass Alimentos S.A., AB&P - Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A., Inaler S.A. and Quinto Cuarto S.A. (this last company is controlled by Marfrig Chile Inversiones Ltda.) were included in the account balances of Marfrig Frigoríficos e Comércio de Alimentos S.A. (Brazil), with no adjustments for purposes of balance sheet consolidation, since there were no corporate links between the Company and its currently-controlled companies at that date.

**Pro forma financial statements**

On March 31, 2006 the effects of assets and liabilities recorded in the accounts of the controlled companies referred to in the paragraph above were recognized in the statement of income, with no adjustments for purposes of balance sheet consolidation, since there were no corporate links between the Company and its currently-controlled companies at that date.

The pro forma financial statements must not be considered for the calculation of dividends or for any other corporate purposes except for providing comparative information about the Company's operational performance.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The following are the main accounting practices used for preparing these financial statements:

### 3.1 Accounting estimates

The preparation of 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 definition of the useful lives of property, plant, and equipment, the recognition of an allowance for doubtful accounts, of deferred income tax assets, of a provision for contingencies and the valuation of inventories and derivatives.

Transaction settlement involving those estimates might result in different values from estimates, due to the inherent inaccuracy of the process.

### 3.2 Recognition of the effects of inflation and foreign exchange

The effects of inflation and foreign exchange are recognized through the indexation of assets and liabilities to monetary and exchange variation rates, with a counter-entry to financial income and expenses.

3.3 Income determination

Income is determined on the accrual basis, taking into consideration:

- Earnings, charges and effects of monetary variation on the Company's assets and liabilities, calculated at official indices or rates.

- The effects of adjustment of assets to market or the realizable value, when applicable.

3.4 Current and noncurrent assets and liabilities

Assets are stated at the realizable value, whereas liabilities are shown at known or estimated values including, where applicable, the related earnings, charges and monetary variation.

As of March 31, 2007, inventories were stated at average purchase or production cost, lower than market or realizable values.

As of March 31, 2006, finished goods and work in process inventories were valued under tax criterion, considering 70% of the highest selling price in the period for the finished goods, and 56% for the work in process.

The change in the inventory valuation criterion for work in process and finished goods performed in the last quarter of 2006 was fully considered in the statement of income and shareholders' equity of that period and has not affected the financial statements for the quarter ended March 31, 2007.

The remaining raw material and stored material were valued at average purchase or production cost, lower than the market or realizable values.

3.5 Permanent assets

- *Investments*

Investments in controlled companies are valued by the equity method.

Other investments are valued according to the acquisition cost, less, when applicable, provision for impairment loss.

- *Property, plant and equipment*

The property, plant and equipment items are shown at the historical cost, if acquired after January 1, 1996. Depreciation is calculated on the straight-line method, at rates that take into account the useful life of assets.

Also, the revaluation of assets as of December 31, 2003 is considered, according to a specialized engineering appraisal report.

On December 31, 2005, based on a specialized engineering appraisal report, the Company performed a new valuation of its property, plant and equipment as mentioned in Note 10.

3.6 Other current and noncurrent assets

They are stated at realizable or cost value including, when applicable, the resulting earnings until the balance sheet dates.

3.7 Income tax and social contribution

Taxes are calculated and recorded based on taxable income at current rates, as legally stipulated.

Deferred tax liabilities, including deferred income and social contributions taxes, were recognized for the reevaluation surplus.

Deferred tax assets were recognized for balances of tax losses and temporary differences, and the deferred social contribution tax asset was recognized for temporary differences.

3.8 Consolidation of financial statements

In the consolidation of financial statements for Marfrig Frigoríficos e Comércio de Alimentos S.A. and controlled companies for the quarter ended March 31, 2007, intercompany transactions and balances were eliminated.

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 and 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.

Controlled companies included in the consolidation are: Frigoclass Alimentos S.A. (Brazil) form AB&P - Argentine Breeders & Packers S.A (Argentina), Frigorífico Tacuarembó S.A. (Uruguay), Inaler S.A. (Uruguay), Marfrig Chile Inversiones Ltda. (Chile) and Weston Importers Ltd. (United Kingdom).

## 4. CASH AND CASH EQUIVALENTS

Refer to the cash available in the company, in banks and as investments.

Investments are represented by:

| | Company | | Consolidated | “Pro Forma” |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Cash and banks | 51,257 | 58,487 | 62,936 | 63,758 |
| | 51,257 | 58,487 | 62,936 | 63,758 |
| Certificates of interbank deposit – CDI | 512,729 | - | 512,729 | - |
| | 512,729 | - | 512,729 | - |
| | 563,986 | 58,487 | 575,665 | 63,758 |

Considering the fund raised in March 2007 through convertible debentures and notes, the Company invested these amounts in CDI, which will be used for the investments to be made in 2007.

## 5. TRADE ACCOUNTS RECEIVABLE – DOMESTIC AND FOREIGN

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Receivables – domestic | 151,386 | 123,424 | 194,730 | 133,142 |
| | 151,386 | 123,424 | 194,730 | 133,142 |
| Receivables – foreign | 293,743 | 114,112 | 314,959 | 151,715 |
| (-)Advances on Exchange Bills Delivered ACEs | (175,549) | (35,902) | (175,549) | (35,902) |
| | 118,194 | 78,210 | 139,410 | 115,813 |
| | 269,580 | 201,634 | 334,140 | 248,955 |

Variations in receivables accounts are due to an increase in the volume of the Company’s activities, whose slaughtering of cattle jumped from 297,651 heads in the first quarter of 2006 (Company) to 542,333 heads in the first quarter of 2007 (Consolidated).

The Company sets up an allowance for trade accounts past due for more than 90 days, and notes receivable from insolvent and bankrupt companies, whose possibility of settlement is not assured and/or are not collateralized by a secured guarantee.

Based on the aging-list, we did not identify trade accounts past due for more than 90 days for which an allowance for doubtful accounts should be set up.

## 6. INVENTORIES OF GOODS AND MERCHANDISE

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Finished goods | 307,499 | 99,961 | 336,859 | 123,348 |
| Packaging and Stored Material | 16,449 | 10,855 | 18,273 | 13,516 |
| | 323,948 | 110,816 | 355,132 | 136,864 |

In the first quarter of 2007 inventories of finished goods were stated at average purchase or production cost, lower than realizable values, as explained in note 3.4. In the same period of 2006 the inventories of finished goods were valued according to the tax criterion. The inventories of packaging and stored material were carried at average acquisition cost, both in 2007 and 2006.

Variations in inventory accounts are due to an increase in the volume of the Company's activities, whose slaughtering of cattle jumped from 297,651 heads in the first quarter of 2006 (Company) to 542,333 heads in the first quarter of 2007 (Consolidated).

## 7. RECOVERABLE TAXES

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| State Value-Added Sales Tax – ICMS | 127,893 | 76,957 | 130,455 | 78,439 |
| Assumed IPI Credit | 10,991 | 835 | 10,991 | 835 |
| PIS (tax on revenue) Credit | 11,493 | 8,179 | 11,736 | 8,258 |
| COFINS (tax on revenue) Credit | 32,480 | 17,712 | 33,599 | 18,077 |
| Income tax | | | | |
| Social Security Contribution | 2,009 | 2,009 | 2,009 | 2,009 |
| Withholding income tax (IRRF) | 1,699 | | 1,699 | |
| Value-added tax (IVA) | | | 9,206 | 7,604 |
| Export certificates | | | 5,223 | 5,480 |
| Other | | | 1,729 | 35 |
| | 186,565 | 105,692 | 206.647 | 120,737 |

### 7.1 State Value-Added Sales Tax - 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 PIS and COFINS (taxes on revenue)

It refers to the non-cumulative PIS and COFINS credits, which were levied on the purchase of raw, packaging, and other materials, used on the goods sold in the foreign market.

7.3 Monetary Restatement

Marfrig Frigoríficos e Comércio de Alimentos S.A. supported by previous decisions from the Board of Tax Appeals, and from legal counselors, has registered monetary restatement based on Central Bank overnight rate (SELIC) of R$18,935, regarding recoverable IPI, PIS and COFINS credits.

## 8. DEFERRED TAXES

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Income Tax | 5,596 | | 6,043 | 330 |
| Social Contribution | 2,015 | | 2,015 | |
| Others | | | | 1,006 |
| | 7,611 | | 8,058 | 1,336 |

Refer to deferred income and social contribution, 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 will be realized in 2007 and 2008.

## 9. INVESTMENTS

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Ownership interest in Controlled Companies | 265,347 | - | 130,715 | |
| Other investments | 125 | 125 | 125 | 125 |
| | 265,472 | 125 | 130,840 | 125 |

## 9.1 Ownership Interest in Controlled Companies

| | Argentine Breeders & Packers S.A (1) | Frigoclass Alimentos S.A. (2) | Marfrig Chile Inversiones Ltda. (1) | Inaler S.A. (1) | Frigorífico Tacuarembó S.A. (1) | Weston Importers Ltd. (1) | 2007 Total | 2006 Total |
|---|---|---|---|---|---|---|---|---|
| Number of shares | 11,491,000 | 77,112,083 | 3,510,910 | 66,247,320 | 80,000,000 | 1,329,514 | | - |
| Percentage of ownership interest | 100.00 | 100.00 | 100.00 | 100.00 | 93.20 | 99.98 | | - |
| Listed on the stock exchange | No | No | No | No | No | No | | |
| Capital stock | 15,295 | 77,712 | 8,875 | 3,008 | 5,837 | 5,350 | | - |
| Shareholders' equity | 19,730 | 60,820 | 7,486 | 4,418 | 41,359 | 4,224 | | - |
| Net income (loss) | 416 | (1,812) | (1,099) | 2,029 | 6,574 | 162 | | - |
| Dividends | - | - | - | - | - | - | | |
| Collateral signatures and guarantees | - | - | - | - | - | - | | |
| **Changes in Investment:** | | | | | | | | - |
| On January 1 | 50,573 | - | 8,537 | 34,415 | 52,665 | - | 146,190 | - |
| Acquisition of shares | | 62,631 | | 1,070 | 13,993 | 5,128 | 82,822 | - |
| Premium on Acquisition (3) | | | | 18,308 | 33,578 | | 51,886 | - |
| Discount on Acquisition | | (12,478) | | | | | (12,478) | |
| Equity in earnings (loss) (4) | (3,266) | (1,811) | (1,051) | 1,884 | 4,846 | (1,392) | (790) | - |
| (-) Amortization of the premium (3) | (432) | | | (806) | (1,045) | | (2,283) | |
| On March 31 | 46,875 | 48,342 | 7,486 | 54,871 | 104,037 | 3,736 | 265,347 | - |

(1) Those controlled companies had their financial statements of March 31, 2007 reviewed by BDO member firms in their countries, and had limited review reports issued.

(2) Financial statements reviewed by BDO Trevisan Auditores Independentes, including the issue of a limited review report.

(3) The premium recorded for the acquisitions is based on the generation of future income by controlled companies and will be amortized over 10 (ten) years, from January 2007. Future results for the next ten years (10) were projected at an average annual growth rate of 10%, which were discounted to the long-term interest rate (TJLP) of the last quarter of 2006, 6.85% p.a.

(4) Refers to equity in earnings (loss) recorded in the year and in the Company's shareholders' equity under the caption "Retained earnings (accumulated deficit).

In 2006 Marfrig Frigoríficos e Comércio de Alimentos S.A. performed a series of acquisitions, described below, which had a material impact on its investments. Therefore, as of March 31, 2006 there were no ownership interest of Marfrig Frigoríficos e Comércio de Alimentos S.A. in other companies.

The acquired companies had their financial statements for the quarter ended March 31, 2006 reviewed by other independent auditors, and limited review reports were issued.

On July 28, 2006, the controlled company Marfrig Chile Inversiones Ltda. was set up with its headquarters in Santiago, Chile. That controlled company, since September 1, 2006, has ownership interest of 50% in the capital stock of Quinto Cuarto S.A., a company also established in Santiago, Chile.

On August 18, 2006, capital contribution in the amount of US$376,000 (three hundred and seventy-six thousand US dollars) was made for the controlled company Weston Importers Ltd., with headquarters in Northampton, United Kingdom. On January 23, 2007, a new capital contribution was made for the same company in the amount of US$ 2,200,000 (two million two hundred thousand US dollars), whereby an ownership interest of 99.98% was reached.

On October 12, 2006, 100% of the shares of Argentine Breeders & Packers S.A., a controlled company with headquarters in Buenos Aires, Argentina, was acquired.

On October 20, 2006, 53.92% of the shares of Frigorífico Tacuarembó S.A., a controlled company with headquarters in Tacuarembó, Uruguay, were acquired. Another 39.28% of the shares were acquired on January 2, 2007, reaching a total of 93.20% of the shares.

On December 8, 2006, 58% of the shares of Inaler S.A., a controlled company with headquarters in San Jose, Uruguay, were acquired. The remaining shares were acquired on January 29, 2007, reaching a total of 100%.

On January 23, 2007, 100% of the shares of Frigoclass Alimentos S.A., a controlled company with headquarters in Promissão, São Paulo, were acquired.

Such investments have been properly accounted for under the equity method, since they apply to controlled companies. The financial statements of those companies for the quarter ended March 31, 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | | | | Company | |
|---|---|---|---|---|---|
| | | | | 2007 | 2006 |
| Description | Average Annual Depreciation Rates | Restated revalued cost | Accumulated depreciation | Net | Net |
| Plots of land | | 1,996 | - | 1,996 | 2,034 |
| Buildings and constructions | 4% | 130,618 | (8,739) | 121,879 | 131,683 |
| Machines and equipment | 10% | 87,879 | (17,007) | 70,872 | 68,462 |
| Furniture and fixtures | 10% | 1,972 | (409) | 1,562 | 1,061 |
| Facilities | 5% | 11,741 | (506) | 11,235 | 2,277 |
| Vehicles | 20% | 10,241 | (8,368) | 1,873 | 3,600 |
| Computer hardware | 20% | 3,415 | (1,570) | 1,845 | 930 |
| Advance for acquisition of property, plant and equipment | | 26,378 | - | 26,378 | 117 |
| Leasehold improvements | | 2,266 | (4) | 2,262 | 4,020 |
| Commercial Lease “VRG” | | 2,705 | (12) | 2,693 | 1,716 |
| Work in process | | 180,493 | - | 180,493 | 43,872 |
| Software | | 2,285 | (1,160) | 2,126 | 2,231 |
| Trademarks and patents | | 10,744 | - | 10,744 | 429 |
| Other property, plant and equipment in progress | 4% | 543 | - | 543 | 543 |
| | | 474,276 | (37,775) | 436,501 | 262,975 |

| | | | | Consolidated | Pro forma |
|---|---|---|---|---|---|
| | | | | 2007 | 2006 |
| Description | Average Annual Depreciation Rates | Restated revalued cost | Accumulated depreciation | Net | Net |
| Plots of land | | 6,489 | | 6,489 | 6,667 |
| Buildings and constructions | 4% | 212,103 | (36,910) | 175,192 | 183,260 |
| Machines and equipment | 10% | 160,084 | (49,826) | 110,258 | 105,090 |
| Furniture and fixtures | 10% | 3,393 | (724) | 2,669 | 2,255 |
| Facilities | 10% | 24,828 | (2,982) | 21,847 | 11,306 |
| Vehicles | 20% | 14,054 | (10,250) | 3,803 | 10,593 |
| Computer hardware | 20% | 4,335 | (1,900) | 2,435 | 1,575 |
| Advance for acquisition of property, plant and equipment | | 27,384 | | 27,384 | 2,402 |
| Leasehold improvements | | 2,266 | (4) | 2,262 | 4,020 |
| Commercial Lease “VRG” | | 5,438 | (145) | 5,293 | 3,164 |
| Work in process | | 186,996 | | 186,996 | 52,808 |
| Software | | 3,646 | (1,358) | 2,288 | 2,459 |
| Trademarks and patents | | 10,744 | | 10,744 | 429 |
| Other property, plant and equipment in progress | 4% | 5,628 | (837) | 4,792 | 5,578 |
| | | 667,388 | (104,936) | 562,452 | 391,606 |

On December 31, 2005, according to Law No. 6,404/76, the Company recorded a revaluation of property, plant and equipment based on engineers' appraisal reports as follows:

| **Description** | **Revaluation Appraisal Report** | **Account Balance** | **Revaluation Amount** |
|---|---|---|---|
| Production Unit – Bataguassú/MS | 92,826 | 41,357 | 51,469 |
| Production Unit – Promissão/SP | 92,257 | 35,640 | 56,617 |
| Production Unit – Tangará/MT | 45,919 | 23,988 | 21,931 |
| | **231,002** | **100,985** | **130,017** |

On the amount of R$ 130,017, corresponding to the appreciation, the respective taxes, in the total amount of R$ 44,182, with R$ 32,480 from Corporate Income Tax – IRPJ, and R$ 11,702 from Social Contribution – CSLL were levied. Revaluation was recorded with a corresponding entry to a specific account in shareholders' equity and was incorporated into capital stock, net of taxes, which are recorded according to current legislation in Noncurrent Liabilities and shall be realized according to Law.

## 11. DEFERRED CHARGES

| | Company | | | | |
|---|---|---|---|---|---|
| | | | | 2007 | 2006 |
| Description | Average Annual Depreciation Rates | Restated revalued cost | Accumulated depreciation | Net | Net |
| Pre-operational expenses | | | | | |

| | | | Consolidated | | Pro forma |
|---|---|---|---|---|---|
| | | | | 2007 | 2006 |
| Description | Average Annual Depreciation Rates | Restated revalued cost | Accumulated depreciation | Net | Net |
| Pre-operational expenses | 10.92% | 13,609 | (1,474) | 12,135 | 13,495 |
| | | 13,609 | (1,474) | 12,135 | 13,495 |

## 12. TAXES PAYABLE

The following amounts, with the respective legal fees added, are presented as current liabilities:

### 12.1 Accrued Payroll and Related Charges

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Contributions payable to the INSS | 17,557 | 40,481 | 17,593 | 40,481 |
| Other social charges and benefits payable | 24,656 | 14,073 | 30,383 | 16,767 |
| | 42,213 | 54,554 | 47,976 | 57,248 |

The authorization for offsetting INSS debits against federal tax credits (Law 11.196 of November 21, 2005) was regulated by the Interministry Ordinance 23 of February 2, 2006.

### 12.2 Taxes, fees and Contributions

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| ICMS payable | 314 | 2,092 | 314 | 2,092 |
| Tax debt refinancing program - PAES | 2,592 | 21,800 | 2.593 | 21,800 |
| Extraordinary tax debt refinancing program - PAEX | 72,603 | | 72,603 | |
| Fundersul (Road System Development Fund of Mato Grosso do Sul State) | 61 | 19 | 61 | 19 |
| Funrural (Rural Worker Assistance Fund) | 2,397 | | 2,397 | |
| Other taxes, fees and contributions payable | 1,225 | 216 | 8,392 | 4,041 |
| | 79,192 | 24,127 | 86,360 | 27,952 |
| Current Liabilities | 12,058 | 5,988 | 19,226 | 9,813 |
| Noncurrent Liabilities | 67,134 | 18,139 | 67,134 | 18,139 |

## 13. PAES – TAX DEBT REFINANCING PROGRAM – LAW 10.684/2003

On July 31, 2003, the Company adhered to the PAES, instituted by Law No. 10.684 of May 30, 2003, dealing with payment in installments of debt with the SRF – Federal Income Tax Authority, the PGFN – General National Finance Office, and the INSS – National Social Security Institute. Both the Company's declared debts with the INSS, including Funrural in the amount of R$ 23,562, and those with the SRF in the amount of R$ 4,063, are payable in 180 monthly installments. INSS debts were migrated to PAEX, as referred to in Note 10, therefore only the debts to SRF remain at PAES.

The debt breaks down as follows:

| | | Company | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Debt balance as of January 1 | 2,663 | 22,312 | 2,663 | 22,312 |
| Monetary Restatement | 25 | 27 | 25 | 27 |
| (-) Payments made | (96) | (539) | (96) | (539) |
| Balance as of March 31 | 2,592 | 21,800 | 2,592 | 21,800 |
| Current Liabilities | 561 | 3,661 | 561 | 3,661 |
| Noncurrent Liabilities | 2,031 | 18,139 | 2,031 | 18,139 |

## 14. PAEX – EXTRAORDINARY TAX DEBT REFINANCING - MP NR 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 SRF, PGFN, and INSS. The Company declared debts with INSS, including Funrural, and the debts with INSS previously refinanced under PAES, in the amount of R$76,977. No installment payment was agreed with SRF.

The debt breaks down as follows:

| | | Company | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Debt balance as of January 1 | 74,444 | | 74,444 | |
| Monetary Restatement | 83 | | 83 | |
| (-) Payments made | (1,924) | | (1,924) | |
| Balance as of March 31 | 72,603 | | 72,603 | |
| Current Liabilities | 7,500 | | 7,500 | |
| Noncurrent Liabilities | 65,103 | | 65,103 | |

## 15. LOANS AND FINANCING

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| Types and charges | 2007 | 2006 | 2007 | 2006 |
| ACC - Restated based on exchange variation (US dollar) plus interest at 6.4% p.a., with principal maturing in April 2007 and collateralized by promissory notes | 48,653 | 38,818 | 48,653 | 38,818 |
| Overdraft Account - Restated based on the CDI plus interest at 0.7% p.m. | | 3,498 | | 3,498 |
| Working Capital **-** Restated based on the CDI plus interest at 3.75% p.a. with principal maturing in October 2010 and collateralized by trade bills | 36,423 | 54,431 | 36,423 | 54,431 |
| Working Capital – BNDES **-** Restated based on the long-term interest rate (TJLP), plus interest at 3.50% p.a. maturing in July 2007 and collateralized by letter of guarantee issued by a bank | 3,720 | | 3,720 | |
| Prepayment **–** Interest at Libor rate, plus 4.20% p.a. Denominated in US dollars, with principal maturing in August 2011 and collateralized by trade bills and supply agreements | 77,838 | | 77,838 | |
| Prepayment **–** Interest at Libor rate, plus 8.0% p.a. | | 230,164 | | 230,164 |
| Finame – Restated based on the TJLP, plus interest at 0.64% p.m., and maturing in June 2007, collateralized by the financed asset | 34 | 92 | 34 | 92 |
| Vehicle financing – Restated at 1.6% p.m., and maturing in June 2008, collateralized by the financed asset | 575 | 1,036 | 575 | 1,036 |
| Industrial complex financing – Interest at Libor rate, plus 3.50% p.a. Denominated in US dollars, with principal maturing in December 2010 and collateralized by equipment | 15,895 | 13,568 | 15,895 | 13,568 |
| Tangará Meat Packing Plant Financing – restated based on cattle prices (per arroba, the equivalent to 11.3 kg), maturing in May 2007 and collateralized by the property | 625 | 4,375 | 625 | 4,375 |
| BNDES Exim Bradesco - 4% p.a. plus TJLP, with principal maturing in March 2009 and collateralized by trade bills | 26,214 | | 26,214 | |
| BNDES Exim Bradesco - 4% p.a. plus exchange variation (US dollar), with principal maturing in March 2009 and collateralized by trade bills | 6,470 | | 6,470 | |
| BNDES Exim Safra - 4% p.a. plus TJLP, with principal maturing in March 2009 and collateralized by trade bills | 17,247 | | 21,247 | |
| BNDES Exim Safra - 4% p.a. plus exchange variation (US dollar), with principal maturing in March 2009 and collateralized by trade bills | 4,313 | | 4,313 | |
| Marfrig Bonds – Incurring interest at 9.625% p.a.. Denominated in US dollars, with principal maturing in November 2016 with no guarantees (1) | 796,959 | | 796,959 | |
| Votorantim – Export Credit Note, incurring interest at 9.35% p.a. and exchange variation (US dollar). Principal matures in March 2012 and is collateralized by supply agreement | 41,518 | | 41,518 | |

| | | | | |
|---|---|---|---|---|
| Meat Packing Plant Lease – Restated based on daily U.F., plus value-added tax. It matures in August 2009 and is collateralized by the property | | | 1,194 | |
| Letter of credit – Payment of Merchandise Import – Restated based on annual interest of 6.70% in US dollars. It matures within 90 days and is guaranteed by shareholders' collateral signatures | | | 4,005 | |
| Working capital – Interest at 7.2% p.a. It is denominated in Chilean pesos, matures as of April 2007 and is guaranteed by shareholders' collateral signatures | | | 2,440 | 717 |
| Credit facility – interest at 0.8 p.m. It is denominated in Chilean pesos, matures in 30 days and 50% of the credit facility is guaranteed by the property and 50% by personal collateral signatures | | | 1,275 | |
| Credit facility – interest at 0.54 p.m. It is denominated in Chilean pesos, matures in 40 days and is guaranteed by trade bills | | | 8,450 | |
| Bank loans in foreign currency – Restated at 6.1% p.a.. They are denominated in US dollars and mature as of September 2007 with no guarantees | | | 7,530 | 2,307 |
| Bank vouchers in US$ (dollars) - Restated at 5.30% p.a. They mature as of April 2007 and are collateralized by bank vouchers | | | 14,765 | 7,932 |
| Vouchers – Financing – Restated at 6.1% p.a. They are denominated in US dollars, mature from April 2007 and are collateralized by export invoices | | | 1,771 | 7,151 |
| Vouchers in Uruguay currency | | | | 6,185 |
| Foreign loan – DEG – Restated at interest ranging from 7.35% p.a. to 12% p.a. It is denominated in US dollars and matures as of September 2007 | | | 14,353 | 8,690 |
| Loan - B.R.O.U – Restated at annual interest of 7.35%. It is denominated in US dollars and matures in April 2007, collateralized by bank voucher | | | 1,919 | 5,772 |
| Bank loans – Mortgage – Restated at interest ranging from 4.30% p.a. to 6.45% p.a. They are denominated in US dollars and mature from April 2007. | | | | 497 |
| Others – Restated at annual interest ranging from 5.11% p.a. to 6.45% p.a. They mature as of April 2007 and are collateralized by bank vouchers and shareholders' collateral signatures | | | 1,540 | 9,003 |
| | 1,076,484 | 345,982 | 1,135,726 | 394,236 |
| Current Liabilities | 137,512 | 163,217 | 188,000 | 195,020 |
| Noncurrent Liabilities | 938,972 | 182,765 | 947,726 | 199,216 |

(1) Considering that the notes issued by the Company (Bonds Marfrig) account for 70.17% of indebtedness, requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing outstanding at the balance sheet dates. Such requirements, regarding indebtedness, correspond to: Interest Coverage Rate (Ebtida/net financial result ratio) may not be lower than 1.5; Net debt/Ebitda ratio may not be higher than 4.0.

Loans and financing were classified according to the type and segregated into short and long-term according to the maturity of interest and principal.

Long-term portions of these loans mature as follows:

| | ] Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| 2007 | | 88,927 | | 97,307 |
| 2008 | 78,524 | 73,237 | 87,278 | 81,308 |
| 2009 | 31,246 | 17,755 | 31,246 | 17,755 |
| 2010 | 12,323 | 2,846 | 12,323 | 2,846 |
| 2011 | 2,282 | | 2,282 | |
| 2012 | 45,697 | | 45,697 | |
| 2016 | 768,900 | | 768,900 | |
| | 938,972 | 182,765 | 947,726 | 199,216 |

Loans and financing are guaranteed by liens on financed property, plant and equipment items, promissory notes and the directors' sureties.

## 16. CONVERTIBLE NOTES AND DEBENTURES

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Convertible Notes | 204,950 | | 204,950 | |
| Convertible Debentures | 204,926 | | 204,926 | |
| | 409,876 | | 409,876 | |

Characteristics of those securities are the following:

| **Characteristics** | **Convertible Notes** | **Debentures** |
|---|---|---|
| Number of securities issued | 2 | 1 |
| Number of securities in the market | 2 | 1 |
| Unit value | US$ 70 and US$ 30 Mi | 100,000 |
| Maturity | 30/03/2009 | 30/03/2009 |
| Rights | | |
| Filing with Brazilian Securities Commission | No | No |
| Reset option | No | No |

## 17. PROVISIONS

The Company and the controlled company Frigoclass are involved in several lawsuits, of a nature considered normal to their businesses, for which provisions based on legal counselors' estimates have been recognized. Information about the lawsuits as of March 31, 2007, are presented as follows:

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Labor | 1,418 | | 3,407 | 402 |
| Taxes and Social Security | 25,940 | | 27,477 | |
| Civil | | | 30 | 10 |
| Other | | | 310 | 114 |
| | 27,358 | | 31,224 | 526 |

## 18. DEFERRED TAXES

| | Company | | Consolidated | Pro forma |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Income Tax | 33,520 | 35,998 | 38,579 | 42,945 |
| Social Contribution | 12,076 | 12,850 | 12,076 | 12,850 |
| Others | | | 74 | |
| | 45,596 | 48,848 | 50,729 | 55,795 |

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 and amortized, according to the useful life established in the revaluation report.

## 19 SHAREHOLDERS' EQUITY

### 19.1 Capital Stock

Subscribed and paid-in capital stock as of March 31, 2007 totals R$140,000 (as of March 31, 2006, same value) and comprises 140,000,000 shares (as of March 31, 2006, 140,000,000 units of interest) at unit value of R$1.00 (one Brazilian real).

### 19.2 Legal Reserve

It is recognized based on 5% over Company's net income, according to Company's by-laws and applicable current legislation.

### 19.3 Dividends

Shareholders are entitled every year to a minimum dividend of 25% (twenty-five per cent) of net income, adjusted in conformity with Article 202 of Law 6.404/76.

19.4 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 Brazilian reais |
|---|---|
| Shareholders' equity on December 31, 2006 | 223,181 |
| (x) accumulated TJLP of 2007 | 1.634% |
| Limit according to legislation | 3,647 |
| | |
| Interest on equity capital | 3,647 |
| (-) Income tax - IRRF | (547) |
| | |
| Interest on equity capital, net | 3,100 |

Interest on equity capital has been recorded under the caption "Other operating revenues (expenses), net. In the first quarter of 2006 no interest on equity capital was distributed.

## 20. COMPENSATION OF THE COMPANY'S MANAGERS

The added value of the compensation received by the Company's managers for services in their respective areas for the quarter ended March 31, 2007 was R$360 (R$360 as of March 31, 2006).

## 21. 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 disaster. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

| | Company | | Consolidated | "Pro Forma" |
|---|---|---|---|---|
| **Description** | 2007 | 2006 | 2007 | 2006 |
| Meat packing plants and facilities | 409,590 | 365,719 | 484,969 | 477,927 |
| Inventories and business interruption | 99,629 | | 123,001 | 14,760 |
| Third-party warehouses | 33,000 | | 33,000 | |
| Vehicles | 5,552 | 6,633 | 5,764 | 6,818 |
| Transportation of merchandise | 93,475 | | 94,299 | 27,561 |
| Civil liability | 200 | | 33,159 | 26,971 |
| | 641,446 | 372,352 | 774,192 | 554,037 |

## 22. FINANCIAL INSTRUMENTS – DERIVATIVES

The Company enters into derivative contracts for protection against foreign currency variations, due to exports and debts in US dollars.

Swap contracts, which are duly recorded, mature as follows:

| Maturities | 2006 | 2005 |
|---|---|---|
| Up to 90 days | | |
| From 91 to 180 days | 38,864 | |
| From 181 to 360 days | 38,864 | |
| Over 360 days | 326,054 | |
| Total | 403,782 | |

The criteria and assumptions adopted for recording the amounts mentioned above are based on the US dollar rate agreed by contract R$2.1535. Considering the US dollar rate of R$2.0504 at the balance sheet date, the market value of swap contracts is R$ 384,450.

Confident of policies and practices underlying its operations with derivatives, the Management finds the occurrence of non-measurable risks rather improbable.

## 23. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution are calculated as legally stipulated.

Income tax and social contribution returns are open to assessment by the taxing authorities for varied periods, as from the respective payment or filling date.

Reconciliation of income tax and social contribution account records to the Taxable Income Computation Book is as follows:

| Tax | Group | Amount |
|---|---|---|
| **Income before taxes** | | 18,658 |
| Additions | | 11,281 |
| (-) Deductions | | (75) |
| Income tax and social contribution calculation base | | 29,864 |
| Income tax (15%) | | 4,480 |
| Surtax (10%) | | 2,980 |
| (-) Workers' meal program (PAT) | | (179) |
| Total income tax | | 7,281 |
| Social contribution (9%) | | 2,688 |
| **Statement – Result** | | |
| (-) Income tax – current | Current liabilities | (7,281) |
| Deferred income tax – Revaluation (1) | Noncurrent liabilities | 598 |
| Net | Income | 6,683 |
| (-) Social contribution – current | Current liabilities | (2,688) |
| Deferred social contribution – Revaluation (1) | Noncurrent liabilities | 215 |
| Net | Income | 2,473 |

(1) Refer to the reversal of deferred income and social contribution stated in note 18, considering the addition of depreciation of revalued assets to taxable income and the social contribution calculation base.

## 24. SUBSEQUENT EVENTS

On April 1, 2007, Marfrig Frigoríficos e Comércio de Alimentos S.A. took over the activities of Pampeano Alimentos S.A., a company located in Hulha Negra/RS, engaged in meat processing activities.

On April 11, 2007 13th São Paulo Federal Court passed a sentence regarding the lawsuit filed by Marfrig Frigoríficos e Comércio de Alimentos S.A. against Brazilian Federal Union and the National Institute of Social Security - INSS, aiming to cancel certain Statutory Notices of Deficiency (NFLD), as well as other debts not classified as enforceable debts. The right to the IPI premium credit and to the PIS and COFINS credits was recognized and the resulting offset was authorized.

That sentence pronounces "groundful the request to **a)** disregard the provisions of article 74, paragraph 12, item II, "b" of Law No. 9,430/96, in its current wording, therefore recognizing the IPI premium credit in favor of the plaintiff and declaring the offset presented by the plaintiff at the administrative level; **b)** authorize the offset of the federal tax credits claimed by the Company against past due and falling due debts managed by the Federal Revenue Service, as well as debts with respect to past due and falling due social security contributions; c) to cancel the tax credit stated on the NFLD No. 35.402.080-3, No. 35.401.793-4, No. 35.401.904-0, No. 35.201.202-1 and No. 35.402.325-0, as well as the debts listed on pages 27/28 and **d)** as a result, to provide for the issue of tax debt clearance certificate in favor of the plaintiff, if the only debts barring the issue of the certificate are the ones discussed herein".

## 25. PRO FORMA FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2006

With the acquisition of Frigoclass Alimentos S.A., Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A. and Inaler S.A., and the setup of Weston Importers Limited and Marfrig Chile Inversiones Limitada, the latter parent company of Quinto Cuarto S.A., the financial statements for the quarter ended March 31, 2007, are not comparable to the financial statements for the quarter ended March 31, 2006. Those acquisitions and setups, if performed on January 1, 2006, would have material effects on the financial statements of Marfrig Frigoríficos e Comércio de Alimentos S.A. Therefore, we are presenting the pro forma financial statements for the quarter ended March 31, 2006, assuming that the acquisitions and set-ups of all companies occurred in 2006, and based on the individual financial statements of Frigoclass Alimentos S.A., Argentine Breeders & Packers S.A, Frigorífico Tacuarembó S.A., Inaler S.A., and Quinto Cuarto S.A. (company controlled by Marfrig Chile Inversiones Limitada), properly reviewed by other independent auditors. Information is disclosed only to allow additional analyses and comparisons of the financial statements of Marfrig Frigoríficos e Comércio de Alimentos S.A. and are not intended to represent what might have happened in case those companies had really been acquired and set up by Marfrig Frigoríficos e Comércio de Alimentos S.A. on January 1, 2006. Also, those financial statements are neither intended to represent the statements of one individual company, nor necessarily indicate future results.

The consolidated statements for the quarter ended March 31, 2007 have been prepared according to CVM Instruction No. 247/96 and, in order to do so, all intercompany transactions and balances, including intercompany investments between the parent companies and subsidiaries and affiliates, assets and liabilities, revenues and expenses among consolidated companies and unrealized income are eliminated in consolidation.

* * *

(Convenience Translation into English from the Original Previously Issued in Portuguese)

# MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.

# FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005 AND INDEPENDENT AUDITORS' REPORT

BDO Trevisan

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**INDEPENDENT AUDITORS' REPORT**

To the Management and Members of
Marfrig Frigoríficos e Comércio de Alimentos Ltda.

1. We have audited the accompanying balance sheets of Marfrig Frigoríficos e Comércio de Alimentos Ltda., as of December 31, 2006, and the related statements of income, changes in shareholders' equity, and changes in financial position 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 the following controlled companies - Argentine Breeders & Packers S.A. (Argentina), Frigorífico Tacuarembó S.A. (Uruguay), Inaler S.A. (Uruguay), Marfrig Chile Inversiones Limitada (Chile) and Weston Importers Limited (United Kingdom) - were reviewed by other independent auditors, member firms of BDO network. Our opinion on the balances of investments in those companies and corresponding equity in earnings or loss is based on the work of those auditors.

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. As commented in note 3, the Company started to value its inventories through a cost system internally developed with the assistance of expert consultants aiming to meet the requirements of corporate and tax laws. In light of this change in accounting practice, an amount of R$11,234 thousand, net of taxes, was recorded, representing the required adjustments to the new cost system, for the amounts assessed for the full year. Consequently, the income for the year and shareholders' equity are overstated by that amount.

4. In our opinion, based on our exams and the work of other independent auditors, except for the effects of the matter mentioned in paragraph 3, the financial statements referred to above present fairly, in all material respects, the financial position of Marfrig Frigoríficos e Comércio de Alimentos Ltda. as of December 31, 2006, and the results of its operations, the changes in shareholders' equity, and the changes in its financial position for the years then ended in conformity with Brazilian accounting practices.

BDO Trevisan

**INDEPENDENT AUDITORS' REPORT**

To the Management and Members of
Marfrig Frigoríficos e Comércio de Alimentos Ltda.

5. As commented in note 22 to the financial statements, in view of the acquisition of the companies Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A., Inaler S.A. and setup of the companies Weston Importers Limited and Marfrig Chile Inversiones Limitada, the latter the controlling company of Quinto Cuarto S.A., the Company's management decided to prepare and disclosure, in a note to the financial statements, additional accounting information, called Pro Forma Balance Sheet and Pro Forma Statement of Income to allow the comparability of accounting information, assuming that on December 31, 2005 those acquisitions and setups had already been considered for the preparation of the financial statements of Marfrig Frigoríficos e Comércio de Alimentos Ltda. In the preparation of such pro forma financial statements, the assumptions mentioned in note 22 were adopted. Those consolidated and pro forma financial statements were submitted to the same auditing procedures mentioned in paragraph 2 and, in our opinion, those consolidated and pro forma financial statements present fairly, in all material aspects, the consolidated and pro forma financial position of the Company as of December 31, 2006 and the results of its operations, for the year then ended in conformity with Brazilian accounting practices.

6. As explained in notes 2 and 21.d, the Company presented its financial statements for the year ended December 31, 2006 on March 30, 2007, in connection with the request for the initial public offering of the Company's shares filed with the Brazilian Securities and Exchange Commission (CVM). On April 17, 2007 CVM, through OFÍCIO/CVM/SEP/GEA-2/No. 0126/2007, set forth requirements for the filing request. Therefore, the Company decided to present again on April 19, 2007 its financial statements for the year ended December 31, 2006, acting on such request.

7. The financial statements for the year ended December 31, 2005 were audited by us, and our report thereon, dated February 3, 2006, presented a qualification as to the valuation criterion of inventories (tax criterion) that, as commented in paragraph 3 of this report, was duly adjusted as a result of the change brought by the internally developed cost system. The mentioned report presented an emphasis regarding the offset of current federal taxes against deemed IPI Credit. Such issue is no longer present in the financial statements of the year ended December 31, 2006.

BDO Trevisan

**INDEPENDENT AUDITORS' REPORT**

To the Management and Members of
Marfrig Frigoríficos e Comércio de Alimentos Ltda.

8 The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Ribeirão Preto, February 8, 2007 (April 19, 2007 for notes 2 and 21)

Estefan George Haddad
Engagement Partner
BDO Trevisan Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**TABLE 1**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**BALANCE SHEETS AS OF DECEMBER 31**
**(In thousands of Brazilian Reais - R$)**

| ASSETS | 2006 | 2005 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 277.996 | 38.565 |
| Trade accounts receivable - domestic | 144.223 | 115.104 |
| Trade accounts receivable - foreign | 165.110 | 64.846 |
| Inventories of products and merchandise | 304.472 | 90.816 |
| Recoverable taxes | 149.971 | 97.849 |
| Prepaid expenses | 372 | 140 |
| Other receivables | 148 | 245 |
| | 1.042.292 | 407.565 |
| LONG-TERM ASSETS | | |
| Financial investments | 187 | 118 |
| Compulsory deposits | 1.774 | 201 |
| Notes receivable | 8.008 | - |
| Deferred taxes | 7.611 | - |
| Other receivables | - | 1.750 |
| | 17.580 | 2.069 |
| PERMANENT ASSETS | | |
| Investment | 146.315 | - |
| Property, plant and equipment | 350.449 | 262.445 |
| | 496.764 | 262.445 |
| | 1.556.636 | 672.079 |

| LIABILITIES | 2006 | 2005 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Suppliers | 141.611 | 111.958 |
| Accrued payroll and related charges | 51.139 | 46.348 |
| Taxes payable | 9.126 | 4.250 |
| Loans and financing | 86.633 | 153.687 |
| Other payables | 8.792 | 360 |
| | 297.301 | 316.603 |
| LONG-TERM LIABILITIES | | |
| Loans and financing | 920.702 | 105.875 |
| Trade accounts payable | - | 5.005 |
| Taxes, rates and contributions | 69.043 | 19.341 |
| Deferred taxes | 46.409 | 49.637 |
| | 1.036.154 | 179.858 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock | 140.000 | 140.000 |
| Retained earnings | 83.181 | 35.618 |
| | 223.181 | 175.618 |
| | 1.556.636 | 672.079 |

The accompanying notes are an integral part of the financial statements.

**EXHIBIT 1 (Attached to note 21)**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**CONSOLIDATED AND "PRO FORMA" BALANCE SHEETS**
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(In thousands of Brazilian Reais - R$)**

| ASSETS | Consolidated 2006 | "Pro forma" 2005 (unaudited) |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 291.740 | 44.151 |
| Trade accounts receivable - domestic | 185.858 | 134.536 |
| Trade accounts receivable - foreign | 178.226 | 115.092 |
| Inventories of products and merchandise | 347.368 | 117.639 |
| Recoverable taxes | 165.316 | 114.052 |
| Prepaid expenses | 1.313 | 753 |
| Other receivables | 6.884 | 10.096 |
| | 1.176.705 | 536.319 |
| LONG-TERM ASSETS | | |
| Financial investments | 187 | 118 |
| Compulsory deposits | 1.774 | 201 |
| Notes receivable | 935 | - |
| Deferred taxes | 14.446 | - |
| Other receivables | 559 | 2.021 |
| | 17.901 | 2.340 |
| PERMANENT ASSETS | | |
| Investment | 93.718 | - |
| Property, plant and equipment | 429.480 | 339.454 |
| | 523.198 | 339.454 |
| | 1.717.804 | 878.113 |

| LIABILITIES | Consolidated 2006 | "Pro forma" 2005 (unaudited) |
|---|---|---|
| CURRENT LIABILITES | | |
| Trade accounts payable | 212.774 | 173.935 |
| Accrued payroll and related charges | 57.100 | 14.785 |
| Taxes, fees and contributions payable | 18.426 | 41.025 |
| Loans and financing | 118.126 | 202.618 |
| Other payables | 13.546 | 9.256 |
| | 419.972 | 441.619 |
| LONG-TERM LIABILITIES | | |
| Loans and financing | 928.987 | 124.286 |
| Trade accounts payable | - | 5.005 |
| Taxes, fees and contributions | 70.482 | 27.010 |
| Deferred taxes | 52.755 | 49.815 |
| | 1.052.224 | 206.116 |
| Minority interest | 24.620 | - |
| MEMBERS' EQUITY | | |
| Capital stock | 140.000 | 176.331 |
| Reserves | | 508 |
| Retained earnings | 80.988 | 53.539 |
| | 220.988 | 230.378 |
| | 1.717.804 | 878.113 |

The accompanying notes are an integral part of the financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**TABLE 2**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**STATEMENT OF INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(In thousands of Brazilian Reais - R$)**

| | 2006 | 2005 |
|---|---|---|
| GROSS SALES | | |
| Domestic | 1.152.027 | 777.872 |
| Foreign | 1.100.805 | 704.706 |
| | 2.252.832 | 1.482.578 |
| DEDUCTIONS FROM GROSS SALES | | |
| Sales taxes | (100.150) | (60.545) |
| Returns and discounts | (155.799) | (62.222) |
| NET SALES | 1.996.883 | 1.359.811 |
| Cost of products sold | (1.590.545) | (1.130.813) |
| GROSS INCOME | 406.338 | 228.998 |
| OPERATING INCOME (EXPENSES) | | |
| Commercial expenses | (130.873) | (84.907) |
| Administrative and general | (51.067) | (30.947) |
| Other operating income (expenses), net | (13.870) | (4.951) |
| Result of equity method | 200 | - |
| | (195.610) | (120.805) |
| OPERATING INCOME BEFORE INFLATION AND FINANCIAL EFFECTS | 210.728 | 108.193 |
| FINANCIAL INCOME (EXPENSES) | | |
| Financial income | 16.273 | 4.002 |
| Financial expenses | (162.263) | (53.245) |
| Exchange gain | 93.871 | 47.794 |
| Exchange loss | (94.802) | (57.571) |
| | (146.921) | (59.020) |
| INCOME FROM OPERATIONS | 63.807 | 49.173 |
| Non-operating income | 29 | (76) |
| INCOME BEFORE TAX | 63.836 | 49.097 |
| Income Tax | (11.830) | (14.890) |
| Social contribution tax | (4.443) | (5.506) |
| | (16.273) | (20.396) |
| INCOME BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL | 47.563 | 28.701 |
| Reversal of interest on equity capital | 14.340 | 4.951 |
| NET INCOME FOR THE YEAR | 61.903 | 33.652 |
| NET INCOME FOR THE YEAR PER THOUSAND SHARES – R$ | 0,44 | 0,24 |

The accompanying notes are an integral part of the financial statements.

**EXHIBIT 2 (Attached to note 21)**
**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**
**CONSOLIDATED AND "PRO FORMA" STATEMENT OF INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(In thousands of Brazilian Reais - R$)**

| | "Pro Forma" 2006 | "Pro Forma" 2005 (unaudited) | Consolidated 2006 |
|---|---|---|---|
| GROSS SALES | | | |
| Domestic | 1.349.000 | 1.052.883 | 1.225.817 |
| Foreign | 1.468.951 | 1.117.365 | 1.165.204 |
| | 2.817.951 | 2.170.248 | 2.391.021 |
| DEDUCTIONS FROM GROSS SALES | | | |
| Sales taxes | (111.756) | (67.763) | (104.104) |
| Deductions and discounts | (157.871) | (65.964) | (156.408) |
| NET SALES | 2.548.324 | 2.036.521 | 2.130.509 |
| Cost of goods sold | (2.074.549) | (1.750.581) | (1.710.185) |
| GROSS INCOME | 473.775 | 285.940 | 420.324 |
| OPERATING REVENUES (EXPENSES) | | | |
| Commercial expenses | (157.554) | (112.074) | (136.091) |
| Administrative and general expenses | (64.829) | (46.742) | (56.019) |
| Other operating revenues (expenses), net | (14.606) | (4.252) | (13.274) |
| | (236.989) | (163.068) | (205.384) |
| OPERATING INCOME BEFORE INFLATION AND FINANCIAL EFFECTS | 236.786 | 122.872 | 214.940 |
| FINANCIAL INCOME (EXPENSES) | | | |
| Financial income | 23.272 | 6.683 | 17.439 |
| Financial expenses | (169.738) | (58.933) | (164.536) |
| Exchange gain | 95.232 | 49.683 | 95.208 |
| Efffect of exchange variation - translation | (396) | (489) | (396) |
| Exchange loss | (95.259) | (58.856) | (95.092) |
| | (146.889) | (61.912) | (147.377) |
| INCOME FROM OPERATIONS | 89.897 | 60.960 | 67.563 |
| Non-operating income | (27) | 18 | 29 |
| INCOME BEFORE TAX | 89.870 | 60.978 | 67.592 |
| Income tax | (21.018) | (14.652) | (14.508) |
| Social contribution tax | (4.443) | (5.506) | (4.443) |
| | (25.461) | (20.158) | (18.951) |
| INCOME BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL | 64.409 | 40.820 | 48.641 |
| Reversal of interest on equity capital | 14.340 | 4.951 | 14.340 |
| INCOME BEFORE MINORITY INTEREST | 78.749 | 45.771 | 62.981 |
| Minority interest | 1.354 | - | 1.323 |
| NET INCOME AFTER MINORITY INTEREST | 80.103 | 45.771 | 64.304 |
| NET INCOME FOR THE YEAR PER THOUSAND UNITS OF INTEREST - R$ | 0,27 | 0,15 | 0,21 |

The accompanying notes are an integral part of the financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**TABLE 3**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(In thousands of Brazilian Reais - R$)**

| | Capital stock | Revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|
| BALANCES AS OF JANUARY 1, 2005 | 20.836 | 13.159 | 27.715 | 61.710 |
| Realization of revaluation reserve, net of taxes | - | (1.041) | 413 | (628) |
| Recognition of a revaluation reserve | - | 130.017 | - | 130.017 |
| Taxes levied on revaluation reserve | - | (44.182) | - | (44.182) |
| Increase in capital: | | | | |
| * With revaluation reserve | 97.953 | (97.953) | - | - |
| * With retained earnings | 21.211 | - | (21.211) | - |
| Net income for the year | - | - | 33.652 | 33.652 |
| Interest on equity capital | - | - | (4.951) | (4.951) |
| BALANCES AS OF DECEMBER 31, 2005 | 140.000 | - | 35.618 | 175.618 |
| Interest on equity capital | - | - | (14.340) | (14.340) |
| Net income for the year | - | - | 61.903 | 61.903 |
| BALANCES AS OF DECEMBER 31, 2006 | 140.000 | - | 83.181 | 223.181 |

The accompanying notes are an integral part of the financial statements.

**TABLE 4**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(In thousands of Brazilian Reais - R$)**

| | 2006 | 2005 |
|---|---|---|
| SOURCES OF FUNDS | | |
| | | |
| From operations: | | |
| Net income for the year | 61.903 | 33.652 |
| Noncash items: | | |
| Depreciation and amortization | 17.213 | 8.034 |
| Monetary variation and charges on long-term liabilities | 655 | 1.433 |
| Deferred federal taxes | (10.839) | (1.289) |
| Equity in earnings of subsidiaries | (200) | - |
| | | |
| Funds from operations | 68.732 | 41.830 |
| | | |
| From third parties: | | |
| Decrease in long-term assets | 2.652 | 154.969 |
| Increase in long-term liabilities | 1.443.374 | 511 |
| | | |
| TOTAL SOURCES OF FUNDS | 1.514.758 | 197.310 |
| | | |
| USES OF FUNDS | | |
| | | |
| In long-term assets | 21.348 | 468 |
| In investments | 146.115 | - |
| In property, plant and equipment | 105.217 | 85.873 |
| Decrease in long-term liabilities | 403.981 | 4.928 |
| Decrease in shareholders' equity | - | 628 |
| Transference from long-term to current liabilities | 169.728 | 5.549 |
| Interest on equity capital | 14.340 | 4.951 |
| | | |
| TOTAL USES OF FUNDS | 860.729 | 102.397 |
| | | |
| INCREASE IN WORKING CAPITAL | 654.029 | 94.913 |
| | | |
| CHANGES IN WORKING CAPITAL | | |
| | | |
| Current assets | | |
| At beginning of year | 407.565 | 238.412 |
| At end of year | 1.042.292 | 407.565 |
| | | |
| | 634.727 | 169.153 |
| Current liabilities | | |
| At beginning of year | 316.603 | 242.363 |
| At end of year | 297.301 | 316.603 |
| | | |
| | (19.302) | 74.240 |
| | | |
| INCREASE IN WORKING CAPITAL | 654.029 | 94.913 |

The accompanying notes are an integral part of the financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**
**(In thousands of reais – R$)**

## 1. OPERATIONS

Marfrig Frigoríficos e Comércio de Alimentos Ltda. (the "Company"), whose capital is 100% Brazilian, carries out meat packing activities consisting of cattle, swine, sheep and equine 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; purchase and sale of live cattle, horses and pigs; participation as shareholder or partner in any company; labor supplying to other companies; production, distribution and marketing of soaps, laundry preparations; disinfectants, softeners and other hygiene and cleaning products. The latter activity was structured throughout 2006.

The Company's financial and equity position should be considered within an integrated operation context of Marfrig Frigoríficos e Comércio de Alimentos Ltda. (Brazil), Frigoclass Alimentos S.A. (Brazil), AB&P - Argentine Breeders & Packers S.A. (Argentina), Frigorífico Tacuarembó S.A. (Uruguay), Inaler S.A. (Uruguay), Marfrig Chile Inversiones Ltda. (Chile) and Weston Importers Ltd. (United Kingdom).

## 2. FINANCIAL STATEMENTS PRESENTATION AND PREPARATION

The financial statements are expressed in thousands of Brazilian reais and have been prepared in accordance with the accounting practices adopted in Brazil, as laid down in the Corporate Law (Law 6,404/76 and subsequent amendments), standards and instructions of the Brazilian Securities Commission (CVM), and under the accounting standards issued by the Brazilian Institute of Independent Auditors – IBRACON, considering the CVM Resolution No. 488/05, and IBRACON's pronouncement NPC 27.

The financial statements were originally prepared and presented on March 30, 2007. in connection with the request for the initial public offering of the Company's shares filed with the Brazilian Securities and Exchange Commission (CVM). On April 17, 2007 CVM, through OFÍCIO/CVM/SEP/GEA-2/No. 0126/2007, set forth requirements for the filing request. Therefore, the Company decided to present again on April 19, 2007 its financial statements for the year ended December 31, 2006, acting on such request.

The following are the main accounting practices used for preparing these financial statements:

2.1 Recognition of the effects of inflation and foreign exchange

The effects of inflation and foreign exchange are recognized through the indexation of assets and liabilities to monetary and exchange variation rates, with a counter-entry to financial income and expenses.

2.2 Income determination

Income is determined on the accrual basis, taking into consideration:

- Earnings, charges and effects of monetary variation on the Company's assets and liabilities, calculated at official indices or rates.

The effects of adjustment of assets to market or the realizable value, when applicable.

2.3 Current and noncurrent assets and liabilities

Assets are stated at the realizable value, whereas liabilities are shown at known or estimated values including, where applicable, the related earnings, charges and monetary variation.

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

2.4 Permanent assets

- *Investments*

Investments in controlled companies are valued by the equity method.

Other investments are valued according to the acquisition cost, less, when applicable, provision for impairment loss.

- *Property, plant and equipment*

The property, plant and equipment items are shown at the historical cost, if acquired after January 1, 1996. Depreciation is calculated on the straight-line method, at rates that take into account the useful life of assets.

Also, the revaluation of assets as of December 31, 2003 is considered, according to a specialized engineering appraisal report.

On December 31, 2005, based on a specialized engineering appraisal report, the Company performed a new valuation of its property, plant and equipment as mentioned in Note 10.

## 3. CHANGE IN ACCOUNTING PRACTICE

Along 2006, the Company invested in the development of a cost system, aiming to meet the requirements of corporate and tax laws. After the implementation of the mentioned system, inventories started being valued at average purchase or production cost, lower than realization values.

As a result of this change in accounting practice, there was an increase in the income of the year of R$ 11,233 thousand, net of taxes.

## 4. CASH AND CASH EQUIVALENTS

| | 2006 | 2005 |
|---|---|---|
| Cash and banks | 22,718 | 38,565 |
| Financial investments - Certificates of interbank deposit – CDI | 255,278 | |
| | 277,996 | 38,565 |

Considering the funds raised in the last quarter of 2006 through Marfrig Bonds, the Company invested part of these amounts, which will be used for the investments to be made in 2007.

## 5. TRADE ACCOUNTS RECEIVABLE – DOMESTIC AND FOREIGN

| | 2006 | 2005 |
|---|---|---|
| Receivables - domestic customers | 144,223 | 115,104 |
| | 144,223 | 115,104 |
| Receivables - foreign customers | 279,051 | 107,081 |
| (-) Advances on exchange bills delivered (ACE's) | (113,941) | (42,235) |
| | 165,110 | 64,846 |
| | 309,333 | 179,950 |

The increase in the balance of trade accounts receivable is due to an increase in the volume of the Company's activities, whose slaughtering of cattle jumped from 1,032 thousand heads in 2005 to 1,494 thousand heads in 2006, with a direct impact on the monthly sales volume and therefore on receivables, and to an increase in the volume of sales to foreign customers, whose payment term is longer.

The Company sets up an allowance for trade accounts past due for more than 90 days, and notes receivable from insolvent and bankrupt companies, whose possibility of settlement is not assured and/or are not collateralized by a secured guarantee.

Based on the aging-list, we did not identify trade accounts past due for more than 90 days for which an allowance for doubtful accounts should be set up.

## 6. INVENTORIES OF GOODS AND MERCHANDISE

| | 2006 | 2005 |
|---|---|---|
| Finished products | 281,365 | 79,750 |
| Packing material and stored material | 23,107 | 11,066 |
| | 304,472 | 90,816 |

In 2006 inventories of finished goods were stated at average purchase or production cost, lower than realizable values, as explained in note 2. In 2005 the inventories of finished goods were valued according to the tax criterion. The inventories of packaging and stored material were carried at average acquisition cost, both in 2006 and 2005.

## 7. RECOVERABLE TAXES

| | 2006 | 2005 |
|---|---|---|
| State VAT (ICMS) | 121,830 | 70,676 |
| Assumed Federal VAT (IPI) Credit | 10,993 | 835 |
| Tax on revenue (PIS) credit | 4,728 | 6,966 |
| Tax on revenue (COFINS) credit | 9,074 | 17,325 |
| Income Tax | 695 | - |
| Social contribution tax on net income (CSLL) | 2,264 | 2,009 |
| Withholding income tax (IRRF) | 387 | 38 |
| | 149,971 | 97,849 |

## 8. DEFERRED TAXES

| Description | 2006 | 2005 |
|---|---|---|
| Income Tax | 5,596 | - |
| Social Contribution Tax | 2,015 | - |
| | 7,611 | - |

Refer to deferred income and social contribution, 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 will be realized in 2007 and 2008.

## 9. INVESTMENTS

| | 2006 | 2005 |
|---|---|---|
| Interests held in controlled companies | 146,190 | - |
| Other investments | 125 | |
| | 146,315 | - |

## 8.1 Ownership interest held in controlled companies

| | 2006 | | | | | |
|---|---|---|---|---|---|---|
| | Argentine Breeders & Packers S.A. | Marfrig Chile Inversiones Ltda. | Inaler S.A. | Frigorífico Tacuarembó S.A. | Weston Importer s Ltd. | Total |
| Country | Argentina | Chile | Uruguay | Uruguay | United Kingdom | |
| Number of units of interest / shares held | 11,491,000 preferred shares | 3,510,910 units of interest | 66,247,320 preferred shares | 80,000,000 preferred shares | 200,000 units of interest | |
| Percentage of ownership interest in capital stock and voting capital | 100.00 | 100.00 | 58.00 | 53.92 | 99.98 | |
| Listed on the stock exchange | No | No | No | No | No | |
| Capital stock | 20,340 | 9,254 | 3,137 | 6,086 | 838 | |
| Shareholders'/members' equity | 22,996 | 8,537 | 2,449 | 36,433 | (499) | |
| Net income (loss) | 5,871 | (717) | (2,195) | 18,918 | (1,333) | |
| Dividends | - | - | - | - | - | |
| Collateral signatures and guarantees | - | - | - | - | - | |
| Revenues | | | 919 | 584 | 20,186 | |
| Unrealized inventories | | | 100 | 25 | 2,241 | |
| Receivables (1) | | | | | 7,073 | |
| Changes in investment: | | | | | | |
| At beginning of year | - | - | - | - | - | - |
| Acquisition of units of interest | 20,718 | 9,354 | 2,595 | 18,877 | 853 | 52,397 |
| Premium on acquisition (2) | 27,577 | | 32,995 | 33,021 | | 93,593 |
| Equity in earnings loss (3) | 2,278 | (817) | (1,175) | 767 | (853) | 200 |
| Account balance as of December 31 | 50,573 | 8,537 | 34,415 | 52,665 | - | 146,190 |

(1) As of December 31, 2006 the Company has a non-collateralized receivable of R$ 7,073 from Weston Importers Ltd, bearing annual interest of 12%, plus exchange variation, to be realized in up to 180 days.

(2) The premium recorded for the acquisitions is based on the generation of future income by controlled companies and will be amortized over 10 (ten) years, from January 2007. Future results for the next ten years (10) were projected at an average annual growth rate of 10%, which were discounted to the long-term interest rate (TJLP) of the last quarter of 2006, 6.85% p.a.

(3) Refers to equity in earnings (loss) recorded in the year and in the Company's members' equity under the caption "Retained earnings (accumulated deficit). Those controlled companies had their financial statements as of December 31, 2006 reviewed in their countries of origin by member firms of the BDO network, who issued limited review reports.

On July 28, 2006, a controlled company, “Marfrig Chile Inversiones Limitada,” located in Santiago, Chile, was set up. On September 1, 2006, this controlled company acquired a fifty percent (50%) interest in the capital stock of the company “Quinto Cuarto S/A,” also located in Santiago, Chile.

On August 18, 2006, an amount of US$ 376,000.00 (three hundred seventy-six thousand US dollars) was contributed to the capital stock of the controlled Weston Importers Ltd., located in North Ampton – United Kingdom.

On October 12, 2006, the Company acquired 100% (one hundred percent) of the shares of the company Argentine Breeders & Packers S.A., a controlled company located in Buenos Aires - Argentina.

On October 20, 2006, the Company acquired 53.92% (fifty three point ninety percent) of the shares of the company Frigorífico Tacuarembó, a controlled company, with main offices in Tacuarembó - Uruguay.

On December 8, 2006, the Company acquired 58% (fifty eight percent) of the shares of the company Inaler S.A., a controlled company, located in San José - Uruguay.

Such investments have been properly accounted for under the equity method, since they apply to controlled companies. The financial statements of those companies were duly 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | | | | 2006 | 2005 |
|---|---|---|---|---|---|
| Description | Average annual depreciation rates (%) | Adjusted and revalued cost | Accumulated depreciation | Net | Net |
| Plots of land | | 1,996 | - | 1,996 | 1,669 |
| Buildings and constructions | 4% | 130,472 | (7,355) | 123,117 | 132,768 |
| Machines and equipment | 10% | 91,858 | (15,403) | 76,455 | 67,435 |
| Furniture and fixtures | 10% | 1,842 | (364) | 1,478 | 1,022 |
| Facilities | 10% | 11,480 | (382) | 11,098 | 2,299 |
| Vehicles | 20% | 10,295 | (7,662) | 2,633 | 4,239 |
| Computing hardware | 20% | 3,299 | (1,397) | 1,902 | 971 |
| Advance for acquisition of property, plant and equipment | | 14,140 | - | 14,140 | 110 |
| Leasehold improvements | | 2,266 | (2) | 2,264 | 4,020 |
| Lease ”VGR” | | 2,473 | (12) | 2,461 | 1,467 |
| Construction in progress | | 99,615 | - | 99,615 | 43,406 |
| Software | | 3,165 | (994) | 2,171 | 2,220 |
| Trademarks and patents | | 10,576 | - | 10,576 | 278 |
| Other property, plant and equipment in progress | 4% | 543 | - | 543 | 541 |
| | | 384,020 | (33,571) | 350,449 | 262,445 |

On December 31, 2005, the Company, supported by an appraisal report issued by appraisers, recorded a revaluation of property, plant and equipment items under Law No. 6404/76, as follows:

| Description | Revaluation report | Book balance | Revaluation Value |
|---|---|---|---|
| Production unit - Bataguassú/MS | 92,826 | 41,357 | 51,469 |
| Production unit - Promissão - SP | 92,257 | 35,640 | 56,617 |
| Production unit - Tangará - MT | 45,919 | 23,988 | 21,931 |
| | 231,002 | 100,985 | 130,017 |

The taxes of R$ 44,182 were calculated on appreciation of R$ 130,017. From that, R$ 32,480 refers to Corporate Income Tax (IRPJ) and R$ 11,702 to Social Contribution Tax on Net Income (CSLL). Said revaluation was recorded against a specific members' equity account and was incorporated, net of tax effects, which, in accordance with prevailing law, are recorded in long-term liabilities and will be realized under the law.

## 11. TAXES PAYABLE

Based on its legal counsel's opinion, the Company is challenging the lawfulness of certain taxes, fees and social contributions. The following amounts, plus their respective legal charges, are recorded in current liabilities:

### 11.1 Accrued Payroll and Related Charges

| Description | 2006 | 2005 |
|---|---|---|
| Contributions payable to the National Institute of Social Security (INSS) | 31,256 | 34,566 |
| Other payroll charges and benefits payable | 19,883 | 11,782 |
| | 51,139 | 46,348 |

The authorization for offsetting INSS debits against federal tax credits (Law No.11,196 of November 21, 2005) was regulated by the Interministry Ordinance 23 of February 2, 2006.

## 11.2 Taxes, Fees and Contributions

| | 2006 | 2005 |
|---|---|---|
| ICMS payable | 206 | 418 |
| Special Tax Debt Refinancing Program – PAES | 2,663 | 22,312 |
| Extraordinary Tax Debt Refinancing Program - PAEX | 74,444 | - |
| Road Development Fund for the State of Mato Grosso do Sul - Fundersul | 36 | 67 |
| Other taxes, fees and contributions payable | 820 | 794 |
| Total | 78,169 | 23,591 |
| Current liabilities | 9,126 | 4,250 |
| Long-term liabilities | 69,043 | 19,341 |

## 12. PAES - Special Tax Debt Refinancing Program - Law 10,684/2003

On July 31, 2003, the Company adhered to PAES - Special Tax Debt Refinancing Program, established by Law 10,684 of May 30, 2003, dealing with payment in installments of debt with the Federal Revenue Service, PGFN – Office of the National Treasury Attorney-General, and INSS – National Institute of Social Security. Both the Company's declared debt with the INSS, including Rural Workers' Assistance Fund (Funrural) in the amount of R$ 23,562, and that with the SRF in the amount of R$ 4,063, are payable in 180 monthly installments. Social security contribution debts were migrated to PAEX, as shown in note 10, and only delinquent taxes owed to the Federal Revenue Service remain under PAES.

The debt breakdown is as follows:

| | 2006 | 2005 |
|---|---|---|
| Debit balance as of December 31 | 22,312 | 24,552 |
| Monetary restatement | 120 | 138 |
| (-) Payments made | (2,500) | (2,378) |
| (-) Transfer of debts from INSS to PAEX | (17,269) | - |
| Debit balance as of December 31 | 2,663 | 22,312 |
| Current liabilities | 564 | 2,971 |
| Long-term liabilities | 2,099 | 19,341 |

## 13. PAEX - Extraordinary Tax Debt Refinancing Program – Provisional Measure 303/06

On September 11, 2006, the Company joined the extraordinary tax-payment-in-installments scheme (PAEX), established by Executive Act No. 330, of June 29, 2006, whereby debts are paid in installments to the Federal Revenue Service (SRF), the National Treasury Attorney General (PGFN), and the National Institute of Social Security (INSS). The Company declared its debts to the INSS, including contributions to the Funrural, and the INSS debts that were being paid in installments under PAES, in the total amount of R$ 76,977. No installment payment was arranged with SRF.

The debt breakdown is as follows:

| | 2006 | 2005 |
|---|---|---|
| Debit balance as of September 11 | 76,977 | - |
| Monetary restatement | 34 | - |
| (-) Payments made | (2,567) | - |
| Debit balance as of December 31 | 74,444 | - |
| | | |
| Current liabilities | 7,500 | - |
| Long-term liabilities | 66,944 | - |

## 14. LOANS AND FINANCING

| Types and charges | 2006 | 2005 |
|---|---|---|
| **ACC** –Restated based on exchange variation (US dollar) plus interest between 7% - 18% p.a.., with principal maturing in January 2007 and collateralized by promissory notes | 6,413 | 68,266 |
| **Overdraft Account –** Indexed to the interbank deposit rate (CDI) plus interest at 0.7% p.m | - | 3,499 |
| **Working Capital** – Indexed to the CDI plus interest at 3.75% p.a., with principal maturing in October 2010 and collateralized by trade bills | 44,919 | 74,500 |
| **Working Capital – BNDES –** Indexed to the long-term interest rate (TJLP), plus interest at 3.50% p.a, maturing in July 2007 and collateralized by letter of guarantee issued by a bank | 6,521 | - |
| **Prepayment –** Interest at Libor rate, plus 4.50% p.a. Denominated in US dollars, with principal maturing in August 2011 and collateralized by trade bills and supply agreements | 89,919 | 106,485 |
| **Finame** – Indexed to the TJLP, plus interest at 0.64 p.m. and maturing in June 2007, collateralized by the financed asset | 39 | 109 |
| **Vehicle financing** – Restated at 1.6% p.m., and maturing in June 2008, collateralized by the financed asset | 691 | 1,181 |
| **Industrial complex financing** – Interest at Libor rate, plus 3.50% p.a. Denominated in US dollars, with principal maturing in December 2010 and collateralized by equipment | 11,249 | - |
| **Pre-approved credit limit** – Subject to interest rates of 1.75% p.m. | - | 8 |
| **Tangará Meat Packing Plant Financing** – restated based on cattle prices (per arroba, the equivalent to 11.3 kg), maturing in 2007 and collateralized by the property | 1,875 | 5,514 |
| **BNDES Exim Bradesco** - 4% p.a. plus TJLP, with principal maturing in March 2009 and collateralized by trade bills. | 26,214 | - |
| **BNDES Exim Bradesco** – 4 % p.a. plus exchange variation (US dollar), with principal maturing in March 2009 and collateralized by trade bills | 6,471 | |
| **BNDES Exim Safra** - 4% p.a. plus TJLP, with principal maturing in March 2009 and collateralized by trade bills | 17,247 | - |
| **BNDES Exim Safra –** 4% p.a. plus exchange variation (US dollar), with principal maturing in March 2009 and collateralized by trade bills | 4,314 | |
| **Marfrig Bonds** - Incurring interest at 9.625% p.a.. Denominated in US dollars, with principal maturing in November 2016 with no guarantees (1) | 791,463 | - |
| | 1,007,335 | 259,562 |
| | | |
| Current liabilities | 86,633 | 153,687 |
| Long-term liabilities | 920,702 | 105,875 |

(1) Considering that the notes issued by the Company (Marfrig Bonds) account for 78.6% of indebtedness, requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing outstanding at the balance sheet dates. Such requirements, regarding indebtedness, correspond to: Interest Coverage Rate (Ebtida/net financial result ratio) may not be lower than 1.5; Net debt/Ebitda ratio may not be higher than 4.0.

Loans and financing were classified according to the type and segregated into short and long-term according to the maturity of interest and principal.

The long-term portions of these loans mature as follows:

| | 2006 | 2005 |
|---|---|---|
| 2007 | | 53,347 |
| 2008 | 93,301 | 35,396 |
| 2009 | 30,797 | 13,098 |
| 2010 | 12,257 | 3,067 |
| 2011 | 872 | 967 |
| 2016 | 783,475 | - |
| | 920,702 | 105,875 |

## 15. DEFERRED TAXES

| Description | 2006 | 2005 |
|---|---|---|
| Income tax | 34,118 | 36,571 |
| Social contribution tax | 12,291 | 13,066 |
| | 46,409 | 49,637 |

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 and amortized, according to the useful life established in the revaluation report.

## 16. MEMBERS' EQUITY

Capital in the amount of R$ 140,000 (December 31, 2005, R$ 140,000) represented by 140,000 thousand units of interest (December 31, 2005, 140,000 thousand) of R$ 1.00 each.

## 17. INTEREST ON EQUITY CAPITAL

Article 9 of Law 9.249 of December 26, 1995, amended by article 88, XXVI, of Law 9.430/96 authorized the deductibility, for the purpose of income and social contribution taxes, of interest on equity capital paid to members, based on the variation of the long-term interest rate - TJLP, as follows:

| Description | In thousands of Brazilian reais |
|---|---|
| Members' equity as of December 31, 2005 | 175,618 |
| (x) Accumulated TJLP of the year 2006 | 8.2% |
| Limit according to the law | 14,400 |
| Interest on equity capital | 14,340 |
| (-) Withholding Income Tax - IRRF | (2,151) |
| Interest on equity capital, net | 12,189 |

Interest on equity capital was recorded under the caption "Other operating revenues (expenses), net."

In 2005 R$ 4,951 was distributed as interest on equity capital, which represents R$ 4,209, net of income taxes.

## 18. 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 claims. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

| **Insured assets** | **2006** | **2005** |
|---|---|---|
| Meat packing plants and facilities | 359,590 | 152,000 |
| Vehicles | 6,089 | 7,002 |
| Inventories and business interruption | 99,629 | |
| Third-party warehouses | 73,465 | |
| Total | 538,773 | 159,002 |

## 19. FINANCIAL INSTRUMENTS – DERIVATIVES

The Company enters into derivative contracts for protection against foreign currency variations, due to exports and debts in US dollars.

Swap contracts, which are duly recorded, mature as follows:

| **Maturities** | **2006** | **2005** |
|---|---|---|
| Up to 90 days | | |
| From 91 to 180 days | 38,584 | |
| From 181 to 360 days | 38,584 | |
| Over 360 days | 323,707 | |
| Total | 400,875 | |

The criteria and assumptions adopted for recording the amounts mentioned above are based on the US dollar rate agreed by contract R$2.1535. Considering the US dollar rate of R$2.1380 at the balance sheet date, the market value of swap contracts is R$ 397,990.

Confident of policies and practices underlying its operations with derivatives, the Management finds the occurrence of non-measurable risks rather improbable.

## 20. INCOME AND SOCIAL CONTRIBUTION TAXES

Income tax is calculated at current rates and social contribution at 9%, as legally stipulated.

Income tax and social contribution returns are open to assessment by the taxing authorities for varied periods, as from the respective payment or filing date.

Reconciliation of income tax and social contribution account records to the Taxable Income Computation Book is as follows:

| **Tax** | **Group** | **Amount** |
|---|---|---|
| Income before taxes | | 63,836 |
| Additions | | 34,155 |
| (-) Deductions | | (16,676) |
| Income tax and social contribution calculation base | | 81,315 |
| Income tax (15%) | | 12,197 |
| Surtax (10%) | | 8,108 |
| (-)Workers' meal program (PAT) | | (488) |
| Total income tax | | 19,817 |
| Social contribution (9%) | | 7,318 |
| Statement – Result | | |
| (-) Income tax – Current | Current liabilities | (19,817) |
| Deferred income tax – Revaluation (1) | Noncurrent liabilities | 2,391 |
| Deferred income tax – Other (2)) | Noncurrent assets | 5,596 |
| Net | Income | 11,830 |
| (-) Social contribution – current | Current liabilities | (7,318) |
| Deferred social contribution – Revaluation (1) | Noncurrent liabilities | 860 |
| Deferred social contribution – Other (2) | Noncurrent assets | 2,015 |
| Net | Income | 4,443 |

(1) Refer to the reversal of deferred income and social contribution stated in note 15, considering the addition of depreciation of revalued assets to taxable income and the social contribution calculation base.
(2) Refer to deferred income and social contribution, calculated on taxes whose payment has been suspended (provisions), which were added to the computation of taxable income and the social contribution calculation base, stated in note 8

## 21. SUBSEQUENT EVENTS

- On January 2, 2007, the purchase of the remaining shares of Frigorífico Tacuarembó S.A. was carried out, representing 37.6% (thirty seven point six percent) of the capital of the said company. Because of that acquisition, Marfrig Frigoríficos e Comércio de Alimentos Ltda. became the owner of 91.52% (ninety one point fifty two percent) of the shares of that company.

- On January 18 and 29, 2007, the Company purchased the remaining shares of Inaler S.A., representing 42% (forty two percent) of the capital of this company. Because of that acquisition, Marfrig Frigoríficos e Comércio de Alimentos Ltda. became the owner of 100% of the shares of that company.

- On January 23, 2007, the Company purchased the company Frigoclass Alimentos S.A., located in the city of Promissão - SP. On account of that acquisition, Marfrig Frigoríficos e Comércio de Alimentos Ltda. now holds 100% of the capital of the company.

- On March 26, 2007, Marfrig Frigoríficos e Comércio de Alimentos Ltda became a stock corporation and its name was changed to Marfrig Frigoríficos e Comércio de Alimentos S.A.. On March 30, 2007, a request for an initial public offering was filed with the Brazilian Securities and Exchange Commission (CVM) whereby the company will be a public company. Shareholders and capital stock have remained the same, and the latter was divided into 140,000,000 (one hundred and forty million) registered common shares, without par value.

- The by-laws Marfrig Frigoríficos e Comércio de Alimentos S.A. establish authorize dcapital of up to 80,000,000 (eighty million) common shares, upon decision by the Board of Directors, who will establish the issue terms. A new issue may be made without preference right or with a reduction in the term addressed by paragraph 4, article 171 of Law No. 6.404/76, at the criterion of the Board of Directors.

- On April 1, 2007, Marfrig Frigoríficos e Comércio de Alimentos S.A. took over the activities of Pampeano Alimentos S.A., a company located in Hulha Negra/RS, engaged in meat processing activities.

- On April 11, 2007 13$^{th}$ São Paulo Federal Court passed a sentence regarding the lawsuit filed by Marfrig Frigoríficos e Comércio de Alimentos S.A. against Brazilian Federal Union and the National Institute of Social Security - INSS, aiming to cancel certain Statutory Notices of Deficiency (NFLD), as well as other debts not classified as enforceable debts. The right to the IPI premium credit and to the PIS and COFINS credits was recognized and the resulting offset was authorized.

That sentence pronounces "groundful the request to **a)** disregard the provisions of article 74, paragraph 12, item II, "b" of Law No. 9,430/96, in its current wording, therefore recognizing the IPI premium credit in favor of the plaintiff and declaring the offset presented by the plaintiff at the administrative level; **b)** authorize the offset of the federal tax credits claimed by the Company against past due and falling due debts managed by the Federal Revenue Service, as well as debts with respect to past due and falling due social security contributions; c) to cancel the tax credit stated on the NFLD No. 35.402.080-3, No. 35.401.793-4, No. 35.401.904-0, No. 35.201.202-1 and No. 35.402.325-0, as well as the debts listed on pages 27/28 and **d)** as a result, to provide for the issue of tax debt clearance certificate in favor of the plaintiff, if the only debts barring the issue of the certificate are the ones discussed herein".

## 22. PRO FORMA AND CONSOLIDATED FINANCIAL STATEMENTS

In view of the acquisition of the companies Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A. and Inaler S.A. and the setup of the companies Weston Importers Ltd. and Marfrig Chile Inversiones Ltd., the latter the controlling company of Quinto Cuarto S.A., the financial statements for the year ended December 31, 2006 are not comparable to the financial statements for the year ended December 31, 2005. Those acquisitions and setups, if carried out on December 31, 2005, would have material effects on the financial statements of Marfrig Frigoríficos e Comércio de Alimentos Ltda. Therefore, we are presenting pro forma financial statements, as if the acquisitions and setups of all companies had occurred in the year 2005, taking as basis the individual financial statements of Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A., Inaler S.A. and Quinto Cuarto S.A. (company controlled by Marfrig Chile Inversiones Ltda.), duly audited by other independent auditors. That information is only presented to allow additional analyses and comparability of the financial statements of Marfrig Frigoríficos e Comércio de Alimentos Ltda., are not intended to represent what might have happened in case those companies had really been acquired and set up by Marfrig Frigoríficos e Comércio de Alimentos S.A. on January 1, 2006. Also, those financial statements are neither intended to represent the statements of one individual company, nor necessarily indicate future results.

The consolidated financial statements for the year ended December 31, 2006, were prepared in accordance with CVM Instruction 247/96 and, in order to do so, all intercompany transactions and balances, including intercompany investments between the parent companies and subsidiaries and affiliates, assets and liabilities, revenues and expenses among consolidated companies and unrealized income are eliminated in consolidation. The consolidated statement of income for the period between the date the controlled and affiliated companies were acquired and the date they were set up through December 31, 2006

* * *

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

# MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.

# FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

BDO Trevisan

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

**INDEPENDENT AUDITORS' REPORT**

To the management and quotaholders of
Marfrig Frigoríficos e Comércio de Alimentos Ltda.

1. We have audited the accompanying balance sheets of Marfrig Frigoríficos e Comércio de Alimentos Ltda., as of December 31, 2005 and 2004, and the related statements of income, of changes in quotaholders' equity and changes in financial position for the years then ended, prepared under the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements.

2. Except for the issue commented in paragraph 3, our work was conducted in accordance with the audit standards in Brazil and comprised: a) planning the work, taking into consideration the materiality of balances, volume of transactions, and the accounting and internal control system of the company; b) checking, on a test basis, 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. The company valuates its inventories of finished products, amounting to R$ 79,750 thousand (R$ 21,138 thousand as of December 31, 2004), applying criteria regulated by the Brazilian tax law in conformity with the bases described in note 2.3 to the financial statements. Due to the lack of adequate controls for calculation of costs in compliance with the Brazilian Corporate Law, it was not possible to determine the accounting and tax effects of such criteria in relation to actual costs.

4. In our opinion, except for the effects of the issue commented in paragraph 3, the financial statements referred to in paragraph 1, present fairly in all material respects, the equity and financial position of Marfrig Frigoríficos e Comércio de Alimentos Ltda. as of December 31, 2005 and 2004, and the result of its operations, the changes in quotaholders' equity and changes in financial position for the fiscal years then ended, in accordance with the Brazilian accounting practices.

BDO Trevisan

**INDEPENDENT AUDITORS' REPORT**

To the management and quotaholders of
Marfrig Frigoríficos e Comércio de Alimentos Ltda.

5. The company offset along the year federal taxes payable in the amount of R$ 8,886 thousand (R$ 12,246 thousand as of December 31, 2004) with IPI Credit. The amount of R$ 825 thousand (R$ 9,722 thousand as of December 31, 2004) still remains to be offset, as seen in note 5. The company makes use of funds from IPI tax credits as provided in Regulatory Instruction 210/02 and supplementary regulations issued by the Brazilian Federal Revenue and Customs Administration.

6 The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Ribeirão Preto, February 3, 2006.

Estefan George Haddad
Partner-Accountant
CRC/DF 1DF 008.320/O-5-"S"SP
BDO Trevisan Auditores Independentes
CRC/SP 2SP013.439/O-5

**EXHIBIT 1**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**BALANCE SHEET AS OF DECEMBER 31**

**(In thousands of Brazilian Reais)**

| | 2005 | 2004 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 38.565 | 7.265 |
| Amounts receivable from national clients | 115.104 | 100.046 |
| Amounts receivable from international clients | 64.846 | 20.072 |
| Inventories of products and goods | 90.816 | 30.088 |
| Taxes recoverable | 97.849 | 73.958 |
| Expenses of the following fiscal year | 140 | 305 |
| Other amounts receivable | 245 | 6.678 |
| | 407.565 | 238.412 |
| NONCURRENT ASSETS | | |
| Short-term investments | 118 | 491 |
| Compulsory deposits | 201 | 17 |
| Other amounts receivable | 1.750 | 1.604 |
| | 2.069 | 2.112 |
| PERMANENT ASSETS | | |
| Property, plant and equipment | 262.445 | 98.771 |
| | 262.445 | 98.771 |
| | 672.079 | 339.295 |

## EXHIBIT 1 (Page 2)

## MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.

## BALANCE SHEET AS OF DECEMBER 31

## (In thousands of Brazilian Reais)

| | 2005 | 2004 |
|---|---|---|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Suppliers | 111.958 | 89.180 |
| Personnel, social charges and benefits | 46.348 | 26.501 |
| Taxes, fees and contributions | 4.250 | 3.559 |
| Loans and financing | 153.687 | 121.224 |
| Other obligations | 360 | 1.899 |
| | 316.603 | 242.363 |
| LONG-TERM LIABILITIES | | |
| Loans and financing | 105.875 | 6.607 |
| Suppliers | 5.005 | |
| Taxes, fees and contributions | 19.341 | 21.872 |
| Deferred taxes | 49.637 | 6.743 |
| | 179.858 | 35.222 |
| QUOTAHOLDERS' EQUITY | | |
| Capital | 140.000 | 20.836 |
| Revaluation reserve | | 13.159 |
| Retained earnings | 35.618 | 27.715 |
| | 175.618 | 61.710 |
| | 672.079 | 339.295 |

The accompanying notes are an integral part of the financial statements.

**EXHIBIT 2**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31**

**(In thousands of Brazilian Reais)**

| | **2005** | **2004** |
|---|---|---|
| GROSS OPERATING REVENUE | | |
| National market | 777.872 | 835.292 |
| International market | 704.706 | 527.043 |
| | 1.482.578 | 1.362.335 |
| DEDUCTIONS FROM GROSS OPERATING REVENUE | | |
| Taxes on sales | (60.545) | (19.321) |
| Products returned and discounts given | (62.222) | (36.474) |
| NET OPERATING REVENUE | 1.359.811 | 1.306.540 |
| Cost of products sold | (1.130.813) | (1.130.457) |
| GROSS INCOME | 228.998 | 176.083 |
| OPERATING REVENUE (EXPENSES) | | |
| Selling expenses | (84.907) | (65.503) |
| Administrative and general expenses | (30.947) | (46.279) |
| Interest on own capital | (4.951) | (2.199) |
| | (120.805) | (113.981) |
| OPERATING RESULT BEFORE INFLATION AND FINANCIAL EFFECTS | 108.193 | 62.102 |
| FINANCIAL EARNINGS (EXPENSES) | | |
| Financial earnings | 4.002 | 4.054 |
| Financial expenses | (53.245) | (31.916) |
| Active exchange rate variation | 47.794 | 6.274 |
| Passive exchange rate variation | (57.571) | (9.540) |
| | (59.020) | (31.128) |
| OPERATING INCOME | 49.173 | 30.974 |
| Non-operating result | (76) | 399 |
| INCOME BEFORE TAX EFFECTS | 49.097 | 31.373 |
| Income tax | (14.890) | (8.818) |
| Social contribution | (5.506) | 223 |
| | (20.396) | (8.595) |
| INCOME BEFORE REVERSAL OF INTEREST ON OWN CAPITAL | 28.701 | 22.778 |
| Reversal of interest on own capital | 4.951 | 2.199 |
| NET INCOME FOR THE PERIOD | 33.652 | 24.977 |
| NET INCOME FOR THE PERIOD PER THOUSAND OF QUOTAS – in R$ | 0,24 | 1,20 |

The accompanying notes are an integral part of the financial statements.

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

**EXHIBIT 3**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**STATEMENT OF CHANGES IN QUOTAHOLDERS' EQUITY**

**(In thousands of Brazilian Reais)**

| | Capital | Revaluation Reserve | Retained Earnings | Total |
|---|---|---|---|---|
| BALANCES AS OF JANUARY 1, 2004 | 200 | 14.791 | 23.105 | 38.096 |
| Capital increase | 19.800 | | (19.800) | |
| Capital addition | 836 | | | 836 |
| Realization of revaluation reserve, net of taxes | | (1.632) | 1.632 | |
| Net income for the period | | | 24.977 | 24.977 |
| Interest on own capital | | | (2.199) | (2.199) |
| BALANCES AS OF DECEMBER 31, 2004 | 20.836 | 13.159 | 27.715 | 61.710 |
| Realization of revaluation reserve, net of taxes | | (1.041) | 413 | (628) |
| Constitution of a Revaluation Reserve | | 130.017 | | 130.017 |
| Taxes on revaluation reserve | | (44.182) | | (44.182) |
| Capital Increase: | | | | |
| * With revaluation reserve | 97.953 | (97.953) | | |
| * With retained earnings | 21.211 | | (21.211) | |
| Net income for the period | | | 33.652 | 33.652 |
| Interest on own capital | | | (4.951) | (4.951) |
| BALANCES AS OF DECEMBER 31, 2005 | 140.000 | | 35.618 | 175.618 |

The accompanying notes are an integral part of the financial statements.

**EXHIBIT 4**

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**
**FOR THE YEARS ENDED DECEMBER 31**

**(In thousands of Brazilian Reais)**

| | **2005** | **2004** |
|---|---|---|
| SOURCE OF FUNDS | | |
| From operations: | | |
| Net income for the period | 33.652 | 24.977 |
| Items not affecting working capital: | | |
| . Depreciation and amortization | 8.034 | 4.871 |
| . Monetary restatements and charges on long-term liabilities | 1.433 | 584 |
| . Deferred federal taxes | (1.289) | -841 |
| Funds from operations | 41.830 | 29.591 |
| From third parties: | | |
| Increase in long-term liabilities | 154.969 | 307 |
| Reduction in noncurrent assets | 511 | |
| Capital addition | | 836 |
| TOTAL SOURCE OF FUNDS | 197.310 | 30.734 |
| APPLICATION OF FUNDS | | |
| In noncurrent assets | 468 | 1.886 |
| In property, plant and equipment | 85.873 | 32.052 |
| Decrease in long-term liabilities | 4.928 | 8.410 |
| Decrease in quotaholders' equity | 628 | |
| Transfers from noncurrent to current assets | 5.549 | 5.133 |
| Interest on own capital | 4.951 | 2.199 |
| TOTAL APPLICATION OF FUNDS | 102.397 | 49.680 |
| INCREASE (DECREASE) IN NET WORKING CAPITAL | 94.913 | (18.946) |

**EXHIBIT 4 (Page 2)**

**MARFRIG FRIGORÌFICOS E COMÈRCIO DE ALIMENTOS LTDA.**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**
**FOR THE YEARS ENDED DECEMBER 31**

**(In thousands of Brazilian Reais)**

STATEMENT OF CHANGES IN NET WORKING CAPITAL

| | **2004** | **2003** |
|---|---|---|
| Current assets | | |
| At the beginning of the year | 238.412 | 249.552 |
| At the end of the year | 407.565 | 238.412 |
| | 169.153 | (11.140) |
| Current liabilities | | |
| At the beginning of the year | 242.363 | 234.557 |
| At the end of the year | 316.603 | 242.363 |
| | 74.240 | 7.806 |
| INCREASE (DECREASE) IN NET WORKING CAPITAL | 94.913 | (18.946) |

The accompanying notes are an integral part of the financial statements.

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

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS LTDA.**

**NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005 AND 2004**

**(In thousands of Brazilian Reais)**

## 1 OPERATIONS

Marfrig Frigoríficos e Comércio de Alimentos Ltda. is a company incorporated with 100% Brazilian capital. Its business purpose comprises meat packing related activities, such as cattle, pig, sheep, poultry and horse slaughtering, industrialization and sale of products and byproducts of animal origin, comestible or not, at its own facilities or at the ones of third parties, including the import and export of products and byproducts of animal origin and the purchase and sale of live cattle, horse and pig. It also holds interests in other companies and supplies labor to other entities.

Also operating as a beef distributor, in the course of time the company specialized in noble kinds of meat, as well as special cuts of pork, sheep, poultry and fish, besides processed meat and vegetables. Its clients in internal market comprise large wholesale networks and the largest and best barbecue restaurants, to whom various products are offered, which require the convenience of purchasing from a sole supplier.

### 1.1 Corporate Management

Corporate management is performed by partners, directors and technicians of various areas, so that there is decentralization of assignments and responsibilities, speeding up the decision-making process and development of the business. The MARFRIG's structure is composed of an Administrative Board, a Financial Board, Raw Material Origin Board (cattle), Industrial Board, Sales/Retail Board, Quality/Research and Development Board. Management is divided into, among others: Controlling, Information Technology, Administrative, Legal, Human Resources and Industrial Maintenance.

Such management is supported by internal control procedures, which are evaluated and confirmed by independent auditors, through quarterly reviews of financial statements.

The whole process is managed by an integrated system, standardizing procedures and integrating information among all units of the company.

MARFRIG has 6.074 employees who receive training, education incentives, health insurance, food and transportation.

In the last quarter of 2004, a strategic work was carried out, where certain operation adjustments to the production activities were made. We point out the following adjustments:

- Segregation of production per products: meat-packing; retail and trading (imported goods);

- Increase in production of industrialized and value added products;

- Reduction in the amount of overtime together with an increase in productivity (time versus methods);

- Adjustment of the mix in slaughtering, in order to obtain equality in the ratio Internal Market x International Market.

Those adjustments were made along the 1st semester of 2005, and their effects are already seen this year.

Along the 1st semester of 2005, financial, industrial, commercial and quality control boards were organized with the purpose of analyzing results and enabling the decision-making process.

With the adjustments to the industrial activity, aiming to increase productivity and reduce costs, the following targets were achieved in 2005:

- Extension of the time to pay bank debts;

- Reduction in the cost of fund raising;

- Increased administrative effectiveness;

- Consolidation in the position as the 3rd largest exporter in Brazil in its segment;

- Reduction in the number of banks the company has operations with;

Those targets aim to increase cash generation along the 1st semester of 2006, as already observed in 2005, through long-term fund raising, as demonstrated in note 9.

## 1.2 Operating Management

### Product Lines

The slaughtering of cattle and preparation of meat in special and portioned cuts (steaks, t-bones, meat in cubes; in stripes, ground meat, carpaccio, etc.), are destined to supply large fast food networks (Braslo – Mac Donalds, Habib's, Pizza Hut, among others), industrial kitchens (Sodexho, GR, etc.), barbecue restaurants (Porcão, Novilho de Prata, Fogo de Chão, Barbacoa, Jardineira etc.), hotels, supermarkets (Pão de Açúcar, Carrefour, Makro etc.), besides providing raw material for the production of known products, such as: Bassi, Wessel, Mortadelas Marba, Ceratti, Sadia, Seara.

Until 2004, MARFRIG concentrated its efforts in expanding the number of clients, establishing strong trademarks and adding more value and quality to products. Such targets were achieved in that year and improved in 2005. The acceptance of MARFRIG products can be seen in the number of sales orders, in average 30% over the company's normal production.

Along 2004 and 2005, investments were made for implantation of a segment of frozen cooked beef, cuts and hamburger, among others, within the strategy of intensifying the industrialization of products with higher added value. The target is new segments in the internal market, as well as new markets abroad, such as USA, Japan, Korea and Mexico, among others, which are large importers of this kind of meat. During the first nine months of 2005, 6,640 tons of frozen cooked beef were produced, destined exclusively to the international market.

The company's own production is sold in the internal and international markets with trademarks such as **MARFRIG, PALATARE, MONTANA PREMIUM BEEF** and **GJ.** The last one is a trademark of strong presence in the international market, consolidated along 15 years of sales.

The company's production can be exported to all countries to which Brazil is enabled to, such as: Switzerland, Chile, European Common Market, Iran, South Africa, Paraguay, Argentina, Uruguay, USA, Middle East, Russia and countries of the exporting general list.

### Production and Technology

MARFRIG has a new concept in meat-packing. Currently, it is composed of four plants located in: Bataguassú – MS; Paranatinga – MT; Promissão – SP; Tangará da Serra – MT and a distribution center in Santo André – SP. Working at full capacity, the company slaughters 4,000 heads/day, with operation and storage capacity for 8 thousand tons of food-related products. Cattle are 100% from third parties.

As a result of the expansion in the units Bataguassú – MS and Tangará da Serra – MT, the slaughtering capacity will be 5,500 heads/day, increasing operation and storage capacity to 9 thousand tons.

The industrial facilities are composed of state-of-the-art equipment, such as: vacuum extraction systems, continuous freezing tunnel, mechanized production system, and hamburger and cooked beef machinery, among others.

The table below demonstrates the plants of MARFRIG and the activities performed.

| City | State | Slaugh tering | Boning | Frozen Cooked / portioned cuts | Portioned cuts – Internat. M | Portioned cuts – Internal M | Special cuts | Distributi on | Import | Export |
|---|---|---|---|---|---|---|---|---|---|---|
| Bataguassu | MS | ● | ● | | | | ● | | | ● |
| Paranatinga | MT | ● | ● | | | | ● | | | ● |
| Promissão | SP | ● | ● | ● | ● | ● | ● | | | ● |
| Tangará da Serra | MT | ● | ● | | ● | | ● | | | ● |
| Santo André | SP | | | | | | | ● | ● | |

In December 2005 a supply contract was entered into with Frigorífico Três C – RS, which expanded the slaughtering capacity of MARFRIG by 400 heads/day, and extended the sales coverage in the internal market, increasing it in the South Region.

The company purchases cattle from cattle farmers who have tracking systems, what assures the quality of slaughtered animals, brought directly from the pasture and without intermediaries, and allows total control over their origin. Modern technology is used in the processing of the meat, enabling the company to satisfy the most demanding markets in the world. All slaughtering, boning, packaging, transportation and distribution processes are strictly monitored through modern auditing systems, within international business administration standards.

Carcasses are inspected by the Federal Inspection Service – SIF of the Brazilian Agriculture Ministry, the department in charge for the release of meat for consumption. Besides, meat-packing plants count on laboratories that are responsible for the macrobiotic monitoring of meat and of the environment.

In processes involving the meat produced under the trademark MARFRIG, all cattle are supervised and inspected by independent certification companies, which audit the production process and guarantee its quality, such as: HACCP (Hazar Analysis & Critical Control Point), SISBOV (Sistema Brasileira de Identificação e Certificação de Origem de Bovinos e Bufalinos), SGS (Societe Generale de Surveillance). Corresponding quality control certificates are issued.

MARFRIG's production is in conformity with environmental protection rules, and the company has water and sewage treatment stations, which are inspected by authorities in charge.

**Purchase Management**

MARFRIG has, together with cattle suppliers, a quality program destined to the production of special kinds of meat. Prizes are paid to farmers of early fattening animals with the best genetic quality, raised in adequate environments and with abundant and good quality pasture, handled in a calm, stress-free way, within distances not further than 300 km from the meat-packing facilities, destined to special lines of products.

The main suppliers are: Klabin S.A, Plastic Tac Ltda., (Industry of plastic packaging material); Citroplast Indústria e Comércio de Papéis Plásticos Ltda., (Printing of labels) and Cryovac Brasil Ltda., (Industry of packaging material). Among international suppliers we have: Mac Cain - Argentina S/A, Frigorífico San Jacinto – Nirea S/A – Uruguay, Frigorífico Las Piedras S/A – Argentina and others.

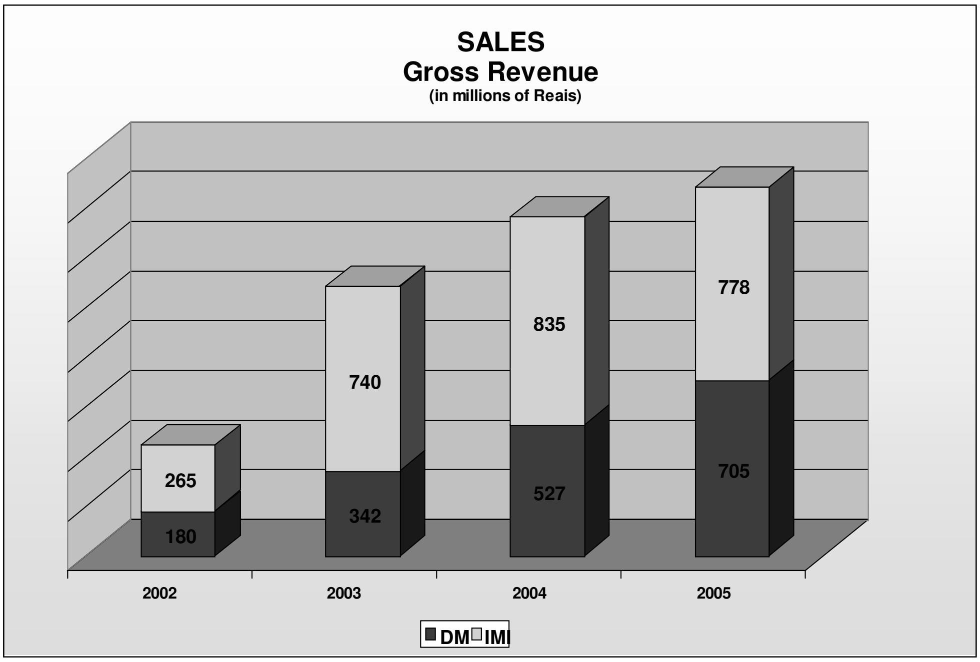
The company has exclusiveness in the import of products from the best meat-packing facilities abroad, in order to obtain high quality products and meet the requirements of its clients in the internal market, such as lamb, that comes from Chile and Uruguay. Special cuts of meat are imported from Uruguay and Argentina. Frozen pre-fried potatoes are imported from Canada and Argentina. The average monthly import amounts to approximately US$ 3.5 million.

### 1.3 Sales Policies – Client and sales management

The table below shows the evolution of the MARFRIG's annual revenue (meat-packing, trading and retail), which presented an increase of 8.83% in relation to the same period of 2004, even with the closing of the unit in Ribas do Rio Pardo/MS, occurred in December 2004, with the purpose of allying productivity to profitability:

| Revenue | 2004 | 2005 | Change % |
|---|---|---|---|
| Internal market | 835.292 | 777.872 | (6,87%) |
| International market | 527.043 | 704.706 | 33.71% |
| **Total** | **1.362.335** | **1.482.578** | **8,83%** |
| Average dollar | 2,9259 | 2,4352 | (16,77%) |

The evolution of gross revenue presented the following figures:




Revenue was considered totally satisfactory. It is in accordance with the targets established to the current year, even taking into consideration the dollar devaluation.

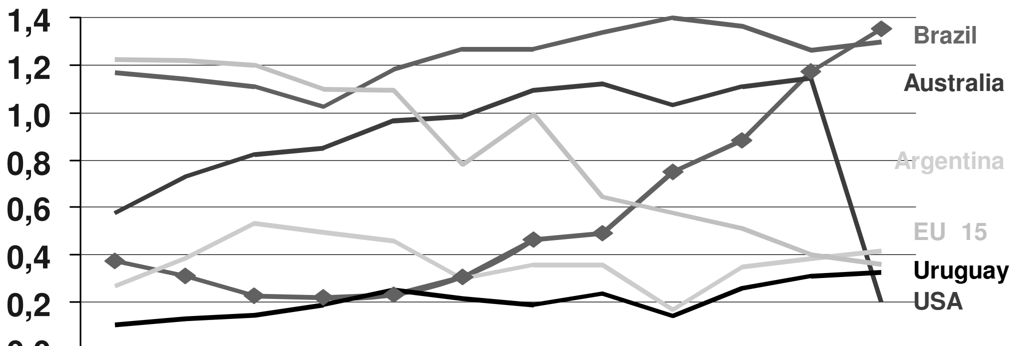
The revenue projection for 2006, even in the presence of a new meat market scenario, caused by the outbreak of Foot and Mouth Disease (FMD) in Mato Grosso do Sul, is R$2,350,000, in view of a strategy adopted to overcome restrictions in international market, among which we highlight the following:

10 Reallocation of volumes produced (Bataguassu/MS and Promissão/SP) to other approved plants;
11 Readjustment of production mix at each unit;
12 Production increase in Tangará da Serra/MT and Paranatinga/MT;
13 Transfer of portioned cuts - IM from Promissão/SP to Tangará da Serra/MT;
14 Increase of 20% in contracts with Braslo, Jach Links and Sadia; the internal market is being supplied by Bataguassu/MS and Promissão/SP;
15 Increase in production of frozen cooked beef in Promissão/SP;
16 Increase in production of cuts with the trademark Montana Grill;
17 Increase in production with the Trademarks Bassi, Wessel and Nelore Natural.

We point out that, in 1999, it was observed an outbreak of FMD in Mato Grosso do Sul. However, there was no decrease in Brazilian exports. On the contrary, there was an increase of 6% as demonstrated in the table below.

In 2001, there was FMD in Argentina and Uruguay, with a decrease in exports of 53% and 39%, respectively. We observe that, since there is no regionalization in those countries, both countries had their exports objected to all nations, except for the Middle East and Hong Kong, allowing them to continue their exports as follows:

**Exports (Millions of Tons)**




| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Brazil | 376 | 312 | 228 | 224 | 232 | 306 | 464 | 492 | 748 | 881 | 1175 | 1350 |
| Australia | 1169 | 1140 | 1109 | 1026 | 1184 | 1268 | 1270 | 1338 | 1398 | 1365 | 1261 | 1300 |
| United States | 578 | 731 | 826 | 851 | 969 | 985 | 1094 | 1119 | 1029 | 1110 | 1144 | 200 |
| Argentina | 268 | 384 | 535 | 496 | 458 | 303 | 359 | 357 | 169 | 348 | 384 | 420 |
| EU15 | 1228 | 1220 | 1199 | 1101 | 1092 | 780 | 994 | 644 | 575 | 512 | 400 | 360 |
| Uruguay | 105 | 131 | 149 | 192 | 251 | 218 | 189 | 236 | 145 | 259 | 314 | 330 |

Source: USDA Estimates .

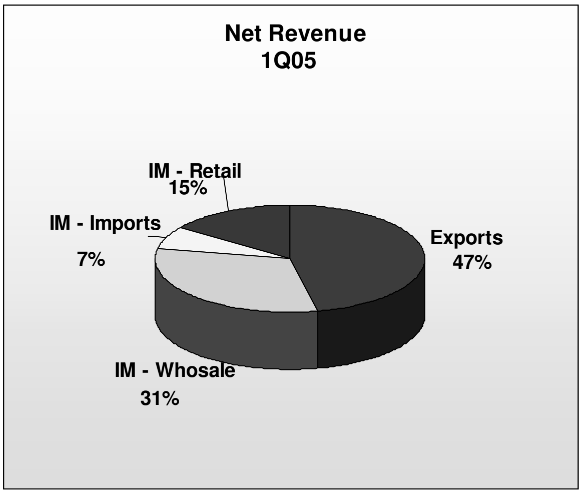
Nota: Números de 2004 foram estimados

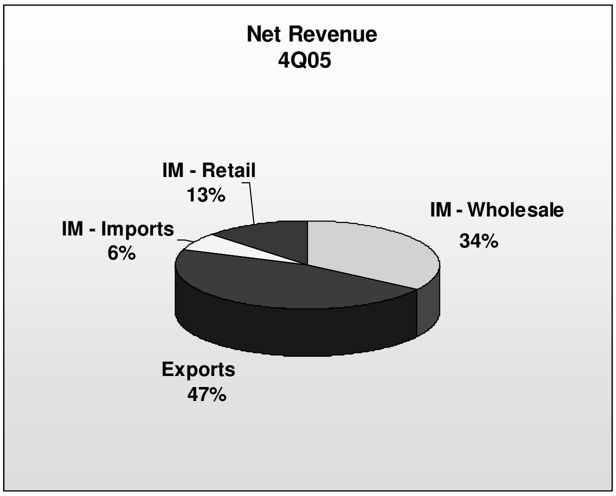
The company presented a monthly export volume of US$ 21 million in 2005, serving countries of Mercosul, Chile, Europe, Middle East and Asia. The company takes part in the so-called “Cota Hilton”.

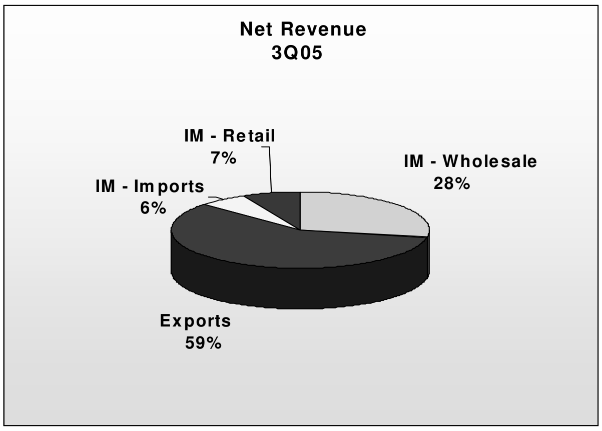
MARFRIG operates, without intermediaries, throughout the process from pasture to restaurants, barbecue restaurants and product distributors, focused on quality and meeting the needs of its clients.

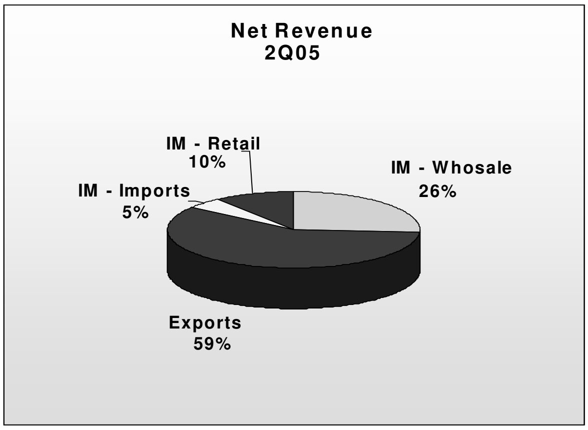
Its credit rating system for evaluation of clients is based on recording and analysis of balance sheets. Granted limits increase in accordance with the loyalty and timely payments of the client. The default level is low, since sales are made to large companies that do not present payment problems.

The table below shows the composition of net revenue of MARFRIG in 2005. Sales in the internal market – Retail and Imports are directed to a group of more than four thousand active clients, specially restaurants and barbecue places. In regard to wholesale, it is basically destined to large clients, such as: Pão-de-Açúcar, Carrefour, and Makro, among others.





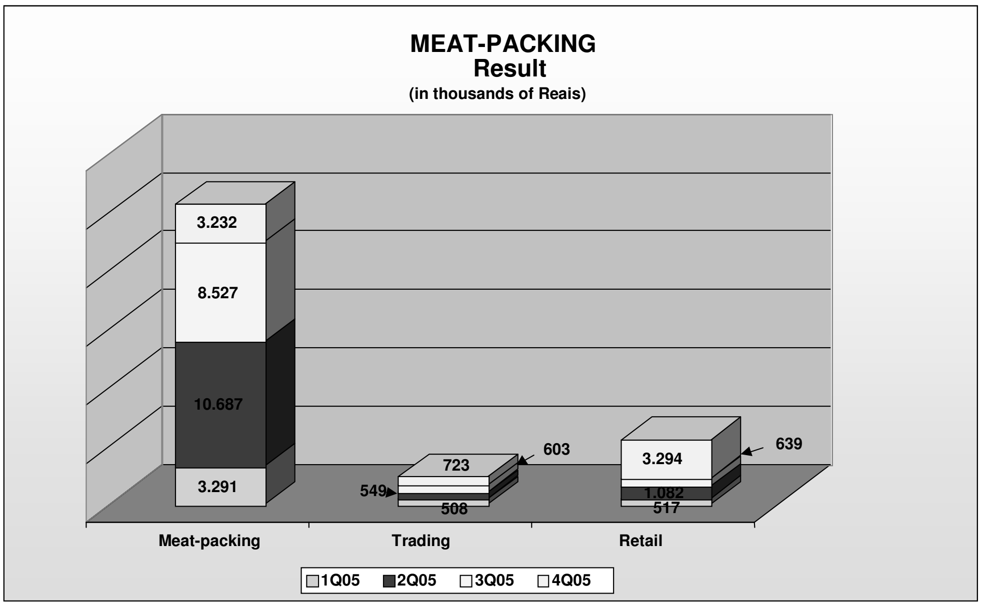




After the consolidation of an integrated system in 2004, the focus in 2005 was the structuring of internal controls and segregation of activities in business areas, as well as consolidation of a professional management, and, mainly, effectiveness in the generation of cash.

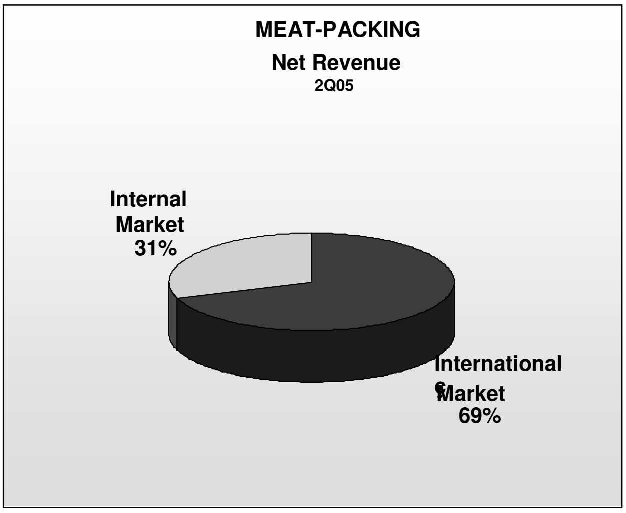
The business was individualized in management areas as follows:

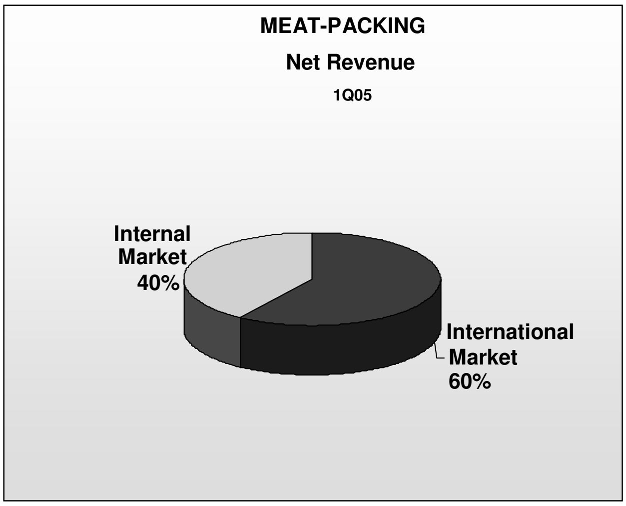
a – Meat-packing (Slaughtering and Boning, Portioned Cuts and Processed Meat)
b – Trading (Imported Items)
c – Retail (Distribution)

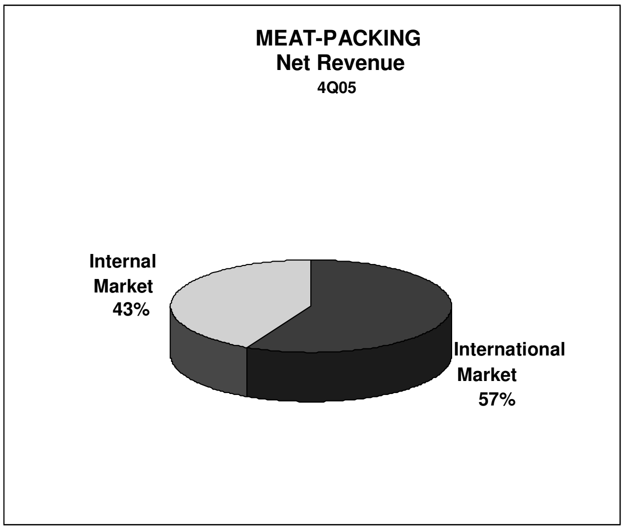
Those business areas presented the following result in 2005:

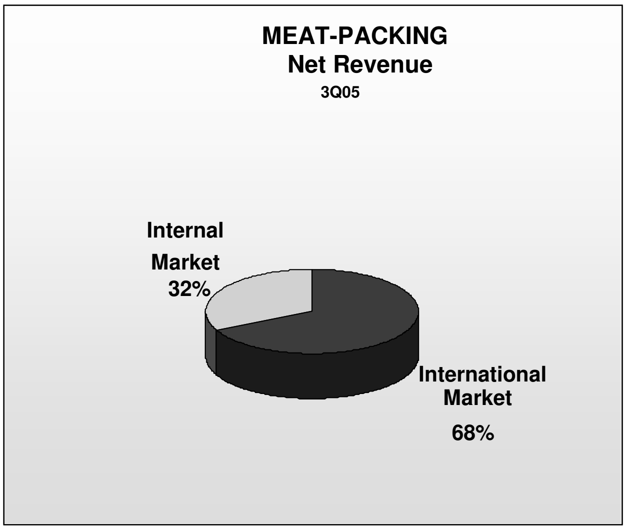


**a – Meat-packing.** Its product mix: Slaughtering and Boning (Meat Cuts), Portioned Cuts and the line of frozen cooked beef, which are destined to the internal and international markets, are demonstrated below:



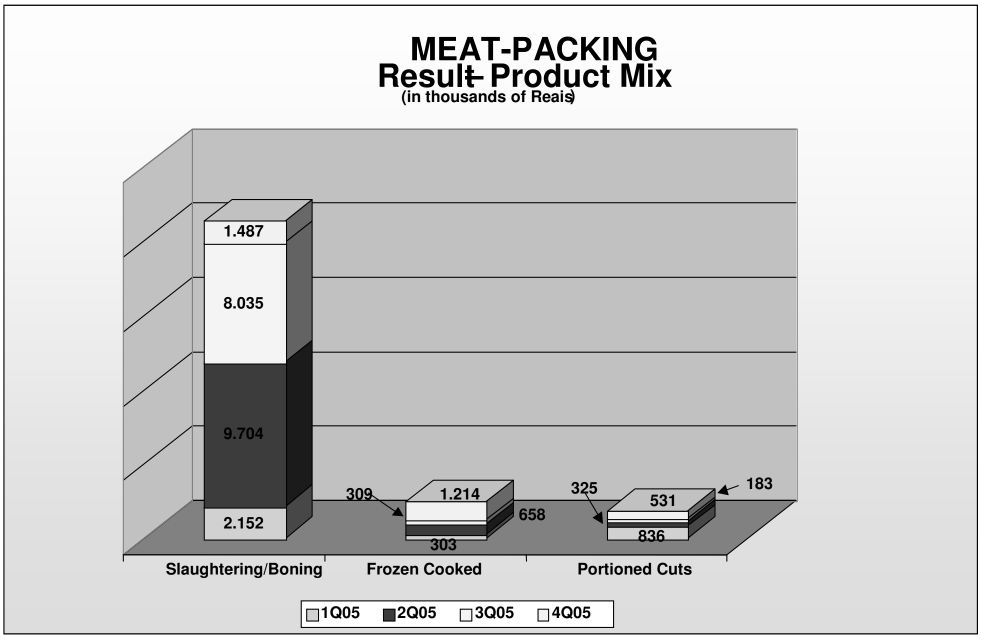




Slaughtering and boning consists of traditional meat cuts, which are destined to the internal and international markets. We highlight the lines Montana and Nelore that represent products of extremely high quality.

In the line of portioned cuts, we have semi-industrialized products, such as: carpaccio, steak (filet mignon) and ground beef, among others. Such products are distinguished for presenting more added value.

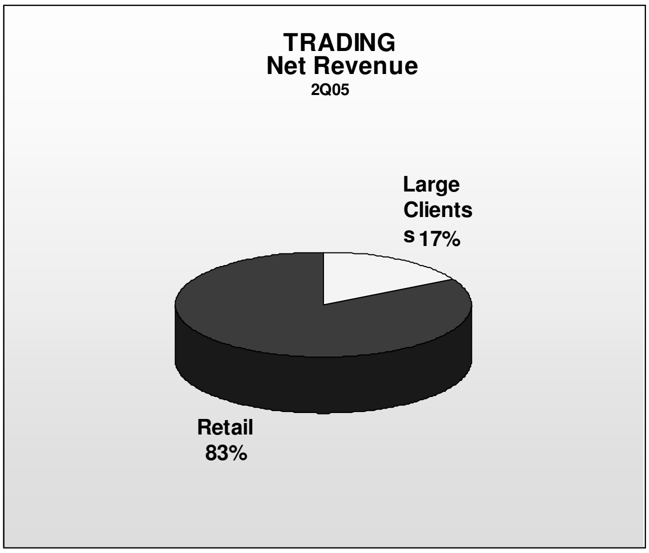
In the segment of industrialized products, MARFRIG produces frozen cooked beef, destined exclusively to the international market. This product demands high technical quality and hygiene standards and excellence in the industrialization process. The line Cooked Frozen started in July 2004, and its production was intensified as from 2005.

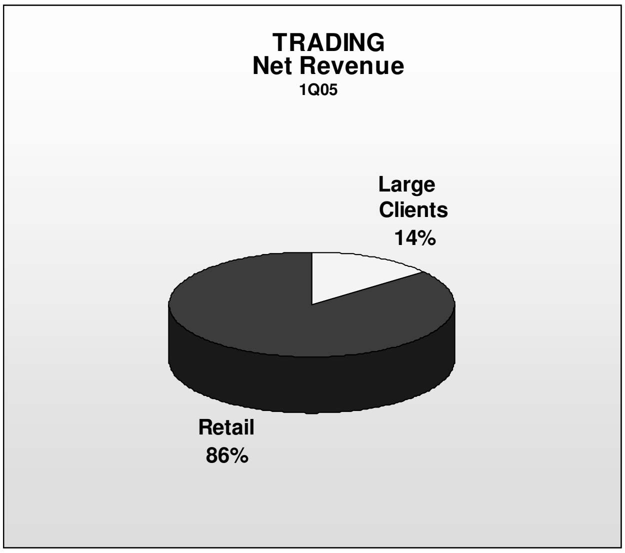
In the period from January to December 2005 the product mix had the following percentage in the result of the meat-packing segment:

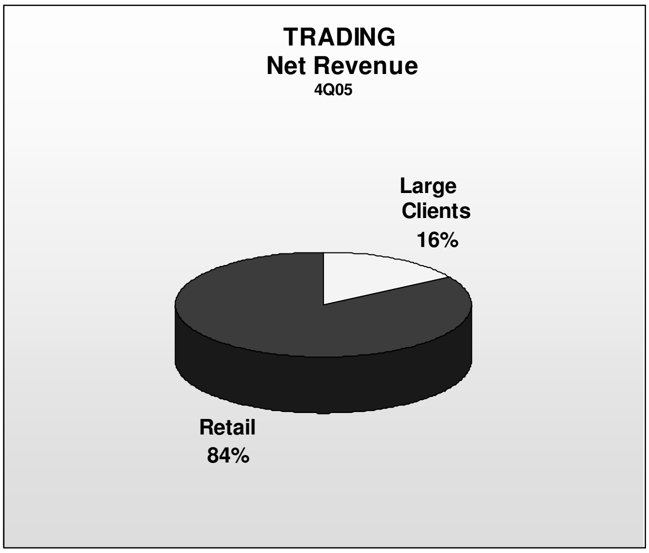


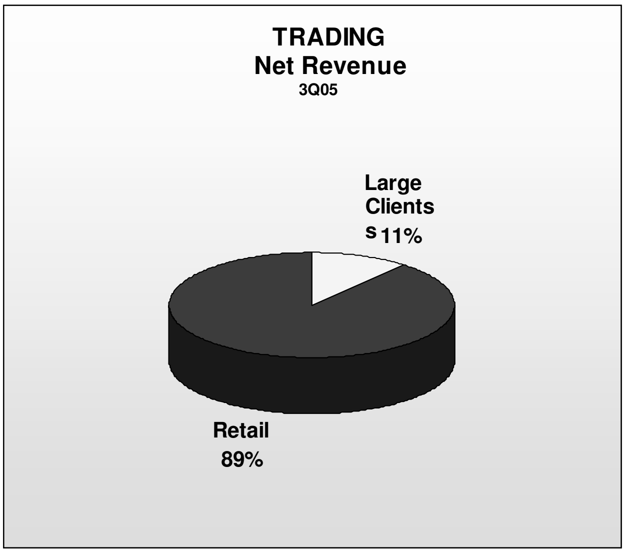
**b - Trading**

This segment consists of nationalization of imported products, which are distributed to large clients, as well as to retail, as demonstrated below. It has an independent administrative structure.

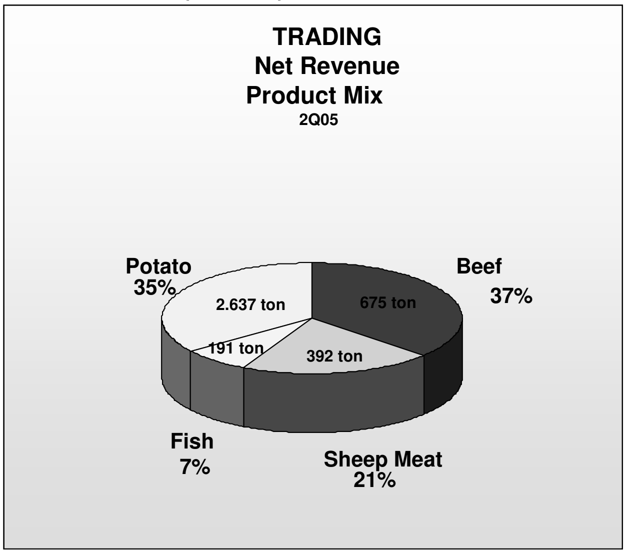


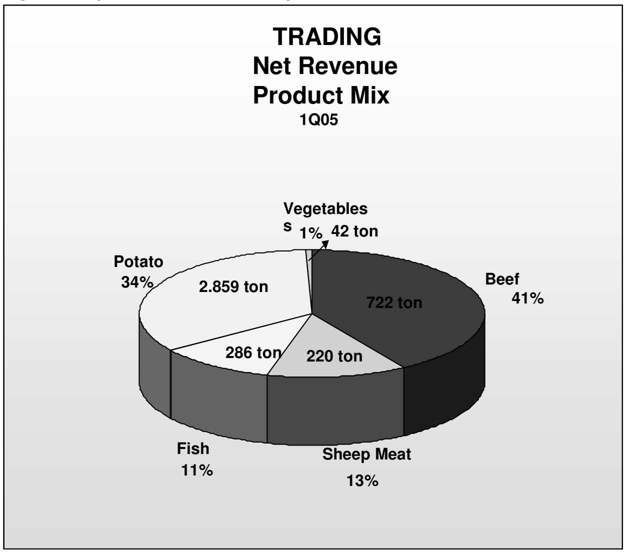



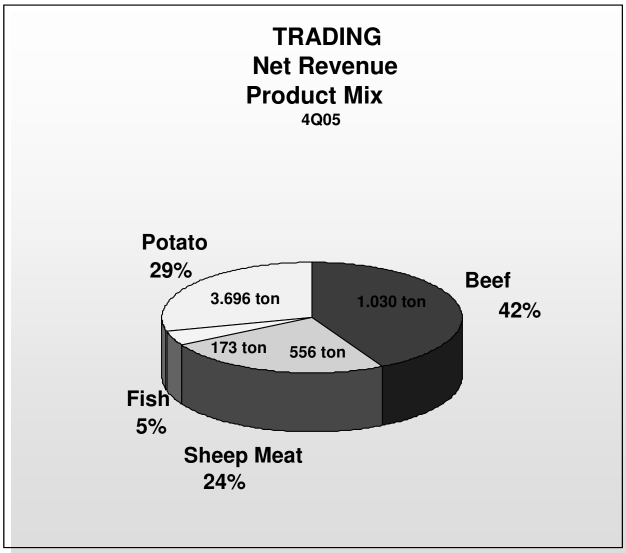



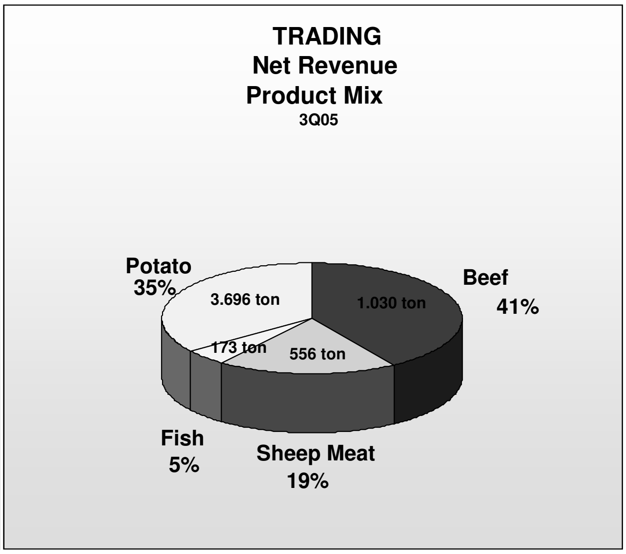



The imported product mix had the following composition in the period:

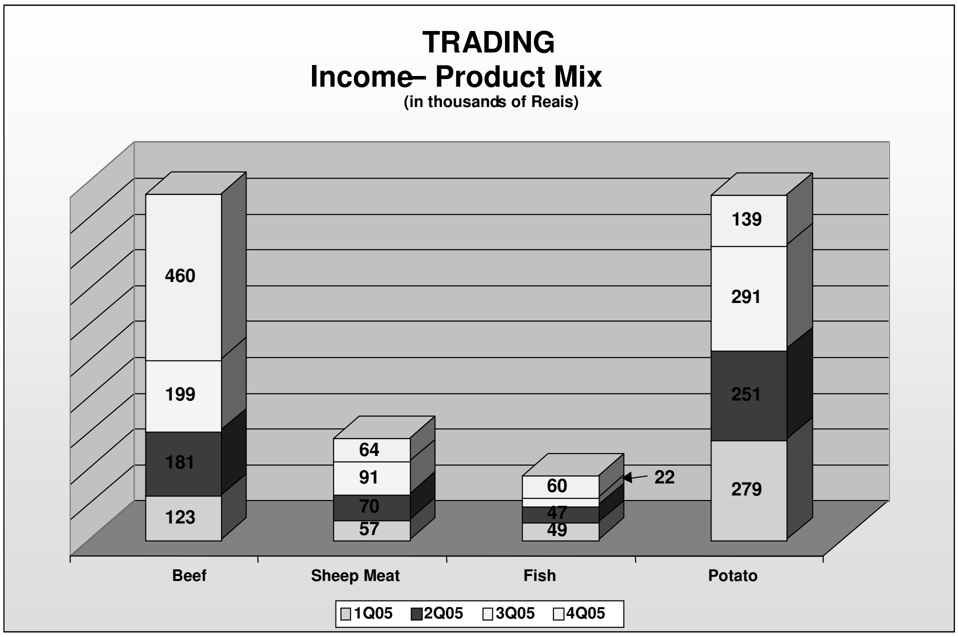


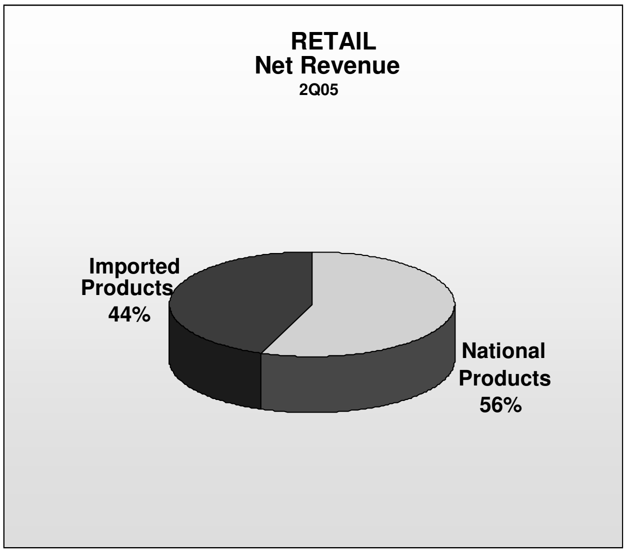
Regarding the income, we have the following percentage for imported items:

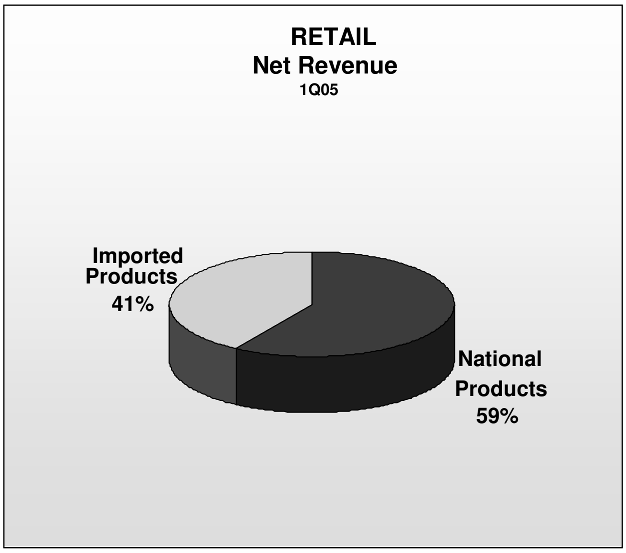


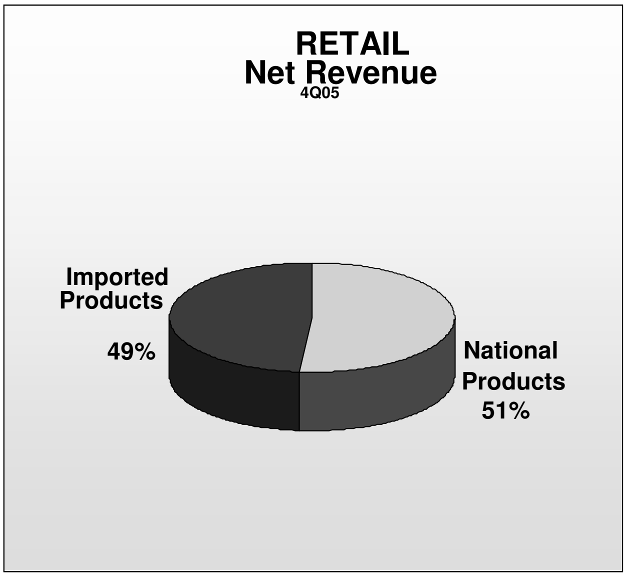

## c - Retail

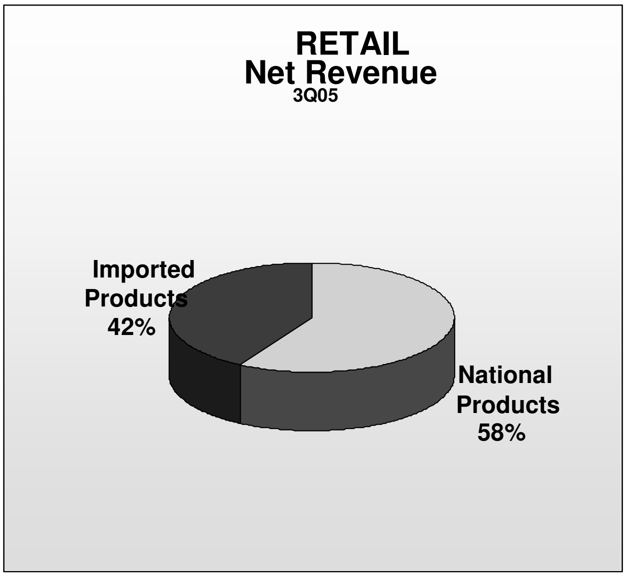
Retail consists of a Distribution Center strategically located in the city of Santo André/SP, where MARFRIG started. It supplies around 4,000 thousand clients, among them the main restaurants and barbecue restaurants in the metropolitan area of São Paulo, selling high quality products and, without any doubt, rendering great service to them, both in regard to delivery, which is made through its own fleet, and the convenience of finding the most varied products at their disposal.

The products sold are of national origin, as well as imported ones, as seen next:

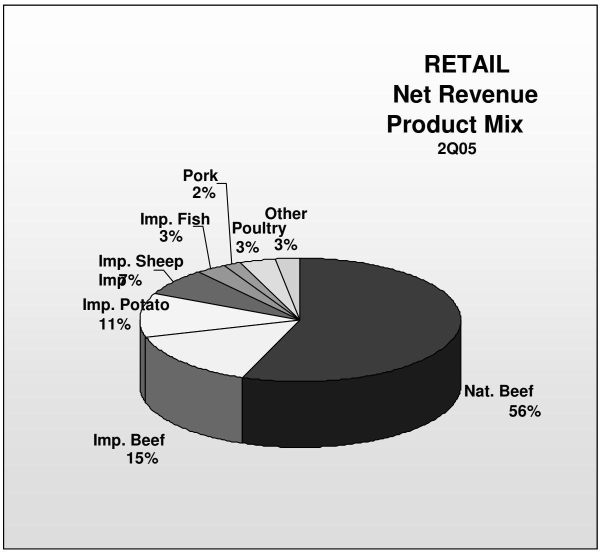


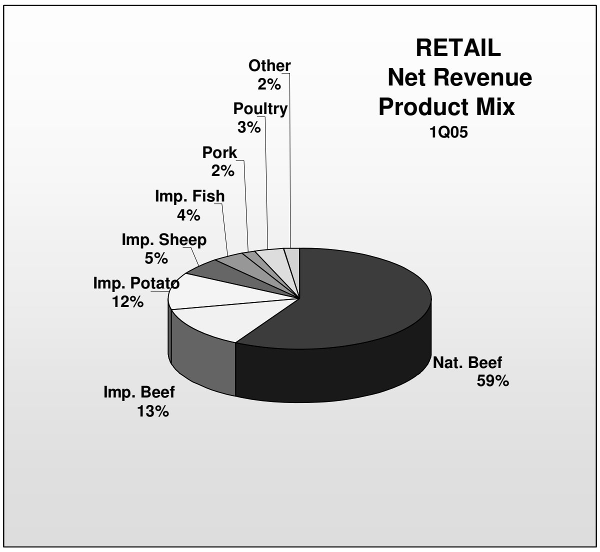



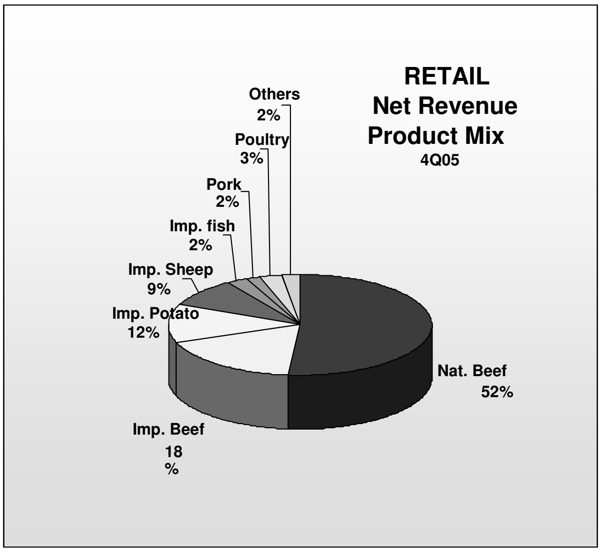



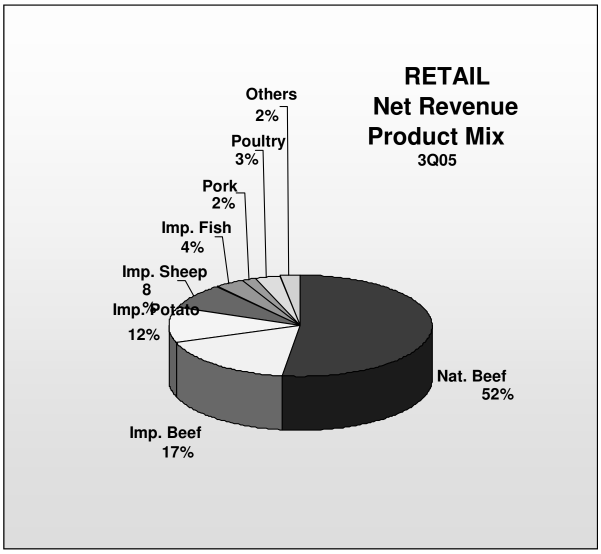



In order to meet the clients' needs, retail has a varied production mix, as illustrated below:

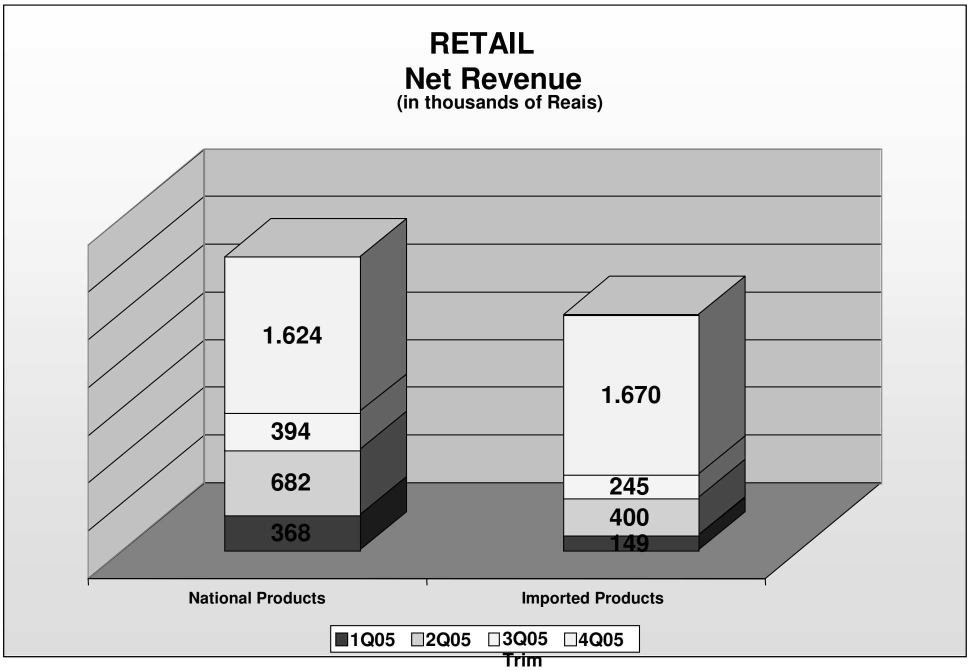


Regarding income, the segment had the following composition:




## 1.4 Market View

After the strong growth seen in the last three years, the company believes to have reached an adequate production scale, adjusting the distribution of its production capacity among its various plants.

In order to maximize the profitability in its production activity, MARFRIG entered into a consulting service contract with a renowned financial institution. After the conclusion of that work, MARFRIG established a strategic plan for 2005, where profitability, supported by solid controls, was focused.

MARFRIG has strengthened its participation in the international market, specially in Europe and Middle East and is aware of new expansion possibilities.

## 1.5 Performance of market players

MARFRIG is among the five main Brazilian meat-packing companies, as per the revenue criterion, and is strong in three areas of performance:

**a) Retail:**

The company directly supplies various high-class restaurants, such as Fogo de Chão, Porcão and others. Besides, we highlight the supply to various fast food chains, as for example Braslo – Mac Donalds, Habib's and others. It completes its line of products with imported fine cuts, potato and vegetables.

**b) Wholesale:**

Supplies to large supermarket networks, such as Pão de Açúcar, Carrefour and Makro;

**c) Exports:**

Focused on markets in Europe, Middle East, Asia and Mercosul.

## 1.6 Indebtedness and cash generation

MARFRIG has a low level of bank indebtedness in relation to the sector, representing 15% of gross revenue for the year 2005. Starting in the last quarter of that year, it had a strong change in its structure, with 48% extension in long-term bank debt, based on the net indebtedness. The company is negotiating with several credit institutions trying to get new kinds of financing, as already made in the present year.

The company has *EBITDA* compatible with its current indebtedness level. We demonstrate below the *EBITDA* for the period between January and December 2005:

| Description | In thousands of Brazilian Reais |
|---|---|
| Net income for the period | 33.652 |
| (+) Net financial charges | 49.243 |
| (+) Exchange rate variation | 9.777 |
| (+) Corporate Income Tax and Social Contribution on Net Income (IRPJ and CSSL) | 20.396 |
| (+) Depreciation | 8.034 |
| ***EBITDA*** | **121.102** |
| ***EBITDA Margin*** | **8,91%** |

Therefore, the ratio between the net bank debt of R$ 220,879 and *EBITDA* produces a result of 1.82, what can be considered as good.

## 1.7 Investments

In the last fiscal year, the company concentrated its focus on the implementation of internal controls, developed by means of software implanted along the year 2004. As a result, MARFRIG intends to analyze, check, adjust and implement new internal control instruments in order to strengthen even more its current systems.

In 2005, the company invested R$ 1,500, raised in the long term, for the construction of green houses at the unit in Promissão/SP, aiming to increase production of frozen cooked beef from 600 ton/month to 1,000 ton/month. In 2006, 8 more green houses will be installed, which will increase the production to 1,700 ton/month.

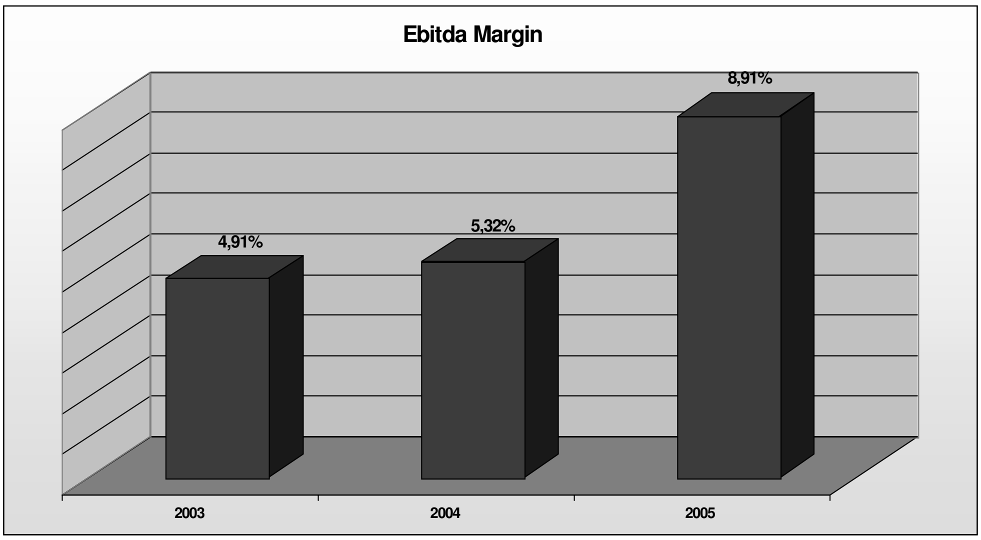
Also, R$ 15,000 is being invested in the expansion of the units in Bataguassu -MS e Tangará – MT. Such work will be concluded in the 1st quarter/2006 and will expand the slaughtering capacity of MARFRIG to 5,500 heads/day.

At the unit in Santo André/SP (Distribution Center) the investment was centered along 2005 in modernization of logistics methods, assuring more efficiency in distribution.

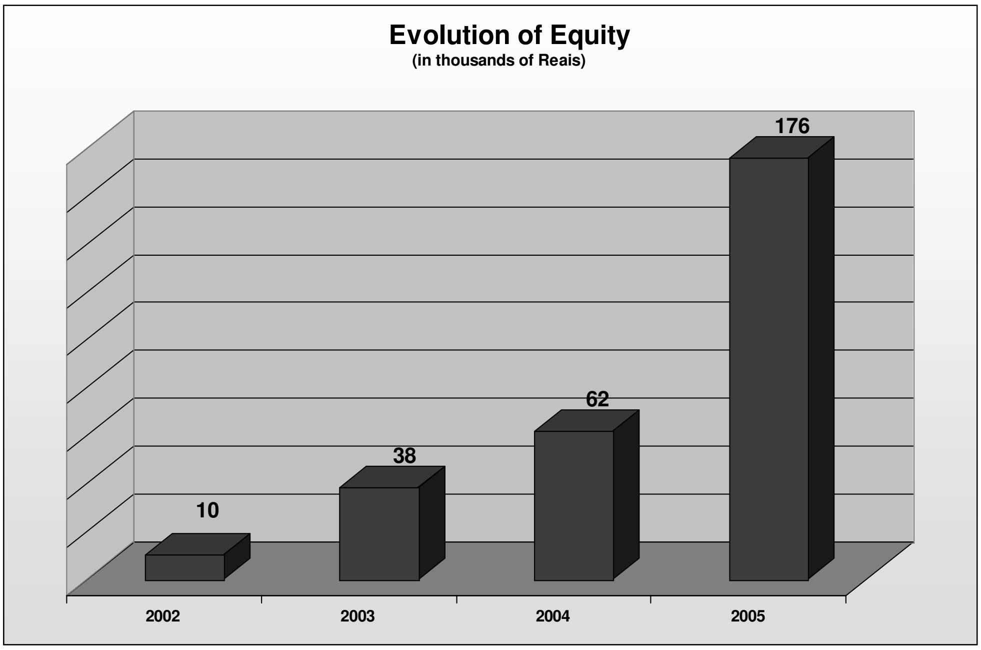
In 2006, a unit will be installed in Porto Murtinho/MS, which will have initial slaughtering capacity of 400 heads/day.

## 1.8 Evolution of Net Operating Margin and Capital

Ebitda Margin reached the target established for the mentioned period, presenting the following evolution:



The evolution of equity reflects an increase in the profitability of the company, as well as the appreciation of goods recorded in December 2005. Below is an illustration table.




## 2 SUMMARY OF MAIN ACCOUNTING PRACTICES

The financial statements have been prepared and presented in accordance with the Brazilian accounting practices.

The main accounting practices adopted by the company in the preparation of the financial statements are the following:

### 2.1 Recognition of inflation and exchange rate effects

Inflationary and exchange rate effects are recognized by means of monetary restatement and exchange rate variation adjustment of indexed assets and liabilities, which balancing item is in 'financial earnings and expenses'.

### 2.2 Income determination

Income is recorded on the accrual basis of accounting and comprises:

- earnings, charges and effect of monetary restatements, calculated based on official indices or rates, applicable to the assets and liabilities of the company; and
- the effects of adjustments of assets to the market or realization value, where applicable.

## 2.3 Current and long-term assets and liabilities

Assets are stated at their realization value, and liabilities at their known or calculable value, including, where applicable, corresponding earnings, charges and monetary restatements.

Raw material inventories, inputs, stockroom material and material for resale are valued at average acquisition cost, lower than replacement or realization values. Inventories of finished goods produced by the company are valuated by the fiscal criterion that considers 70% of the highest sale or market price during the base period.

For the purpose of presentation of the financial statements, in view of the change in the business purpose of the company with the implementation of the distribution activity, certain amounts recorded in accounts of administrative and general expenses were reclassified as costs of products sold, due to the use of the amounts as direct and indirect labor, general manufacturing expenses and industrial depreciation, preparing the company for a future change in the data processing.

Regarding the management of activities, a control system is used to determine costs, which is being improved to include all phases of the process.

Currently, that management system enables the company to check if its costs are compatible with those verified by the fiscal criterion.

## 2.4 Permanent assets

- Property, plant and equipment

  Stated at historical cost for goods acquired as from January 1, 1996. Depreciation is calculated on the straight-line method, at rates that take into account the useful life of assets.

  It also considers the revaluation of goods made on December 31, 2003, as per a report of expert engineering appraisers.

  On December 31, 2005, based on a report issued by engineering experts, the company performed a new revaluation of property, plant and equipment, as demonstrated in note 6.

## 3 AMOUNTS RECEIVABLE – NATIONAL AND INTERNATIONAL CLIENTS

| | 2005 | 2004 |
|---|---|---|
| Amounts receivable – national clients | 115.104 | 100.046 |
| | 115.104 | 100.046 |
| Amounts receivable - international clients | 107.081 | 49.026 |
| (-) Advance Against Draft Presentation - ACE´s | (42.235) | (28.954) |
| | 64.846 | 20.072 |
| | **179.950** | **120.118** |

## 4 INVENTORIES OF PRODUCTS AND GOODS

| | 2005 | 2004 |
|---|---|---|
| Finished products | 79.750 | 21.138 |
| Packing material and stockroom | 11.066 | 8.950 |
| | **90.816** | **30.088** |

In December 2004, within the strategy established by MARFRIG, there was a reduction of 5 days in the slaughtering volume, so that the inventories of finished products are considerably lower, when compared to December of this year, due to the fact that production in the last month of 2005 was made at full capacity in order to meet the new export contracts.

Inventories of finished products are valuated according to the fiscal criterion that considers 70% of the highest sale price. Such amount, realized at sales price in January/2006, will generate the following revenue:

| | 2005 |
|---|---|
| Realization of finished products | 95.650 |
| (-) Inventories of finished products | (79.750) |
| **Revenue** | **15.900** |

## 5 TAXES RECOVERABLE

| | 2005 | 2004 |
|---|---|---|
| Tax on the Circulation of Goods and Transportation and Communication Services ICMS – (Brazilian VAT) | 70.676 | 49.997 |
| Assumed IPI credit | 835 | 9.722 |
| PIS credit | 6.966 | 2.148 |
| COFINS Credit | 17.325 | 10.082 |
| Social contribution | 2.009 | 2.009 |
| IRRF (Withholding income tax) | 38 | |
| | **97.849** | **73.958** |

## 5.1 PIS and COFINS credits

With the improvement of internal controls, tax credits established by Laws 10.637/02 and 10.833/03, amounting to R$ 39,638, which until the 1st semester of 2004 were accounted for in the account of taxes on sales, started being recognized as cost reducers, due to the concretization of the ERP Corporate System, generating a significant variation in those accounts in the income statement.

## 6 PROPERTY, PLANT AND EQUIPMENT

| | | | | 2005 | 2004 |
|---|---|---|---|---|---|
| **Description** | **Annual average depreciation rate** | **Adjusted and revalued cost** | **Accumulated depreciation** | **Net** | **Net** |
| Plots of lands | | 1.669 | | 1.669 | |
| Buildings and facilities | 4% | 134.853 | 2.085 | 132.768 | 32.279 |
| Machinery and equipment | 10% | 75.050 | 7.615 | 67.435 | 30.383 |
| Furniture and fixtures | 10% | 1.233 | 211 | 1.022 | 683 |
| Facilities | 10% | 2.514 | 215 | 2.299 | 1.054 |
| Vehicles | 20% | 9.265 | 5.026 | 4.239 | 6,938 |
| Computer equipment | 20% | 1.772 | 801 | 971 | 1.169 |
| Advance for acquisition of fixed assets | | 110 | | 110 | 2.949 |
| Improvements to leased properties | | 4.020 | | 4.020 | 4.022 |
| ”VGR” Commercial Leasing | | 1.479 | 12 | 1.467 | 1.011 |
| Works in progress | | 43.406 | | 43.406 | 16.067 |
| Software | | 2.613 | 393 | 2.220 | 1.466 |
| Trademarks and patents | | 278 | | 278 | 213 |
| Other fixed assets | 4% | 541 | | 541 | 537 |
| | | **278.803** | **16.358** | **262.445** | **98.771** |

As of December 31, 2005, under the terms of Law 6.404/76 and supported by a report issued by engineering experts, the company recognized a revaluation of property, plant and equipment as follows:

| **Description** | **Revaluation report** | **Carrying amount** | **Revaluation Value** |
|---|---|---|---|
| Production unit - Bataguassú/MS | 92.826 | 41.357 | 51.469 |
| Production unit - Promissão/SP | 92.257 | 35.640 | 56.617 |
| Production unit - Tangará/MT | 45.919 | 23.988 | 21.931 |
| | **231.002** | **100.985** | **130.017** |

The respective taxes were calculated on the total amount of R$ 130,017, corresponding to appreciation, at a total amount of R$ 44,182. Of this amount, R$ 32,489 refers to Corporate Income Tax (IRPJ) and R$ 11,702 to Social Contribution on Income (CSL). This revaluation had as balancing item a specific account in Equity and was incorporated, net of taxes under the terms of the law in effect, in Long-Term Liabilities and can be realized as per the Law.

## 7 TAXES AND CONTRIBUTIONS PAYABLE

The management, based on the opinion of legal counselors, is questioning the legality of the payment of certain taxes and social contributions. The following amounts, plus their respective legal charges, are presented in current liabilities:

### 7.1 Personnel, social charges and benefits

| Description | 2005 | 2004 |
|---|---|---|
| INSS payable | 34.566 | 18.682 |
| Other charges and social benefits payable | 11.782 | 7.819 |
| | **46.348** | **26.501** |

On November 21, 2005, Law 11.196 was published, allowing the offsetting of INSS debts with federal tax credits. Administrative Rule 23, dated of February 2, 2006, regulates such process.

### 7.2 Taxes, fees and contributions

| | 2005 | 2004 |
|---|---|---|
| ICMS payable | 418 | 116 |
| Special Tax Payment Program – PAES | 22.312 | 24.552 |
| Fundersul | 67 | 283 |
| Other taxes and contributions payable | 794 | 480 |
| **Total** | **23.591** | **25.431** |
| | | |
| **Current liabilities** | **4.250** | **3.559** |
| **Long-term liabilities** | **19.341** | **21.872** |

The company offset federal taxes with IPI Assumed Credit, amounting to R$ 8,886 (as of December 31, 2004, the company accounted for as tax recoverable the amount of R$1,394 thousand related to IPI Assumed Credit offset with other Federal Taxes amounting to R$ 14,246 thousand), using funds from tax credits of the Tax on Industrialized Products, as provides Regulatory Instruction 210/02 issued by the Federal Revenue and Customs Administration.

## 8 SPECIAL TAX PAYMENT PROGRAM LAW 10.684/2003

On July 31, 2003 the company joined PAES - Special Tax Payment Program, established by Law 10.684 of May 30, 2003, that provides the payment in installments of debts with the Brazilian Revenue and Customs Administration - SRF, General Public Prosecution Office – PGFN and INSS – Brazilian Social Security Institute, stating its debts with INSS, including Funrural amounting to R$ 23,562 and with SRF in the amount of R$ 4,063 to be settled in 180 monthly installments.

As of December 31, 2005, the balance had the following composition:

| | **Value** |
|---|---|
| Debit balances as of December 31, 2004 | 24.552 |
| Monetary restatement | 138 |
| (-) Payments made | (2.378) |
| **Debit balances as of December 31, 2005** | **22.312** |
| | |
| **Current liabilities** | **2.971** |
| **Long-term liabilities** | **19.341** |

## 9 LOANS AND FINANCING

| **Kind and charges** | **2005** | **2004** |
|---|---|---|
| **ACC -** Adjustment as per the exchange rate plus interest of 7% or more per annum | 68.266 | 60.766 |
| **Secured Account –** Adjustment as per CDI plus interest of 0.7% per month | 3.499 | 25.288 |
| **Working Capital –** Adjustment as per CDI plus interest of 0.7% per month | 74.500 | 25.922 |
| **Pre-payment -** Libor plus 8% per annum | 106.485 | |
| **Finame –** Change of TJLP plus interest of 0.64% per month. | 109 | 382 |
| **Vehicle financing -** Interest of 1.6% per month | 1.181 | 1.798 |
| **Pre-approved credit limit –** Interest of 1.75% p.m. | 8 | 2.320 |
| **Financing of the Meat-packing Unit in Tangará -** cattle arroba | 5.514 | 9.063 |
| Other financing operations – CDI, plus interest of 0.6% p.m. | | 2.292 |
| | **259.562** | **127.831** |
| | | |
| **Current liabilities** | **153.687** | **121.224** |
| **Long-term liabilities** | **105.875** | **6.607** |

The long-term amounts have the following composition per maturity:

| | 2005 | 2004 |
|---|---|---|
| 2006 | | 5.089 |
| 2007 | 53.347 | 1.342 |
| 2008 | 35.396 | 176 |
| 2009 | 13.098 | |
| 2010 | 3.067 | |
| 2011 | 767 | |
| | **105.875** | **6.607** |

Loans and financing are guaranteed by chattel mortgage of the financed assets, promissory notes and surety of directors.

## 10 DEFERRED TAXES

| Description | 2005 | 2004 |
|---|---|---|
| Income tax | 36.571 | 4.952 |
| Social contribution | 13.066 | 1.791 |
| | **49.637** | **6.743** |

## 11 QUOTAHOLDERS' EQUITY

The company's capital amounts to R$ 140,000 (R$ 20,836 as of December 31, 2004) composed of 140,000 thousand quotas (20,836 thousand quotas as of December 31, 2004) with nominal value of R$ 1.00 (one Real) each.

In 2005, MARFRIG added to its capital the amount of R$ 97,953 referring to a Revaluation Reserve, and the amount of R$ 21,211 referring to Retained Earnings, which were duly recorded in accordance with the quotaholders' interest in the company.

## 12 INSURANCE COVERAGE

It is a policy of the company to maintain insurance coverage for its property, plant and equipment and inventories subject to risks, at amounts deemed enough to cover possible accidents, in accordance with the nature of activities and guidance of its insurance consultants.

## 13 DERIVATIVES

In view of the volatility of exchange rate and oscillations in the price of cattle arroba, the company has operations with derivatives – swaps, futures and options.

Taking into account the policies and practices established for operations with derivatives, the management considers as improbable the occurrence of non-measurable risk situations.

## 14 INCOME TAX AND SOCIAL CONTRIBUTION

Income tax was calculated applying current rates. Social contribution on income was determined, considering the rate of 9%, as per the law in effect.

The calculation of income tax and social contribution on income, as well as their respective returns, when demanded, are subject to review on the part of tax authorities for variable periods and time limits in relation to the respective date of payment or filing of income statement return.

* * *

## APPENDIX A – DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

The financial statements prepared in accordance with Brazilian GAAP are based on the Brazilian Corporation Law (Law No. 6,404/76, as amended), the accounting standards issued by the Federal Accounting Council (*Conselho Federal de Contabilidade*), or CFC, and the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independientes do Brazil)*, or IBRACON. A summary of our principal current accounting policies that differ significantly from U.S. GAAP is described below. The effects of these differences on our financial statements have not been quantified.

### Consolidation and Proportional Consolidation

Under Brazilian GAAP, financial statements should consolidate the following entities: (a) entities in which the company has voting rights that provide it with the ability to have the majority on social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by stockholders' agreements irrespective of the participation in voting stock joint ventures (including investees in which the company exerts significant influence through its participation in a stockholders' agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. Non-public companies may choose to present unconsolidated financial statements under the equity method, irrespective of their interest ownership percentage. Our financial statements included herein are presented on a fully consolidated basis for all majority owned investments.

Under U.S. GAAP, the usual condition for consolidation is the ownership of a majority voting interest. Therefore, as a general rule, the condition for consolidation is the ownership by one company, directly or indirectly, of over 50.0% of the outstanding voting shares of another company. Joint ventures are usually accounted for following the equity method of accounting. Proportional consolidation generally is not allowed under U.S. GAAP.

In January 2003, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation, or FIN, No. 46, "Consolidation of Variable Interest Entities—An Interpretation of APB No. 51." FIN No. 46 requires consolidation of "variable interest entities." Variable interest entities are entities with the following characteristics: (a) the equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; and (b) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: (i) the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights; (ii) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities; or (iii) the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses.

Under Brazilian GAAP, a majority shareholder normally recognizes a provision for the unsecured liabilities (negative working capital) of its investee. Under U.S. GAAP, a provision for unsecured liabilities is only recognized if a majority shareholder has a formal agreement with the investee's creditors.

### Equity Method of Accounting

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost, which is thereafter periodically adjusted to recognize the investor's share of the investee's earnings, losses and dividend payments after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments (on its stand-alone financial statements) in its subsidiaries (companies that are controlled by the parent company) and its affiliates (companies in which the parent company owns at least 10.0% of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20.0% or more of the capital, if the aggregate book value of all such investments is equal to or greater than 15.0% of the net worth of the parent company or if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10.0% of the net worth of the parent company.

Under U.S. GAAP, the equity method of accounting is applicable only to those investments in which the parent company has the ability to exercise significant influence which is presumed to be a participation through common voting shares greater than 20.0% but less than 50.0% of the share capital of the subsidiary or affiliate and where the parent company does not have control.

**Business Combinations, Purchase Accounting and Goodwill**

Under Brazilian GAAP, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed ten years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses or otherwise is normally only realized upon disposal of the investment.

Under U.S. GAAP, until June 2001 in accordance with Accounting Principles Board Opinion No. 16, or APB No. 16, "Business Combinations," business combinations were accounted for as either purchases or pooling of interests. However, these two methods were not alternatives for the same transaction and distinctive conditions had to be met to require pooling of interests. The FASB issued SFAS No. 141, "Business Combinations," which amends APB No. 16 and which requires, among other things, that all business combinations, except those involving entities under common control, be accounted for by a single method—the purchase method.

**Purchase Accounting**

For APB No. 16 and SFAS No. 141, under the purchase method the acquiring company records identifiable assets and liabilities acquired based on their fair values. If the purchase price exceeds the amount of such fair value, the excess is recorded as goodwill in the books of the acquiring company. Under SFAS No. 141, more detailed guidelines have been provided as to the recognition of "intangible assets." Also, under SFAS No. 141 and SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and other intangible assets with indefinite lives are no longer amortized. Under SFAS No. 142, the amount of goodwill will be evaluated for impairment annually, and in the case of impairment, its recorded value will be adjusted accordingly. The purchase price includes direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value. When securities traded in the market are issued as part of the purchase price by the acquiring entity, the market price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced should be considered in the determining purchase price.

Under the previous APB No. 16, excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, reduced non-current assets to zero, and any remaining unallocated balance was considered a deferred credit and amortized over the estimated period of benefit, not to exceed forty years. Under SFAS No. 141, any unallocated negative goodwill is recognized as an extraordinary gain in the statement of operations.

**Cash and Cash Equivalents**

Under Brazilian GAAP, cash equivalents are defined in the NPC-20 by IBRACON. Cash and cash equivalents include not only cash on hand and demand deposits, but also other types of accounts, which possess the same liquidity characteristics as cash. Cash equivalents include highly liquid short-term investments.

Under U.S. GAAP, SFAS No. 95, "Statement of Cash Flows," defines cash equivalents as short-term highly liquid investments that are both (i) readily convertible to known amounts of cash and (ii) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition.

**Impairment of Investments**

Under Brazilian GAAP, an investment is written down to market value when events and circumstances indicate permanent impairment.

Under U.S. GAAP, APB Opinion No. 18, "The Equity Method of Accounting for Investment in Common Stock," which requires an investment to be written down to market value when a loss in value is considered to be other than temporary, several factors should be analyzed to determine whether or not the loss in value is other than temporary, such as when the investment is traded in a public stock exchange and has over the previous year traded at values consistently below carrying values.

**Investments in Debt and Equity Securities**

Under Brazilian GAAP, marketable debt and equity securities are generally stated at the lower of cost or market value less interest or dividends received. Gains and losses are reflected in earnings.

Under U.S. GAAP, in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," for enterprises in industries not having specialized accounting practices, the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities are as follows:

1. debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost;

2. debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and

3. debt and equity securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

**Inventories**

Under Brazilian GAAP, inventories are valued at the lower of average cost of purchase or production and replacement or realizable values. Cost may be determined based on a "First In First Out," or FIFO, average cost, or "Last In First Out", or LIFO Method. LIFO Method is not accepted for tax purposes and is not frequently used.

Under U.S. GAAP, inventories are valued at the lower of cost and market value. Additionally, written-down inventories must be charged against cost of sales. Cost may be determined based on a FIFO, average cost, or LIFO Method. The LIFO Method is accepted provided that it is also adopted for tax purposes.

**Property, Plant and Equipment—Impairment Analysis**

Under Brazilian GAAP, companies are required to determine if operating income is sufficient to absorb the depreciation or amortization of long-lived assets, within the context of the balance sheet as a whole, in order to assess potential asset impairment. In the event that such operating income is insufficient, within the context of the fixed asset group, to recover the depreciation due to permanent impairment of assets, the assets, or groups of assets, are written down to recoverable values, preferably, based on the projected discounted cash flows of future operations.

Under U.S. GAAP, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets," requires companies to periodically evaluate the carrying value of long-lived assets to be held and used and for long-lived assets to be disposed of, when events and circumstances require such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from identified asset groups, representing the lowest level for which identifiable cash flows are largely independent of the cash flows of other group of assets and liabilities, is less than their carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the assets, which is generally calculated as the discounted cash flows generated by the assets.

**Revaluation of Property, Plant and Equipment**

Under Brazilian GAAP, companies may opt to carry property, plant and equipment at cost, monetarily adjusted up to December 31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized on revaluation increments as from July 1, 1995. Amortization of the asset revaluation increments are charged to income, and an offsetting portion is relieved from the revaluation reserve in shareholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under U.S. GAAP, property, plant and equipment are reported at their historical cost less accumulated depreciation. Revaluations are not permitted.

**Income Taxes**

Under Brazilian GAAP, the methods adopted for the recording of income taxes are similar to U.S. GAAP, but their practical application may lead to different results in certain circumstances. Under Brazilian GAAP, the deferred income tax asset represents the probable estimated amount to be recovered. A deferred tax liability should be recognized in relation to all taxable temporary differences. Deferred tax assets and liabilities are classified as either a long-term asset or a long-term liability and are transferred to current assets or current liabilities when appropriate deferred income taxes are presented as gross rather than being netted.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in SFAS No. 109, "Accounting for Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period-end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carryforwards arising from tax losses are recognized as assets. A valuation allowance is recognized as a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Deferred income tax assets and liabilities are netted rather than presented gross.

**Contingent Liabilities**

Under Brazilian GAAP, the accounting and disclosure requirements for contingent liabilities are generally not as comprehensive as found under U.S. GAAP.

**Prior Period Adjustments**

Under Brazilian GAAP, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. Brazilian GAAP does not permit restatement of previous financial statements to provide consistency in reporting, which is required under U.S. GAAP in certain circumstances.

Under U.S. GAAP, prior period adjustments are effectively limited to corrections of errors which are affected by adjusting current and prior periods' financial statements and appropriate footnote disclosure regarding the effects of the errors on current and prior periods.

**Dividends**

Under Brazilian GAAP, at each year-end, management is required to propose a dividend distribution from earnings and accrue for this in the financial statements. Under Brazilian GAAP, at each balance sheet date, the directors are required to propose a dividend distribution from earnings, if any, subject to ratification by the shareholders' meeting, and accrue for this in the financial statements.

Under U.S. GAAP, since proposed dividends may be ratified or modified at the annual shareholders' meeting, such dividends would not be considered as declared at the balance sheet date and would therefore not be accrued.  However, interim dividends paid or interest credited to shareholders as capital remuneration under Brazilian legislation would be considered as declared for U.S. GAAP purposes.

**Classification of Statement of Operations**

Under Brazilian GAAP, financial income and expenses and equity in earnings of investees are normally included in operating profit.

Under U.S. GAAP, financial income and expenses and profit and equity in earnings of investees are excluded from operating profit.

**Statement of Cash Flows**

Under Brazilian GAAP, financial statements can provide a Statement of Cash Flows in the form of supplemental information.  Instead, under Brazilian GAAP, a Statement of Changes in Financial Position is provided, which demonstrates the source and application of working capital.

Under U.S. GAAP, pursuant to SFAS No. 95, "Statements of Cash Flow", cash receipts and payments are classified by investing, financial and operating activities.

**Related Parties**

Under Brazilian GAAP, related parties are generally defined in a more limited manner and require fewer disclosures than under U.S. standards.  As a result, many of the disclosures required under U.S. GAAP are not required under Brazilian GAAP.

**Financial Derivatives Instruments**

Under Brazilian GAAP, there is no requirement for financial derivative instruments accounting.

Under U.S. GAAP, SFAS No. 133, as amended and interpreted, "Accounting for Derivative Instruments and Hedging Activities," is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.  Such statement requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value.  If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- a hedge of the exposure to variable cash flows of a forecasted transaction;
- a hedge of the foreign currency exposure of a net investment in a foreign operation;
- an unrecognized firm commitment;
- an available-for-sale security; or
- a foreign-currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.  Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income.  Certain robust conditions must be met in order to designate a derivative as a hedge.  If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income.

The ineffective portion of a hedge's change in fair value is immediately recognized in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge is terminated, the gain or loss is deferred and amortized over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

**Disclosures on Financial Instruments and Concentration of Credit Risk**

U.S. GAAP requires disclosures prescribed by SFAS No. 107, "Disclosures about Fair Market Value of Financial Instruments," SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" and SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

SFAS No. 133 requires that an entity that holds or issues derivative instruments (or non-derivative instruments that are designated and qualify as hedging instruments) shall disclose its objectives for holding or issuing those instruments, the context needed to understand those objectives, and its strategies for achieving those objectives. The description shall distinguish between derivative instruments (and non-derivative instruments) designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, derivative instruments (and non-derivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, and all other derivatives. The description also shall indicate the entity's risk management policy for each of those types of hedges, including a description of the items or transactions for which risks are hedged. For derivative instruments not designated as hedging instruments, the description shall indicate the purpose of the derivative activity.

Under Brazilian GAAP, there are less detailed requirements regarding the disclosure of information on financial instruments not reflected on the balance sheet or on concentration of financial instruments with credit risk.

**Financial Statement Note Disclosure**

Brazilian GAAP in general requires less information to be disclosed in financial statement footnotes than U.S. GAAP. Disclosures required under U.S. GAAP not typically found in Brazilian GAAP financial statements include, but are not limited to, the following:

- general business, political and economic risks;
- off-balance sheet risks and commitments, concentration of credit risk and major customers;
- details of guarantees provided to third parties;
- irrevocable commitments such as take-or-pay or minimum sales contracts;
- reconciliation of the statutory tax rate to the effective tax rate;
- advertising expense and assets;
- research and development costs;
- environmental-related costs, liabilities and proceedings;
- analysis of sales by geographical area;
- financing facilities and terms; and
- footnote disclosure of summarized financial statements of affiliated companies which meet certain tests of significance.

Brazilian GAAP generally requires more disclosure than U.S. GAAP with respect to insurance coverage, parent company financial statements and details of investments in affiliated and subsidiary companies.

**Accrued Interest and Indexation Adjustments**

Under Brazilian GAAP, accrued interest and indexation adjustments are presented with the principal amounts.

Under U.S. GAAP, accrued interest and indexation adjustments are separately recorded.

**Leases**

Under Brazilian GAAP, all leases are considered to be operating leases. Sales revenue in a sale and leaseback transaction is recorded at nominal value, regardless of the circumstances. Certain disclosures are required in explanatory notes.

Under U.S. GAAP, SFAS No. 13, the distinction between a finance lease and an operating lease is based on conceptual principles rather than detailed requirements.

**Revenue Recognition**

General – Under Brazilian GAAP revenue is recognized when the following criteria are met: 1- The process of revenue realization is complete or virtually complete, and 2- a transaction has occurred. Revenue of goods is recognized at the date of the sale, which is usually considered to be the date on which the product is transferred. Sales of goods and services are normally recognized when the invoice is issued.

Under U.S. GAAP, in Staff Accounting Bulletin 101, there is no U.S. standard dealing generally with revenue recognition. The SEC Staff have stated that, based on the specific standards that do exist, they believe revenue should generally be recognized when: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the seller’s price to the buyer is fixed or determinable; and (iv) collectibility is reasonably assured.

**PRINCIPAL EXECUTIVE OFFICES OF**

**Marfrig Overseas Limited**
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Brazil

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**US$375,000,000**

# Marfrig Overseas Limited

*(an exempted company incorporated under the laws of the Cayman Islands)*

## 9.625% Senior Notes due 2016

Unconditionally and Irrevocably Guaranteed by
Marfrig Frigoríficos e Comércio de Alimentos Ltda.

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LISTING MEMORANDUM

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## Merrill Lynch & Co.

**September 20, 2007**