

OFFERING MEMORANDUM



Marfrig Holdings (Europe) B.V.

(a private limited liability company organized and existing under the laws of The Netherlands)

U.S.\$850,000,000

6.875% Notes due 2019

**Unconditionally and Irrevocably Guaranteed by
Marfrig Global Foods S.A. and Marfrig Overseas Limited**

We are offering U.S.\$850,000,000 aggregate principal amount of Marfrig Holdings (Europe) B.V. 6.875% Senior Notes due 2019 (the “notes”). Marfrig Holdings (Europe) B.V. is a private limited liability company organized and existing under the laws of The Netherlands. The notes are unconditionally and irrevocably guaranteed by Marfrig Global Foods S.A., a *sociedade por ações* incorporated under the laws of the Federative Republic of Brazil and by Marfrig Overseas Limited, an exempted limited liability company incorporated under the laws of the Cayman Islands (referred to as the subsidiary guarantor).

We will pay interest on the notes semi-annually on June 24 and December 24 of each year, commencing on December 24, 2014. The notes will mature on June 24, 2019. We may redeem some or all of the notes on or after June 24, 2017 at the redemption prices set forth in this offering memorandum. There is no sinking fund for the notes.

The notes will be unsecured senior obligations and will rank *pari passu* with all unsecured and unsubordinated obligations of the issuer. The guarantees of the notes will be senior unsecured obligations of Marfrig and the subsidiary guarantor and will rank *pari passu* with all unsecured and unsubordinated obligations of Marfrig and the subsidiary guarantor. For a more detailed description of the notes, see “Description of the Notes.”

Application has been made to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market. This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for securities, as amended.

Investing in the notes involves risks. See “Risk Factors” beginning on page 33.

Price: 100.0%

Delivery of the notes in book-entry form was made on or about June 24, 2014.

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

Lead Managers

BTG Pactual

HSBC

Itaú BBA

Morgan Stanley

The date of this listing offering memorandum is July 4, 2014.

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We are responsible for information contained in this offering memorandum. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. Neither we, nor the issuer, nor Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC, referred to in this offering memorandum as the initial purchasers, have authorized anyone to provide you with information different from, or additional to, that contained in this offering memorandum. The offering memorandum may only be used and the notes are being offered, and offers to purchase the notes are being sought, only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the notes.

In this offering memorandum, references to “Marfrig,” the “Company,” “we,” “us” and “our” refer to Marfrig Global Foods S.A., a corporation (*sociedade por ações*) incorporated under the laws of the Federative Republic of Brazil, which is a guarantor of the notes, together with its direct and indirect subsidiaries, except where the context requires otherwise. All references to “Marfrig Holdings” or the “issuer” are to Marfrig Holdings (Europe) B.V., a wholly-owned subsidiary of Marfrig, organized and existing under the laws of The Netherlands as a private limited liability company, and the issuer of the notes. All references to “subsidiary guarantor” are to Marfrig Overseas Limited (“Marfrig Overseas”), an exempted limited liability company incorporated under the laws of the Cayman Islands. All references to the “guarantors” are to Marfrig and Marfrig Overseas. The guarantee of the notes is unconditional (subject to any limitations on such guarantee by virtue of applicable local law). When used in this offering memorandum, the term “Marfrig Group” or the “Group” refer to Marfrig together with its subsidiaries, taken as a whole. References to “controlling shareholder” refer to MMS Participações S.A., or MMS Participações. Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos collectively hold all of the voting stock of MMS Participações and indirectly hold 33.29% of our voting stock. References to “principal shareholders” refer to persons who own 5% or more of our capital stock. References to “BNDESPAR” refer to BNDES Participações S.A.

When used in this offering memorandum, the term “domestic markets” refers to the internal markets of each of the 16 countries in which we operate, and the term “export markets” refers to the international markets to which we export our final products from such domestic markets as final destinations.

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

All references in this offering memorandum to “real,” “reais” or “R\$” are to the legal currency of Brazil, and all references to “U.S. dollar,” “U.S. dollars” or “U.S.\$” are to the legal currency of the United States. This offering memorandum contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the *real* amounts using a rate of R\$2.26 to U.S.\$1.00, the U.S. dollar selling rate as of March 31, 2014, as reported by the Central Bank. See “Exchange Rates.”

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes outside of Brazil. This offering memorandum does not constitute an offer to any other person or to the public in general to acquire the notes.

Neither the SEC nor any state securities commission nor any other regulatory authority has approved or disapproved the offering of the notes nor has any of the foregoing authorities passed on or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

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

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

- (a) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000, and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospective Directive, subject to obtaining the prior consent of the initial purchasers for any such offer;
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; or
- (e) provided that no offer of the notes will result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive for us and the initial purchasers.

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

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

NOTICE TO INVESTORS IN THE UNITED KINGDOM

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

We prepare our financial statements in accordance with accounting practices adopted in Brazil, which are based on:

- Brazilian corporate law (Law No. 6,404, dated December 15, 1976, as amended, including the provisions of Law No. 11,638, dated December 28, 2007, Law No. 11,941, dated May 27, 2009 and Law No. 12,431, dated June 24, 2011) (“Brazilian Corporate Law”);
- accounting pronouncements issued by the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*, or the “CPC”); and
- as we are a public company in Brazil, rules and regulations issued by the Brazilian security and exchange commission, the Comissão de Valores Mobiliários (“CVM”).

We refer to these accounting practices as Brazilian GAAP. Brazilian GAAP has changed in recent years to converge with International Financial Reporting Standards, International Accounting Standards and Interpretations (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) (collectively “IFRS”).

Following these changes, our individual and consolidated financial statements as of and for the three-month periods ended March 31, 2014 and 2013 and as of and for the years ended December 31, 2013 and 2012 are prepared in accordance with IFRS and Brazilian GAAP.

This offering memorandum contains unaudited interim financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013, and the notes thereto, which have been reviewed by BDO RCS Auditores Independentes S.S. and contains the review report of BDO RCS Auditores Independentes S.S. This offering memorandum also contains our financial information derived from our audited consolidated financial statements as of and for the year ended December 31, 2013 and the notes thereto and contains the audit report of BDO RCS Auditores Independentes S.S. The financial statements as of and for the year ended December 31, 2013 also contain comparative information as of and for the year ended December 31, 2012, as required by Brazilian GAAP and IFRS, which is derived from our audited consolidated financial statements as of and for the year ended December 31, 2012, which are not contained in this offering memorandum. Copies of our consolidated financial statements as of and for the year ended December 31, 2012 and the audit report of BDO RCS Auditores Independentes S.S. can be obtained from our website. In the audited consolidated financial statements as of and for the year ended December 31, 2013, the comparative information for December 31, 2012 has been adjusted to reflect certain operations as discontinued operations, in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). See below for further discussion. Our audited consolidated financial statements include both guarantor and non-guarantor companies.

In accordance with IFRS 5, in periods where we have either disposed of, or classified for sale, an operation, we are also required to disclose in the current period those operations’ results as discontinued operations. When such conditions exist, we are required to present the results of operations of discontinued businesses and any gain on sale of a discontinued businesses as a single amount in our statement of income separate from our continuing operations for the current period, to re-present the comparative period results of operations on a similar basis and to present any assets held for sale separately in our consolidated balance sheet in the period in which the transaction occurs (a prior year’s balance sheet data is not required to be re-presented). During the years ended December 31, 2013 and 2012, we disposed of, or classified for sale, certain operations, as described below. Our unaudited interim financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 and our audited consolidated financial statements as of and for the years ended December 31, 2013 and 2012 include the required disclosure of the results of operations of the discontinued businesses.

On April 30, 2012, the Company announced the closing and settlement of the sale of its specialized fast-food distribution, logistics and global freight management businesses in the United States, Europe, Asia and Oceania of its subsidiaries Keystone Foods, LLC (the Company's distribution business) and McKey Luxembourg S.à r.l. to The Martin-Brower Company, LLC for U.S.\$400.4 million. The deal terms were closed in June 2012 and the sale was concluded in the fourth quarter of 2012. The gain on sale of discontinued operations in 2012 is included in operating income and not as part of discontinued operations.

In 2013, we sold to JBS S.A. ("JBS") for aggregate consideration of R\$5.85 billion equity interests in (i) certain Marfrig subsidiaries that own and operate the Seara Brasil business unit (the "Seara Business") and (ii) certain Marfrig subsidiaries that own and operate the Uruguay leather business (the "Zenda Business") (the "Seara Sale" and the "Zenda Sale," respectively, and, together, the "Sale"). The Zenda Sale closed on June 30, 2013 and the Seara Sale closed on September 30, 2013. See "The Seara Brasil and Zenda Transaction."

Our audited statements of income and cash flow for the year ended December 31, 2013 include the results of our Marfrig Beef business unit ("Marfrig Beef"), our Moy Park business unit ("Moy Park") and our Keystone Foods business unit ("Keystone"), reflecting their status as continuing operations (collectively, the "Continuing Operations"), but exclude the results of operations of the Zenda Business and the Seara Business and the gain on sale of the Zenda Business and the Seara Business, reflecting their status as discontinued operations (collectively, the "Discontinued Operations"). The statements of income and cash flow for the year ended December 31, 2012 have been reclassified to treat the Seara Business and the Zenda Business as Discontinued Operations as required by Brazilian GAAP. Our statement of financial position, statement of changes in shareholders' equity and statement of added value as of December 31, 2013 (i) exclude the Zenda Business and Seara Business and (ii) reflect the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale. Our statement of financial position, statement of changes in shareholders' equity and statement of added value as of December 31, 2012 have not been reclassified to exclude the Discontinued Operations in accordance with the requirements of the Committee for Accounting Pronouncements' Technical Pronouncement 31/IFRS 5: Non-current assets held for sale and discontinued operations.

On October 10, 2012, the CVM issued the Official Letter CVM/SEP/GEA-5/nº 329/2012, which (i) presented the interpretation of the CVM that under Brazilian GAAP and IFRS, our 250,000 unsecured mandatory convertible debentures (*Debêntures Mandatoriamente Conversíveis em Ações de Emissão da Companhia*, the "Mandatory Convertibles"), issued on July 15, 2010, should be classified as a "non-current liability" rather than equity, and (ii) requested the restatement of our financial statements as of and for the years ended December 31, 2011 and 2010, and the quarterly reports (ITR) as of and for the three months ended March 31, 2012 and June 30, 2012. As of the date of this offering memorandum, we have complied with the CVM's request. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Mandatory Convertibles" and note 2.3 to our financial statements as of and for the year ended December 31, 2012 and note 21 to our financial statements as of and for the year ended December 31, 2013 and note 21 to our financial statements as of and for the three-month period ended March 31, 2014.

This reclassification does not affect any terms and conditions of the Mandatory Convertibles, and it does not impact our financial indebtedness or our compliance with our financial covenants, since unlike other liabilities, the Mandatory Convertibles will not be settled in cash or cash equivalents, but only in common shares to be issued by us.

Unless otherwise indicated, all financial data contained in this offering memorandum are presented on the basis of Continuing Operations only.

EBITDA

Marfrig's EBITDA consists of net income (loss) adjusted by net financial income (expenses), income taxes and social contribution, equity in earnings (losses) of subsidiaries and depreciation and amortization. EBITDA (continuing operations) excludes the financial results of assets classified as discontinued operations for the periods indicated. EBITDA (continuing operations) includes a gain on the sale of discontinued operations of R\$193.8 million for the year ended December 31, 2012, while EBITDA (continuing operations) excludes the gain on sale of discontinued operations of R\$820.0 million for the year ended December 31, 2013, in accordance with IFRS 5, *Non-current Assets for Sale and Discontinued Operations* (IFRS 5). EBITDA (discontinued operations) sets forth the stand-alone EBITDA of Marfrig's assets classified as discontinued operations for the periods indicated. EBITDA (continuing and discontinued operations) sets forth the aggregate EBITDA of our continuing and discontinued operations for the periods indicated.

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

Rounding

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

Convenience Translations into U.S. Dollars

Certain Brazilian *real* amounts included in this offering memorandum have been translated, solely for the purposes of convenience for the reader, into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. Where those amounts have been translated, the relevant figures have been annotated. See "Exchange Rates."

Market Information

We have obtained the market and competitive position data, including market forecasts, used throughout this offering memorandum from internal surveys, market research, publicly available information and industry publications. We include data from reports prepared by us; the United States Department of Agriculture (the "USDA"); the Brazilian Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*, or "MAPA"); the Brazilian Ministry of Development, Industry and Foreign Commerce (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*, or "MDIC"); the Brazilian Ministry of Labor and Employment (*Ministério do Trabalho e Emprego*, or "MTE"); the Brazilian Foreign Trade Office (*Secretaria de Comércio Exterior*, or

“SECEX”); the Brazilian Association of Industrialized Meat Exporting Companies (*Associação Brasileira das Indústrias Exportadoras de Carnes*, or “ABIEC”); the Uruguayan National Beef Institute (*Instituto Nacional de Carnes*, or “INAC”); Agra FNP, a consulting firm specialized in agribusiness information that is a division of the Agra Informa Inc.; AC Nielsen; the World Organisation for Animal Health (“OIE”); the National Supply Company (*Companhia Nacional de Abastecimentos*), a Brazilian state-owned entity in charge of agricultural and supply policy, associated with MAPA; Dom Cabral Foundation (*Fundação Dom Cabral*), an educational institution located in the city of Belo Horizonte, state of Minas Gerais, in the city of Nova Lima, state of Minas Gerais, and in the city of São Paulo, state of São Paulo; the Argentine Secretary of Agriculture, Stockbreeding, Fishing and Food (*Secretaría de Agricultura, Ganadería, Pesca y Alimentos*, or “SAGPYA”); Center for Advanced Studies on Applied Economics (*Centro de Estudos Avançados em Economia Aplicada*, or “CEPEA”); the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*, or the “IBGE”); School of Agriculture Luiz de Queiroz (*Escola Superior de Agricultura Luiz de Queiroz*, or “ESALQ”); the International Monetary Fund (“IMF”); Brazilian Association of Meatpackers (*Associação Brasileira de Frigoríficos*, or “Abrafrigo”); Watt Publishing (“Watt Publishing”); and the Food and Agriculture Organization (“FAO”), among others. Industry publications, including the ones referred to in this offering memorandum, generally state that the information presented in that publication has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor the initial purchasers make any representation as to the accuracy of the information. Information from third parties has been accurately reproduced and as far as we are aware, and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Operational Information

Unless otherwise indicated, all production, plant and capacity data contained in this offering memorandum are presented on the basis of Continuing Operations only.

SUMMARY

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

Introduction

We are a multinational company with operations in the food and food service sectors in Brazil and around the world. We maintain a diversified and comprehensive product portfolio and our operations are based on a commitment to excellence and quality that ensures the presence of our products in the world’s largest restaurant and supermarket chains and in the homes of consumers in more than 110 countries. Our activities are focused on the production, processing, preparation, sale and distribution of animal protein (beef, lamb and poultry, which consists of chicken and turkey) and other varied food products such as breaded products, ready-to-eat meals, fish, frozen vegetables and desserts, among others.

We have built an integrated and geographically diversified business model, consisting of production facilities in strategic locations and a wide distribution network that accesses the world’s principal consumer channels and markets. We currently operate 79 processing plants, distribution centers and offices located in Brazil and in 15 other countries in South America, North America, Europe, Oceania and Asia. We have, as of the date of this offering memorandum, an annual production capacity of 982,808 metric tons for processed food and an annual slaughtering capacity of 6.6 million head of cattle, 476.5 million chickens, 8.8 million turkeys and 3.0 million lambs. Together, this production platform gives us significant growth capacity as well as the ability to hedge against certain industry risks.

In 2013, we sold to JBS for aggregate consideration of R\$5.85 billion equity interests in (i) certain Marfrig subsidiaries that own and operate the Seara Business and (ii) certain Marfrig subsidiaries that own and operate the Zenda Business. The Zenda Sale closed on June 30, 2013 and the Seara Sale closed on September 30, 2013. See “The Seara Brasil and Zenda Transaction.” For a summary of the Zenda Business and the Seara Business, see “The Seara Brasil and Zenda Transaction—The Seara and Zenda Businesses—The Zenda Business” and “The Seara Brasil and Zenda Transaction—The Seara and Zenda Businesses —The Seara Business,” respectively.

Our management team continually strives to create value for our entire business. The strategy behind the divestment of the Seara Business and the Zenda Business was to simplify and streamline our organizational structure, reduce the demand on our resources, benefit from lower leverage and focus on our core operations with a stronger capital structure. We believe that the continuous enhancement of our internal processes to achieve improvements in efficiency and cost control, combined with our results-oriented management team and its commitment to profitable growth, will improve the profitability of our business and strengthen our cash generation.

Our organizational structure following consummation of the Sale, which aimed to maximize efficiency across our operations and strengthen our commitment to profitable growth, consists of three major business units as set forth in the chart below:



- *Marfrig Beef* – Our Marfrig Beef business is a pioneer in beef marketing and branding, with a focus on serving the domestic Brazilian market, in particular, the food service industry, and the exports market to cater to our clients worldwide. Marfrig Beef is known in many countries for the quality of its premium products and has leveraged favorable developments in Brazil’s cattle industry and prevailing exchange rates to reinforce our position in the international markets. Our South American international operations focus on exporting prime cuts of beef and on capitalizing on our advantageous business position in Uruguay, which affords access for Marfrig Beef to export to the world’s main consumer markets.
- *Moy Park* — Our Moy Park business is a leading and highly regarded U.K. food company, providing fresh, high quality and locally bred poultry and convenience food products. We have operated in the United Kingdom and Irish retail market for 50 years and deliver a range of fresh, ready-to-cook, coated and ready-to-eat poultry products to major retailers and large food service customers throughout the U.K., Ireland and Continental Europe.
- *Keystone* — Our Keystone business is a supplier of food made from animal protein to major global restaurant chains, with operations focused in the United States, Europe and Asia. While the growth of our business in the United States is based on diversifying our client portfolio and expanding into the Midwestern region, our growth strategy in Asia is based on building partnerships and joint ventures in order to supplement our continued growth in the local food service industry. Additionally, we target growth opportunities to expand our presence in China, which we consider to be one of the major drivers of global growth and demand for animal protein, and have established two Chinese joint ventures through Keystone. The first joint venture, Keystone-Chinwhiz (whereby Keystone owns 60% and Chinwhiz owns 40%), is building a vertically integrated poultry production chain, which processed approximately 160,000 chickens per day in 2013. The second joint venture, Keystone-COFCO (whereby Keystone owns 45% and COFCO owns 55%), is exploring various business opportunities for logistical services and food distribution in China.

In the three-month period ended March 31, 2014, we recorded R\$4,787.5 million in net sales and R\$618.8 million in gross profit, compared to R\$4,374.6 million in net sales and R\$571.1 million in gross profit in the three-month period ended March 31, 2013. In the three-month periods ended March 31, 2014 and 2013, EBITDA (continuing and discontinued operations) amounted to R\$392.8 million and R\$491.2 million, respectively. In the three-month period ended March 31, 2014, the volume of products sold totaled 662.5 thousand tons and decreased by 6.3% in comparison to the 706.8 thousand tons sold in the three-month period ended March 31, 2013. Additionally, during this period, we continued to upgrade

our internal processes through improvements in efficiency and cost control, which we believe will result in an increase in our profitability.

Financial Information

The tables below show financial information derived from our consolidated financial statements and results of operations for the periods indicated.

	For the three-month period ended March 31,			For the year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁶⁾ (unaudited)	(R\$) (unaudited)		(U.S.\$) ⁽⁷⁾ (unaudited)	(R\$)	
(in millions, except percentages)						
Net sales ⁽¹⁾	2,118.4	4,787.5	4,374.6	8,013.8	18,752.4	16,516.4
Net income (loss) from continuing operations ⁽¹⁾	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
EBITDA (continuing operations) ⁽²⁾	173.7	392.8	366.6	590.3	1,381.3	1,878.0
EBITDA margin (continuing operations) ⁽²⁾	8.2%	8.2%	8.4%	7.4%	7.4%	10.2%
EBITDA (discontinued operations) ⁽³⁾	-	-	124.6	424.1	992.5	256.0
EBITDA (continuing and discontinued operations) ⁽⁴⁾	173.7	392.8	491.2	1,014.4	2,373.8	2,134.0
EBITDA margin (continuing and discontinued operations) ⁽⁵⁾	8.2%	8.2%	11.2%	12.7%	12.7%	12.9%

Notes:—

- (1) Net sales and net income (loss) for the three-month periods ended March 31, 2014 and 2013 and the years ended December 31, 2013 and 2012 reflect the financial information of the Continuing Operations only.
- (2) For the year ended December 31, 2012, this includes a gain on the sale of discontinued operations of R\$193.8 million. For the year ended December 31, 2013, EBITDA (continuing operations) excludes the gain on sale of discontinued operations of R\$820.0 million in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). See “Presentation of Financial and Other Information.” On a like-for-like basis with EBITDA (continuing operations) for the year ended December 31, 2013, EBITDA (continuing operations) for the year ended December 31, 2012 would have been R\$1,693.7 million.
- (3) EBITDA (discontinued operations) sets forth the stand-alone EBITDA of assets classified as discontinued operations for the periods indicated. See “Presentation of Financial and Other Information—EBITDA.”
- (4) EBITDA (continuing and discontinued operations) sets forth the aggregate EBITDA of our continuing and discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.” See “Summary of Financial and Other Information – EBITDA Reconciliation.”
- (5) EBITDA (continuing and discontinued operations) divided by net sales from continuing operations.
- (6) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (7) Solely for the convenience of the reader, Brazilian real amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁵⁾	(R\$)		(U.S.\$) ⁽⁶⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions, except percentages)					
Cash and cash equivalents	550.5	1,244.0	1,441.8	329.6	771.3	919.9
Marketable securities	508.4	1,149.0	1,729.0	444.6	1,040.3	2,258.3
Short-term debt ⁽¹⁾	573.2	1,295.3	3,640.7	480.0	1,123.3	3,702.9
Long-term debt ⁽²⁾	3,522.2	7,960.2	9,356.5	3,340.4	7,816.5	8,679.0
Total debt ⁽³⁾	4,095.4	9,255.5	12,997.2	3,820.4	8,939.8	12,381.9
Net debt ⁽⁴⁾	3,036.5	6,862.5	9,826.4	3,046.2	7,128.2	9,203.7

Notes:—

- (1) Short-term debt is the current portion of loans and financing plus debentures payable (short-term portion) plus interest on debentures. Finance leases are not considered in the debt amounts for any periods shown. See note 19 to our financial statements for the three-month period ended March 31, 2014. Short-term debt as of December 31, 2013 reflects the assumption by JBS of the short-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (2) Long-term debt is the non-current portion of loans and financing plus debentures payable. Long-term debt does not include the Mandatory Convertibles. Long-term debt as of December 31, 2013 reflects the assumption by JBS of the long-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (3) Total debt is short-term debt plus long-term debt. Total debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (4) Net debt is short-term debt plus long-term debt, less cash and cash equivalents and marketable securities. Net debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (5) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (6) Solely for the convenience of the reader, Brazilian real amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

For more information on our financial statements, see the section “Presentation of Financial and Other Information” and our financial statements and the accompanying notes included elsewhere in this offering memorandum.

Production Capacity

The table below shows the production capacity for our business as of March 31, 2014 and 2013 and as of December 31, 2013 and 2012 (exclusive of the Discontinued Operations):

	As of March 31,		As of December 31,	
	2014	2013	2013	2012
Cattle ⁽¹⁾	21,036	20,300	21,036	19,100
Chicken ⁽¹⁾	1,597,600	1,610,000	1,785,600	1,610,000
Lamb ⁽¹⁾	11,800	14,000	11,800	11,900
Processed Foods ⁽²⁾	81,901	79,417	75,217	79,417
Turkey ⁽¹⁾	24,286	20,000	20,000	20,000

Notes:—

(1) Slaughtering capacity in heads/day.

(2) Capacity in tons/month.

Portfolio of Products

Marfrig Beef

Our portfolio of products in the Marfrig Beef business includes the production, processing and/or sale of the following:

- specialized, portioned and traditional cuts of non-processed meat (beef and lamb);
- processed beef products such as frozen pre-cooked meat, canned meats and dried beef jerky;
- fish such as cod, hake and salmon, among others;
- pre-cooked potatoes; and
- cleaning products.

Moy Park

Our portfolio of products in the Moy Park business includes the production, processing and/or sale of the following:

- fresh, breaded and ready to eat chicken products packaged with suggested recipe ideas;
- comprehensive range of convenient high quality poultry and meat free products and market expertise to the foodservice market;
- high-quality chicken and turkey products, ranging from traditional free range whole birds to ready-to-eat convenience products; and
- high-quality, convenient bite sized treats, including desserts and snacks.

Keystone

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

- a full range of processed proteins, including poultry, beef and fish;
- individually quick frozen food offerings such as hamburgers and beef and pork patties;
- par-fried items, such as breaded chicken nuggets and patties;
- fully cooked products, such as chicken wings, chicken breast filets, beef and chicken fajita strips, diced chicken and bone-in chicken pieces; and
- desserts.

Competitive Strengths

As a result of our history of internal growth and strategic acquisitions and disposals, we believe we are in a unique position to continue to build out our client base as well as seize business opportunities in the processed foods, specialized meat cuts and food service segments. In addition, we believe we have the following competitive strengths:

- *We are a large food producer.* We are a large producer of beef, poultry and industrialized products. Additionally, we are a large agribusiness company in Brazil. Moreover, we have operations in Brazil and more than 15 other countries strategically located in South America, North America, Europe and Asia, and offer a broad portfolio of products in the main food segments through our Marfrig Beef, Moy Park and Keystone business units. We believe the

diversity of our products, our production capacity and the global nature of our operations makes us one of the world leaders in the industry, with activities in a sector that is particularly promising considering the global trend towards increased daily consumption of protein.

- *Capacity for organic growth.* Each of our processing facilities has been designed (or is being upgraded) to produce a wide range of beef, lamb and poultry products, including high value-added products such as specialized cuts and frozen pre-cooked beef. Our modern facilities provide us the opportunity to cater to customers such as global supermarket chains that require the highest quality standards from their suppliers. Accordingly, we believe current investments in our industrial plants, coupled with a greater focus on the expansion of our core business, should provide us with a steady and growing profitability as more brands and products are included in our portfolio.
- *A diversified global platform, product offering and global distribution network.* Our global platform consists of 79 processing facilities, distribution centers and offices in South America, North America, Europe, Oceania and Asia together with a distribution network that allows us to access more than 110 countries. Our beef facilities are strategically located in Brazil, Argentina and Uruguay, countries that have vast lands and longstanding traditions of animal husbandry, which leads to relatively low production costs and competitive pricing. We believe that these factors, when combined with our market position for value-added processed foods in high-income markets such as Europe and the United States, will help us to achieve good margins. In addition, we believe that our presence in Asia, where we have been present for more than 20 years, will constitute one of the main growth areas in the coming years. Our sales volume, which comprises export and domestic markets sales, gives us the necessary scale to maintain and expand our activities in competitive markets. In addition, through our diversified product portfolio we are able to offer customers a wide variety of products, which we believe results in increased customer loyalty. Lastly, our strategy of geographic and product diversification creates a natural hedge against industry risks. Through our various acquisitions, we have expanded our logistics and distribution network and have an established network on a global scale. Through this network, we are able to better serve our clients.
- *Expertise in markets and segments with high growth potential.* We are present in countries with high growth rates, according to data from World Economic Outlook Database of the IMF as of December, 2013, such as Brazil, China, Malaysia, Thailand and certain Middle Eastern countries, which are emerging markets that present a high growth potential for the food industry. As a result, we believe we have a substantial opportunity to capture an increasing share of this growth potential. Our joint ventures in China through Keystone aim to increase our ability to take advantage of the potential growth of poultry consumption in that country. Moreover, we have a strong presence in the quick service restaurants sector, with operations located in Brazil and 15 other countries, which also permits us to take advantage of the expected growth of this sector.
- *We believe we have a strong reputation with our clients.* We believe we have built a solid reputation over time of maintaining high-quality processing and service levels, which have contributed to strong relationships with some of the most important global food service operators and retailers. Moy Park, one of our business units and the second largest integrated system of poultry in the UK, processes chicken and distributes a wide assortment of protein-based products consisting of chicken, turkey, beef and pork, and also distributes vegetables, bread, hamburgers and other snacks through the main food retailers and food service clients in the UK. Keystone, which focuses on producing and developing multi-protein foods, has built a close relationship with some of the main global restaurant and food processors in the U.S., Asia and Europe. Similarly, Marfrig Food Service in Brazil, a segment of Marfrig Beef, is considered a top quality food service provider in the Brazilian market.
- *Experienced and entrepreneurial management.* Our management team has extensive experience in the food sector, which has provided significant advantages when exploring

market opportunities and adjusting our business plans to meet demand. We believe we have local managers with relevant industry experience in each of our international operations. Furthermore, in line with the development of our corporate governance practices:

- (i) Mr. Sergio Rial, who joined the Marfrig Group in November, 2012, became the chief executive officer of the Marfrig Group on January 23, 2014, allowing the Company to comply with *Novo Mercado* regulations that prohibit a company's chief executive officer and chairman of the board of directors from being the same person. See "Management—Board of Executive Directors;" and
- (ii) An Executive Committee comprised by our executive officers to assist our chief executive officer in the management of our businesses and chaired by Mr. Sergio Rial has been established. For additional information see "Management—Executive Committee."

Our Strategy

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

- *Focus on organic growth.* We intend to continue investing in increasing capacity in our poultry, beef and lamb processing plants. We believe our production plants allow us to significantly increase our production capacity, without the need for major investments. Additionally, we intend to make investments in the distribution and logistics segments, especially in Brazil and China, to better meet the demand of our customers and to reduce our transport costs.
- *Strengthen our capital structure.* Our consolidated indebtedness, which does not include our Mandatory Convertibles, as of March 31, 2014, December 31, 2013 and December 31, 2012 was, respectively, R\$9,255.5 million, R\$8,939.8 million and R\$12,381.9 million, where 86.0%, 87.4% and 70.1% of these values represent long-term debt, respectively. We are working to reduce our leverage ratios and further improve our debt profile through alternative long-term financing in the domestic and international. For more information on the allocation of proceeds from this offer, see the section "Use of Proceeds" of this offering memorandum.
- *Development of our international operations.* We believe that our international operations provide significant growth opportunities. We intend to accelerate investments in our international operations, including through joint ventures, to increase the ability and efficiency of our reach to consumer markets through improvements in our distribution networks. For the year ended December 31, 2013, our sales in the international markets accounted for 25.0% of our net sales in respect of our Continuing Operations.
- *Focus on high value-added product and in our food services activities.* We intend to continue to increase our range of industrialized processed foods and specialized cuts of non-processed meat. These are products that should allow us to increase our market share, and should result in increased margins due to their higher value-add when compared to non-processed meat. Additionally, we are seeking new opportunities by region and business division and are exploring untapped markets, while at the same time continuing to invest in the expansion and strengthening of our position in the various domestic markets in which we operate. In the other regions where we have operations, which include South America, Europe, Asia, certain Middle East countries and the United States, we will seek to enter into partnerships and increase our customer base. We also intend to increase direct sales of our products to restaurants, supermarkets, corporate catering facilities, specialty beef outlets and food service chains because these sales generate greater margins. We constantly seek to broaden our product offerings in the food service segment and optimize our existing distribution network,

so as to provide our food service customers with a “one-stop-shop” option consisting of a complete range of food products for their daily needs.

Recent Developments

On March 19, 2014, we issued an additional U.S.\$275.0 million in aggregate principal amount of 2020 notes that bear an interest rate of 9.50% per year. These additional notes have been consolidated into a single series with our senior notes issued May 4, 2010. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes.”

On March 19, 2014, we executed the First Addendum to the Shareholders Agreement between MMS Participações S.A. and BNDES Participações S.A. – BNDESPAR, which contained changes related to a fifth issuance and private placement of a single series of convertible debentures that occurred on March 17, 2014.

On March 28, 2014, we announced the cancellation of all 215,000 2nd Issue Debentures. 214,900 debentures were exchanged for 5th Issue Convertible Debentures and 100 debentures were redeemed and cancelled by the Company. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Mandatory Convertibles.”

In April 2014, Moy Park Limited completed the purchase of two European businesses and one related holding company from Keystone, Marfrig’s U.S. and Asia focused business unit, after taking over managerial direction of these businesses during the second quarter of 2013 as part of Marfrig’s plans to streamline and rationalize its businesses. The Keystone Manufacturing Ireland and McKey Food Services businesses focus on value-added meat processing, and McKey Holdco S.A.R.L. is a holding company. Moy Park Limited agreed to pay Keydutch Investments B.V. and McKey Luxembourg S.à r.l. £37.5 million (equivalent) in consideration for the assets, where such value was established by means of an independent valuation report. Moy Park Limited has paid £30.0 million (equivalent) and intends to pay the remaining £7.5 million (equivalent) from the proceeds of their senior notes issuance described below.

On May 29, 2014, our wholly owned subsidiary Moy Park (Bondco) Plc., issued its first senior notes issuance in the European market, amounting to £200 million, with a 7 year maturity and a fixed interest rate of 6.25% per year. Its senior notes were guaranteed by Moy Park Holdings Europe Ltd., Moy Park Ltd. and certain affiliates. A portion of the proceeds will be used to repay certain of our existing financial indebtedness.

On June 5, 2014, we launched cash tender offers for (i) any and all outstanding 9.875% Senior Notes due 2017, or the (“2017 Notes”), issued by the issuer, (the “2017 Notes Tender Offer”); and (ii) any and all outstanding 11.250% Senior Notes due 2021 (“2021 Notes” and, together with the 2017 Notes, the “Existing Notes”), issued by the issuer, (the “2021 Notes Tender Offer” and, together with the 2017 Notes Tender Offer, the “Tender Offers”). As of June 5, 2014, R\$527.1 million aggregate principal amount of 2017 Notes and R\$342.9 million aggregate principal amount of 2021 Notes were outstanding.

In connection with the Tender Offers, we are also soliciting consents to proposed amendments to the 2017 Notes and 2021 Notes and their respective indentures, providing for, among other things, elimination of substantially all restrictive covenants in such indentures and notes. The Purchaser will only accept 2021 Notes for purchase if the 2021 requisite consents to authorize the 2021 Proposed Amendments are validly delivered and not validly revoked.

The Tender Offers will expire at 11:59 P.M., New York City time, on July 2, 2014, unless extended or earlier terminated, such date and time, including as extended or earlier terminated, (the “Expiration Time”). Holders of Existing Notes who validly tender (and do not validly withdraw) their Existing Notes at or prior to 5:00 P.M., New York City time, on June 18, 2014, unless extended or earlier terminated, such date and time, including as extended or earlier terminated, (the “Early Tender Date”), will be eligible to receive a total consideration that includes the an early tender payment. Holders of Existing Notes who validly tender Existing Notes after the Early Tender Date but at or prior to the Expiration

Date will not be eligible to receive the early tender payment. The early settlement of the Tender Offers is expected to occur concurrently with the closing of this offering.

The Tender Offers are conditioned on the satisfaction, or waiver by us, of certain conditions, including, but not limited to, the receipt of net cash proceeds from a concurrent offering on terms and conditions satisfactory to us. Completion of this offering is expected to satisfy this condition.

For more information on the Tender Offers see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes—2017 Notes and — 2021 Notes.”

We intend to use the net proceeds from this offering of notes to fund the Tender Offers and to pay related fees and expenses.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offers are made only by and pursuant to the terms of the Offer to Purchase and Consent Solicitation Statement, dated June 5, 2014, and the related Letter of Transmittal, as the same may be amended or supplemented.

The chart below shows our corporate structure as of the date of this offering memorandum.



Our corporate headquarters are located at Avenida Chedid Jafet, 222 – Block A, 5th Floor, Room 1, São Paulo, SP, 04551-065, Brazil. Our telephone and fax numbers are +55-11-3792-8600 and +55-11-3792-8601, respectively. Our website address is www.marfrig.com.br. The information contained on our website is not part of this offering memorandum and is not incorporated herein by reference. For further information about our operations, see “Business.”

SUMMARY OF THE OFFERING

The following summary contains basic information about this offering. The summary is not intended to be complete. You should read the full text and further details contained elsewhere in this offering memorandum. For more information concerning the terms of the notes, see “Description of the Notes” in this offering memorandum.

Issuer:	Marfrig Holdings (Europe) B.V.
Notes Offered:	U.S.\$850,000,000 in aggregate principal amount of 6.875% Senior Notes due 2019.
Guarantee:	Marfrig and Marfrig Overseas will irrevocably and unconditionally guarantee on a senior unsecured basis the full and punctual payment of principal of, interest, and Additional Amounts on, and all other amounts that may become due and payable in respect of the notes.
Issue Price:	100% of the aggregate principal amount of the notes.
Maturity Date:	June 24, 2019.
Interest:	Interest at 6.875% per annum will be payable semi-annually in arrears each June 24 and December 24 of each year, commencing on December 24, 2014.
Indenture:	The notes will be issued pursuant to and governed by, an indenture to be dated June 24, 2014, among Marfrig, Marfrig Holdings, Marfrig Overseas, The Bank of New York Mellon Trust (Japan) Ltd, as principal paying agent, The Bank of New York Mellon, as trustee, registrar, New York paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg special paying agent, transfer agent and listing agent.
Ranking of the Notes:	The notes will be Marfrig Holdings’ senior unsecured obligations and will rank equally with any unsecured indebtedness of Marfrig Holdings (except those obligations preferred by operation of law) and will be senior to any subordinated indebtedness of Marfrig Holdings. As of the date of this offering memorandum, the issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than those described in this offering memorandum in the section entitled “The Issuer.”
Ranking of the Guarantee:	The guarantee will be a general irrevocable and unconditional senior obligation of Marfrig and Marfrig Overseas and is not secured by any collateral. The guarantee will rank equally with the senior unsecured indebtedness of Marfrig and Marfrig Overseas (except those obligations preferred by operation of law) and will be senior to the subordinated indebtedness of Marfrig and Marfrig Overseas.

	The guarantee will effectively be subordinated to the secured indebtedness of Marfrig and Marfrig Overseas, to the extent of the value of the assets securing such indebtedness. Marfrig Overseas will be the sole subsidiary guarantor at the time of the issuance of the notes. As of March 31, 2014, Marfrig had an aggregate outstanding amount of R\$1,705.9 million of consolidated secured indebtedness, of which R\$164.2 million represented the aggregate principal amount of pre-export financing agreements. As of the same date, Marfrig had an aggregate outstanding amount of R\$9,255.5 million of consolidated indebtedness (secured and unsecured). The claims of holders of the notes will be structurally subordinated, with regard to assets and cash flows of our subsidiaries that are not guarantors, to claims of creditors of those subsidiaries. The amount of these claims as of March 31, 2014 was R\$1,009.8 million.
Optional Redemption:	We may redeem any of the notes at any time on or after June 24, 2017 in whole or in part, in cash, at the redemption prices described in this offering circular, plus accrued and unpaid interest to the date of redemption.
Optional Tax Redemption:	We may redeem the notes, in whole but not in part, at a price in U.S. dollars equal to the outstanding principal amount thereof 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.”
Change of Control Offer	Upon the occurrence of specified change of control events in respect of Marfrig, holders of notes will have the right to require the Issuer and the Company to offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any, through the date of purchase. See “Description of the Notes—Restrictive Covenants—Repurchases at the Option of the Holders of Notes upon Change of Control.”
Restrictive Covenants	The notes will be issued under an indenture with The Bank of New York Mellon, as trustee. The indenture governing the notes will contain covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to: • incur additional indebtedness, • pay dividends on, redeem or repurchase our Capital Stock, • make investments, • issue or sell capital stock of Restricted Subsidiaries, • sell assets,

- enter into sale and leaseback transactions,
- engage in transactions with affiliates,
- create unrestricted subsidiaries,
- create certain liens, and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

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

Use of Proceeds:

We intend to use the net proceeds of this offering to finance the Tender Offers as described under “Summary—Recent Developments,” and to pay fees and expenses associated with the Tender Offers. Any remaining net proceeds will be used to repay other outstanding indebtedness (including but not limited to open market repurchases of certain of our outstanding bonds) and for general corporate purposes. See “Use of Proceeds.”

Additional Amounts:

All payments of principal and interest by or on behalf of Marfrig Holdings in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes or other governmental charges of whatever nature, imposed or assessed by or within the Netherlands, Brazil or any other jurisdiction from or through which payments are made, 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 and provided that such issuance constitutes a “qualified reopening” for U.S. federal income tax purposes.

Risk Factors:

See “Risk Factors” and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.

Form and Denomination:	The notes sold in the United States in reliance on Rule 144A will be evidenced by notes in global form called restricted global notes, which have been and will be, as the case may be, deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”). The notes sold outside the United States in reliance on Regulation S will be evidenced by separate notes in global form called Regulation S global notes, which also have been and will be, as the case may 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\$200,000 and integral multiples of US\$1,000 in excess thereof. See “Description of the Notes.”
Trading and Listing:	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.
No Registration Rights:	We are not required to register the notes for resale under the Securities Act, or the securities laws of any other jurisdiction, and are not required to offer to exchange the notes for notes registered under the Securities Act or the laws of any other jurisdiction.
Governing Law:	The indenture and the notes will be governed by, and will be construed in accordance with, the laws of the State of New York.
Principal Paying Agent:	The Bank of New York Mellon Trust (Japan) Ltd.
Trustee, Registrar, New York Paying Agent and Transfer Agent:	The Bank of New York Mellon.
Luxembourg Paying Agent and Transfer Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg Listing Agent:	The Bank of New York Mellon (Luxembourg) S.A.

SUMMARY OF FINANCIAL AND OTHER INFORMATION

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

Our financial information relating to our consolidated balance sheet, income statement and cash flows is derived from our unaudited interim financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 and our consolidated financial statements as of and for the years ended December 31, 2013 and 2012 included elsewhere in this offering memorandum, and has been prepared in accordance with Brazilian GAAP and IFRS. See “Presentation of Financial and Other Information.”

In 2013, we sold equity interests of the Seara Business and Zenda Business to JBS for the aggregate consideration of R\$5.85 billion. The Zenda Sale closed on June 30, 2013 and the Seara Sale closed on September 30, 2013. See “The Seara Brasil and Zenda Transaction.”

Our unaudited consolidated statements of income and cash flow for the three-month period ended March 31, 2014 and our audited consolidated statements of income and cash flow for the year ended December 31, 2013 include the results of Marfrig Beef, Moy Park and Keystone, including the Continuing Operations but excluding the Discontinued Operations. The consolidated statements of income and cash flow for the three-month period ended March 31, 2013 and for the year ended December 31, 2012 have been reclassified to treat the Seara Business and the Zenda Business as Discontinued Operations as required by Brazilian GAAP. Our consolidated statement of financial position, consolidated statement of changes in shareholders’ equity and consolidated statement of added value as of December 31, 2013 (i) exclude the Zenda Business and Seara Business and (ii) reflect the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale. Our consolidated statement of changes in shareholders’ equity and consolidated statement of added value as of March 31, 2013 and our consolidated statement of financial position, consolidated statement of changes in shareholders’ equity and consolidated statement of added value as of December 31, 2012 have not been reclassified to exclude the Discontinued Operations in accordance with the requirements of the Committee for Accounting Pronouncements’ Technical Pronouncement 31/IFRS 5: Non-current assets held for sale and discontinued operations.

Solely for your convenience, certain *real* amounts in this offering memorandum as of and for the three-month period ended March 31, 2014 and the year ended December 31, 2013 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, published by the Central Bank on March 31, 2014 of R\$2.26 to U.S.\$1.00. On June 4, 2014, the exchange rate published by the Central Bank was R\$2.28 per U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate. For further information on exchange rate instability, see “Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us” and “Exchange Rates.”

Marfrig’s Financial Information and Other Information

The below income statement data for the three-month periods ended March 31, 2014 and 2013 and the years ended December 31, 2013 and 2012 present the financial results of our Continuing Operations. Net income (loss) of our Discontinued Operations is also presented in the table below.

Statement of Income Data

	Three-month period ended March 31,			Year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽¹⁾ (unaudited)	(R\$) (unaudited)		(U.S.\$) ⁽²⁾ (unaudited)	(R\$)	
	(in millions)					
Net sales	2,118.4	4,787.5	4,374.6	8,013.8	18,752.4	16,516.4
Cost of goods sold.....	(1,844.5)	(4,168.7)	(3,803.5)	(7,026.8)	(16,442.7)	(14,154.4)
Gross profit	273.9	618.8	571.1	987.0	2,309.7	2,362.0
Operating income (expenses)....	(337.1)	(761.7)	(621.3)	(1,484.5)	(3,473.9)	(2,350.8)
Sales expenses	(97.6)	(220.7)	(175.3)	(344.1)	(805.3)	(699.0)
General and administrative expenses.....	(60.5)	(136.7)	(147.0)	(240.8)	(563.5)	(606.2)
Equity in earnings (losses) of subsidiaries	(2.6)	(6.0)	(0.7)	(3.9)	(9.1)	—
Other operating income (expenses)	(4.8)	(10.4)	(2.2)	(27.8)	(65.0)	372.8
Financial income (expenses) ..	(171.6)	(387.8)	(296.1)	(867.9)	(2,031.0)	(1,418.4)
Financial income.....	20.0	45.3	67.5	156.0	365.0	338.9
Exchange gain.....	119.0	269.0	130.7	332.6	778.3	311.2
Financial expenses	(177.9)	(402.1)	(373.4)	(771.8)	(1,806.1)	(1,407.3)
Exchange loss	(132.7)	(300.0)	(120.9)	(584.7)	(1,368.2)	(661.2)
Income (loss) before tax effects	(63.2)	(142.8)	(50.2)	(497.5)	(1,164.2)	11.2
Provision for income and social contribution taxes	22.6	51.0	(6.5)	154.4	361.3	266.2
Current and deferred income tax	15.5	34.9	(4.5)	114.3	267.4	206.1
Current and deferred social contribution.....	7.1	16.1	(2.0)	40.1	93.9	60.1
Net income (loss) in the fiscal year from continuing operations	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
Net income (loss) in the fiscal year from discontinued operations	—	—	(24.3)	(40.2)	(94.2)	(510.7)
Net income in the fiscal year before interest	(40.6)	(91.8)	(81.0)	(383.4)	(897.1)	(233.2)
Attributable to:						
Controlling interest.....	(42.7)	(96.4)	(81.2)	(390.4)	(913.6)	(223.9)
Non-controlling interest.....	2.1	4.6	0.2	7.1	16.5	(9.3)

Note:—

- (1) Solely for the convenience of the reader, Brazilian *real* amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (2) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

Balance Sheet Data

Our unaudited consolidated balance sheet as of March 31, 2014 and our audited consolidated balance sheet as of December 31, 2013 exclude both the assets and liabilities of the Zenda Business, which was sold in June 2013, and the assets and liabilities of the Seara Business, which was sold in September 2013, and our audited consolidated balance sheet as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness.

	As of March 31,		As of December 31,		
	2014	2014	2013	2013	2012
	(U.S.\$) ⁽¹⁾	(R\$)	(U.S.\$) ⁽²⁾		
	(unaudited)	(unaudited)	(unaudited)	(R\$)	
	(in millions)				
Assets					
Cash and equivalents	550.5	1,244.0	329.6	771.3	919.9
Marketable securities	508.4	1,149.0	444.6	1,040.3	2,258.3
Trade accounts receivable – domestic	379.5	857.7	459.7	1,075.6	1,391.8
Trade accounts receivable – foreign	368.0	831.7	374.3	875.9	401.6
Inventories of goods and merchandise	816.4	1,845.0	781.4	1,828.6	2,703.7
Biological assets	178.1	402.5	149.6	350.1	943.8
Recoverable taxes	506.4	1,144.6	474.5	1,110.4	1,240.5
Prepaid expenses	53.0	119.8	35.0	81.9	91.5
Notes receivable	37.6	85.0	96.0	224.7	77.4
Advances to suppliers	29.6	66.8	25.4	59.4	51.2
Other receivables	27.8	62.8	32.3	75.6	155.0
Total current assets	3,455.3	7,808.9	3,202.4	7,493.8	10,234.7
Marketable securities	0.4	1.0	0.4	1.0	0.9
Court deposits	33.3	75.2	30.6	71.5	44.4
Notes receivable	93.5	211.3	23.8	55.7	53.7
Deferred income and social contribution taxes	661.7	1,495.5	618.8	1,448.0	1,851.7
Recoverable taxes	432.5	977.5	423.1	990.2	1,232.6
Other receivables	15.2	34.4	14.3	33.2	77.8
Investments	20.4	46.1	23.4	54.8	11.1
Property, plant and equipment	2,064.5	4,665.7	2,031.9	4,754.8	7,757.3
Biological assets	49.3	111.4	48.5	113.5	253.4
Intangible assets	1,210.4	2,735.4	1,201.4	2,811.1	4,071.9
Total non-current assets	4,581.2	10,353.5	4,416.2	10,333.8	15,354.8
Total assets	8,036.5	18,162.4	7,618.6	17,827.6	25,589.5
Liabilities					
Trade accounts payable	708.0	1,600.0	682.1	1,596.1	2,580.2
Accrued payroll and related charges	149.7	338.4	144.4	337.9	507.0
Taxes payable	51.8	117.1	49.0	114.7	187.5
Loans and financing	558.8	1,262.8	468.8	1,097.0	3,359.1
Notes payable	50.3	113.7	116.4	272.5	352.9
Lease payable	21.7	49.1	21.2	49.7	38.8
Debentures payable	—	—	—	—	199.4
Interest on debentures	14.4	32.5	11.2	26.3	144.4
Advances from customers	43.8	98.9	25.3	59.2	90.6

	As of March 31,		As of December 31,		
	2014	2014	2013	2013	2012
	(U.S.\$) ⁽¹⁾	(R\$)	(U.S.\$) ⁽²⁾		
	(unaudited)	(unaudited)	(unaudited)	(R\$)	
	(in millions)				
Other payables	63.8	144.3	57.8	135.2	227.3
Total current liabilities	1,662.3	3,756.8	1,576.2	3,688.6	7,687.2
Loans and financing.....	3,522.2	7,960.2	3,340.4	7,816.5	8,282.3
Taxes payable	82.6	186.7	77.8	182.0	252.7
Deferred income and social contribution taxes.....	283.5	640.7	276.4	646.9	1,474.7
Tax, labor and civil provisions.....	12.0	27.1	11.3	26.5	237.9
Lease payable.....	42.0	94.9	44.1	103.1	107.5
Debentures payable.....	—	—	—	—	396.7
Notes payable.....	101.6	229.5	1.9	4.4	208.5
Mandatory deed convertibles into shares.....	936.1	2,115.7	903.0	2,113.1	2,470.9
Other payables	56.6	127.8	54.6	127.5	165.9
Total non-current liabilities	5,036.6	11,382.7	4,709.5	11,020.0	13,597.1
Share capital.....	2,334.8	5,276.7	2,255.0	5,276.7	4,926.7
Share issue expenses.....	(47.9)	(108.2)	(46.2)	(108.2)	(108.2)
Capital reserve	81.9	184.8	79.0	184.8	184.8
Issue of common shares	81.9	184.8	79.0	184.8	184.8
Profit Reserves.....	15.9	35.7	15.2	35.7	33.6
Legal reserve.....	19.7	44.5	19.0	44.5	44.5
Retained earnings.....	3.3	7.3	3.1	7.3	7.3
Treasury shares	(1.9)	(4.4)	(1.9)	(4.4)	(6.5)
Treasury shares canceled	(5.2)	(11.7)	(5.0)	(11.7)	(11.7)
Other comprehensive income.....	(47.3)	(107.0)	(42.9)	(100.4)	514.4
Asset valuation adjustment	(403.4)	(911.8)	(414.2)	(969.3)	(168.8)
Cumulative translation adjustment.....	356.1	804.8	371.3	868.9	683.2
Accumulated losses.....	(1,039.5)	(2,349.4)	(965.5)	(2,259.3)	(1,395.0)
Controlling shareholders' equity.....	1,297.6	2,932.6	1,294.6	3,029.3	4,156.3
Non-controlling interest	40.0	90.3	38.3	89.7	148.9
Total shareholders' equity	1,337.6	3,022.9	1,332.9	3,119.0	4,305.2
Total liabilities and shareholders' equity.....	8,036.5	18,162.4	7,618.6	17,827.6	25,589.5

Note:—

(1) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”

(2) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

EBITDA Reconciliation (Unaudited)

	Three-month period ended March 31,			Year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁶⁾	(R\$)		(U.S.\$) ⁽⁷⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions, except percentages)					
Net income (loss) from continuing operations ⁽¹⁾	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
Income tax and social contribution tax ⁽¹⁾	(22.6)	(51.0)	6.5	(154.4)	(361.3)	(266.2)
Financial income (expense) ⁽¹⁾	171.6	387.8	296.1	867.9	2,031.0	1,418.4
Equity in earnings (losses) of subsidiaries ⁽¹⁾	2.6	6.0	0.7	3.9	9.1	—
Depreciation and amortization ⁽¹⁾	62.7	141.8	120.0	216.0	505.4	448.5
EBITDA (continuing operations) ⁽²⁾	173.7	392.8	366.6	590.3	1,381.3	1,878.0
EBITDA margin (continuing operations) ⁽²⁾ ..	8.2%	8.2%	8.4%	7.4%	7.4%	10.2%
EBITDA (discontinued operations) ⁽³⁾	-	-	124.6	424.1	992.5	256.0
EBITDA (continuing and discontinued operations) ⁽⁴⁾	173.7	392.8	491.2	1,014.4	2,373.8	2,134.0
EBITDA margin (continuing and discontinued operations) ⁽⁵⁾	8.2%	8.2%	11.2%	12.7%	12.7%	12.9%

Notes:—

- (1) Net income (loss) from continuing operations, income tax and social contribution tax, financial income (expense), equity in earnings (losses) of subsidiaries and depreciation and amortization figures for the three-month period ended March 31, 2013 and the year ended December 31, 2012 have been reclassified to exclude financial information in respect of the Discontinued Operations. See “Presentation of Financial Information.”
- (2) For the year ended December 31, 2012, this includes a gain on the sale of discontinued operations of R\$193.8 million. For the year ended December 31, 2013, EBITDA (continuing operations) excludes the gain on sale of discontinued operations of R\$820.0 million in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). See “Presentation of Financial and Other Information.” On a like-for-like basis with EBITDA (continuing operations) for the year ended December 31, 2013, EBITDA (continuing operations) for the year ended December 31, 2012 would have been R\$1,693.7 million.
- (3) EBITDA (discontinued operations) sets forth the stand-alone EBITDA of assets classified as discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.”
- (4) EBITDA (continuing and discontinued operations) sets forth the aggregate EBITDA of our continuing and discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.”
- (5) EBITDA (continuing and discontinued operations) divided by net sales.
- (6) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (7) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

Additional Financial Information (Unaudited)

The below sets forth additional financial information as of the dates indicated:

	As of and for the three-month period ended March 31,			As of and for the year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁷⁾	(R\$)		(U.S.\$) ⁽⁸⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions, except ratios)					
Short-term debt ⁽¹⁾	573.2	1,295.3	3,640.7	480.0	1,123.3	3,702.9
Long-term debt ⁽²⁾	3,522.2	7,960.2	9,356.5	3,340.4	7,816.5	8,679.0
Net debt ⁽³⁾	3,036.5	6,862.5	9,826.4	3,046.2	7,128.2	9,203.7
Total debt ⁽⁴⁾ /EBITDA(continuing and discontinued operations) ⁽⁵⁾	4.1	4.1	5.9	3.8	3.8	5.8
Net debt ⁽³⁾ /EBITDA(continuing and discontinued operations) ⁽⁶⁾	3.0	3.0	4.4	3.0	3.0	4.3

Notes:—

- (1) Short-term debt is the current portion of loans and financing plus debentures payable (short-term portion) plus interest on debentures. Finance leases are not considered in the debt amounts for any periods shown. Short-term debt as of December 31, 2013 reflects the assumption by JBS of the short-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (2) Long-term debt is the non-current portion of loans and financing plus debentures payable. Long-term debt does not include the Mandatory Convertibles. Long-term debt as of December 31, 2013 reflects the assumption by JBS of the long-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (3) Net debt is short-term debt plus long-term debt, less cash and cash equivalents and marketable securities. Net debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (4) Total debt is short-term debt plus long-term debt. Total debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (5) The total debt/EBITDA (continuing and discontinued operations) ratio has been presented for the twelve-month periods ended the dates indicated using EBITDA (continuing and discontinued operations) for the applicable 12-month period. EBITDA (continuing and discontinued operations) for the 12-month periods ended March 31, 2014 and 2013 was R\$2,275.5 million (U.S.\$1,006.8 million) and R\$2,214.5 million, respectively. Total debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and EBITDA Margin.”
- (6) The net debt/EBITDA (continuing and discontinued operations) ratio has been presented for the twelve-month periods ended the dates indicated using EBITDA (continuing and discontinued operations) for the applicable 12-month period (see note (5) above). Net debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion of our outstanding indebtedness in connection with the Sale. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and EBITDA Margin.”
- (7) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (8) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

RISK FACTORS

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

Risks Relating to Our Business and Industry

Our level of indebtedness may harm our business.

We have a significant level of indebtedness and we may incur additional significant amounts of debt. As of March 31, 2014, our outstanding indebtedness was R\$9,255.5 million (which excludes the Mandatory Convertibles). Of our total outstanding indebtedness as of March 31, 2014, 3.8% (or R\$349.6 million) was in *reais* and 96.2% (or R\$8,905.9 million) was denominated in other currencies. We had R\$1,295.3 million (or 14.0% of our total debt) of short-term debt (which includes the current portion of loans and financing, interest on debentures and debentures payable) and R\$7,960.2 million (or 86.0% of our total debt) of long-term debt (which includes the non-current portion of loans and financing and debentures payable) as of March 31, 2014. For the three-month period ended March 31, 2014, we had a positive cash flow from operating activities in the amount of R\$407.5 million.

To refinance our maturing debt, we consider incurring additional borrowings and seeking funds from other sources, such as raising equity or disposing of assets. If our funding strategies are unsuccessful, we may be unable to make necessary investments and capital expenditures in our business, which could reduce our future sales and negatively affect our financial position. In addition, the required capital resources to fulfill our debt obligations may reduce the capital amount that is available for our operations, which could harm us.

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

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

The contracts that govern a large portion of our debt contain cross-default or cross-acceleration clauses that provide that a default in one of our debt obligations may be considered a default in our other debt obligations or may result in the acceleration of the maturity date of this debt. Therefore, a default in any of our debt obligations may cause other debt obligations to become immediately due, which, in turn, would adversely affect us and the price of the notes. We have implemented more stringent policies to monitor compliance with our covenants, but there can be no assurance that these procedures will be successful in preventing breaches in the future.

Certain financings incurred contain clauses that prevent us from incurring or maintaining debt, unless our net debt to EBITDA ratio (as defined in such agreements) is less than 4.50 to 1.00. In addition, some of our contracts impose restrictions on our ability to distribute dividends, sell our assets or even to provide guarantees to third parties. Thus, if any event of default occurs that is provided for in these contracts, our cash flow and other financial conditions could be materially and adversely affected. For more information on the restrictions to which we are subject to on as a result of the debt contracts to which we are a party, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” of this offering memorandum.

We may not be able to successfully integrate the operations of companies we acquire or benefit from growth opportunities.

We intend to pursue selected growth opportunities in the future. These types of opportunities may expose us to successor liability relating to actions involving any acquired entities, their respective management or contingent liabilities incurred prior to our involvement. A material liability associated with these types of opportunities, or our failure to successfully integrate any acquired entities into our business, could adversely affect our reputation and have a material adverse effect on us.

Undisclosed liabilities from our acquisitions may harm our financial condition and operating results. If we make acquisitions in the future, the transactions may be structured in such a manner that would result in the assumption of undisclosed liabilities or liabilities not identified during pre-acquisition due diligence. These obligations and liabilities could harm our financial condition and operating results.

We may not be able to successfully benefit from any growth opportunities we may undertake in the future or successfully implement appropriate operational, financial and administrative systems and controls to achieve the benefits that we expect to result therefrom. These risks include: (1) failure of the acquired entities to achieve expected results, (2) possible inability to retain or hire key personnel of the acquired entities and (3) possible inability to achieve expected synergies and/or economies of scale. In addition, the process of integrating businesses could cause interruption of, or loss of momentum in, the activities of our existing business. The diversion of our management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely affect our business, results of operations, prospects and the market price of the notes.

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

Export sales account for a significant portion of our net sales, representing 26.7% of our total net sales in the three-month period ended March 31, 2014 compared with 23.7% of our total net sales in the three-month period ended March 31, 2013. Our major export markets are subject to the same risks described in “—Risks Relating to Brazil.” Our future financial performance will depend, to a significant extent, on economic, political and social conditions in our main export markets. Moreover, our export operations may be significantly affected by trade restrictions, import taxes or any other protective measure or requirement of import and export licenses.

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

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

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

We are dependent on a limited number of large customers.

In the three-month period ended March 31, 2014, sales to our top ten customers accounted for approximately 39.8% of our net sales, compared to approximately 36.6% in the three-month period ended

March 31, 2013. The loss of any of our largest customers and an inability to secure substitute business would have a material adverse effect on our business, operating results and financial condition.

Adverse developments with respect to the health and safety of food, and/or publicity regarding the same, may increase our costs of operations or decrease demand for our products.

We are subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of a product recall. Consumption of a misbranded, adulterated, contaminated, or spoiled product may result in personal illness or injury. Any actual or perceived health risks associated with our products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of our products, reducing the level of consumption of those products, which could cause a material adverse effect on us.

In addition, we could be subject to claims or lawsuits relating to an actual or alleged illness or injury, which, could negatively affect our business, whether successful or not. Even if our own products are not affected by contamination, our industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for our products in the affected category. We maintain systems designed to comply with food safety regulations; however our systems for compliance with governmental regulations may not be fully effective in mitigating risks related to food safety. Any product contamination could have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

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

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

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

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

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

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

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

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

In addition, changes in government regulations relating to our principal business activities in the countries in which we operate and in the countries to which we export our products, may impose a significant burden on us, including requirements to make additional investments or incur other unforeseen costs to meet the necessary specifications for our products, which may cause a material adverse effect on us.

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

We, like other food producers in Brazil and in other domestic markets in which we operate, are subject to extensive federal, state and local environmental laws, regulations, authorizations and permits concerning, among other subjects, the handling and disposal of waste, discharges of pollutants into the air, water and soil, and clean-up of contamination, all of which affect our business. In Brazil, we are also required to environmentally preserve certain land on properties in which we or our partners carry out activities and these areas must be registered on the property deed. We have some properties whose deeds do not identify these areas. Any failure to comply with these laws and regulations or any lack of authorizations or licenses may result in administrative and criminal penalties. In Brazil, fines may total up to R\$50.0 million each, cancellation of authorizations or revocation of permits, in addition to negative publicity and liability for remediation for environmental damage in a civil proceeding, which may represent significant amounts, as major doctrine and past court decisions evidence that in the case of environmental matters, there are no limits for indemnification amounts.

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

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

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

Changes in consumer preferences could adversely affect our business.

The food industry, in general, is subject to changing consumer trends, demands and preferences. Our products compete with other protein sources, including fish. Trends within the food industry frequently change, and our failure to anticipate, identify or react to changes in these trends could lead to reduced demand and prices for our products, among other concerns, and could have a material adverse effect on our business, financial condition, results of operations and market price of the notes.

Unfavorable findings in certain judicial or administrative proceedings could have a material adverse effect on our business, our financial condition, and our results of operations.

We are a defendant in certain judicial or administrative proceedings, and we cannot guarantee that the outcome of these proceedings will be favorable or in any case that we have made adequate provisions for any such claims. Unfavorable judicial decisions can involve substantial liability and may prevent us from entering into or benefitting from transactions as initially planned, and could have a material adverse effect on our business, our financial condition, and our results of operations. For additional information regarding our judicial or administrative proceedings, see “Business—Legal and Administrative Proceedings.”

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

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

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

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

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

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

The stock option plan has different programs, each one setting different prices and conditions for exercise of the options. The stock options granted under these programs through March 31, 2014 totaled

3,121,018 common shares. Of this total, 27,650 options were cancelled or expired in three-month period ended March 31, 2014 and the remainder will expire by 2017. The total stock options granted under these programs correspond to 0.6% of our capital stock, and is therefore within the limit of 2.0% established by our shareholders at the shareholders' meeting held on May 29, 2009. The fact that our management and employees may receive, as part of their compensation packages, stock options at an exercise price below market may cause them to focus on the price of our common shares, as opposed to our long-term goals. Moreover, any grant and exercise of stock options by our employees could cause additional dilution to our other shareholders in the future. For further information on our stock options, see "Management—Stock Option Plan."

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

We operate in a highly competitive market. We face strong competition from Brazilian and foreign companies in the production, processing and sales of our products regarding the cost and quality of raw material and workforce. In addition, our products compete with a number of other protein sources, including fish.

The principal competitive factors in the animal protein processing industries are operating efficiency and the availability, quality and cost of raw materials and labor, price, quality, food safety, product distribution, technological innovations and brand loyalty. Our ability to be an effective competitor depends on our ability to compete on the basis of these factors. In addition, some of our competitors have more financial resources and larger product and client portfolios than we do. If we are not able to keep our competitive position in the market, we will face a decrease in our market share, which, in turn, may adversely affect our results of operations and the price of the notes.

We are subject to risks relating to South American countries.

In addition to our operations in Brazil, it is part of our strategy to diversify the risk of our operations to also have operations in other countries in South America, such as Argentina, Chile and Uruguay. In the three-month period ended March 31, 2014 our net sales from our Argentine and Uruguayan (including Chile) operations represented in the aggregate 1.5% and 7.5%, respectively, of our total net sales, of which 1.2% and 2.9% derived from the domestic markets in Argentina and Uruguay (including the Chilean operations) in the three-month period ended March 31, 2014. We are subject to risks relating to the economic, political and social conditions in the other domestic markets in South America in which we operate. We may be adversely affected by factors that are beyond our control in these markets, such as:

- the interference of local governments in economic policies;
- exchange rate instability and devaluation of local currencies;
- the deterioration of economic conditions;
- inflation and interest rates;
- exchange controls and restrictions on remittances abroad;
- tax policies and laws;
- liquidity in the financial and capital markets;
- expropriation and nationalization of private companies and government interference with their operations;
- salary increases ordered by the government and changes in labor regulation; and
- other political, social and economic developments in or affecting the domestic markets in South America in which we operate.

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

Risks Relating to Brazil

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

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

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

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

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

Brazil has in the past experienced extremely high rates of inflation and, as a result, has adopted monetary policies that have resulted in one of the highest *real* interest rates in the world. The Central Bank sets the base interest rates generally available to the Brazilian banking system, based on the expansion or contraction of the Brazilian economy, inflation rates and other economic indicators. The trend of periodic reductions of the base interest rate (*Sistema Especial de Liquidação e Custódia*, or “SELIC” rate) that the Central Bank had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.75% as of December 31, 2008, compared to 11.25% as of December 31, 2007. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank significantly reduced the SELIC rate, which reached 8.75% as of December 31, 2009. In 2010, the Central Bank gradually raised the SELIC rate to 10.75%. The SELIC rate was gradually raised to 12.5% through July 2011, after which the Central Bank lowered the SELIC rate to 7.50% in August 2012. To control inflation during 2013, the Central Bank gradually raised the SELIC rate to 8.50% in July, 9.00% in August, 9.50% in October, and 10.00% in December. In May, 2014, the Central Bank raised the SELIC rate to 11.00%, where it currently stands.

Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business. In addition, we may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure.

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

As a result of inflationary pressures, the Brazilian currency has been devalued periodically in the past in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. As a result of the crisis in the global financial markets since mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the course of 2008 and reached R\$2.33 per U.S.\$1.00 on December 31, 2008. In 2009, the *real* began a trend of appreciation against the U.S. dollar, reaching R\$1.74 per U.S.\$1.00 on December 31, 2009. This trend continued in 2010, and on December 31, 2010, the *real*/U.S. dollar exchange rate was R\$1.66 per U.S.\$1.00. In 2011, the *real* depreciated against the U.S. dollar and on December 31, 2011 the *real*/U.S. dollar exchange was R\$1.87 per U.S.\$1.00. On December 31, 2012 the *real*/U.S. dollar exchange rate was R\$2.04 per U.S.\$1.00. During 2013, the *real* continued to depreciate against the U.S. dollar, and on December 31, 2013, the exchange rate was R\$2.34 per U.S.\$1.00. On March 31, 2014, the exchange rate was R\$2.26 per U.S.\$1.00.

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

In addition, almost all of our export sales are denominated in U.S. dollars. When the *real* depreciates against the U.S. dollar, our revenues from export sales increase, assuming the international market prices of our products remain constant. Conversely, when the *real* appreciates against the U.S. dollar and the international market prices for our products remain constant, our revenues from export sales decrease. This variation occurs because many of our customers pay for our export products in U.S. dollars but we maintain our accounting records in *reais*.

Also, as of March 31, 2014, 96.2% (or R\$8,905.9 million) of our outstanding indebtedness was denominated in foreign currencies (of which the vast majority was denominated in U.S. dollars) and 3.8% (or R\$349.6 million) was in *reais*. In the future, we may be further affected by fluctuations in the *real* and certain other currencies relative to the U.S. dollar, as a significant portion of our sales are denominated in *reais* and a substantial portion of our indebtedness is denominated in U.S. dollars, including the notes. Our financing agreements contain financial covenants that require us to maintain certain ratios. A sudden and material devaluation of the *real* relative to the U.S. dollar could result in our inability to comply with such ratios in certain of our financing agreements.

Thus, changes in exchange rates may result in losses or gains on our sales and U.S. dollar-denominated indebtedness.

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

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

Brazil's economy remains vulnerable to external shocks, including the global economic crisis that began in 2008 and other shocks that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Brazil's economy and us.

Brazil's economy remains vulnerable to external shocks, including the global economic crisis that began in 2008. Asia and the European Union are Brazil's largest export markets. While Brazil exports a more diversified bundle of exports, both in terms of products and destinations, relative to its peers, a significant decline in the economic growth or demand for imports of any of Brazil's major trading partners, such as the European Union, China or the United States, could have a material adverse impact on Brazil's exports and balance of trade and adversely affect Brazil's economic growth.

In addition, because international investors' reactions to the events occurring in one emerging market country sometimes produce a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Brazil could be adversely affected by negative economic or financial developments in other countries. Such developments may affect the Brazilian economy in the future and, consequently, our results of operations.

Risks Relating to the Offer and the Notes

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

Marfrig Holdings is a holding company, organized and existing under the laws of The Netherlands. The ability of Marfrig Holdings to pay principal, interest and other amounts due on the notes will depend upon Marfrig's and its subsidiaries' financial condition and results of operations. In the event of an adverse change in Marfrig's financial condition or results of operations, Marfrig Holdings may not have sufficient funds to repay all amounts due on or with respect to the notes.

Enforcement of civil liabilities and judgments against the issuer or any of its directors or officers may be difficult.

The issuer is a private limited liability company incorporated under the laws of The Netherlands. A significant portion of its assets and all of its operations are located, and all of its revenues are derived, outside the United States. In addition, the issuer's director is a non-resident of the United States, and all or a substantial portion of the assets of such person are or may be located outside the United States. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of The Netherlands or other jurisdictions would enforce (i) judgments of United States courts obtained against the issuer or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against the issuer or such persons predicated upon the United States federal and state securities laws. See "Enforceability of Judgments."

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

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

An active trading market for the notes may not develop.

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

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

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

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

The guarantees will be unsecured and will constitute our and the subsidiary guarantors' unsubordinated and unsecured obligation that we and they have agreed will rank *pari passu* in priority of payment with all our and their other present and future unsubordinated and unsecured obligations. As of the date of this offering memorandum, the notes will be guaranteed by us and the only subsidiary of Marfrig that will be a subsidiary guarantor under the notes is Marfrig Overseas Limited, an exempted limited liability company incorporated under the laws of Cayman Islands. Although the guarantees will provide noteholders with a direct, but unsecured, claim on our and the subsidiary guarantors' assets and property, the guarantees will be effectively junior to our and their secured debt, to the extent of the assets and property securing this debt. As of December 31, 2013, we had total indebtedness outstanding of R\$8,939.8 million (which does not include the Mandatory Convertibles), of which R\$1,750.0 million was secured.

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

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

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

The notes will be issued by the issuer and guaranteed by the guarantors. The issuer is incorporated under the laws of the Netherlands. The Company and the subsidiary guarantor are organized or incorporated

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

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

USE OF PROCEEDS

The net proceeds from the sale of the notes are expected to amount to approximately U.S.\$839.4 million after deducting certain expenses and commissions (including those to be paid to the initial purchasers) in connection with the offering. We intend to use the net proceeds of this offering to finance the Tender Offers as described under “Management’s Discussion and Analysis of Financial Condition and Result of Operations—Material Contracts—Senior Notes—2017 Notes and— 2021 Notes,” and to pay fees and expenses associated with the Tender Offers. Any remaining net proceeds will be used to repay other outstanding indebtedness (including but not limited to open market repurchases of certain of our outstanding bonds) and for general corporate purposes.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offers are made only by and pursuant to the terms of the Offer to Purchase and Consent Solicitation Statement and the related Letter of Transmittal, as the same may be amended or supplemented.

CAPITALIZATION

The table below sets forth consolidated information on our short-term and long-term debt, shareholders' equity and total capitalization as of March 31, 2014.

In addition, the table below sets forth adjustments to reflect the offering of the notes and the use of proceeds thereof to fund the Tender Offers and repay other indebtedness as if the offering and repayment had occurred on March 31, 2014, as described under "Use of Proceeds."

Our capitalization as of March 31, 2014 has been derived from our consolidated financial statements as of and for the three-month period ended March 31, 2014.

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

	As of March 31, 2014			
	Actual		As adjusted to give effect to the offering of notes and the application of proceeds ⁽¹⁾	
	(U.S.\$) ⁽²⁾	(R\$)	(U.S.\$) ⁽²⁾	(R\$)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in millions)			
Short-term debt				
Loans and financing.....	558.8	1,262.8	558.8	1,262.8
Interest on debentures	14.4	32.5	14.4	32.5
Total short-term debt.....	<u>573.2</u>	<u>1,295.3</u>	<u>573.2</u>	<u>1,295.3</u>
Long-term debt⁽³⁾				
Loans and financing.....	3,522.2	7,960.2	2,672.2	6,039.2
Notes offered hereby.....	—	—	850.0	1,921.0
Total long-term debt	<u>3,522.2</u>	<u>7,960.2</u>	<u>3,522.2</u>	<u>7,960.2</u>
Total debt.....	<u>4,095.4</u>	<u>9,255.5</u>	<u>4,095.4</u>	<u>9,255.5</u>
Total shareholders' equity	<u>1,337.6</u>	<u>3,022.9</u>	<u>1,337.6</u>	<u>3,022.9</u>
Total capitalization ⁽⁴⁾	<u>5,433.0</u>	<u>12,278.4</u>	<u>5,433.0</u>	<u>12,278.4</u>

Notes:—

- (1) As adjusted to reflect the offering of the notes, the exchange with HSBC, and the application of the proceeds of the offering to the tender offer (assuming the maximum tender amount of U.S.\$850 million, representing 97.7% of the outstanding 2021 Notes and 2017 Notes) and the repayment of outstanding indebtedness. Notes issue costs were immaterial and not reflected in the capitalization table.
- (2) Solely for the convenience of the reader, Brazilian *real* amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See "Exchange Rates."
- (3) Long-term debt is the non-current portion of loans and financing plus debentures payable. Long-term debt does not include the Mandatory Convertibles.
- (4) Total capitalization corresponds to total debt plus total shareholders' equity.

EXCHANGE RATES

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

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and, since then, the *real*/U.S. dollar exchange rate has fluctuated considerably. From time to time, however, the Brazilian government has used the Tax on Foreign Exchange Transactions (*Imposto Sobre Operações Financeiras* or “IOF”) to create a disincentive for foreign investment in Brazil, to attempt to impact foreign exchange rates. For instance, recently the IOF rate for cross-border loans was increased from 2% to 6% and, currently, only cross-border loans with an average maturity of 360 days or more benefit from a 0% IOF rate. Until early 2003, the value of the *real* declined in relation to the U.S. dollar and then began to stabilize. The *real* appreciated against the U.S. dollar in 2004-2007. In 2008, as a result of the worsening of the global financial and economic crisis, the *real* depreciated to R\$2.34 per U.S. dollar. The *real* appreciated to R\$1.74 per U.S.\$1.00 on December 31, 2009 and R\$1.66 per U.S.\$1.00 on December 31, 2010 and depreciated to R\$1.87 per U.S.\$1.00 on December 31, 2011, R\$2.04 per U.S.\$1.00 on December 31, 2012 and R\$2.34 per U.S.\$1.00 on December 31, 2013. On March 31, 2014, the exchange rate was R\$2.26 per U.S.\$1.00.

In the past, the Central Bank has intervened occasionally to control unstable movements of exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate through a currency band system or otherwise. The *real* may fluctuate against the U.S. dollar substantially in the future. For more information on these risks, see “Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us.”

The following tables set forth the selling rate, expressed in *reais* per \$1.00 dollar (R\$/U.S.\$), for the periods indicated:

Year	Period-end	Average ⁽¹⁾	Low	High
2009	1.74	1.99	1.70	2.42
2010	1.66	1.76	1.65	1.88
2011	1.87	1.68	1.54	1.90
2012	2.04	1.95	1.70	2.11
2013	2.34	2.16	1.95	2.45

Year	Period-end	Average ⁽¹⁾	Low	High
January 2014	2.39	2.39	2.33	2.44
February 2014	2.33	2.38	2.33	2.42
March 2014	2.26	2.33	2.26	2.36
April 2014	2.24	2.23	2.19	2.28
May 2014	2.24	2.22	2.21	2.24
June 2014 (through June 4, 2014).....	2.28	2.28	2.27	2.29

Source: Central Bank.

Note:—

- (1) Represents the average of the exchange rates on the closing of each business day during the period. On March 31, 2014, the exchange rate published by the Central Bank was R\$2.26 per U.S.\$1.00.

SELECTED FINANCIAL AND OTHER INFORMATION

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

Our financial information relating to our consolidated balance sheet, income statement and cash flows is derived from our unaudited interim financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 and our consolidated financial statements as of and for the years ended December 31, 2013 and 2012 included elsewhere in this offering memorandum, and has been prepared in accordance with Brazilian GAAP and IFRS. See “Presentation of Financial and Other Information.”

In 2013, we sold equity interests of the Seara Business and Zenda Business to JBS for the aggregate consideration of R\$5.85 billion. The Zenda Sale closed on June 30, 2013 and the Seara Sale closed on September 30, 2013. See “The Seara Brasil and Zenda Transaction.”

Our unaudited consolidated statements of income and cash flow for the three-month period ended March 31, 2014 and our audited consolidated statements of income and cash flow for the year ended December 31, 2013 include the results of Marfrig Beef, Moy Park and Keystone, including the Continuing Operations but excluding the Discontinued Operations. The consolidated statements of income and cash flow for the three-month period ended March 31, 2013 and for the year ended December 31, 2012 have been reclassified to treat the Seara Business and the Zenda Business as Discontinued Operations as required by Brazilian GAAP. Our consolidated statement of financial position, consolidated statement of changes in shareholders’ equity and consolidated statement of added value as of December 31, 2013 (i) exclude the Zenda Business and Seara Business and (ii) reflect the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale. Our consolidated statement of changes in shareholders’ equity and consolidated statement of added value as of March 31, 2013 and our consolidated statement of financial position, consolidated statement of changes in shareholders’ equity and consolidated statement of added value as of December 31, 2012 have not been reclassified to exclude the Discontinued Operations in accordance with the requirements of the Committee for Accounting Pronouncements’ Technical Pronouncement 31/IFRS 5: Non-current assets held for sale and discontinued operations.

Solely for your convenience, certain *real* amounts in this offering memorandum as of and for the three-month period ended March 31, 2014 and the year ended December 31, 2013 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, published by the Central Bank on March 31, 2014 of R\$2.26 to U.S.\$1.00. On June 4, 2014, the exchange rate published by the Central Bank was R\$2.28 per U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate. For further information on exchange rate instability, see “Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us” and “Exchange Rates.”

Marfrig’s Financial Information and Other Information

The below income statement data for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012 present the financial results of our Continuing Operations. Net income (loss) of our Discontinued Operations is also presented in the table below.

Statement of Income Data

	Three-month period ended March 31,			Year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽¹⁾	(R\$)		(U.S.\$) ⁽²⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions)					
Net sales	2,118.4	4,787.5	4,374.6	8,013.8	18,752.4	16,516.4
Cost of goods sold	(1,844.5)	(4,168.7)	(3,803.5)	(7,026.8)	(16,442.7)	(14,154.4)
Gross profit	273.9	618.8	571.1	987.0	2,309.7	2,362.0
Operating income (expenses)	(337.1)	(761.7)	(621.3)	(1,484.5)	(3,473.9)	(2,350.8)
Sales expenses	(97.6)	(220.7)	(175.3)	(344.1)	(805.3)	(699.0)
General and administrative expenses...	(60.5)	(136.7)	(147.0)	(240.8)	(563.5)	(606.2)
Equity in earnings (losses) of subsidiaries	(2.6)	(6.0)	(0.7)	(3.9)	(9.1)	—
Other operating income (expenses)	(4.8)	(10.4)	(2.2)	(27.8)	(65.0)	372.8
Financial income (expenses)	(171.6)	(387.8)	(296.1)	(867.9)	(2,031.0)	(1,418.4)
Financial income	20.0	45.3	67.5	156.0	365.0	338.9
Exchange gain	119.0	269.0	130.7	332.6	778.3	311.2
Financial expenses	(177.9)	(402.1)	(373.4)	(771.8)	(1,806.1)	(1,407.3)
Exchange loss	(132.7)	(300.0)	(120.9)	(584.7)	(1,368.2)	(661.2)
Income (loss) before tax effects	(63.2)	(142.8)	(50.2)	(497.5)	(1,164.2)	11.2
Provision for income and social contribution taxes	22.6	51.0	(6.5)	154.4	361.3	266.2
Current and deferred income tax	15.5	34.9	(4.5)	114.3	267.4	206.1
Current and deferred social contribution	7.1	16.1	(2.0)	40.1	93.9	60.1
Net income (loss) in the fiscal year from continuing operations	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
Net income (loss) in the fiscal year from discontinued operations	—	—	(24.3)	(40.2)	(94.2)	(510.7)
Net income in the fiscal year before interest	(40.6)	(91.8)	(81.0)	(383.4)	(897.1)	(233.2)
Attributable to:						
Controlling interest	(42.7)	(96.4)	(81.2)	(390.4)	(913.6)	(223.9)
Non-controlling interest	2.1	4.6	0.2	7.1	16.5	(9.3)

Note:—

- (1) Solely for the convenience of the reader, Brazilian *real* amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (2) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

Balance Sheet Data

Our unaudited consolidated balance sheet as of March 31, 2014 and our audited consolidated balance sheet as of December 31, 2013 exclude both the assets and liabilities of the Zenda Business, which was sold in June 2013, and the assets and liabilities of the Seara Business, which was sold in September 2013, and our audited consolidated balance sheet as of December 31, 2013 reflects the assumption by JBS of

approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness.

	As of March 31,		As of December 31,		
	2014	2014	2013	2013	2012
	(U.S.\$) ⁽¹⁾	(R\$)	(U.S.\$) ⁽²⁾		
	(unaudited)	(unaudited)	(unaudited)	(R\$)	
	(in millions)				
Assets					
Cash and equivalents	550.5	1,244.0	329.6	771.3	919.9
Marketable securities	508.4	1,149.0	444.6	1,040.3	2,258.3
Trade accounts receivable – domestic	379.5	857.7	459.7	1,075.6	1,391.8
Trade accounts receivable – foreign	368.0	831.7	374.3	875.9	401.6
Inventories of goods and merchandise	816.4	1,845.0	781.4	1,828.6	2,703.7
Biological assets	178.1	402.5	149.6	350.1	943.8
Recoverable taxes	506.4	1,144.6	474.5	1,110.4	1,240.5
Prepaid expenses	53.0	119.8	35.0	81.9	91.5
Notes receivable	37.6	85.0	96.0	224.7	77.4
Advances to suppliers	29.6	66.8	25.4	59.4	51.2
Other receivables	27.8	62.8	32.3	75.6	155.0
Total current assets	3,455.3	7,809.0	3,202.4	7,493.8	10,234.7
Marketable securities	0.4	1.0	0.4	1.0	0.9
Court deposits	33.3	75.2	30.6	71.5	44.4
Notes receivable	93.5	211.3	23.8	55.7	53.7
Deferred income and social contribution taxes	661.7	1,495.5	618.8	1,448.0	1,851.7
Recoverable taxes	432.5	977.5	423.1	990.2	1,232.6
Other receivables	15.2	34.4	14.3	33.2	77.8
Investments	20.4	46.1	23.4	54.8	11.1
Property, plant and equipment	2,064.5	4,665.7	2,031.9	4,754.8	7,757.3
Biological assets	49.3	111.4	48.5	113.5	253.4
Intangible assets	1,210.4	2,735.4	1,201.4	2,811.1	4,071.9
Total non-current assets	4,581.2	10,353.5	4,416.2	10,333.8	15,354.8
Total assets	8,036.5	18,162.4	7,618.6	17,827.6	25,589.5
Liabilities					
Trade accounts payable	708.0	1,600.0	682.1	1,596.1	2,580.2
Accrued payroll and related charges	149.7	338.4	144.4	337.9	507.0
Taxes payable	51.8	117.1	49.0	114.7	187.5
Loans and financing	558.8	1,262.8	468.8	1,097.0	3,359.1
Notes payable	50.3	113.7	116.4	272.5	352.9
Lease payable	21.7	49.1	21.2	49.7	38.8
Debentures payable	—	—	—	—	199.4
Interest on debentures	14.4	32.5	11.2	26.3	144.4
Advances from customers	43.8	98.9	25.3	59.2	90.6
Other payables	63.8	144.3	57.8	135.2	227.3
Total current liabilities	1,662.3	3,756.8	1,576.2	3,688.6	7,687.2
Loans and financing	3,522.2	7,960.2	3,340.4	7,816.5	8,282.3
Taxes payable	82.6	186.7	77.8	182.0	252.7

	As of March 31,		As of December 31,		
	2014	2014	2013	2013	2012
	(U.S.\$) ⁽¹⁾	(R\$)	(U.S.\$) ⁽²⁾		
	(unaudited)	(unaudited)	(unaudited)	(R\$)	
	(in millions)				
Deferred income and social contribution taxes.....	283.5	640.7	276.4	646.9	1,474.7
Tax, labor and civil provisions	12.0	27.1	11.3	26.5	237.9
Lease payable	42.0	94.9	44.1	103.1	107.5
Debentures payable	—	—	—	—	396.7
Notes payable	101.6	229.5	1.9	4.4	208.5
Mandatory deed convertibles into shares	936.1	2,115.7	903.0	2,113.1	2,470.9
Other payables	56.6	127.8	54.6	127.5	165.9
Total non-current liabilities	5,036.6	11,382.7	4,709.5	11,020.0	13,597.1
Share capital	2,334.8	5,276.7	2,255.0	5,276.7	4,926.7
Share issue expenses	(47.8)	(108.2)	(46.2)	(108.2)	(108.2)
Capital reserve	81.9	184.8	79.0	184.8	184.8
Issue of common shares	81.9	184.8	79.0	184.8	184.8
Profit Reserves	15.9	35.7	15.2	35.7	33.6
Legal reserve	19.7	44.5	19.0	44.5	44.5
Retained earnings	3.3	7.3	3.1	7.3	7.3
Treasury shares.....	(1.9)	(4.4)	(1.9)	(4.4)	(6.5)
Treasury shares canceled.....	(5.2)	(11.7)	(5.0)	(11.7)	(11.7)
Other comprehensive income	(47.3)	(107.0)	(42.9)	(100.4)	514.4
Asset valuation adjustment.....	(403.4)	(911.8)	(414.2)	(969.3)	(168.8)
Cumulative translation adjustment	356.1	804.8	371.3	868.9	683.2
Accumulated losses	(1,039.5)	(2,349.4)	(965.5)	(2,259.3)	(1,395.0)
Controlling shareholders' equity	1,297.6	2,932.6	1,294.6	3,029.3	4,156.3
Non-controlling interest	40.0	90.3	38.3	89.7	148.9
Total shareholders' equity	1,337.6	3,022.9	1,332.9	3,119.0	4,305.2
Total liabilities and shareholders' equity	8,036.5	18,162.4	7,618.6	17,827.6	25,589.5

Note:—

- (1) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (2) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

EBITDA Reconciliation (Unaudited)

	Three-month period ended March 31,			Year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁶⁾	(R\$)		(U.S.\$) ⁽⁷⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions, except percentages)					
Net income (loss) from continuing operations ⁽¹⁾	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
Income tax and social contribution tax ⁽¹⁾	(22.6)	(51.0)	6.5	(154.4)	(361.3)	(266.2)
Financial income (expense) ⁽¹⁾	171.6	387.8	296.1	867.9	2,031.0	1,418.4

	Three-month period ended March 31,			Year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁶⁾	(R\$)		(U.S.\$) ⁽⁷⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
(in millions, except percentages)						
Equity in earnings (losses) of subsidiaries ⁽¹⁾	2.6	6.0	0.7	3.9	9.1	—
Depreciation and amortization ⁽¹⁾	62.7	141.8	120.0	216.0	505.4	448.5
EBITDA (continuing operations) ⁽²⁾	173.7	392.8	366.6	590.3	1,381.3	1,878.0
EBITDA margin (continuing operations) ⁽²⁾	8.2%	8.2%	8.4%	7.4%	7.4%	10.2%
EBITDA (discontinued operations) ⁽³⁾	-	-	124.6	424.1	992.5	256.0
EBITDA (continuing and discontinued operations) ⁽⁴⁾	173.7	392.8	491.2	1,014.4	2,373.8	2,134.0
EBITDA margin (continuing and discontinued operations) ⁽⁵⁾	8.2%	8.2%	11.2%	12.7%	12.7%	12.9%

Notes:—

- (1) Net income (loss) from continuing operations, income tax and social contribution tax, financial income (expense), equity in earnings (losses) of subsidiaries and depreciation and amortization figures for the three-month period ended March 31, 2013 and the year ended December 31, 2012 have been reclassified to exclude financial information in respect of the Discontinued Operations. See “Presentation of Financial Information.”
- (2) For the year ended December 31, 2012, this includes a gain on the sale of discontinued operations of R\$193.8 million. For the year ended December 31, 2013, EBITDA (continuing operations) excludes the gain on sale of discontinued operations of R\$820.0 million in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). See “Presentation of Financial and Other Information.” On a like-for-like basis with EBITDA (continuing operations) for the year ended December 31, 2013, EBITDA (continuing operations) for the year ended December 31, 2012 would have been R\$1,693.7 million.
- (3) EBITDA (discontinued operations) sets forth the stand-alone EBITDA of assets classified as discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.”
- (4) EBITDA (continuing and discontinued operations) sets forth the aggregate EBITDA of our continuing and discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.”
- (5) EBITDA (continuing and discontinued operations) divided by net sales.
- (6) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (7) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

Additional Financial Information (Unaudited)

The below sets forth additional financial information as of the dates indicated:

	As of and for the three-month period ended March 31,			As of and for the year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁷⁾	(R\$)		(U.S.\$) ⁽⁸⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
(in millions, except ratios)						
Short-term debt ⁽¹⁾	573.2	1,295.3	3,640.7	480.0	1,123.3	3,702.9
Long-term debt ⁽²⁾	3,522.2	7,960.2	9,356.5	3,340.4	7,816.5	8,679.0
Net debt ⁽³⁾	3,036.5	6,862.5	9,826.4	3,046.2	7,128.2	9,203.7

	As of and for the three-month period ended March 31,			As of and for the year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁷⁾	(R\$)		(U.S.\$) ⁽⁸⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions, except ratios)					
Total debt ⁽⁴⁾ /EBITDA(continuing and discontinued operations) ⁽⁵⁾	4.1	4.1	5.9	3.8	3.8	5.8
Net debt ⁽³⁾ /EBITDA(continuing and discontinued operations) ⁽⁶⁾	3.0	3.0	4.4	3.0	3.0	4.3

Notes:—

- (1) Short-term debt is the current portion of loans and financing plus debentures payable (short-term portion) plus interest on debentures. Finance leases are not considered in the debt amounts for any periods shown. Short-term debt as of December 31, 2013 reflects the assumption by JBS of the short-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (2) Long-term debt is the non-current portion of loans and financing plus debentures payable. Long-term debt does not include the Mandatory Convertibles. Long-term debt as of December 31, 2013 reflects the assumption by JBS of the long-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (3) Net debt is short-term debt plus long-term debt, less cash and cash equivalents and marketable securities. Net debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (4) Total debt is short-term debt plus long-term debt. Total debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (5) The total debt/EBITDA (continuing and discontinued operations) ratio has been presented for the twelve-month periods ended the dates indicated using EBITDA (continuing and discontinued operations) for the applicable 12-month period. EBITDA (continuing and discontinued operations) for the 12-month periods ended March 31, 2014 and 2013 was R\$2,275.5 million (U.S.\$ 1,006.8 million) and R\$2,214.5 million, respectively. Total debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and EBITDA Margin.”
- (6) The net debt/EBITDA (continuing and discontinued operations) ratio has been presented for the twelve-month periods ended the dates indicated using EBITDA (continuing and discontinued operations) for the applicable 12-month period (see note (5) above). Net debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion of our outstanding indebtedness in connection with the Sale. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and EBITDA Margin.”
- (7) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (8) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

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

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

The discussion below is based on, and should be read in conjunction with, the financial statements contained elsewhere in this offering memorandum and discussed in this section, which include our unaudited interim financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 and our consolidated audited financial statements and related notes as of and for the year ended December 31, 2013 including comparatives for the year ended December 31, 2012 as well as the information under "Presentation of Financial and Other Information", "Summary Financial Information" and "Selected Financial and Other Information."

Overview

We are a multinational company with operations in the food and food service sectors in Brazil and around the world. We maintain a diversified and comprehensive product portfolio and our operations are based on a commitment to excellence and quality that ensures the presence of our products in the world's largest restaurant and supermarket chains and in the homes of consumers in more than 110 countries. Our activities are focused on the production, processing, preparation, sale and distribution of animal protein (beef, lamb and poultry, which consists of chicken and turkey) and other varied food products such as breaded products, ready-to-eat meals, fish, frozen vegetables and desserts, among others.

We have built an integrated and geographically diversified business model, consisting of production facilities in strategic locations and a wide distribution network that accesses the world's principal consumer channels and markets. We currently operate 79 processing plants, distribution centers and offices located in Brazil and in 15 other countries in South America, North America, Europe, Oceania and Asia. We have, as of the date of this offering memorandum, an annual production capacity of 982,808 metric tons for processed food and an annual slaughtering capacity of 6.6 million head of cattle, 476.5 million chickens, 8.8 million turkeys and 3.0 million lambs. Together, this production platform gives us significant growth capacity as well as the ability to hedge against certain industry risks.

In 2013, we sold to JBS for aggregate consideration of R\$5.85 billion equity interests in (i) certain Marfrig subsidiaries that own and operate the Seara Business and (ii) certain Marfrig subsidiaries that own and operate the Zenda Business. The Zenda Sale closed on June 30, 2013 and the Seara Sale closed on September 30, 2013. See "The Seara Brasil and Zenda Transaction." For a summary of the Zenda Business and the Seara Business, see "The Seara Brasil and Zenda Transaction—The Seara and Zenda Businesses—The Zenda Business" and "The Seara Brasil and Zenda Transaction—The Seara and Zenda Businesses — The Seara Business," respectively.

Our management team continually strives to create value for our entire business. The strategy behind the divestment of the Seara Business and the Zenda Business was to simplify and streamline our organizational structure, reduce the demand on our resources, benefit from lower leverage and focus on our core operations with a stronger capital structure. We believe that the continuous enhancement of our internal processes to achieve improvements in efficiency and cost control, combined with our results-oriented management team and its commitment to profitable growth, will improve the profitability of our business and strengthen our cash generation.

Our organizational structure following consummation of the Sale, which aimed to maximize efficiency across our operations and strengthen our commitment to profitable growth, consists of three major business units as set forth in the chart below:



- *Marfrig Beef* – Our Marfrig Beef business is a pioneer in beef marketing and branding, with a focus on serving the domestic Brazilian market, in particular, the food service industry, and the exports market to cater to our clients worldwide. Marfrig Beef is known in many countries for the quality of its premium products and has leveraged favorable developments in Brazil’s cattle industry and prevailing exchange rates to reinforce our position in the international markets. Our South American international operations focus on exporting prime cuts of beef and on capitalizing on our advantageous business position in Uruguay, which affords access for Marfrig Beef to export to the world’s main consumer markets.
- *Moy Park* — Our Moy Park business is a leading and highly regarded U.K. food company, providing fresh, high quality and locally bred poultry and convenience food products. We have operated in the United Kingdom and Irish retail market for 50 years and deliver a range of fresh, ready-to-cook, coated and ready-to-eat poultry products to major retailers and large food service customers throughout the U.K., Ireland and Continental Europe.
- *Keystone* — Our Keystone business is a supplier of food made from animal protein to major global restaurant chains, with operations focused in the United States, Europe and Asia. While the growth of our business in the United States is based on diversifying our client portfolio and expanding into the Midwestern region, our growth strategy in Asia is based on building partnerships and joint ventures in order to supplement our continued growth in the local food service industry. Additionally, we target growth opportunities to expand our presence in China, which we consider to be one of the major drivers of global growth and demand for animal protein, and have established two Chinese joint ventures through Keystone. The first joint venture, Keystone-Chinwhiz (whereby Keystone owns 60% and Chinwhiz owns 40%), is building a vertically integrated poultry production chain, which processed approximately 160,000 chickens per day in 2013. The second joint venture, Keystone-COFCO (whereby Keystone owns 45% and COFCO owns 55%), is exploring various business opportunities for logistical services and food distribution in China.

Brazilian Macroeconomic Conditions

Our financial condition and results of operations are influenced by the Brazilian macroeconomic environment. Until the onset of the global financial crisis in mid-2008, the Brazilian economy’s general economic conditions had improved significantly. This was reflected in improved credit ratings, which contributed to increased flows of foreign investment into Brazil and to the appreciation of the *real*.

Nevertheless, the rating agencies have highlighted weaknesses in fiscal policy, including the higher Brazilian debt/gross domestic product (“GDP”) ratio as compared to countries with the same credit rating, along with structural impediments to growth and investment. These contributed to a substantial devaluation of the *real* in 2012 and 2013 to the date of this offering memorandum, as discussed below.

The effects of the global financial crisis in Brazil in 2008 and 2009 were moderate in comparison with the effects of previous crises. While liquidity in the Brazilian banking industry was affected by the global financial crisis, the Central Bank provided liquidity to the Brazilian market during this period. Brazil’s GDP decreased 0.63% in 2009 and increased by 7.55%, 2.70%, 0.90% and 2.30% in 2010, 2011, 2012 and 2013, respectively.

The inflation rate index for consumer goods (“IPCA”), as published by the IBGE, was 6.50%, 5.84% and 5.91% in 2011, 2012 and 2013, respectively.

After appreciating for several years, the *real* has depreciated significantly against the U.S. dollar beginning in 2011. During 2009, the *real* appreciated significantly against the U.S. dollar by 25.5% and, as of December 31, 2009, the *real*/U.S. dollar exchange rate was R\$1.74 per U.S.\$1.00. The *real* appreciated further against the U.S. dollar in 2010 by 4.30%, reaching an exchange rate of R\$1.66 per U.S.\$1.00 as of December 31, 2010. In 2011, the *real* depreciated against the U.S. dollar by 12.5%, reaching an exchange rate of R\$1.87 per U.S.\$1.00 as of December 31, 2011. In 2012, the *real* depreciated against the U.S. dollar by 9.9%, reaching an exchange rate of R\$2.04 per U.S.\$1.00 as of December 31, 2012. During 2013, the *real* continued to depreciate against the dollar, by 14.7%, reaching an exchange rate of R\$2.34 per U.S.\$1.00 as of December 31, 2013. As of March 31, 2014, the *real*/U.S. dollar exchange rate was R\$2.26 per U.S.\$1.00.

The trend of periodic reductions of interest rates that the Central Bank had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.75% as of December 31, 2008, compared to 11.25% as of December 31, 2007. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank significantly reduced the SELIC rate, which reached 8.75% as of December 31, 2009. In 2010, the Central Bank raised the SELIC rate to 10.75%. The SELIC rate was gradually raised to 12.50% in July 2011 after which the Central Bank lowered the SELIC rate to 7.50% in August 2012. To control inflation during 2013, the Central Bank gradually raised the SELIC rate to 8.50% in July, 9.00% in August, 9.50% in October, and 10.00% in December. In May, 2014, the Central Bank raised the SELIC rate to 11.00%, where it currently stands.

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

	Three-month period ended March 31,		Year ended December 31,		
	2014	2013	2013	2012	2011
GDP growth ⁽¹⁾	0.2	0.6	2.30%	0.90%	2.70%
CDI rate ⁽²⁾	10.55%	7.01%	8.06%	8.55%	11.67%
TJLP (end of period) ⁽³⁾	5.00%	5.00%	5.00%	5.50%	6.00%
SELIC rate (end of period) ⁽⁴⁾	10.75	7.25	10.00%	7.25%	11.00%
Increase (decrease) in real value against the U.S. dollar	(14.82)	(9.34)	(14.70)%	(9.90)%	(12.50)%
Selling exchange rate (at period end) R\$ per U.S.\$1.00	R\$2.26	R\$2.01	R\$2.34	R\$2.04	R\$1.87
Average exchange rate R\$ per U.S.\$1.00 ⁽⁵⁾ ..	R\$2.36	R\$2.00	R\$2.36	R\$1.95	R\$1.68
Inflation (deflation) (IGP-M) ⁽⁶⁾	7.30%	8.06%	5.53%	7.82%	5.10%
Inflation (deflation) (IPCA) ⁽⁷⁾	6.15%	6.59%	5.91%	5.84%	6.50%

Sources: BNDES, Central Bank, FGV, IBGE and LCA Consultores.

Notes:—

- (1) Source: IBGE. Revised series.
- (2) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*, or “CDI rate”) is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
- (3) Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*, or “TJLP”), represents the interest rate applied by the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*, or “BNDES”) for long-term financing (at the end of the period).
- (4) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC.
- (5) Average of the selling exchange rate for the last day of each month during the period.
- (6) The inflation rate is the general index of market prices (*Índice Geral de Preços-Mercado*, or “IGP-M”), as calculated by FGV.
- (7) The inflation rate is the consumer price index (*Índice de Preços ao Consumidor – Amplo*, or “IPCA”), as calculated by the IBGE.

Principal Factors Affecting our Results of Operations

Effects of Acquisitions and Disposals

Fiscal Year 2013

- On September 30, 2013, we closed the sale to JBS of (i) certain rights and ownership interests we held in companies associated with the Seara Brasil business unit; and (ii) the 100% ownership interest we held in Zenda. See “The Seara Brasil and Zenda Transaction.”

Fiscal Year 2012

- On April 30, 2012, the Company announced the closing and settlement of the sale of its specialized fast-food distribution, logistics and global freight management businesses in the United States, Europe, Asia and Oceania of its subsidiaries Keystone Foods, LLC (the Company’s distribution business) and McKey Luxembourg S.à r.l. to The Martin-Brower Company, LLC. For more details on this sale, see “Business—History of Our Organic Growth, Acquisitions and Disposal.”

Growth of Gross Domestic Product and Demand for our Products

Sales in our domestic markets in each country we operate accounted for 73.3% of our total net sales in the three-month period ended March 31, 2014. In the three-month period ended March 31, 2013, sales in our domestic markets accounted for 76.3% of our total net sales. Historically, an important part of our operations has been located in Brazil and we expect will continue to be so in the future, and accordingly we are significantly affected by economic conditions in Brazil. Our sales and financial situation have been, and will continue to be, affected by the rate of growth of Brazil’s GDP. Given our significant share in the Brazilian fresh, processed and industrialized animal protein markets, fluctuations in Brazilian demand for these products affect our production levels and our net sales.

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

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

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

Effects on Net Sales

The domestic and international prices of our products are generally determined by conditions in the markets in which we operate, which we do not control. Our domestic prices are also affected by the prices we are able to charge our various wholesale and food service customers who resell our products, some of

which are negotiated on a case-by-case basis. Among the main factors that influence the prices of our products are cattle and grain prices, outbreaks of diseases and sanitary, trade and customs restrictions imposed in Brazil and abroad.

Effects on Cost of Goods Sold

Cattle and grain are our main raw materials. Purchases of raw materials represented 66.5% of our total cost of goods sold in the three-month period ended March 31, 2014 and 68.5% of our total cost of goods sold in the year ended December 31, 2013. Among other material costs are direct and indirect labor, direct and indirect industrial costs, packaging materials and electric power.

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

Effect of Export Levels on our Financial Performance

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

25.7% and 24.3% of our gross sales were derived from export sales of fresh and processed products in the three-month period ended March 31, 2014, and in the year ended December 31, 2013, respectively. Our net sales from export sales increased 21%, from R\$1,038.6million in the three-month period ended March 31, 2013 to R\$1,256.4million in the year ended March 31, 2014. Our net sales from export sales increased 21.7%, from R\$3,854.6 million in the year ended December 31, 2012 to R\$4,689.5 million in the year ended December 31, 2013.

Effects of Exchange Rate Variations

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

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

Our indebtedness denominated in foreign currencies (the vast majority being denominated in U.S. dollars) represented 96.2% and 95.5% of our indebtedness outstanding on the three-month period ended March 31, 2014 and December 31, 2013, respectively. As a result, when the *real* depreciates against the U.S. dollar, the service costs on our U.S. dollar-denominated indebtedness increases in *reais*, which negatively affects our results of operations in *reais* because our total liabilities and debt service obligations in *reais* increase. Conversely, when the *real* appreciates against the U.S. dollar, the service costs of our U.S. dollar-denominated indebtedness decrease in *reais*, which positively affects our results of operations in *reais* because our total liabilities and debt service obligations in *reais* decrease. As a consequence, our financial expenses tend to decrease as a result of foreign exchange gains.

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

With 80.0% and 78.5% of our net sales generated in currencies other than the *real* in the three-month period ended March 31, 2014 and in the year ended December 31, 2013, respectively, we believe we have a natural hedge against maturities of our future obligations in foreign currencies. Furthermore, we have a solid financial policy, maintaining high balances of cash and short-term marketable securities with first-rate institutions.

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

Effect of Level of Indebtedness

As of March 31, 2014, our total indebtedness, which does not include the Mandatory Convertibles, was R\$9,255.5 million, of which 3.8% (or R\$349.6 million) was denominated in *reais* and 96.2% (or R\$8,905.9 million) was denominated in other currencies. We had R\$1,295.3 million of short-term debt (which includes the current portion of loans and financing, interest on debentures and debentures payable) and R\$7,960.2 million of long-term debt (which includes the non-current portion of loans and financing and debentures payable) as of March 31, 2014. Since completion of the Seara Sale, our outstanding indebtedness has been reduced by approximately R\$6.0 billion.

The level of our indebtedness results in significant financial expenses, which consist of interest expense, exchange variations of foreign currency denominated debt, and other items as set forth in note 17 to our consolidated financial statements as of and for three-month period ended March 31, 2014 and for the years ended December 31, 2013.

In the three-month period ended March 31, 2014, we recorded net financial expenses of R\$387.8 million, consisting of (i) R\$402.1 million in fees, charges and interest paid and (ii) R\$31.0 million in net loss on foreign exchange variation, partially offset by (iii) R\$45.3 million of financial revenue.

Changes in Discussion of Financial Results and Operations

Prior to July 2013 and during the historical periods under review, we organized our business along two main product lines (i) the Marfrig Beef business unit, responsible for production in Brazil, Argentina, Uruguay and Chile, processing and sale of beef, lamb and leather products; and (ii) the Seara Foods business unit, responsible for the production, processing and sale of poultry, pork and industrialized products, as well as distribution services. Each of these two business units was further subdivided on the basis of Brazilian and international operations and each of those business units further reported along the lines of a “domestic” market (which included sales made within the same geographic region in which the product was raised and processed) and “export” (which included sales outside of the region in which the product was raised and processed).

Our management report for the three-month period ended March 31, 2014, and in connection with our strategy of reducing the scale and complexity of our business and focusing on our food service operations in Brazil, the U.S., Europe and Asia, our business and results of operations are divided along three major business units: Marfrig Beef, Moy Park and Keystone.

Mandatory Convertibles

On July 15, 2010, we issued 250,000 debentures, mandatorily convertible into shares, through private subscription, with maturity within 60 months, whereby the debentures were subscribed on various dates

during September and the main debenture holder was BNDESPAR. On October 10, 2012, the CVM issued the Official Letter CVM/SEP/GEA-5/nº 329/2012, which (i) presented the interpretation of the CVM that under Brazilian GAAP and IFRS, our Mandatory Convertibles, issued on July 15, 2010, should be classified as a “non-current liability” rather than equity, and (ii) requested the restatement of our financial statements as of and for the years ended December 31, 2011 and 2010, and the quarterly reports (ITR) as of and for the three months ended March 31, 2012 and June 30, 2012. On February 5, 2013 we conducted a capital increase resulting from the conversion of 35,000 debentures held by BNDESPAR into 43,750,000 common shares in accordance with the private deed and as per the material fact published on October 24, 2012. As of the date of this offering memorandum, we have complied with the CVM’s request.

On March 28, 2014, we announced to the market that in the debentureholders’ meeting held on January 22, 2014 it was decided that of a total of 215,000 debentures of the second issuance (a) 214,900 were used by the holders to pay up the debentures of our fifth issuance; and (b) 100 outstanding debentures were fully redeemed, as of March 31, 2014, which resulted in the cancellation of all 215,000 debentures of the second issuance of mandatorily convertible debentures and the consequent conclusion of said second issuance.

On January 25, 2014, we issued 215,000 debentures mandatorily convertible into shares, representing an aggregate amount of R\$2,150.0 million, bearing interest at a rate of 100% of the average Interbank Deposits Certificates (CDI) of one day plus 1% per year. The proceeds of the issuance were used to redeem the debentures convertible into shares issued under our 2nd issuance of debentures (Mandatory Convertibles). These debentures mature on January 25, 2017. Subject to certain conditions, once the mandatory conversions take place at final maturity, the conversion price will be the lowest of (i) R\$21.50, plus the interest paid to the debentures holders on the nominal value of the issue, less the remuneration distributed per share, both restated by the average Interbank Deposits Certificates (CDI) overnight rate, and (ii) the greater of the market price or R\$21.50 (not adjusted for remuneration or monetary restatement). A voluntary conversion may take place in case an event of default occurs and is not cured. Pursuant to the indenture, the occurrence of an issuance of debentures convertible into shares or any other securities convertible into shares, warrants, shares by the Company, in each case if the subscription price is lower than the conversion price of the debentures, would trigger the conversion rights by the debenture holders, including BNDESPAR, in respect of the totality of their debentures exercisable at such issuance prices. See note 21 to our financial statements as of and for the three-month period ended March 31, 2014 and “Mandatory Convertible.” On March 28, 2014, we announced to the market the conclusion of said issuance. A total of 214,955 debentures were subscribed by the debentureholders and the remaining 45 unsubscribed debentures were cancelled by the Company.

Accounting Practices

For a summary of our significant accounting practices, see note 3 to our financial statements as of and for the three-month period ended March 31, 2014 included elsewhere in this offering memorandum.

Our Financial Statements

To analyze our financial statements, potential investors should consider our changes in the companies and businesses units we control during the periods indicated. Our financial statements are not comparable in certain respects for certain years due to these changes. In particular, our financial statements as of and for the three-month period ended March 31, 2014 present the Seara Business and Zenda Business as discontinued operations, and the statement of income and the statement of cash flow for the three-month period ended March 31, 2014 have been reclassified to provide for the treatment of the Seara Business and Zenda Business as discontinued operations for comparative purposes. See “Presentation of Financial Information.” For further information on acquisitions and dispositions, see “Summary—Recent Developments” and “Business—History of Our Organic Growth, Acquisitions and Disposals.”

Three-month Period Ended March 31, 2014 Compared to Three-month Period Ended March 31, 2013

The below discussion in reference to the three-month periods ended March 31, 2014 and 2013 is exclusive of the Discontinued Operations.

Net Sales

Consolidated net sales increased by 9.4%, from R\$4,374.5 million in the three-month period ended March 31, 2013 to R\$4,787.5 million in the three-month period ended March 31, 2014. The increase was mainly driven by a 16.8% increase in average prices of our products, which was partially offset by a 6.3% decrease in sales volumes compared to the three-month period ended March 31, 2013.

The increase in consolidated net sales was mainly driven by a 27.3% increase in net sales by Moy Park due to operational improvements and stronger exports of processed products and a 14.7% increase in net sales by Keystone due to increased activity in the food service segment in Asia and the Middle East, which was partially offset by a 2.3% decrease in net sales by Marfrig Beef due to a reduction in the supply of finished cattle by cattle suppliers.

In the three-month period ended March 31, 2014, our Marfrig Beef business unit accounted for 43.3% of our consolidated net sales, compared with 48.6% in the three-month period ended March 31, 2013. Our Keystone business unit accounted for 29.1% of our consolidated net sales in the three-month period ended March 31, 2014, compared with 27.7% in the three-month period ended March 31, 2013. Our Moy Park business unit accounted for the remaining 27.6% of our consolidated net sales in the three-month period ended March 31, 2014 compared with 23.7% in the three-month period ended March 31, 2013.

The table below shows our net sales for each of our business units:

	Three-month period ended March 31,	
	2014	2013
	(unaudited) (in millions of R\$)	
Marfrig Beef		
Beef—Brazil.....	1,645.1	1,579.2
Domestic Market.....	936.6	1,029.0
Exports.....	708.4	550.2
Beef—International Operations.....	430.2	544.7
Domestic Market.....	196.1	294.5
Exports.....	234.1	250.2
Total—Marfrig Beef.....	2,075.2	2,123.9
Moy Park		
Domestic Market.....	1,151.4	909.3
Exports.....	169.9	128.2
Total—Moy Park.....	1,321.3	1,037.5
Keystone Foods		
Total—Keystone Foods.....	1,391.0	1,213.2
Total – Marfrig Consolidated		
Domestic Market.....	3,531.1	3,335.9
Exports.....	1,256.4	1,038.6

	Three-month period ended March 31,	
	2014	2013
	(unaudited)	
	(in millions of R\$)	
Total Marfrig Consolidated	4,787.5	4,374.5

Below is a discussion of the changes in our net sales divided by business unit as set out in the table above:

Marfrig Beef

Beef—Brazil

Domestic market net sales decreased by 9.0%, from R\$1,029 million in the three-month period ended March 31, 2013 to R\$936.6 million in the three-month period ended March 31, 2014. This decrease was primarily due to a reduction in supply of finished cattle by suppliers due to a severe drought in the three-month period ended March 31, 2014, and the lag in passing on higher costs to our customers.

Exports net sales increased by 28.8% from R\$550.2 million in the three-month period ended March 31, 2013 to R\$708.4 million in the three-month period ended March 31, 2014. This growth was mainly due to (i) the recovery in consumption in key markets in the Middle East, Europe and Asia; and (ii) more competitive prices of our exports resulting from the 15.9% appreciation of the U.S. dollar against the Brazilian real during the period.

Beef—International (Argentina and Uruguay)

Domestic market net sales decreased by 33.4% from R\$294.5 million in the three-month period ended March 31, 2013 to R\$196.1 million in the three-month period ended March 31, 2014. This decrease was mainly due to a 47.4% decrease in volumes, which was partially offset by a 26.6% increase in average beef prices during the period. The decrease in volumes is mainly due to the temporary closures of two plants in Argentina in 2013 and closure of two more plants in the three-month period ended March 31, 2014.

Exports net sales decreased by 6.4% from R\$250.2 million in the three-month period ended March 31, 2013 to R\$234.1 million in the three-month period ended March 31, 2014. This decrease was mainly due to a 31.1% decrease in sales volume, which was partially offset by a 35.7% increase in average beef prices during the period.

Moy Park

Domestic Market

Domestic market net sales increased by 26.6% from R\$909.3 million in the three-month period ended March 31, 2013 to R\$1,151.4 million in the three-month period ended March 31, 2014. This growth was mainly due to a 1.2 % increase in average beef prices, which was offset by a 1.1% decrease in sales volumes, which was driven mainly by the depreciation of the *real* against the U.S. dollar in the period and strong growth in value added convenience products.

Exports

Exports net sales increased by 32.5% from R\$128.2 million in the three-month period ended March 31, 2013 to R\$169.9 million in the three-month period ended March 31, 2014. This increase was mainly due to

an 11.1% increase in sales volumes and a 5.65% decrease in average prices, which resulted from the depreciation of the *real* against the U.S. dollar in the period.

Keystone Foods

Keystone Foods Processed Products

Keystone Foods Processed Products net sales increased by 14.7% from R\$1,213.2 million in the three-month period ended March 31, 2013 to R\$1,391.0 million in the three-month period ended March 31, 2014. This growth was primarily due to a 0.7% increase in average sales volume, which was offset by a 0.7% decrease in sales prices compared to the three-month period ended March 31, 2013, and lower prices for parts (wings and legs quarters) in the US. Weak pricing in the US was offset by strong net sales (growth of 19%) in the domestic Korean market and at our Thailand facility (growth of 26%), which were driven mainly by exports to the Middle East and the UK.

Cost of Goods Sold

Cost of goods sold increased by 9.6% from R\$3,803.5 million in the three-month period ended March 31, 2013 to R\$4,168.7 million in the three-month period ended March 31, 2014. This increase was mainly due to a 6.4% increase in expenses associated with raw materials (grains, livestock and other inputs), an 8.9% increase in labor costs and a 14.6% increase in production costs such as energy, packaging and certain indirect costs.

The table below shows the composition of cost of goods sold:

Cost of Goods Sold	Three-month period ended March 31,			
	2014	%	2013	%
	(unaudited)			
	(in millions of R\$, except where indicated)			
Raw Materials.....	2,772.0	66.5%	2,604.9	68.5%
Industrial Costs.....	548.0	13.1%	503.1	13.2%
Direct and Indirect Labor	677.5	16.3%	591.4	15.5%
Packaging	171.2	4.1%	104.1	2.7%
Total	4,168.7	100.0%	3,803.5	100.0%

For the three-month period ended March 31, 2014, the Marfrig Beef business unit represented 41.1% of cost of goods sold or R\$1,712.1 million. The Moy Park business unit accounted for 28.2% of cost of goods sold or R\$1,176.2 million and the Keystone business unit accounted for 30.7% of cost of goods sold or R\$1,280.4 million.

Raw materials, which include animals and feed inputs (grain), remained the chief component of cost of goods sold, accounting for 66.5% of the total cost of goods sold in the three-month period ended March 31, 2014 against 68.5% in the three-month period ended March 31, 2013. The cost of cattle, which comprises the largest expenditure within the raw materials component, represented 48.3% of raw materials in the three-month period ended March 31, 2014, compared to 51.8% in the three-month period ended March 31, 2013.

Gross Profit

As a result of the above factors, our gross profit increased by 8.4% from R\$571.1 million in the three-month period ended March 31, 2013 to R\$618.8 million in the three-month period ended March 31, 2014.

Out of the R\$618.8 million of gross profit, R\$363.1 million, or 58.7%, was attributable to Marfrig Beef, R\$145.1 million, or 23.4%, was attributable to Moy Park and R\$110.6 million, or 17.9%, was attributable to Keystone.

We remain focused on improving operations, including the optimization of our industrial facilities, with the dilution of fixed factory costs and the streamlining of raw material purchases.

Marfrig Beef

Marfrig Beef gross profit decreased by 6.0% from R\$386.3 million in the three-month period ended March 31, 2013, representing an 18.2% margin, to R\$363.1 million in the three-month period ended March 31, 2014, representing a 17.5% margin. This decrease in gross margin is explained by higher raw material costs (mainly cattle prices) in Brazil, since the pass-through of cost increase was not yet fully reflected in the three-month period ended March 31, 2014. In addition, this reduction in gross profit was partially offset by strong results in our Uruguayan operations.

Moy Park

Moy Park gross profit increased by 53.2% from R\$94.7 million in the three-month period ended March 31, 2013, representing a 9.1% margin, to R\$145.1 million in the three-month period ended March 31, 2014, representing a 11.0% margin. This increase was mainly due to the depreciation of the *real* against the U.S. dollar, a 5.1% reduction in labor costs combined with a 16.3% decrease in grain costs due to a better feed conversion ratio.

Keystone

Keystone gross profit increased 23.0% from R\$90.0 million in the three-month period ended March 31, 2013, representing a 7.4% margin, to R\$110.7 million in the three-month period ended March 31, 2014, representing 8.0% margin. The growth is explained by currency translation gains combined with the reduction in raw materials costs as a result of lower market prices for fresh products (especially in China) and the expansion of our client base in Korea and Thailand, as well as the increase of promotional activities and key quick service restaurants in Malaysia and Singapore.

Selling, General and Administrative Expenses - SG&A

Selling, general and administrative (SG&A) expenses totaled R\$357.4 million in the three-month period ended March 31, 2014, a 10.9% increase from the R\$322.3 million recorded in the three-month period ended March 31, 2013. In the three-month period ended March 31, 2013, SG&A expenses corresponded to 7.4% of net sales compared to 7.5% for the three-month period ended March 31, 2014, primarily due to increased selling expenses, which was partially offset by a decrease in administrative expenses.

Selling expenses increased by 25.9% from R\$175.3 million in the three-month period ended March 31, 2013 to R\$220.7 million in the three-month period ended March 31, 2014. The increase was mainly due to the higher payroll, logistics and market expenses associated with our recent business growth.

General and administrative expenses decreased by 7.0% from R\$147.0 million in the three-month period ended March 31, 2013 to R\$136.7 million in the three-month period ended March 31, 2014. The decrease was due to the higher payroll, logistics and market expenses associated with our recent business growth.

For the three-month period ended March 31, 2014, the Marfrig Beef business unit represented 57.2% of SG&A expenses while Moy Park business unit accounted for 31.1% and the Keystone business unit accounted for 11.7%.

Marfrig Beef

Marfrig Beef SG&A expenses totaled R\$192.7 million in the three-month period ended March 31, 2013, a 6.1% increase from the R\$204.6 million recorded in the three-month period ended March 31, 2014. This increase was due to the higher payroll, logistics and marketing expenses. In the three-month period ended March 31, 2013, SG&A expenses for Marfrig Beef corresponded to 9.1% of Marfrig Beef net sales compared to 9.9% for the three-month period ended March 31, 2014.

Moy Park

Moy Park SG&A expenses totaled R\$111.1 million in the three-month period ended March 31, 2014, a 42.3% increase from the R\$78.1 million recorded in the three-month period ended March 31, 2013. This increase was mainly due to (i) increased expenses associated with payroll and logistics that were required to support the organic growth of the business; and (ii) a higher share of more profitable sales channels in both domestic and export markets. In the three-month period ended March 31, 2013, SG&A expenses for Moy Park corresponded to 7.5% of Moy Park net sales compared to 8.4% for the three-month period ended March 31, 2014.

Keystone

Keystone SG&A expenses totaled R\$41.7 million in the three-month period ended March 31, 2014, a 19% decrease from the R\$51.4 million recorded in the three-month period ended March 31, 2013. The decrease was due to the implementation of a cost reduction plan during the three-month period ended March 31, 2014. In the three-month period ended March 31, 2013, SG&A expenses for Keystone corresponded to 4.2% of Keystone net sales compared to 3.0% for the three-month period ended March 31, 2014.

Other Operating Income (Expenses)

Other operating expenses, net, increased by 374.9%, from a net expense of R\$2.2 million in the three-month period ended March 31, 2013 to R\$10.5 million in the three-month period ended March 31, 2014. This increase was mainly due to the costs related to the temporary closure of two production facilities in Argentina due to the political and economic uncertainties in that market.

Financial Income (Expenses)

The financial result in the three-month period ended March 31, 2014 was a net expense of R\$387.8 million, compared to a net expense of R\$296.1 million in the three-month period ended March 31, 2013.

This increase was due to the fluctuation in the U.S. dollar/real exchange rate and the negative impact that such fluctuation had on financial expenses and derivative transactions.

The table below includes a breakdown of our financial results:

Financial Result	Three-month period ended March 31,		% Chg. 1Q/2014 x 1Q/2013
	2014	2013	
	(unaudited)	(unaudited)	
	(in millions of R\$)		
Financial Income			
Financial Income from derivatives	10.8	16.8	(35.7)%
Interests received, earnings from marketable securities	28.8	49.7	(42.1)%
Discounts, other	5.6	1.0	460.0%

Financial Result	Three-month period ended March 31,		% Chg. 1Q/2014 x 1Q/2013
	2014	2013	
	(unaudited)	(unaudited)	
	(in millions of R\$)		
Total Financial Income	45.2	67.5	(33.0)%
Asset exchange variation	269.0	130.7	105.8%
Financial Expenses			
Interest on debentures and leasing with financial institutions	(281.7)	(322.8)	(12.7)%
Derivatives	(65.3)	(4.5)	1,351.1%
Bank expenses, commissions, fees and other	(55.1)	(46.1)	19.5%
Total financial expenses	(402.1)	(373.4)	7.7%
Liability exchange variation	(300.0)	(120.9)	148.1%
Financial income (expense)	(387.9)	(296.1)	31.0%

We do not enter into leveraged transactions involving derivatives or similar instruments. Derivatives transactions are designed to provide minimum protection against our exposure to other currencies, and we maintain a conservative policy of not taking positions that could jeopardize our financial position. Our net loss from trading is explained by the hedging instruments detailed in note 32 to our financial statements as of and for the three-month period ended March 31, 2014.

Income and Social Contribution Taxes

We recorded gains from income and social contribution taxes in the amount of R\$51.0 million in the three-month period ended March 31, 2014, due to deferred income taxes of R\$34.9 million and deferred social contribution taxes of R\$16.1 million, which arose from the negative tax basis and fiscal losses.

In the three-month period ended March 31, 2013, we recorded losses of R\$6.5 million, due to deferred income taxes of R\$4.5 million and deferred social contribution taxes of R\$2.0 million, which arose from the negative tax basis and fiscal losses.

Net Income (Loss) from Continuing Operations

As a result of the above factors, net loss in the three-month period ended March 31, 2014 amounted to R\$91.8 million, compared to a net loss of R\$56.7 million in the three-month period ended March 31, 2013.

Net margin in the three-month period ended March 31, 2014 was a negative 1.9%, compared to a negative 1.3% in the three-month period ended March 31, 2013. The main factor contributing to the net loss in the three-month period ended March 31, 2014 was the fluctuation in the U.S. dollar/*real* exchange rate and the negative impact that such fluctuation had on financial expenses and derivative transactions.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The below discussion in reference to the years ended December 31, 2013 and 2012 is exclusive of the Discontinued Operations.

Net Sales

Net sales increased by 13.5%, from R\$16,516.4 million in the year ended December 31, 2012 to R\$18,752.4 million in the year ended December 31, 2013, due to a 14.4% increase in average prices, which was partially offset by a decrease of 0.7% in volumes compared to the year ended December 31, 2012.

The increase in net sales was mainly driven by improved sales across all of our business units, including: (i) a 13.5% increase in net sales by Marfrig Beef due to higher exports from Brazil and improved sales in the domestic food service segment, which more than offset the unfavorable business conditions faced by Marfrig Beef's international operations; (ii) a 10.0% increase in net sales by Keystone due to increased growth in the United States resulting from an expansion into new regions and a diversification of our client base, which more than offset a decrease in revenues in Asia resulting from the outbreak of the avian influenza; (iii) a 17.9% increase in net sales by Moy Park due to improved sales in the food service and retail segments in the United Kingdom and continental Europe. Furthermore, the 15.9% appreciation of the U.S. dollar against the Brazilian real in the period also had a positive impact on the currency translation of our revenues.

In the year ended December 31, 2013, our Marfrig Beef business unit accounted for 46.2% of our consolidated net sales, which is in line with its total contribution in the year ended December 31, 2012. Our Keystone business unit accounted for 28.6% of our consolidated net sales in the year ended December 31, 2013 compared with 29.6% in the year ended December 31, 2012. Our Moy Park business unit accounted for the remaining 25.2% of our consolidated net sales in the year ended December 31, 2013 compared with 24.3% in the year ended December 31, 2012.

The table below shows our net sales for each of our business units:

	Year ended December 31,	
	2013	2012
	(in millions of R\$)	
Marfrig Beef		
Beef—Brazil.....	6,626.4	5,490.8
Domestic Market	4,029.5	3,560.9
Exports	2,596.9	1,929.9
Beef—International Operations (Argentina, Uruguay and Chile)	2,030.9	2,136.5
Domestic Market	1,126.4	1,253.5
Exports	904.5	883.0
Total—Marfrig Beef.....	8,657.2	7,627.3
Moy Park		
Domestic Market	4,089.4	3,472.0
Exports	634.0	533.9
Total—Moy Park.....	4,723.4	4,005.8
Keystone		
United States.....	4,060.3	3,650.4
APMEA ⁽¹⁾	1,311.4	1,232.8
Total—Keystone.....	5,371.7	4,883.2
Total – Marfrig Consolidated		
Domestic Market	14,090.5	12,731.6
Exports	4,661.9	3,784.8
Total Marfrig Consolidated.....	18,752.4	16,516.4

Note:—

(1) “APMEA” refers to the Asia Pacific, Middle East and Africa regions.

Below is a discussion of the changes in our net sales divided by business unit as set out in the table above:

Marfrig Beef

Beef—Brazil

Domestic market net sales increased by 13.2%, from R\$3,560.9 million in the year ended December 31, 2012 to R\$4,029.5 million in the year ended December 31, 2013. This increase was primarily due to a 5.4% increase in average prices and a 7.3% increase in sales volume, both driven by the food service segment, which even after the completion of the Seara Sale, still accounted for approximately 40% of the Brazilian domestic market sales in the year ended December 31, 2013. The growth in the food service segment is partly due to the higher purchasing power of the Brazilian middle class resulting from higher average salaries, which resulted in increased consumption at restaurants and fast food restaurant purchases. Domestic market net sales also increased due to a shifting client mix in the retail channel, with an increased percentage of small and mid-sized businesses, which typically have a comparatively less advantageous bargaining position than large-sized businesses, helping to mitigate the negative effects caused by the oversupply of beef in the market in the first half of the year.

Exports net sales increased by 34.6% from R\$1,929.9 million in the year ended December 31, 2012 to R\$2,596.9 million in the year ended December 31, 2013. This increase was mainly due to a 24.9% increase in sales volume combined with a 7.8% increase in average prices, which were driven by: (i) the recovery in consumption in key markets in the Middle East, Europe and Asia; and (ii) the more competitive prices of our exports resulting from the 15.9% appreciation in the U.S. dollar against the Brazilian *real* during the period.

Beef—International (Argentina, Uruguay and Chile)

Domestic market net sales decreased by 10.1% from R\$1,253.5 million in the year ended December 31, 2012 to R\$1,126.4 million in the year ended December 31, 2013. This decrease was mainly due to a 17.5% decrease in volumes, which was mitigated by an 11.0% increase in the average prices during the period. The decrease in volumes is mainly due to the temporary closure of two production units in Argentina due to a challenging operational environment comprising price controls in the domestic market and export restrictions imposed by the government. Cattle prices and cattle supply in Uruguay showed gradual signs of recovery in the second half of the year, accompanied by increases in the average export price.

Exports net sales increased by 2.4% from R\$883.0 million in the year ended December 31, 2012 to R\$904.5 million in the year ended December 31, 2013. This increase was mainly due to an 8.2% increase in average prices, which more than offset a 5.4% decrease in volumes and the depreciation of the *real* during the period.

Moy Park

Domestic Market

Domestic market net sales increased by 17.8% from R\$3,472.0 million in the year ended December 31, 2012 to R\$4,089.4 million in the year ended December 31, 2013. This increase was mainly due to a 3.9% increase in volumes and a 13.3% increase in average prices, driven mainly by: (i) the strong performance of our Agri-Fresh (or fresh poultry) segment resulting from market growth and increased average fresh poultry prices; (ii) the continued strong growth in both the retail and food service channels; and (iii) the 15.2% appreciation in the pound sterling against the Brazilian *real*, which had a positive impact on the currency translation of net sales.

Exports

Exports net sales increased by 18.8% from R\$533.9 million in the year ended December 31, 2012 to R\$634.0 million in the year ended December 31, 2013. This increase was mainly due to a 15.7% increase in

average prices and a 2.7% increase in volumes, resulting from an improved sales mix with a greater share of higher-value products and the depreciation of the *real* against the U.S. dollar in the period.

Keystone

United States

Net sales from operations in the United States increased by 11.2% from R\$3,650.4 million in the year ended December 31, 2012 to R\$4,060.3 million in the year ended December 31, 2013. This increase was due to a 17.9% increase in average prices, partially offset by a 5.6% decrease in volumes compared to the year ended December 31, 2012, primarily due to: (i) changes in our sales mix with the introduction of new processed chicken products in the United States and strong promotional activity with our key clients; (ii) an expansion in our client base, due to the introduction of new restaurant chains; and (ii) the depreciation of the *real* against the U.S. dollar, which had a positive impact on the currency translation of net sales.

Asia Pacific, Africa and the Middle East

Net sales from operations in Asia Pacific, Africa and the Middle East increased by 6.4% from R\$1,232.8 million in the year ended December 31, 2012 to R\$1,311.4 million in the year ended December 31, 2013. This increase was due to a 41.5% increase in average prices, which was partially offset by a 24.8% decrease in volumes. Higher sales in Korea, Malaysia, Thailand, the Middle East and Singapore were partially offset by the outbreak of avian influenza in China, which adversely affected sales volumes in the country's domestic market, as well as exports to Japan.

Cost of Goods Sold

Cost of goods sold increased by 16.2% from R\$14,154.4 million in the year ended December 31, 2012 to R\$16,442.7 million in the year ended December 31, 2013. This increase was mainly due to a 19.5% increase in expenses associated with raw materials (grains, livestock and other inputs), an 11.3% increase in labor costs and a 4.6% increase in production costs such as energy, packaging and certain indirect costs.

The table below shows the composition of cost of goods sold:

Cost of Goods Sold	Year ended December 31,			
	2013	%	2012	%
	(in millions of R\$, except where indicated)			
Raw Materials.....	(12,103.3)	73.6%	(10,132.6)	71.6%
Labor Costs	(2,191.5)	13.3%	(1,968.4)	13.9%
Production Costs.....	(2,147.9)	13.1%	(2,053.3)	14.5%
Total	(16,442.7)	100.0%	(14,154.4)	100.0%

For the year ended December 31, 2013, the Marfrig Beef business unit accounted for 43.7% of the cost of goods sold, or R\$7,180.5 million. The Moy Park business unit accounted for 25.9% of the cost of goods sold, or R\$4,256.0 million, and the Keystone business unit accounted for 30.4% of the cost of goods sold, or R\$5,006.2 million.

Raw materials, which include animals and feed inputs (grain), remained the chief component of cost of goods sold, accounting for 73.6% of the total cost of goods sold in the year ended December 31, 2013 against 71.6% in the year ended December 31, 2012. The cost of cattle, which comprises the largest expenditure within the raw materials component, represented 46.4% of raw materials in the year ended December 31, 2013, compared to 50.7% in the year ended December 31, 2012, increased while the cost of grains decreased.

Gross Profit

As a result of the above factors and especially the depreciation of the Brazilian *real* against the U.S. dollar during the period, our gross profit decreased by 2.2% from R\$2,362.0 million in the year ended December 31, 2012 to R\$2,309.7 million in the year ended December 31, 2013.

Out of the R\$2,309.7 million of gross profit, R\$1,476.8 million, or 64.0%, was attributable to Marfrig Beef, R\$467.4 million, or 20.2%, was attributable to Moy Park and R\$365.5 million, or 15.8%, was attributable to Keystone.

Marfrig Beef

Marfrig Beef gross profit decreased by 11.0% from R\$1,658.4 million in the year ended December 31, 2012, representing a 21.7% margin, to R\$1,476.8 million in the year ended December 31, 2013, representing a 17.1% margin. The decrease in gross margin is explained by: (i) the increased volume of cattle slaughtered in the industry, especially in Brazil and Uruguay in the first two quarters of the year, which increased prices in the domestic and export markets; and (ii) the continued high prices for finish cattle, with producers retaining herds and reducing the supply, which led to higher average prices when compared to the previous year. Furthermore, the higher supply of beef in both the domestic and international markets made it more difficult to pass the higher costs on to the customer, thereby limiting profitability. Over the course of the year, with slaughtering rates normalizing and the Brazilian *real* depreciating against the U.S. dollar, profitability gradually improved, with gross margin returning to 18.4% in the fourth quarter of 2013, compared to 15.1% in the second quarter of 2013.

Moy Park

Moy Park gross profit increased by 34.1% from R\$348.6 million in the year ended December 31, 2012, representing a 8.7% margin, to R\$467.4 million in the year ended December 31, 2013, representing a 9.9% margin. The increase in gross margin is explained by: (i) increased sales driven by improvement in our product mix; (ii) the reduction in grain prices during 2013; (iii) increased penetration with our food service clients; and (iv) the higher sales shares of more profitable sales channels. The reduction in soybean and wheat costs over the year also supported higher margins.

Keystone

Keystone gross profit increased by 3.0% from R\$354.9 million in the year ended December 31, 2012, representing a 7.3% margin, to R\$365.5 million in the year ended December 31, 2013, representing a 6.8% margin. The decrease in gross margin is explained by a reduction in sales volumes in the Asian operations due to the effects from the outbreak of avian influenza in China in the first half of the year. The lower production resulted in the lower dilution of fixed costs, which affected margins. The normalization of production levels as from the third quarter of 2013 helped support a gradual recovery in gross margin, which was 7.2% in the fourth quarter of 2013, compared to 6.0% in the second quarter of 2013.

Selling, General and Administrative Expenses - SG&A

Selling, general and administrative (SG&A) expenses totaled R\$1,368.8 million in the year ended December 31, 2013, a 4.9% increase from the R\$1,305.2 million recorded in the year ended December 31, 2012. In the year ended December 31, 2012, SG&A expenses corresponded to 7.9% of net sales, compared to 7.3% for the year ended December 31, 2013, primarily due to higher sales and more rigorous control of expenses.

Selling expenses increased by 15.2% from R\$699.0 million in the year ended December 31, 2012 to R\$805.3 million in the year ended December 31, 2013. The increase was due to the higher payroll, logistics and market expenses associated with our recent business growth.

General and administrative expenses decreased by 7.0% from R\$606.2 million in the year ended December 31, 2012 to R\$563.5 million in the year ended December 31, 2013. The decrease was due to higher sales and more rigorous control of expenses.

Our Marfrig Beef business unit accounted for 63.1% of our total SG&A expenses in the year ended December 31, 2012, compared to 59.4% in the year ended December 31, 2013. Our Moy Park business unit accounted for 22.2% of our total SG&A expenses in the year ended December 31, 2012, compared to 26.8% in the year ended December 31, 2013. Our Keystone business unit accounted for 14.7% of our total SG&A expenses in the year ended December 31, 2012, compared to 13.8% in the year ended December 31, 2013.

Marfrig Beef

Marfrig Beef SG&A expenses totaled R\$812.8 million in the year ended December 31, 2013, a 1.3% decrease from the R\$823.7 million recorded in the year ended December 31, 2012. This decrease was due to: (i) the optimization of Marfrig Beef's operational structure; (ii) the temporary closure of our two units in Argentina; (iii) efficiency changes made to the production and feedlot structures in Brasil, Argentina and Uruguay; and (iv) the implementation of a program to rigorously control expenses. In the year ended December 31, 2013, SG&A expenses for Marfrig Beef corresponded to 9.4% of Marfrig Beef net sales compared to 10.8% for the year ended December 31, 2012.

Moy Park

Moy Park SG&A expenses totaled R\$367.4 million in the year ended December 31, 2013, a 27.0% increase from the R\$289.4 million recorded in the year ended December 31, 2012. In the year ended December 31, 2013, SG&A expenses for Moy Park corresponded to 7.8% of Moy Park net sales compared to 7.2% for the year ended December 31, 2012. This increase is explained by: (i) increased expenses associated with payroll and logistics that were required to support the organic growth of the business; and (ii) a higher share of more profitable sales channels in both the domestic and export markets.

Keystone

Keystone SG&A expenses totaled R\$188.6 million in the year ended December 31, 2013, a 1.8% decrease from the R\$192.1 million recorded in the year ended December 31, 2012. This decrease was due to the restructuring we carried out in late 2012, which optimized our administrative structure through reviews and the simplification of certain processes, with the results realized in 2013. In the year ended December 31, 2013, SG&A expenses for Keystone corresponded to 3.5% of Keystone net sales compared to 3.9% for the year ended December 31, 2012.

Other Operating Income (Expenses)

Other operating income, net, decreased from an income of R\$372.8 million in the year ended December 31, 2012 to an expense of R\$65.0 million in the year ended December 31, 2013. This decrease was mainly due to the temporary closure of two production units in Argentina due to the political and economic uncertainties in that market.

Financial Income (Expenses)

The financial result in the year ended December 31, 2013 was a net expense of R\$2,031.0 million, compared to a net expense of R\$1,418.4 million in the year ended December 31, 2012.

This increase was mainly due to increased interest expenses resulting from the depreciation of the Brazilian *real* against the U.S. dollar during the period of approximately 15.9%, which gave rise to increased liabilities from exchange variation and higher financial expenses from derivatives.

The table below includes a breakdown of our financial results:

Financial Result	Year ended December 31,		% Chg. 2013 x 2012
	2013	2012	
	(in millions of R\$)		
Financial Income			
Financial Income from derivatives	178.8	107.6	66.2%
Interests received, earnings from marketable securities	179.4	213.5	(16.0)%
Discounts, other	6.7	17.8	(62.4)%
Total Financial Income	364.9	338.9	7.7%
Asset exchange variation	778.3	311.2	150.1%
Financial Expenses			
Interest on debentures and leasing with financial institutions	(1,272.0)	(1,166.0)	9.1%
Derivatives	(301.6)	(108.5)	178.0%
Bank expenses, commissions, fees and other	(232.5)	(132.8)	75.1%
Total financial expenses	(1,806.1)	(1,407.3)	28.3%
Liability exchange variation	(1,368.2)	(661.2)	106.9%
Financial income (expense)	(2,031.1)	(1,418.4)	43.2%

We do not enter into leveraged transactions involving derivatives or similar instruments. Derivatives transactions are designed to provide minimum protection against our exposure to other currencies, and we maintain a conservative policy of not taking positions that could jeopardize our financial position. Our net loss from trading is explained by the hedging instruments detailed in note 3.1.4 to our financial statements as of and for the year ended December 31, 2013.

Income and Social Contribution Taxes

We recorded gains from income and social contribution taxes in the amount of R\$361.3 million in the year ended December 31, 2013, due to deferred income taxes of R\$267.4 million and deferred social contribution taxes of R\$93.9 million, based on negative tax basis and fiscal losses caused by accruals related to fiscal provisions, and recorded current income of R\$273.5 million and social contribution taxes of R\$83.7 million.

In the year ended December 31, 2012, we recorded gains of R\$266.2 million, due to deferred taxes of R\$206.1 million and deferred social contribution taxes of R\$60.1 million, based on negative tax basis and fiscal losses caused by accruals related to fiscal provisions, and recorded current income taxes of R\$341.3 million and social contribution taxes of R\$101.5 million.

Net Income (Loss) from Continuing Operations

As a result of the above factors, net loss in the year ended December 31, 2013 amounted to R\$802.9 million, compared to a net gain of R\$277.4 million in the year ended December 31, 2012. This decrease was mainly driven by the depreciation of the *real* against the U.S. dollar during the period.

Net margin in the year ended December 31, 2013 was a loss of 4.3%, compared to 1.7% in the year ended December 31, 2012. The main factor contributing to the net loss in the year ended December 31, 2013 was the depreciation of the *real* against the U.S. dollar during the period.

Liquidity and Capital Resources

Sources and Uses of Cash

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

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

	Three-month period ended March 31,		Year ended December 31	
	2014	2013	2013	2012
	(unaudited)			
	(in millions of R\$)			
Net cash provided by operating activities.....	407.5	(429.4)	197.3	147.4
Net cash used in investing activities	(142.6)	(160.5)	(856.4)	(755.0)
Net cash provided by (used in) financing activities.....	374.3	608.4	(601.3)	297.7
Exchange rate effect on cash and cash equivalents.....	(57.7)	(27.2)	223.5	149.6
Discontinued Operations net of cash.....	-	1.2	(329.8)	(138.5)
Cash flow for the periods.....	581.5	(7.4)	(1,366.7)	(298.8)

Cash provided by Operating Activities

Our cash flows from operations in the three-month periods ended March 31, 2014 and 2013 amounted to an inflow of R\$407.5 million and an inflow of R\$429.4 million, respectively, and for the years ended December 31, 2013 and 2012 amounted to an inflow of R\$197.3 million and an inflow of R\$147.4 million, respectively. In addition to requiring cash to finance our operations, we needed cash to acquire new businesses, make investments and pay our debts. Our cash needs in these periods were mainly supplied by short- and long-term indebtedness and equity transactions.

Cash Used for Investments

Net cash used for investments, purchases of fixed assets and intangibles in the three-month periods ended March 31, 2014 and 2013 amounted to R\$142.6 million and R\$160.5 million, respectively.

In the three-month periods ended March 31, 2014 and 2013, our allocations of resources were directed mainly to purchase fixed, biological and intangibles assets and working capital usages. In the three-month periods ended March 31, 2014 and 2013, we invested R\$139.0 million and R\$147.6 million, respectively, in the construction, acquisition, maintenance, modernization and/or expansion of our plants.

Net cash used for investments, purchases of fixed assets and intangibles in the years ended December 31, 2013 and 2012, amounted to R\$810.6 million and R\$755.0 million, respectively.

In the years ended December 31, 2013 and 2012, our allocations of resources were directed mainly to purchase fixed, biological and intangibles assets and working capital usages. In the years ended December 31, 2013 and 2012, we invested R\$723.5 million and R\$588.8 million, respectively, in the construction, acquisition, maintenance, modernization and/or expansion of our plants.

Cash from Financing Activities

We raised R\$608.4 million (net) from financing activities that we used to repay indebtedness in the three-month period ended March 31, 2013. We used R\$374.2 million (net) in financing activities in the three-month period ended March 31, 2014. Our principal financing activities in the three-month period

ended March 31, 2014 included the re-tap of our 2020 bond in the total amount of R\$640.8 million (U.S.\$275 million) that we used to repurchase partially 2017 and 2021 bonds, in a formal tender offer. We have concluded the offer and finalized the purchase in April, 2014 achieving the total amount of R\$295.3 million (U.S.\$132.4 million), being R\$128.7 million (U.S.\$57.7 million) for the 2017 bonds and R\$166.6 million (U.S.\$74.7 million) for the 2021 bonds.

We raised R\$297.7 million (net) from financing activities that we used to repay indebtedness in the year ended December 31, 2012. We used R\$601.3 million (net) in financing activities in the year ended December 31, 2013. Our principal financing activities in the year ended December 31, 2013 included the issuance of U.S.\$600 million in senior notes due 2017 and the issuance of U.S.\$400 million in senior notes due 2021.

Other Applications of Funds

In the three-month periods ended March 31, 2014 and 2013 and in the years ended December 31, 2013 and 2012, we did not accrue any interest on equity capital.

Indebtedness

Our outstanding indebtedness as of March 31, 2014 was R\$9,255.5 million, compared to R\$8,939.8 million as of December 31, 2013, representing an increase of 3.5% in the period. This debt was composed of R\$1,295.3 million in short-term debt (or 14.0% of the total, compared to 12.6% as of December 31, 2013) and R\$7,960.2 million of long-term debt (or 86.0% of the total, compared to 87.4% as of December 31, 2013) and reflects the approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of debt assumed by JBS in connection with the Sale.

As of March 31, 2014, 3.8% (or R\$349.6 million) of our indebtedness was in *reais* and 96.2% (or R\$8,905.9 million) was denominated in other currencies (of which the vast majority was denominated in U.S. dollars). As of March 31, 2014 we had R\$113.7 million of short-term notes and R\$229.5 million of long-term notes payable. The average cost of our U.S. dollar-denominated bank debt decreased to 7.8% annually as of March 31, 2014, compared to 7.9% as of December 31, 2013, and the average cost of our *real*-denominated bank debt increased to 12.1% annually as of March 31, 2014 compared to 9.9% annually as of December 31, 2013. The average cost of our total bank debt decreased to 7.9% as of March 31, 2014 compared to 8.0% as of December 31, 2013.

Our net debt as of March 31, 2014 was R\$6,862.5 million, compared to net debt of R\$7,128.2 million as of December 31, 2013.

Our ratio of net debt to EBITDA for the twelve months ended March 31, 2014 was 3.0, as shown in the table below:

	As of and for the three-month period ended March 31,	As of and for the year ended December 31,
	2014	2013
	(unaudited)	
	(in millions of R\$, except ratios)	
Indebtedness and Cash		
Marketable securities	1,149.0	1,040.3
Cash and cash equivalents.....	1,244.0	771.3
Total Debt ⁽¹⁾	9,255.5	8,939.8
Net Debt ⁽²⁾	6,862.5	7,128.2

Indebtedness and Cash	As of and for the three-month period ended March 31,	As of and for the year ended December 31,
	2014	2013
	(unaudited)	
	(in millions of R\$, except ratios)	
Net Debt/EBITDA ⁽³⁾	3.0	3.0

Notes:—

- (1) Total debt is short-term debt plus long-term debt. Total debt as of March 31, 2014 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (2) Net debt is short-term debt plus long-term debt, less cash and cash equivalents and marketable securities. Net debt as of March 31, 2014 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (3) The net debt/EBITDA ratio presented is for the twelve-month period ended March 31, 2014 using the EBITDA for the 12-month period ended March 31, 2014 of R\$2,275.5 million (U.S.\$1,006.8 million). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of EBITDA and EBITDA Margin.” And “Presentation of Financial and Other Information—EBITDA” and “—Reconciliation of EBITDA and EBITDA Margin.”

On October 10, 2012, the CVM issued Official Letter CVM/SEP/GEA-5/nº 329/2012, which (i) presented the interpretation of the CVM that under Brazilian GAAP and IFRS, our Mandatory Convertibles, issued on July 15, 2010, should be classified as a “non-current liability” rather than equity, and (ii) requested the restatement of our financial statements as of and for the years ended December 31, 2011 and 2010, and the quarterly forms (ITR) as of and for the three months ended March 31, 2012 and June 30, 2012. As of the date of this offering memorandum, we have complied with the CVM’s request. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Mandatory Convertibles” and note 21 to our financial statements as of and for the years ended December 31, 2013 and 2012.

We understand that this reclassification does not affect any terms and conditions of the Mandatory Convertibles, and it does not impact our financial indebtedness or our compliance with our financial covenants, since unlike other liabilities, the Mandatory Convertibles will not be settled in cash or cash equivalents, but only in common shares to be issued by us.

The table below describes our consolidated debt as of March 31, 2014, as well as changes in our loans and financings for the years indicated:

Charges (% p.a.)		Weighted Average Interest Rate (p.a.)	Weighted Average Maturity (years)	Balance on March 31, 2014	Balance on December 31, 2013
(in thousands of R\$)					
Credit Facility					
Local currency					
FINAME ⁽¹⁾	TJLP + Fixed Rate	5.65	2.34	0.6	0.6
FINEP ⁽²⁾	TJLP + 1%	5.25	2.93	47.3	50.5
NCE	Fixed Rate + %CDI	11.56	3.24	186.0	222.0
Working Capital (R\$)...	Fixed Rate + %CDI	17.27	1.05	83.3	99.9

	Charges (% p.a.)	Weighted Average Interest Rate (p.a.)	Weighted Average Maturity (years)	Balance on March 31, 2014	Balance on December 31, 2013
		(in thousands of R\$)			
Total Local Currency.		12.11		317.2	373.0
Foreign Currency					
Prepayment (U.S.\$)	LIBOR + Fixed Rate + FX	6.12	2.51	164.2	225.0
Bonds (U.S.\$)	Fixed Rate + FX	9.54	5.25	6,087.0	5,624.3
	%CDI + Fixed Rate + FX				893.2
NCE (U.S.\$)/ACC	(U.S.\$) + LIBOR	5.49	1.84	1,099.3	
Working Capital (Pesos)	Development Unit	7.20	0.47	2.0	2.3
Bank Loan (U.S.\$)	Fixed Rate + FX	3.74	3.86	767.1	921.5
Revolving Credit Facility	LIBOR + 2.75	1.06	1.94	711.7	806.5
Financing agreements (U.S.\$)	Fixed Rate + FX	1.01	0.28	33.3	22.1
PAE U.S.\$	Fixed Rate + FX	3.02	0.24	14.1	17.0
Tradable Liabilities	Fixed Rate	6.50	2.00	27.2	28.6
Total Foreign Currency		7.75		8,905.9	8,540.5
Total Indebtedness		7.90		9,223.1	8,913.5
Current Liabilities				1,262.8	1,097.0
Noncurrent Liabilities ..				7,960.2	7,816.5

Notes:

- (1) Finance for Machinery and Equipment (*Financiamento de Máquinas e Equipamentos*, or “FINAME”).
- (2) Studies and Projects Financing Entity (*Financiadora de Estudos e Projetos*, or “FINEP”).

The table below shows the maturity of our consolidated short-term and long-term debt, including loans and financings, Debentures payable and interest on Debentures as of March 31, 2014. For more information, see note 18 to the financial statements as of and for the year ended March 31, 2014.

Maturity Schedule	Consolidated March 31, 2014 (in millions of R\$)
Domestic Currency	
Second quarter 2014	69.5
Third quarter 2014	75.9
Last quarter 2014	3.1
First quarter 2015	68.0
2015	4.4
2016	38.9
2017	38.5
2018	38.5
2019	6.0

Maturity Schedule	Consolidated March 31, 2014
	(in millions of R\$)
2020	6.0
2021	1.0
	349.8
Foreign Currency	
Second quarter 2014	382.8
Third quarter 2014	206.2
Last quarter 2014	335.4
First quarter 2015	154.4
2015	494.9
2016 ⁽¹⁾	531.9
2017 ⁽²⁾	1,494.3
2018	2,286.8
2019	—
2020	2,156.0
2021 ⁽³⁾	863.0
	8,905.7
Total Indebtedness	9,255.5

Notes:—

- (1) On August 30, 2013, we, together with Credit Suisse, announced the commencement of a tender offer and consent solicitation in respect of any and all outstanding 2016 Notes representing substantially all of the R\$832.5 million of debt scheduled to mature in 2016. 50.97% of the outstanding 2016 Notes were validly tendered and accepted pursuant to the tender offer.
- (2) On March 25, 2014, we, together with Banco Bradesco BBI S.A., BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash in aggregate principal amount such that the aggregate principal amount of the 2017 Notes accepted for purchase does not exceed (1) U.S.\$130.0 million less (2) the aggregate principal amount of the 2021 Notes validly tendered and accepted for purchase pursuant to the 2021 Notes. Upon of the expiration of the tender offer in April, 2014, U.S.\$74.7 million were tendered and accepted. On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash any and all of the outstanding 2017 Notes, representing R\$527.1 million of debt scheduled to mature in 2017.
- (3) On March 25, 2014, we, together with Banco Bradesco BBI S.A., BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash up to an aggregate principal amount of U.S.\$100.0 million of the outstanding 2021 Notes. Upon of the expiration of the tender offer in April, 2014, U.S.\$57.7 were tendered and accepted. On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash any and all of the outstanding 2021 Notes, representing R\$342.7 million of debt scheduled to mature in 2021.

Contractual Obligations

As of March 31, 2014, our contractual obligations amounted to R\$11,771.3 million, of which (i) R\$9,255.5 million were bank indebtedness, debentures and interest on debentures; and (ii) R\$3.8 million consisted of outstanding balances for acquisitions of plant or other investments; (iii) R\$144.0 million related

to finance leasing obligations; (iv) R\$252.3 million related to operating leases; and (v) R\$2,115.7 million regarding mandatory deed convertible debentures into shares. The table below sets forth the outstanding balance of our contractual obligations as of March 31, 2014:

	Maturity by period				
	Total	2014	2015	2016	From 2017 to 2021
	(in millions of R\$)				
Total indebtedness ⁽¹⁾	9,255.5	1,072.9	721.7	570.8	6,890.1
Notes payable for investments in Brazil	3.8	3.8	—	—	—
Lease payables	144.0	36.3	56.3	34.9	16.5
Operating leases	252.3	50.9	43.7	32.1	125.6
Mandatory deed convertible into shares ⁽¹⁾	2,115.7	—	2,115.7	—	—
Total contractual obligations	11,771.3	1,163.9	2,937.4	637.8	7,032.2

Note:—

- (1) Total indebtedness is our consolidated short-term and long-term debt, including loans and financings, debentures payable and interest on debentures as of March 31, 2014. The Mandatory Convertibles are not included in the definition of long-term debt. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Mandatory Convertibles.”

Ability to Pay Our Debt

We currently have significant indebtedness and we may incur more debt in the future. As of March 31, 2014, our outstanding indebtedness was R\$9,255.5 million (excluding the Mandatory Convertibles), of which 3.8% or R\$349.6 million, was denominated in *reais* and 96.2% or R\$8,905.9 million was denominated in other currencies.

Over the three-month period ended March 31, 2014, and the two years ended December 31, 2013 and 2012, we have increased debt to finance part of our operational activities. Since the consummation of the Sale, we have further reduced our debt. To refinance our maturing debt, we may incur additional borrowings. We may also consider seeking funds from other sources, such as raising equity. If our funding strategies are unsuccessful, the inability to incur additional debt may limit our ability to invest in our business and to make necessary or advisable capital expenditures, which may cause a decrease in our future sales, adversely affecting our financial condition. Moreover, the resources we will have to spend to pay our outstanding debt may reduce the amount available for capital expenditures, which may negatively affect our results of operations.

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

As of March 31, 2014, we had R\$2,393.0 million in cash and cash equivalents and marketable securities, compared to R\$1,295.3 million of short-term debt. Considering our indebtedness profile and our historical ability to raise capital and generate cash in U.S. dollars, pounds and *reais*, we expect that we will be able to pay our debts, by using a combination of different capital resources, such as our cash, the cash generated from our operating activities, debt and equity issuances and extended payment terms with our suppliers.

We also believe that our focus on our core business, as illustrated by the Sale, together with the investments we plan to make in future years will allow us to increase our generation of cash. This, in turn, may gradually enhance our ability to repay our financial obligations.

Material Contracts

Individual financings with outstanding balances equal to or in excess of R\$100.0 million

The table below shows our main financing agreements outstanding as of March 31, 2014 that individually represents indebtedness with an outstanding balance equal to or in excess of R\$100.0 million:

Financial Institution	Type of Operation	Original Amount	Date of Agreement	Cost (per year)	Outstanding Balance as of March 31, 2014
(in millions)					(in millions of R\$)
Banco Bradesco	Export Credit Note	R\$194.9	03/31/2011	105.26% CDI	129.9
Deutsche Bank	Pre-export	U.S.\$100.0	12/11/2013	LIBOR+4.875%	226.9
Banco Itaú BBA	Export Credit Note	U.S.\$170.0	09/20/2010	8.05%	398.1
Banco Itaú BBA	Export Credit Note	U.S.\$160.0	09/20/2010	8.20%	374.3
Credit Suisse	Export Financing	U.S.\$60.0	03/28/2012	8.95%	135.9
	Non-convertible Debentures	R\$570.0	3/22/2013	15.85%	587.6
Total					1,852.7
Subsidiaries					
Senior Notes ⁽²⁾	Senior Notes	U.S.\$400.0	09/20/2013	11.250%	859.7
Senior Notes	Senior Notes	U.S.\$724.8	05/09/2011	8.375%	1,670.3
Senior Notes ⁽³⁾	Senior Notes	U.S.\$600.0	01/24/2013	9.875%	1,371.5
Senior Notes	Senior Notes	U.S.\$775.0	05/04/2010	9.5%	1,763.0
Senior Notes ⁽⁴⁾	Senior Notes	U.S.\$183.9	11/16/2006	9.625%	422.5
Rabobank	Revolving Cr. Line	U.S.\$400.0	03/29/2013	LIBOR + 2.75 ⁽¹⁾	654.9
Rabobank	Term Loans	U.S.\$200.0	03/29/2013	LIBOR + 2.75 ⁽¹⁾	450.5
Total					7,192.4

Notes:—

- (1) Based on pricing grids for extending and non-extending lenders.
- (2) On March 25, 2014, we, together with Banco Bradesco BBI S.A., BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash up to an aggregate principal amount of U.S.\$100.0 million of the outstanding 2021 Notes. Upon the expiration of the tender offer in April, 2014, U.S.\$57.7 were tendered and accepted. On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itaú BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash any and all of the outstanding 2021 Notes.
- (3) On March 25, 2014, we, along with Banco Bradesco BBI S.A., Banco BTG Pactual S.A. – Cayman Branch, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash in aggregate principal amount such that the aggregate principal amount of the 2017 Notes accepted for purchase does not exceed (1) U.S.\$130.0 million less (2) the aggregate principal amount of the 2021 Notes validly tendered and accepted for purchase pursuant to the 2021 Notes. Upon the expiration of the tender offer in April, 2014, U.S.\$74.7 million were tendered and accepted. On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itaú BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the

commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash any and all of the outstanding 2017 Notes.

- (4) On August 30, 2013, we, together with Credit Suisse, announced the commencement of a tender offer and consent solicitation in respect of any and all of these 2016 Notes. 50.97% of the outstanding 2016 Notes were validly tendered and accepted pursuant to the tender offer.

The loans and financings with the financial institutions set forth above can be further described by type of operation as follows:

Pre-export Payment Agreements (Pré-Pagamento)

Pre-export payment agreements are lines of credit designed to finance our exporting activities. These transactions are denominated in foreign currencies. As of March 31, 2014, the average interest rate of our pre-export payment agreements was 6.4% per year and the average maturity was 2.5 years. As of March 31, 2014, our main pre-export payment agreements were those described below:

Pre-export payment agreement with Deutsche Bank

We executed a pre-export prepayment agreement with Deutsche Bank in November 2013 in the original principal amount of US\$100.0 million. We are scheduled to repay principal in the original amount under the agreement in monthly instalments starting in November 2014 and ending in November 2016. The principal accrues interest at a rate of LIBOR plus 4.875% per year. As of March 31, 2014, the outstanding amount under this agreement was R\$226.9 million.

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

The export credit note is an export facility agreement with tax benefits. This kind of transaction is used mainly for working capital and it may be *real*-denominated or denominated in foreign currencies. As of March 31, 2014, our main export credit notes were those described below:

Export Credit Notes with Banco Itaú BBA

We executed two export credit notes with Banco Itaú BBA S.A. in September 2010 in the original principal amounts of U.S.\$170.0 million and U.S.\$160.0 million. Repayment of the principal amount under these notes will be made in October 2014 and 2015 accruing interest at an average rate of 8.05% and 8.20% per year, respectively. As of March 31, 2014, the aggregate outstanding amount under the notes was R\$772.4 million.

Export financing agreement with Credit Suisse

We executed an export financing agreement with Credit Suisse in March 2012 in the amount of U.S.\$60.0 million, repayment of principal of which is due in one installment, ending in June 2017. Interest on this loan accrues at a rate of 8.95% per year. As of March 31, 2014, the outstanding amount of this agreement was R\$135.9 million.

Debentures

On March 22, 2013, we issued 570,000 debentures non-convertible into shares, representing an aggregate amount of up to R\$570 million, for public distribution in an offering with limited placement efforts under CVM rule 476 of January 16th, 2009, as amended, (*Instrução CVM 476*). The debentures were issued in a single series paying interest at a rate of 15.85% per year. These debentures mature on January 22, 2019 and the principal will be paid in one installment at the maturity date. On April 10, 2013, we completed the issuance and the debentures were fully distributed. As of March 31, 2014, the aggregate outstanding amount under the issuance was R\$587.6 million.

Senior Notes

2016 Notes

On November 16, 2006, our subsidiary Marfrig Overseas Limited (“Marfrig Overseas”), an exempted limited liability company incorporated under the laws of the Cayman Islands, issued U.S.\$375.0 million in aggregate principal amount of senior notes due November 16, 2016 (the “2016 Notes”). The 2016 Notes were issued to finance our acquisitions in Argentina and Uruguay. The 2016 Notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non U.S. persons in offshore transactions in reliance on Regulation S. The 2016 Notes bear interest of 9.625% per year and interest payments are made in semi-annual installments on May 16 and November 16 of each year, beginning on May 16, 2007. The 2016 Notes are unconditionally and irrevocably guaranteed by us, Unifred, Marfrig Holdings and Seara. Since the completion of the Seara Sale, Seara and Unifred have ceased to be guarantors.

In late 2009, we determined that we were in breach of covenants under the indenture governing the 2016 Notes. In particular, we failed to comply with covenants by incurring indebtedness at certain subsidiaries without causing them to become guarantors, and by incurring indebtedness secured by liens upon the property and assets of Marfrig and certain subsidiaries in violation of the indenture. On March 16, 2010, we and Marfrig Overseas solicited consents from the holders of the 2016 Notes to (i) amend certain of the restrictive covenants and definitions in the indenture governing the 2016 Notes and (ii) waive any past non-compliance by Marfrig Overseas, us or our subsidiaries with certain covenants under the indenture that would otherwise be permitted by the amendments that we and Marfrig Overseas solicited. We also solicited waivers of non-compliance with covenants under, and amendments to, certain other debt instruments of the Marfrig Group. On March 25, 2010, we executed a supplemental indenture to the indenture governing the 2016 Notes after obtaining the required consents from the holders of the 2016 Notes. Simultaneously, we executed the waiver and amendments related to the other debt instruments. We have implemented procedures to monitor compliance with our covenants, but there can be no assurance that these procedures will be successful in preventing breaches in the future.

On August 30, 2013, we, along with Credit Suisse, announced the commencement of an offer by Credit Suisse to purchase for cash any and all of the outstanding 2016 Notes issued by Marfrig Overseas from each registered holder of the 2016 Notes. 50.97% of the outstanding 2016 Notes were validly tendered and accepted pursuant to the tender offer.

In connection with the tender offer, Credit Suisse also solicited, with respect to the 2016 Notes, consents to certain proposed amendments to the 2016 Notes and the related indenture dated November 16, 2006 (as amended and supplemented to the date hereof, the “2016 Notes Indenture”), under which the 2016 Notes were issued, providing for, among other things, elimination of substantially all restrictive covenants in the Indenture. Holders were not able to tender their 2016 Notes without delivering their consents to the proposed amendments and to the execution and delivery of a supplemental indenture reflecting these changes pursuant to the related consent solicitation, and were not able to deliver consents to the proposed amendments and the execution and delivery of the supplemental indenture without tendering their 2016 Notes pursuant to the tender offer. 50.97% of the outstanding 2016 Notes were validly tendered and accepted pursuant to the tender offer. As a result of the successful tender offer and consent solicitation process, on October 2, 2013, we entered into a supplemental indenture that removed the covenants applicable to our 2016 Notes.

2020 Notes

On May 4, 2010, Marfrig Overseas issued U.S.\$500.0 million in aggregate principal amount of senior notes due May 4, 2020 (“2020 Notes”). The notes were issued for general corporate purposes, including to repay part of our indebtedness maturing in 2010 and 2011, extending our debt maturity profile, and to fund working capital needs. The notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance

on Regulation S. The notes bear interest of 9.50% per year with semi-annual interest payments due on May 4 and November 4 of each year, beginning on November 4, 2010. The notes are unconditionally and irrevocably guaranteed by us, Unifred, Marfrig Holdings and Seara. Since completion of the Seara Sale, the Seara businesses and Unifred have ceased to be guarantors.

On March 13, 2013, our subsidiary Marfrig Overseas issued U.S.\$275.0 million in aggregate principal amount of senior notes due May 4, 2020. The notes were issued as a further issuance (re-tap) of the 2020 Notes, and were consolidated with, and form a single series with, the U.S.\$500.0 million principal amount of the notes that were originally issued on May 4, 2010. The notes were issued to repay outstanding indebtedness (including but not limited to open market repurchases of our outstanding bonds). The notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. The notes bear interest of 9.50% per year with semi-annual interest payments due on May 4 and November 4 of each year, commencing on May 4, 2014. The additional notes are unconditionally and irrevocably guaranteed by us and Marfrig Holdings.

2018 Notes

On May 9, 2011, our subsidiary, Marfrig Holdings, issued U.S.\$750.0 million in aggregate principal amount of senior notes due on May 9, 2018 (“2018 Notes”). The 2018 Notes were issued to repay part of our indebtedness maturing in 2011 and 2012, thereby extending our debt maturity profile, and to fund working capital needs. The 2018 Notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. The 2018 Notes bear interest of 8.375% per year with semi-annual interest payments due on May 9 and November 9 of each year, beginning on November 9, 2011. The 2018 Notes are unconditionally and irrevocably guaranteed by us, Unifred, Marfrig Overseas and Seara. Since completion of the Seara Sale, the Seara businesses and Unifred have ceased to be guarantors.

2017 Notes

On January 24, 2013, our subsidiary Marfrig Holdings issued U.S.\$600.0 million in aggregate principal amount of senior notes due July 24, 2017. The 2017 Notes were issued to lengthen our debt profile and for general corporate purposes. The 2017 Notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. The 2017 Notes bear interest of 9.875% per year with semi-annual interest payments due on January 24 and July 24 of each year, beginning on July 24, 2013. The 2017 Notes are unconditionally and irrevocably guaranteed by us, Unifred, Marfrig Overseas and Seara. Since completion of the Seara Sale, the Seara businesses and Unifred have ceased to be guarantors.

On March 25, 2014, we, together with Banco Bradesco BBI S.A., Banco BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash in aggregate principal amount such that the aggregate principal amount of the 2017 Notes accepted for purchase does not exceed (1) U.S.\$130.0 million less (2) the aggregate principal amount of the 2017 Notes validly tendered and accepted for purchase pursuant to the 2017 Notes. Upon the expiration of the tender offer in April, 2014, U.S.\$74.7 million were tendered and accepted.

On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash 2017 Notes from each registered holder of the 2017 Notes.

In connection with the tender offer, we are also soliciting, with respect to the 2017 Notes, consents to the proposed amendments to the 2017 Notes and the indenture dated January 24, 2013 (as amended and supplemented to the date hereof, the “2017 Indenture”) among the us, Marfrig Holdings, Marfrig Overseas

Limited, the Trustee as trustee, registrar, transfer agent and New York paying agent, the Principal Paying Agent as principal paying agent, and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent and transfer agent, under which the 2017 Notes were issued, providing for, among other things, elimination of substantially all restrictive covenants in the 2017 Indenture.

The consent of the holders of at least a majority in aggregate principal amount outstanding of the 2017 Notes is required to authorize the proposed amendments. Holders may not tender their 2017 Notes without delivering their consents to the proposed amendments and to the execution and delivery of a supplemental indenture reflecting these changes pursuant to the related consent solicitation, and may not deliver consents to the proposed amendments and the execution and delivery of the supplemental indenture without tendering their 2017 Notes pursuant to the tender offer.

The obligation of HSBC Securities (USA) Inc. to accept for purchase, and to pay for, the 2017 Notes tendered pursuant to the tender offer is subject to, and conditioned upon, the satisfaction or waiver of certain conditions. We have consented to HSBC Securities (USA) Inc. making the tender offer and the consent solicitation, and have entered into an agreement with HSBC Securities (USA) Inc. pursuant to which the 2017 Notes purchased by HSBC Securities (USA) Inc. in the tender offer will be exchanged by HSBC Securities (USA) Inc. with Marfrig Holdings for the notes issued in connection with this offering memorandum.

The 2017 Notes tender offer and consent solicitation will expire at 11:59 P.M., New York City time, on July 2, 2014, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the “2017 Notes Expiration Date”). Holders of 2017 Notes who validly tender (and do not validly withdraw) their 2017 Notes at or prior to 5:00 P.M., New York City time, on June 18, 2014, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the “2017 Notes Early Tender Date”), will be eligible to receive the U.S.\$1,177.50 per for each U.S.\$1,000 principal amount of 2017 Notes validly tendered (and not validly withdrawn), which includes an early tender payment equal to U.S.\$33.00 (the “2017 Notes Early Tender Payment”), plus accrued interest. Holders of 2017 Notes who validly tender 2017 Notes after the 2017 Notes Early Tender Date but at or prior to the 2017 Notes Expiration Date in the manner described herein will not be eligible to receive the 2017 Notes Early Tender Payment and will therefore only be eligible to receive, for each U.S.\$1,000 principal amount of 2017 Notes accepted for purchase, U.S.\$1,147.50, plus accrued interest.

Subject to the satisfaction of the conditions to the tender offer and consent solicitation, which include the successful issuance of the notes, and on the assumption that (i) all of the outstanding 2017 Notes and 2021 Notes are validly tendered and accepted for purchase on or prior to the 2017 Notes Early Tender Date or the 2021 Notes Early Tender Date, respectively, and (ii) HSBC Securities (USA) Inc. will purchase 100% of the aggregate principal amount outstanding under the 2017 Notes and 2021 Notes, HSBC Securities (USA) Inc. will pay total aggregate consideration for the tender offer and the consent solicitation of an amount up to U.S.\$1,004,710,262.50.

2021 Notes

On September 20, 2013, our subsidiary Marfrig Holdings issued U.S.\$400.0 million in aggregate principal amount of senior notes due September 20, 2021 (“2021 Notes”). A portion of the 2021 Notes were sold to Credit Suisse in exchange for the 2016 Notes purchased by Credit Suisse in connection with the related tender offer. The remaining proceeds were used to purchase additional 2016 Notes from Credit Suisse pursuant to the related exchange offer, and then for repaying other outstanding indebtedness. The 2021 Notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. The 2021 Notes bear interest of 11.250% per year with semi-annual interest payments due on September 20 and March 20 of each year, beginning on March 20, 2014. The 2021 Notes are unconditionally and irrevocably guaranteed by us and Marfrig Overseas.

On March 25, 2014, we, together with Banco Bradesco BBI S.A., BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash an aggregate principal amount of U.S.\$100.0 million the outstanding 2021 Notes. Upon the expiration of the tender offer in April, 2014, U.S.\$57.7 were tendered and accepted.

On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash 2021 Notes from each registered holder of the 2021 Notes.

In connection with the tender offer, we are also soliciting, with respect to the 2021 Notes, consents to the proposed amendments to the 2021 Notes and the indenture dated September 20, 2013 (as amended and supplemented to the date hereof, the “2021 Indenture”) among us, Marfrig Holdings, Marfrig Overseas Limited, The Bank of New York Mellon as trustee, registrar, transfer agent and New York paying agent (the “Trustee”), The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent (the “Principal Paying Agent”), and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent, under which the 2021 Notes were issued, providing for, among other things, elimination of substantially all restrictive covenants in the said 2021 Indenture.

The consent of the holders of at least a majority in aggregate principal amount outstanding of the 2021 Notes is required to authorize the proposed amendments. Holders may not tender their 2021 Notes without delivering their consents to the proposed amendments and to the execution and delivery of a supplemental indenture reflecting these changes pursuant to the related consent solicitation, and may not deliver consents to the proposed amendments and the execution and delivery of the supplemental indenture without tendering their 2021 Notes pursuant to the tender offer. The Purchaser will only accept 2021 Notes for purchase if the 2021 requisite consents to authorize the 2021 Proposed Amendments are validly delivered and not validly revoked.

The obligation of HSBC Securities (USA) Inc. to accept for purchase, and to pay for, the 2021 Notes tendered pursuant to the tender offer is subject to, and conditioned upon, the satisfaction or waiver of certain conditions. We have consented to HSBC Securities (USA) Inc. making the tender offer and the consent solicitation, and have entered into an agreement with HSBC Securities (USA) Inc. pursuant to which the 2021 Notes purchased by HSBC Securities (USA) Inc. in the tender offer will be exchanged by HSBC Securities (USA) Inc. with Marfrig Holdings for the notes issued in connection with this offering memorandum.

The 2021 Notes tender offer and consent solicitation will expire at 11:59 P.M., New York City time, on July 2, 2014, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the “2021 Notes Expiration Date”). Holders of 2021 Notes who validly tender (and do not validly withdraw) their 2021 Notes at or prior to 5:00 P.M., New York City time, on June 18, 2014, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the “2021 Notes Early Tender Date”), will be eligible to receive the U.S.\$1,120.00 per for each U.S.\$1,000 principal amount of 2021 Notes validly tendered (and not validly withdrawn), which includes an early tender payment equal to U.S.\$30.00 (the “2021 Notes Early Tender Payment”), plus accrued interest. Holders of 2021 Notes who validly tender 2021 Notes after the 2021 Notes Early Tender Date but at or prior to the 2021 Notes Expiration Date in the manner described herein will not be eligible to receive the 2021 Notes Early Tender Payment and will therefore only be eligible to receive, for each U.S.\$1,000 principal amount of 2021 Notes accepted for purchase, U.S.\$1,090.00, plus accrued interest.

Subject to the satisfaction of the conditions to the tender offer and consent solicitation, which include the successful issuance of the notes, and on the assumption that (i) all of the outstanding 2017 Notes and 2021 Notes are validly tendered and accepted for purchase on or prior to the 2017 Notes Early Tender Date or the 2021 Notes Early Tender Date, respectively, and (ii) HSBC Securities (USA) Inc. will purchase 100%

of the aggregate principal amount outstanding under the 2017 Notes and 2021 Notes, HSBC Securities (USA) Inc. will pay total aggregate consideration for the tender offer and the consent solicitation of an amount up to U.S.\$1,004,710,262.50 .

Credit Agreement/Term Loans

On March 29, 2013, our subsidiary Keystone renewed its credit agreement with Rabobank/ING which provides Keystone with a multicurrency revolving loan facility in the amount of U.S.\$400.0 million and a term loan in the amount of U.S.\$200.0 million, due in 2020. The rate of interest applicable to this facility varies based on the consolidated total leverage of Keystone, with a maximum interest rate of LIBOR plus 2.75% per year for Eurocurrency term loans. As of March 31, 2014, the aggregate principal amount outstanding under this facility was R\$1,105.4 million.

Moy Park Bond Issuance and Proceeds Loan

On May 29, 2014, our wholly owned subsidiary Moy Park (Bondco) Plc., issued its first senior notes issuance in the European market, amounting to £200 million, with a 7 year maturity and a fixed interest rate of 6.25% per year. Its senior notes were guaranteed by Moy Park Holdings Europe Ltd., Moy Park Ltd. and certain affiliates. A portion of the proceeds will be used to repay certain of our existing financial indebtedness. Moy Park Holdings (Europe) Limited, which was a guarantor to these notes, and its subsidiaries, may be prohibited from paying dividends to us under certain circumstances pursuant to the indenture dated May 29, 2014, among Moy Park (Bondco) Plc, Moy Park Holdings (Europe) Limited, Moy Park (Newco) Limited, The Bank of New York Mellon, The Bank of New York Mellon, London Branch, and The Bank of New York Mellon, Dublin Branch. See "Summary—Recent Developments."

On May 29, 2014, our wholly owned subsidiary Moy Park (Bondco) Plc. also entered into a proceeds loan agreement with Moy Park (Newco) Limited in the amount of £195.0 million. The interest rate is equal to 6.25% per year, payable semi-annually, and matures in 2021.

Individual financings with outstanding balances equal to or in excess of R\$50.0 million but less than R\$100.0 million (shown in the aggregate by financial institution)

In addition, the table below shows the outstanding balance in the aggregate, by financial institution, of our and our subsidiaries' other financings outstanding as of March 31, 2014 comprising items of indebtedness that represent outstanding balances equal to or in excess of R\$50.0 million but less than R\$100.0 million:

Financial Institution	Type of Operation	Outstanding Balance
		(in millions of R\$)
	Export Finance (PPE, NCE)	108.3
Banco do Brasil		
Total		108.3

Financing agreements entered into with the initial purchasers or their affiliates

On the date of this offering memorandum, and except for working capital facilities entered into in the ordinary course of business, we have no other financing agreements entered into with the initial purchasers or their affiliates.

Mandatory Convertibles

On July 15, 2010, we completed the second issuance of the Mandatory Convertibles, convertible into our shares, for an aggregate amount of R\$2,500.0 million, divided into 250,000 debentures bearing interest at a rate of 100% of the average Interbank Deposits Certificates (*CDI*) of one day plus 1% per year. The proceeds of the issuance were used mainly for the acquisition of Keystone. The Mandatory Convertibles were subscribed on various dates in September 2011, with BNDESPAR acquiring 99.96% of the Mandatory Convertibles (249,892 Mandatory Convertibles). Subject to certain conditions, once the mandatory conversions take place at final maturity, the conversion price will be the lowest of (i) R\$21.50, plus the interest paid to the Mandatory Convertibles holders on the nominal value of the issue, less the remuneration distributed per share, both restated by the average Interbank Deposits Certificates (*CDI*) of one day rate, and (ii) the greater of the market price or R\$24.50 (not adjusted for remuneration or monetary restatement). A voluntary conversion may take place in case an event of default occurs and is not cured. Pursuant to Section III.(16)(11) the occurrence of an issuance of shares by the Company would trigger the conversion rights by the debentures holders, including BNDESPAR, in respect of the totality of their debentures exercisable at the shares issuance price. See “Presentation of Financial and Other Information—Financial Information.”

On February 5, 2013, BNDESPAR exercised its conversion right and converted 35,000 of Mandatory Convertibles into 43,750,000 shares of the Company as a result of the Share Offering, and became the holder of an aggregate of 102,202,427 of our common shares (representing 19.63% of our total capital stock). See “Principal Shareholders—BNDES Participações S.A. – BNDESPAR” and “Loans and Financings since December 31, 2013—5th Issuance of Convertible Debentures.”

On March 28, 2014, we announced to the market that in the debentureholders’ meeting held on January 22, 2014 it was decided that of a total of 215,000 debentures of the second issuance (a) 214,900 were used by the holders to pay up the debentures of our fifth issuance; and (b) 100 outstanding debentures were fully redeemed, as of March 31, 2014, which resulted in the cancellation of all 215,000 debentures of the second issuance of mandatorily convertible debentures and the consequent conclusion of said second issuance.

On January 25, 2014, we issued 215,000 debentures mandatorily convertible into shares, representing an aggregate amount of R\$2,150.0 million, bearing interest at a rate of 100% of the average Interbank Deposits Certificates (*CDI*) of one day plus 1% per year. The proceeds of the issuance were used to redeem the debentures convertible into shares issued under our second debentures issuance (Mandatory Convertibles). These debentures mature on January 25, 2017. Subject to certain conditions, once the mandatory conversions take place at final maturity, the conversion price will be the lowest of (i) R\$21.50, plus the interest paid to the debenture holders on the nominal value of the issue, minus the remuneration distributed per share, each restated by the average Interbank Deposits Certificates (*CDI*) overnight rate, and (ii) the greater of the market price or R\$21.50 (not adjusted for remuneration or monetary restatement). A voluntary conversion may take place if an event of default occurs and is not cured. Pursuant to the indenture, the occurrence of an issuance of debentures convertible into shares or any other securities convertible into shares warrants shares by the Company, if the subscription price is lower than the conversion price of the debentures and would trigger the conversion rights by the debenture holders, including BNDESPAR, in respect of the totality of their debentures exercisable at said issuance prices. On March 28, 2014, we announced to the market the conclusion of said issuance. A total of 214,955 debentures were subscribed by the debentureholders and the remaining 45 unsubscribed debentures were cancelled by the Company. As of March 31, 2014, the aggregate outstanding amount under the issuance was R\$2.1 million.

Covenants

We are subject to restrictive covenants under the debt agreements evidencing or governing our outstanding indebtedness, such as but not limited to limitations on incurrence of indebtedness, liens, restricted payments and investments, among other restrictive covenants that are standard in the types of debt instruments we enter into, including the following:

- Not to incur any Indebtedness (as defined in such agreements) which, on the date of such incurrence, considering its pro-forma effect, would cause the net debt to EBITDA ratio (as defined in such agreements) to be greater than 4.50 to 1.00 or, in the case of bank financings, maintain a net financial debt to EBITDA ratio (as defined in such agreements), not to exceed 4.5 to 1.00.
- Not to restrict our and our subsidiaries' ability to (1) pay dividends/other intergroup distributions, (2) incur or repay intercompany debts/advances or (3) transfer properties or assets among them.
- Not to sell any assets unless (1) the asset disposition is for fair market value, (2) at least 75% of the consideration consists of cash or assets/properties related to our business, and (3) within 360 days after the receipt of such proceeds, they are used for repayment of debts or acquisition of additional assets in businesses related to our business.
- Not to issue, sell or transfer voting shares of subsidiaries, except if to our self or to our subsidiaries or in compliance with the clauses that provided for limitation on the sale of assets or limitation on restricted payments.

In addition, certain facilities include cross default provisions for defaults of the Company or its subsidiaries.

We have continued to service our debt and make scheduled payments of principal and interest.

Off Balance Sheet Arrangements

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

Financial Information

The tables below show financial information derived from our consolidated financial statements and results of operations for the periods indicated.

	For the three-month period ended March 31,			For the year ended December 31,		
	2014 (U.S.\$) ⁽⁶⁾ (unaudited)	2014 (R\$) (unaudited)	2013	2013 (U.S.\$) ⁽⁷⁾ (unaudited)	2013 (R\$)	2012
	(in millions, except percentages)					
Net sales ⁽¹⁾	2,118.4	4,787.5	4,374.6	8,013.8	18,752.4	16,516.4
Net income (loss) from continuing operations ⁽¹⁾	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
EBITDA (continuing operations) ⁽²⁾	173.7	392.8	366.6	590.3	1,381.3	1,878.0
EBITDA margin (continuing operations) ⁽²⁾	8.2%	8.2%	8.4%	7.4%	7.4%	10.2%
EBITDA (discontinued operations) ⁽³⁾	-	-	124.6	424.1	992.5	256.0
EBITDA (continuing and discontinued operations) ⁽⁴⁾	173.7	392.8	491.2	1,014.4	2,373.8	2,134.0
EBITDA margin (continuing and discontinued operations) ⁽⁵⁾	8.2%	8.2%	11.2%	12.7%	12.7%	12.9%

Notes:—

- (1) Net sales and net income (loss) for the three-month period ended in March 31, 2014 and for the years ended December 31, 2013 and 2012 reflect the financial information of the Continuing Operations only.

- (2) For the year ended December 31, 2012, this includes a gain on the sale of discontinued operations of R\$193.8 million. For the year ended December 31, 2013, EBITDA (continuing operations) excludes the gain on sale of discontinued operations of R\$820.0 million in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). See “Presentation of Financial and Other Information.” On a like-for-like basis with EBITDA (continuing operations) for the year ended December 31, 2013, EBITDA (continuing operations) for the year ended December 31, 2012 would have been R\$1,693.7 million;
- (3) EBITDA (discontinued operations) sets forth the stand-alone EBITDA of assets classified as discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.”
- (4) EBITDA (continuing and discontinued operations) sets forth the aggregate EBITDA of our continuing and discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.” See “Summary of Financial and Other Information – EBITDA Reconciliation.”
- (5) EBITDA (continuing and discontinued operations) divided by net sales from continuing operations.
- (6) Solely for the convenience of the reader, Brazilian *real* amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (7) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.346 to U.S.\$1.00. See “Exchange Rates.”

	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁵⁾	(R\$)		(U.S.\$) ⁽⁶⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
Cash and cash equivalents	550.5	1,244.0	1,441.8	329.6	771.3	919.9
Marketable securities	508.4	1,149.0	1,729.0	444.6	1,040.3	2,258.3
Short-term debt ⁽¹⁾	573.2	1,295.3	3,640.7	480.0	1,123.3	3,702.9
Long-term debt ⁽²⁾	3,522.2	7,960.2	9,356.5	3,340.4	7,816.5	8,679.0
Total debt ⁽³⁾	4,095.4	9,255.5	12,997.2	3,820.4	8,939.8	12,381.9
Net debt ⁽⁴⁾	3,036.5	6,862.5	9,826.4	3,046.2	7,128.2	9,203.7

Notes:—

- (1) Short-term debt is the current portion of loans and financing plus debentures payable (short-term portion) plus interest on debentures. Finance leases are not considered in the debt amounts for any periods shown. See note 19.1 to our financial statements for the three-month period ended March 31, 2014. Short-term debt as of March 31, 2014 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (2) Long-term debt is the non-current portion of loans and financing plus debentures payable. Long-term debt does not include the Mandatory Convertibles. Long-term debt as of March 31, 2014 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (3) Total debt is short-term debt plus long-term debt. Total debt as of March 31, 2014 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (4) Net debt is short-term debt plus long-term debt, less cash and cash equivalents and marketable securities. Net debt as of March 31, 2014 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (5) Solely for the convenience of the reader, Brazilian *real* amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (6) Solely for the convenience of the reader, Brazilian *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.346 to U.S.\$1.00. See “Exchange Rates.”

Qualitative and Quantitative Disclosure about Market Risks

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

Exchange Rate Risk

A substantial portion of our debt is denominated in U.S. dollars, which exposes us to foreign currency exchange rate risk. To partially offset the risk of any devaluation of the *real* against the U.S. dollar and for risk management purposes, we attempt to reduce our foreign exchange exposure by exporting beef products, which generates receivables payable in foreign currencies. In addition, with 78.5% and 73.3% of our net sales generated in currencies other than the *real* in the years ended December 31, 2013 and 2012, respectively, we believe we have a natural hedge against maturities of our future obligations in foreign currencies. We also occasionally enter into derivative contracts to hedge exchange rate variations related to specific contractual obligations.

We do not enter into leveraged transactions with derivatives or similar instruments. Except as described in connection with the structure of this offering, we only use derivatives or similar instruments to provide protection against floating interest rates and our exposure to debts denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments transactions that could jeopardize our financial position.

Furthermore, we have a solid financial policy, maintaining high balances of cash and short-term marketable securities with first-rate institutions.

Commodity Price Risk

The availability and prices of cattle and beef fluctuate significantly due to unpredictable factors, such as weather, worldwide government agricultural programs and policies, changes in global demand, fluctuations in the amount of cattle offered by the producers, the relative cost of feed, cattle diseases and changes in standards of living. As part of our strategy to reduce the impact over commodities, we manage inventory levels, keep cattle in feedlots and trade derivative financial instruments in the futures markets.

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. In order to reduce debt service costs, we continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge our operations against the risk of fluctuations of these rates.

Our risk of interest rate exposure at March 31, 2014 and at December 31, 2013, was the following:

	March 31, 2014	December 31, 2013
	(in R\$ millions)	
Exposure to the CDI rate		
NCE (R\$ and U.S.\$) / Working capital (R\$).....	1,368.5	548.4
(-) CDB-DI (R\$)	(47.3)	(0.8)
Subtotal	1,321.2	547.6
Exposure to LIBOR rate		
Pre-payment (U.S.\$)	164.2	891.7
Working capital (U.S.\$)	2.0	2.3

	March 31, 2014	December 31, 2013
	(in R\$ millions)	
Plant financing (U.S.\$) / Guaranteed account (U.S.\$)	711.7	806.5
Subtotal	877.9	1,700.5
Exposure to TJLP rate		
FINAME / FINEM / FINEP	47.8	51.2
Subtotal	47.8	51.2
Total	2,246.9	2,299.3

Derivatives

The Company and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimize these risks, the Company has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the board of directors.

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

Management is authorized to perform any and all acts listed below up to the amount equivalent to ten per cent (10%) of the Company's equity based on the last quarterly financial information disclosed in the market, except that for amounts higher than five per cent (5%) of shareholder's equity, an additional authorization from the Company's Finance Committee is necessary.

The Company's acts mentioned in the previous paragraph are as follows: (a) Offer guarantee for the obligations of the Company's subsidiaries and/or wholly-owned subsidiaries; (b) approve the acquisition and/or sale of permanent asset items; (c) Approve financial transactions, including leases; and (d) Approve single or group of transactions involving the Company and related parties, directly or indirectly.

The Company does not enter into leveraged transactions with derivatives or similar instruments which do not offer a minimum protection against its exposure to other currencies, and also adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term marketable securities. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

Interest Rate Risk Management

Interest rate risk refers to Marfrig's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect Marfrig's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

In order to reduce debt service costs, Marfrig and its subsidiaries continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates. The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

In order to minimize the effects of exchange rate fluctuations on the settlement of loans and financings, we entered into non-speculative swap contracts, as described in the table below:

Instrument	Register	Receivable	Payable	Notional	Fair value	03/31/2014	12/31/2013
						Amount	Amount
						receivable	receivable
				(in millions of U.S.\$)	(in millions of R\$)	(-) payable	(-) payable
Interest Swap Rate.....	CETIP	LIBOR	USD	227.1	513.9	(17.2)	10.5
Interest Swap Rate.....	OTC	LIBOR	USD	320.0	724.2	(6.4)	(2.9)
Interest Swap Rate.....	CETIP	R\$	USD	368.3	833.5	(210.1)	(225.0)
Interest Swap Rate.....	OTC	USD	R\$	288.5	653.0	131.8	144.1
Total.....				1,203.9	2,724.6	(101.9)	(73.3)

Instrument	Register	Maturity	Receivable	Payable	Notional	Fair value	03/31/2014
							Amount
							receivable
					(in U.S.\$)	(R\$)	(-) payable
Interest Swap Rate.....	CETIP	2014	LIBOR	USD	22.9	51.7	(0.4)
Interest Swap Rate.....	CETIP	2015	LIBOR	USD	15.0	33.9	(0.5)
Interest Swap Rate.....	CETIP	2015	LIBOR	USD	20.0	45.3	(1.3)
Interest Swap Rate.....	CETIP	2016	LIBOR	USD	100.0	226.3	(2.8)
Interest Swap Rate.....	CETIP	2016	LIBOR	USD	69.2	156.7	(12.2)
Interest Swap Rate.....	CETIP	2017	R\$	USD	288.5	653.0	(133.9)
Interest Swap Rate.....	OTC	2017	USD	R\$	288.5	653.0	131.8
Interest Swap Rate.....	OTC	2018	LIBOR	USD	132.5	299.8	0.2
Interest Swap Rate.....	CETIP	2018	R\$	USD	79.8	180.5	(76.2)
Interest Swap Rate.....	OTC	2019	LIBOR	USD	187.5	424.4	(6.6)
Total.....					1,203.9	2,724.6	(101.9)

Commodity Price Risk Management

During its activities, Marfrig and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

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

Maize, wheat and soya bean meal (“grains”) are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others, which is not under Management’s control.

There are exposures to variation in the price of gasoline and diesel fuel (“energy”), whose movements are due to factors out of Management’s control.

So as to reduce the impact over commodities, Marfrig and its subsidiaries manage inventory levels, keeps cattle in feedlots and trade derivative financial instruments in the futures market.

The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company and its subsidiaries purchase financial instruments to reduce the price risk related to the needs for commodities within 12 months.

A part of the financial instruments of protection come from the futures market, having the CBOT – Chicago Board of Trade as counterpart, whose physical deliveries (“deliverable”) of non-financial items are accomplished. As at March 31, 2014, financial instruments covered in Keystone 100% for the exposure of grain.

Exchange Risk Management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading Marfrig and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company’s main current exchange rate exposure relates to the U.S. dollar fluctuation against the Brazilian *real*.

Given that 80.0% of the Company’s revenues are denominated in currencies other than the Brazilian *real*, Marfrig has a natural hedge against the maturities of future obligations in foreign currency. The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term marketable securities with solid financial institutions.

We believe that Marfrig’s and its subsidiaries’ consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

INDUSTRY OVERVIEW

The Global Chicken Industry

Consumption

According to the USDA, chicken is the second most consumed meat in the world, following pork. In 2013, approximately 82.5 million tons of chicken were consumed, an increase of 1% over 2012. The largest consumers of chicken are the United States, China, the European Union, Brazil and Mexico. The table below shows the largest chicken consumers in the world from 2009 through 2014 (estimated):

Country	Global Chicken Consumption					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Ready to Cook Equivalent)					
United States.....	12,946	13,472	13,665	13,345	13,683	14,087
China	12,210	12,457	13,015	13,543	13,174	13,555
European Union ⁽²⁾	8,717	8,955	9,010	9,185	9,388	9,465
Russia	2,982	2,957	3,013	3,321	3,520	3,765
Brazil	7,802	9,041	9,422	9,139	8,829	9,396
Mexico.....	3,264	3,364	3,473	3,569	3,679	3,730
India.....	2,549	2,648	2,891	3,156	3,445	3,621
Japan.....	1,979	2,080	2,104	2,213	2,201	2,155
South Africa	1,443	1,524	1,687	1,756	1,753	1,755
Argentina.....	1,327	1,475	1,556	1,726	1,738	1,747
Indonesia	1,412	1,465	1,515	1,540	1,550	1,565
Others	16,129	17,788	18,702	19,162	19,579	20,234
Total.....	72,645	77,226	80,053	81,655	82,539	85,075

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Production

Country	Global Chicken Production					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Ready to Cook Equivalent)					
United States.....	15,935	16,563	16,694	16,621	16,976	17,456
China	12,100	12,550	13,200	13,700	13,350	13,700
Brazil	11,023	12,312	12,863	12,645	12,308	13,020
European Union ⁽²⁾	8,756	9,202	9,320	9,550	9,800	9,900
India.....	2,550	2,650	2,900	3,160	3,450	3,625
Russia	2,060	2,310	2,575	2,830	3,010	3,300
Mexico.....	2,781	2,822	2,906	2,958	3,002	3,045
Argentina.....	1,500	1,680	1,770	2,014	2,060	2,100
Turkey	1,180	1,420	1,619	1,707	1,760	1,820
Thailand.....	1,200	1,280	1,350	1,550	1,500	1,625
Indonesia	1,409	1,465	1,515	1,540	1,550	1,565

Country	Global Chicken Production					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Ready to Cook Equivalent)					
Others	13,222	14,081	14,567	14,929	15,307	15,826
Total	72,716	78,335	81,279	83,204	84,640	86,982

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Exports

Since 2004, Brazil has been the largest exporter of chicken in the world. In 2013, Brazilian exports represented approximately 34% of global chicken exports. The second largest exporter is the United States, followed by the European Union. The table below shows the main exporters from 2009 through 2014 (estimated):

Country	Global Chicken Exports					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Ready to Cook Equivalent)					
Brazil	3,222	3,272	3,443	3,508	3,482	3,625
United States.....	3,093	3,067	3,161	3,300	3,340	3,425
European Union ⁽²⁾	765	934	1,044	1,094	1,083	1,105
Thailand.....	379	432	467	538	504	580
Turkey	86	110	206	285	362	440
China	291	379	423	411	420	415
Argentina.....	178	214	224	291	324	355
Ukraine.....	18	32	43	76	141	170
Canada.....	147	147	143	140	150	155
Belarus.....	21	38	74	105	100	115
Chile	87	79	90	93	88	91
Others	146	173	219	242	243	289
Total	8,433	8,877	9,537	10,083	10,237	10,765

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Imports

Russia used to be the largest importer of chicken in the world until 2009, but lost its position to Japan, that represented 9.9% of global imports in 2013, according to the USDA. Saudi Arabia and Mexico, respectively were the second and third largest importers in 2013. The Middle East, and mainly Saudi Arabia and the United Arab Emirates, have increased imports of chicken in recent years. The table below shows the main importers of chicken 2009 through 2014 (estimated):

Country	Global Chicken Importing Countries					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Ready to Cook Equivalent)					
Japan.....	645	789	895	877	854	855
Saudi Arabia.....	605	681	788	799	820	825
Mexico.....	492	549	578	616	682	690
Iraq	397	522	598	612	673	700
European Union ⁽²⁾	726	687	734	729	671	670
Russia	929	656	463	560	540	530
Angola.....	161	239	287	301	321	375
South Africa	206	240	325	371	355	340
Venezuela.....	181	237	234	198	341	300
China	401	286	238	254	244	270
United States.....	45	48	49	51	55	51
Others	2,561	2,911	3,100	3,261	3,099	3,251
Total.....	7,349	7,845	8,289	8,629	8,655	8,857

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Competition

The competitiveness of a chicken producer in the international market depends on its cost structure. The main production cost of poultry is grains, accounting for approximately 75% of the total cost, according to the National Supply Company (*Companhia Nacional de Abastecimento*, or “CONAB”). Other factors include transport and distribution costs, as well as trade barriers imposed by importing markets.

Trade Barriers and Sanitary Risks

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

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

- Newcastle disease: a contagious disease affecting birds, including domestic poultry. The virus can affect and cause lesions in the digestive tract and respiratory and nervous systems, leading to the death of the bird. The disease is combated with vaccinations. Found throughout the world, the disease has been currently controlled in Canada, the United States and some western European countries. It continues in parts of Africa, Asia and South America. However, since wild birds can sometimes carry the virus without becoming ill, outbreaks can occur anywhere that poultry is raised.
- Avian Influenza: this contagious disease can affect several species of food producing birds (chickens, turkeys, quails, guinea fowl, etc.), as well as pet birds and wild birds. Currently, cases of the disease are concentrated in Southeast Asia. Viruses can be spread through direct contact

with secretions from infected birds, especially feces. It is essential for poultry producers to maintain biosecurity practices to prevent introduction of the virus in their flock. Global chicken sales can be negatively affected by the development of the more severe bird flu virus. Currently the bird flu has not been detected in Brazil or anywhere else in the Americas.

The Chicken Industry in Europe

The European Union has an important role in the global chicken industry. According to the USDA, the European Union is the third largest consumer of chicken in the world, after the United States and China, with an annual consumption of 9.4 million metric tons in 2013. In the European Union market, chicken consumption has increased 7.7% from 2009 to 2013, according to the USDA. The European Union was the fourth largest producer of poultry (9.8 million metric tons in 2013), the fifth largest importer and third largest exporter of poultry in the world.

A material aspect of the European Union market is the concern with the environment and with animal well-being. The European Commission has been adopting measures to standardize the productive process, assuring the well-being of the animals, the quality of the products and avoiding disease spreads.

The Poultry Industry in the United States

Production

The poultry sector in the United States is characterized by daily price alterations based on seasonal consumption patterns and overall supply and demand for poultry and other meats in the country and abroad. The prices for poultry vary over time and are affected by inventory levels, production cycles, weather conditions and animal feeding costs, among other factors. Large-scale poultry processors are typically vertically integrated. They own and raise brood hens to lay eggs for incubation. Once hatched, the chicks are transported to independently contracted growth farms where they develop until they reach the age of seven to nine weeks. The processor supplies the hired farmers with the chicks, feed and veterinary services. Vertically integrated poultry processors may be significantly affected by demands for working capital, since the chicks are fed for between seven and nine weeks and generate no revenue until they are processed.

Additionally, since chicks consume feed (meal produced from corn and soybean meal) with a replacement price that is subject to variations in market price, vertically integrated poultry processors have direct financial exposure to the volatility in such feed prices.

Consumption

The poultry industry is comprised principally of chicken and turkey products. Chicken products are the most commonly consumed source of meat protein in the United States. According to the USDA, the United States is the world's largest producer of poultry products.

Despite being affected by seasonal consumption patterns, the demand for poultry has remained consistently stable. During the last few decades, demographic changes in work-forces, dietary tendencies and the growing demand for food services are the main driving force behind the increased demand for poultry products in the United States. Import demand from emerging countries for exports from the United States is increasing and it is driven by the growth in population, urbanization and economic growth. As consumers' economic circumstances improve, they tend to change their diets to include more protein.

The Global Beef and Veal Industry

Consumption

Beef is a source of nutrition rich in protein and is the world's third most consumed type of meat, after pork and poultry. According to the USDA, in 2013, approximately 57 million metric tons of beef and veal were consumed globally. The largest consumer of beef and veal in the world is the United States, followed by Brazil,

the European Union and China. Argentina is the fifth largest consumer of beef and veal in the world, but in per capita terms, is the second largest consumer, at 64.8 kilograms of beef and veal per person in 2013, according to the USDA. Uruguay is the third largest per capita consumer of beef and veal in the world, at approximately 49.2 kilograms of beef and veal per person in 2013, according to the USDA. The table below shows the largest consumers per capita of beef and veal in the indicated countries from 2007 through 2013:

Country	Beef and Veal Consumption Per Capita						
	2007	2008	2009	2010	2011	2012	2013 ⁽²⁾
	(in Kilograms per year)						
Argentina.....	69.2	67.5	66.7	56.2	57.0	59.8	64.8
Uruguay.....	51.7	50.6	58.4	62.1	56.2	48.6	49.2
Brazil.....	36.8	36.9	37.1	37.8	39.3	39.5	39.7
United States.....	42.6	40.7	39.8	38.8	37.4	37.4	37.0
Paraguay.....	28.6	35.1	39.3	30.6	28.0	27.8	26.3
Australia.....	34.7	35.0	35.0	35.3	33.0	32.8	35.5
Hong Kong.....	15.0	19.0	24.0	23.8	23.6	35.8	67.1
Canada.....	32.4	31.2	30.3	29.6	29.3	29.0	28.8
New Zealand.....	29.8	29.5	28.5	29.2	25.0	26.6	23.9
Kazakhstan.....	27.1	27.3	26.7	27.3	26.1	27.0	24.5
Chile.....	23.3	21.9	22.2	23.6	21.0	21.8	25.5
Uzbekistan.....	15.8	15.6	15.8	16.0	15.7	15.9	16.2
Colombia.....	16.7	15.2	18.0	20.0	19.1	18.7	17.7
Venezuela.....	20.8	22.9	18.4	18.5	19.0	19.7	20.0
Mexico.....	17.9	18.3	17.6	17.2	16.1	15.2	15.5
European Union ⁽¹⁾	17.1	16.4	16.2	15.9	15.7	15.3	15.0
Russia.....	17.7	19.0	17.5	17.6	16.4	16.7	16.6
South Africa.....	14.5	14.0	14.1	14.0	16.3	16.0	15.6
South Korea.....	10.8	11.1	11.3	12.5	13.6	13.7	14.3
Japan.....	9.3	9.2	9.5	9.7	9.7	9.8	9.7
Ukraine.....	10.9	10.5	9.6	9.1	8.4	7.6	8.8
Pakistan.....	7.8	7.8	8.0	8.0	8.0	7.6	8.8
Egypt.....	8.7	6.7	6.8	7.3	6.7	6.6	5.9
Taiwan.....	4.7	4.8	5.1	5.9	5.6	5.7	5.8
China.....	4.6	4.6	4.3	4.2	4.1	4.1	4.4
India.....	1.5	1.7	1.6	1.6	1.6	1.7	1.7

Source: USDA and World Bank.

Note:—

(1) Includes data from the 27 member countries of the European Union in all of the years indicated.

(2) Considering 2012 population

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

The following table illustrates beef and veal consumption in the indicated countries from 2009 through 2014 (estimated):

Country	Global Beef and Veal Consumption					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons)					
United States.....	12,239	12,038	11,646	11,739	11,617	11,014
Brazil.....	7,374	7,592	7,730	7,845	7,885	8,000
European Union ⁽²⁾	8,284	8,202	8,034	7,762	7,602	7,840
China.....	5,749	5,589	5,524	5,597	5,959	6,198
Argentina.....	2,761	2,346	2,320	2,458	2,664	2,620
Russia.....	2,505	2,487	2,343	2,395	2,389	2,392
India.....	1,905	1,925	1,976	2,041	2,085	2,200
Mexico.....	1,976	1,938	1,921	1,836	1,874	1,810
Pakistan.....	1,410	1,451	1,503	1,501	1,581	1,552
Japan.....	1,211	1,225	1,237	1,255	1,232	1,278
Canada.....	1,016	1,000	1,009	1,023	1,001	1,015
Others.....	9,986	10,624	10,467	10,565	10,936	11,042
Total.....	56,416	56,417	55,710	56,017	56,825	56,961

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Production

In 2013, Brazil had 203.3 million heads of cattle. The table below shows the significant herds of cattle worldwide, by country and year from 2009 through 2014 (estimated):

Country	Heads of Cattle by Country					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousand head)					
India.....	309,900	316,400	320,800	323,700	327,100	329,775
Brazil.....	179,540	185,159	190,925	197,550	203,273	208,628
China.....	105,722	105,430	104,822	104,346	104,205	104,302
United States.....	94,521	93,881	92,682	90,769	89,300	88,300
European Union ⁽²⁾	90,408	89,829	87,836	86,697	87,106	87,600
Argentina.....	54,260	49,057	48,156	49,597	51,095	52,195
Colombia.....	30,775	30,845	30,971	30,910	30,576	30,150
Australia.....	27,321	27,906	27,550	28,506	29,000	28,365
Russia.....	21,040	20,677	19,970	19,695	19,981	19,210
Mexico.....	22,666	22,192	21,456	20,090	18,521	17,637
Canada.....	13,030	12,670	12,155	12,215	12,305	12,325
Others.....	75,989	57,478	56,108	55,717	55,954	55,670
Total.....	1,025,172	1,011,524	1,013,431	1,019,792	1,028,416	1,034,157

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

The United States is the largest producer of beef and veal in the world. Beef and veal production is expected to increase to meet demand in 2013. The table below illustrates the global production of beef and veal in the indicated countries, from 2009 through 2014 (estimated):

Country	Global Beef and Veal Production					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons)					
United States.....	11,891	12,046	11,983	11,849	11,757	11,018
Brazil.....	8,935	9,115	9,030	9,307	9,675	9,900
European Union ⁽²⁾	7,923	8,101	8,114	7,711	7,470	7,760
China.....	5,764	5,600	5,550	5,540	5,637	5,750
India.....	2,514	2,842	3,244	3,452	3,850	3,950
Argentina.....	3,380	2,620	2,530	2,620	2,850	2,840
Australia.....	2,106	2,129	2,129	2,152	2,359	2,265
Mexico.....	1,705	1,745	1,804	1,821	1,808	1,795
Pakistan.....	1,437	1,485	1,536	1,550	1,630	1,600
Russia.....	1,460	1,435	1,360	1,380	1,370	1,380
Canada.....	1,252	1,273	1,154	1,064	1,035	1,020
Others.....	9,009	9,176	8,976	9,112	9,179	9,347
Total.....	57,376	57,567	57,410	57,558	58,620	58,625

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

The slaughter rate is the ratio of the number of slaughtered cattle to the size of the herd for a one-year period. The table below sets forth the annual slaughter rates in the indicated countries between 2009 and 2014 (estimated):

Country	Cattle Slaughter Rate					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in %)					
China.....	40.3	39.4	39.0	39.2	39.9	40.6
Mexico.....	30.3	31.5	32.2	33.8	36.2	37.8
United States.....	38.0	38.0	38.1	37.8	38.0	37.7
Russia.....	35.1	33.6	34.1	35.3	34.2	35.5
European Union ⁽²⁾	33.2	32.3	33.9	34.6	33.9	34.1
Australia.....	36.7	31.7	34.9	30.0	31.6	30.8
Argentina.....	22.1	23.6	27.2	27.6	27.8	27.4
Brazil.....	27.4	26.6	25.9	25.2	24.7	24.6

Country	Cattle Slaughter Rate					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in %)					
India.....	19.7	19.5	19.5	19.6	19.7	19.9
Colombia	17.2	16.9	16.6	16.6	16.4	16.6

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Exports

According to a report issued by the FAO, exports of beef will increase in the next years to meet the increasing global demand, especially in developing countries. According to the USDA, in 2013, Brazil was the largest exporter of beef in the world, followed by India and Australia. The following table sets forth the world's leading beef and veal exporting countries from 2009 through 2014 (estimated):

Country	World's Leading Beef and Veal Exporting Countries					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Carcass Weight Equivalent)					
Brazil	1,596	1,558	1,340	1,524	1,849	1,940
India.....	609	917	1,268	1,411	1,765	1,750
Australia	1,364	1,368	1,410	1,407	1,593	1,545
United States.....	878	1,043	1,263	1,113	1,172	1,043
New Zealand.....	514	530	503	517	529	536
Uruguay	376	347	320	360	338	415
Canada.....	480	523	426	335	333	325
Paraguay	243	283	197	251	326	325
European Union ⁽²⁾	139	336	445	297	244	270
Argentina.....	621	277	213	164	186	220
Mexico.....	51	103	148	200	166	220
Others	578	535	553	567	664	613
Total.....	7,449	7,820	8,086	8,146	9,165	9,202

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Imports

The United States and Russia are currently the world's largest beef and veal importers. Over the next few years, demand is going to increase across the Middle East and North Africa region, with imports forecast to rise. The following table sets forth the world's leading beef and veal importing countries from 2009 through 2014 (estimated):

Country	World's Leading Beef and Veal Importing Countries					
	2009	2010	2011	2012	2013	2014 ⁽¹⁾
	(in thousands of metric tons – Carcass Weight Equivalent)					
United States.....	1,191	1,042	933	1,007	1,021	1,027
Russia	1,053	1,057	991	1,023	1,031	1,020
Japan.....	697	721	745	737	760	781
Hong Kong.....	154	154	152	241	473	550
China	23	40	29	99	412	475
South Korea.....	315	366	431	370	375	398
European Union ⁽²⁾	500	437	365	348	376	350
Canada.....	247	243	282	301	296	315
Mexico.....	322	296	265	215	232	235
Egypt	180	260	217	250	195	230
Venezuela.....	250	143	195	220	325	225
Other.....	1,620	1,860	1,803	1,815	1,927	1,881
Total.....	6,552	6,619	6,408	6,626	7,423	7,487

Source: USDA.

Notes:—

(1) Estimates.

(2) Includes data from the 27 member countries of the European Union in all of the years indicated.

Competition

The competitiveness of a beef producer in the international market is significantly affected by its cost structure. The two main components of the overall cost structure are raw materials and industrialization costs. The net effective cost of a producer takes into account revenues generated from the sale of by-products from beef production, such as wet blue finished hides and offal. The competitiveness of a plant servicing the international market is also affected by transportation and distribution costs.

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

Trade Restrictions and Sanitary Risks

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

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

Foot-and-mouth disease: FMD disease is a contagious viral disease illness affecting cattle and swine as well as sheep, goats, and other cloven-hoofed ruminants. The virus is transmitted by air, water and food. Affected animals have a high fever and lesions in the mouth and on their hooves. Although it does not affect people, when detected, an outbreak of FMD disease can lead to sanitary barriers being imposed by some countries. FMD is endemic in several parts of Asia, most of Africa and the Middle East. In Latin America, the majority of countries applied zoning, according to OIE directives, and are recognized free of FMD with or without vaccination and the disease remains endemic in only a few countries. Brazil's territory is divided in zones according to the vaccination status. Australia, New Zealand and Indonesia, Central and North America and continental Western Europe are currently free of FMD. However, FMD can occur sporadically in typically free areas.

Bovine Spongiform Encephalopathy: BSE is a progressive, fatal disease of the nervous system of cattle. The disease has a long incubation period and there is, currently, no treatment or vaccine for the disease. OIE established official recognition of the sanitary status of countries and zones. According to OIE, Argentina, Paraguay, Uruguay and Brazil have a negligible risk to be exposed to BSE.

The Brazilian Beef Industry

Consumption

Brazil has a very large domestic market, which currently consumes approximately 81% of the country's beef production. Beef consumption is estimated to increase in 2013 because of the rising domestic demand for animal proteins supported by higher income and increasing "new middle class." Domestic market sales increase revenue through an optimization of the value of the carcass.

Production

The USDA estimates that Brazil had 203.3 million heads of cattle in 2013, making it the largest cattle herd in the world for commercial purposes. India has the largest cattle herd in the world, but does not raise a significant numbers of cattle for commercial purposes due to religious reasons.

Recent herd rebuilding as well as genetic and pasture improvements are forecast to generate an increase in Brazil's cattle inventories, boosting slaughter-ready supplies. These factors, combined with favorable carcass weights are expected to push production, according to USDA.

The productivity of Brazilian cattle farmers, as measured by the slaughter rate was 24.7% in 2013, according to the USDA. The slaughter rate represents the percentage of the entire Brazilian herd that has been slaughtered in a given year. Brazilian percentage is low when compared to other countries. Russia, China, the United States, the European Union, Australia and Mexico have slaughter rates above 30%. Brazil has high potential for improving its cattle output by increasing the slaughter rate.

According to data from IBGE (Instituto Brasileiro de Geografia e Estatística) in 2012, 34.4 million heads of cattle were slaughtered, an increase of 10.6% compared to 2012. The Brazilian cattle industry reached a new record for the second time consecutively.

In 2013, the average price of beef was R\$105.05 per arroba, 8% higher than in 2012. In 2011, the average price per arroba was R\$101.74, according to CEPEA/ESALQ.

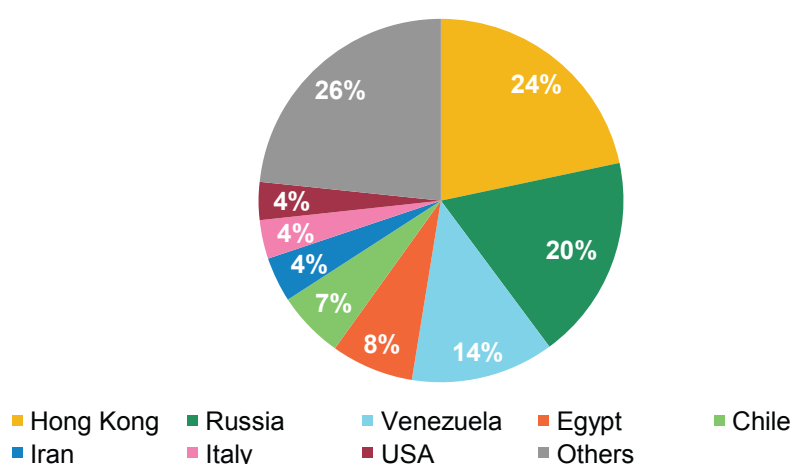
Exports

Over the last years, the Brazilian beef industry has undergone intense internationalization. Brazil's market share of global beef exports increased from approximately 5% in the early 1990s, to approximately 20% in 2013.

	Evolution of Brazilian Beef Exports						
	2007	2008	2009	2010	2011	2012	2013
Revenue (in millions of U.S.\$)	4,425	5,325	4,118	4,814	5,376	5,767	6,658
Price (U.S.\$/ton).....	2,740	3,848	3,308	3,911	4,899	4,646	4,439

Source: ABIEC.

The graph below shows the main export markets for Brazilian beef in 2013.



Source: ABIEC.

Competitive Advantages

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

- Extensive cattle raising: unlike most other major beef producers (including the United States and European Union countries), the Brazilian cattle are mostly grass fed, which is one of the factors that eliminate the risk of a BSE outbreak among Brazilian cattle.
- Health and quality advantages: raising cattle on the fields, which is the most common practice in Brazil, has been viewed as one of the most nutritious cattle raising practices, according to data from ABIEC. The meat of cattle raised on fields has less fat than cattle raised in feedlots.
- Brazil is one of the few countries that still has large areas for agriculture and cattle raising at attractive costs, which enables expansion with low environmental impact and low number of animals per hectare.

Trade Restrictions and Sanitary Risks

Countries like the United States, Mexico, Canada, Japan and South Korea are among the most important markets where Brazilian beef is still not sold. These countries apply restrictions on imports of

fresh beef from countries or regions with an active foot-and-mouth disease vaccination program. These countries only accept import of processed beef.

Brazil currently has sanitary regulations that take into account regional distinctions. This method of sanitary regulation is called regionalization and establishes that in the case of the occurrence of a disease in a territory of a certain country, the geographical location of the disease is put in quarantine and all animal movement is forbidden until the outbreak episode is ended, so that the country can continue to export products (from animal and vegetable sources) from the others regions that are free of the disease. The regionalization concept is suggested by the World Organization for Animal Health (OIE) and accepted for the major part of countries.

The European Union allows the import of fresh beef from certain regions in countries affected by FMD, provided these regions are not directly affected by the disease. However, the European Union restricts the free trade of fresh beef by imposing an import quota system and high extra-quota import tariffs. In addition to the European Union, other large importers of fresh beef tend to follow the OIE guidelines, but have the autonomy to establish their own rules for beef imports.

In 2008, the European Union restricted the import of Brazilian beef, by controlling the number of Brazil's cattle farms eligible to export, alleging problems in the traceability system, the system of registration and identification of cattle and buffalo herds on national territory. According to MAPA, in the end of 2011, approximately 2,200 ranches were qualified to supply fresh meat for export to the European Union, which is a much lower number of farms than were exporting before the embargo (more than 20,000 holdings). The main reason for the drop in export volume to the European Union was a reduced supply of cattle for slaughter. In February 2012, the European Union decided to allow Brazil to manage the list of farms able to export to the European Union. This new decision should reduce bureaucracy in the approval process and will increase the number of animal eligible to supply meat to the European Union.

Foot-and-mouth Disease

Brazil is divided into zones according to FMD vaccination status. In the last years, Brazil made significant progress in its control of FMD, especially when considering that practically the entire Brazilian territory was affected by the disease in 1998. According to MAPA, almost 90% of Brazilian cattle are free of FMD. This success is due to the Brazilian government's efforts to increase vaccination (in 2010, 97.4% of Brazilian cattle herd was vaccinated). MAPA developed the National Program for Eradication and Prevention of FMD (*Programa Nacional Erradicação e Prevenção de Febre Aftosa*) with the goals of maintaining FMD-free zones and eliminating FMD in South America, in accordance with the guidelines established by the OIE. Exports of fresh meat during outbreaks are restricted to avoid economic damages in the export markets.

Santa Catarina is the only Brazilian state categorized as free of FMD without vaccination, while 15 other states or regions are considered free of FMD with vaccination. While some north and northeast states have vaccination program in course and are working to get a FMD free status.

The Argentine Beef Industry

Consumption

According to the USDA, Argentina is the fifth largest consumer of beef in the world. From 2011 to 2012, Argentines were the largest per capita consumers of beef in the world, with per capita consumption of more than 60 kilograms per year in 2013.

Production

According to USDA's data, Argentina has a substantial cattle herd for commercial purposes, with an estimated 51.1 million heads of cattle in 2013, behind India, Brazil, China, the United States and the European Union. Argentina has been an important player in the international beef market for many years.

According to OIE, Argentine cattle are currently classified as free of FMD with vaccination. The cattle price has increased in recent years due to global commodities inflation.

Exports

Export volume was 186 thousand metric tons in 2013, an increase of 13% from 164 thousand metric tons in 2012.

Competitive Advantages

- Argentina had the second highest per capita consumption of beef in the world in 2013, according to the USDA;
- Approximately 51.1 million head of cattle in 2013, according to the USDA;
- Hilton Quota: The European Union agreed a quota of 29,500 metric tons to Argentina. It allows the country to ship high quality beef to the EU-27 each year with low import duties;

Trade Restrictions and Sanitary Risks

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

The Uruguayan Beef Industry

Consumption

Uruguay's production is substantially oriented towards the export market, and was the sixth largest beef exporter in the world in 2013. Until 2009, Uruguayans were the second largest consumers of beef per capita in the world and in 2010 they became the largest consumer of beef per capita, averaging 62.1 kilograms per capita in that year, according to the USDA. In 2013, Uruguay registered a per capita consumption of near 50 kg, the third largest per capita consumption in the world. According to the INAC, Uruguay's cattle herd was 11.5 million heads in 2013.

Exports

According to the USDA, export volume was 338 thousand metric tons in 2013, a decrease of 6.1% from 360 thousand metric tons in 2012.

Competitive Advantages

- Approximately 11.5 million heads of cattle, according to INAC (2013);
- Free of FMD (with vaccination);
- The country is allowed to export fresh beef to Pacific North, including countries such as the United States, Canada and Mexico;
- Strong domestic market with one of the largest per capita consumptions of beef in the world.

Trade Restrictions and Sanitary Risks

- Sanitary risks: an outbreak of disease such as FMD disease can lead to trade barriers and affect exports from Uruguay.
- Trade barriers: the economic crisis has led to increased protectionism by some governments seeking to protect their local economies. Trade barriers and industry subsidies by importing

countries can affect Uruguayan exports and diminish the competitive advantage of Uruguayan products.

The Beef Industry in the United States

Consumption

During the past several decades, consumer demand for beef products in the United States has been driven by population growth, which is the primary driver of aggregate demand. Historically, consumer demand for beef products in the United States has remained relatively stable during economic downturns.

Production

In 2013, the United States produced almost 12.0 million tons of beef. The beef industry in the United States is characterized by daily price oscillations based on patterns of seasonal consumption and on the supply and demand for beef and other sources of protein in the United States and other countries. Cattle prices vary over time and are influenced by stock levels, production cycles, weather and cattle feeding costs, among other factors.

Beef processors include vertically integrated companies, who own and raise cattle on feed for use in their processing facilities, and pure processors, who do not own cattle on feed. Pure U.S. beef processors generally buy cattle raised in confinement on the spot market or pursuant to market-priced supply agreements. They process the cattle in their own facilities and sell the beef at spot prices. Cattle are normally purchased at market prices and kept for less than one day before slaughter. Thus, such processors are typically exposed to oscillations in market prices for less than two weeks. Pure beef processors are primarily “spread” operators, and their operating profit is largely determined by the operational efficiency of their facilities and not by fluctuations in the market prices for cattle and beef.

Exports

Export demand has varied, but it has been growing since the reopening of certain international markets in 2005, which has been closed to beef imports from the United States following the discovery of isolated cases of BSE, in 2003. According to the USDA, beef exports from the United States reached 1.2 million tons in 2013.

THE SEARA BRASIL AND ZENDA TRANSACTION

Transaction Overview

On June 7, 2013, Marfrig and JBS entered into a share purchase agreement (the “Share Purchase Agreement”) pursuant to which, subject to the conditions set forth in the Share Purchase Agreement, we agreed to sell to JBS for aggregate consideration of R\$5.85 billion equity interests in (i) certain Marfrig subsidiaries that own and operate the Seara Business and (ii) certain Marfrig subsidiaries that own and operate the Zenda Business. All of the direct and indirect subsidiaries of Marfrig that were not related to the Seara Business or to the Zenda Business remained direct or indirect subsidiaries of Marfrig following the consummation of the Sale. The Zenda Sale closed in June 2013 and the Seara Sale closed in September 2013. For a summary of the Zenda Business and the Seara Business, see “—The Seara and Zenda Businesses—The Zenda Business” and “—The Seara and Zenda Businesses—The Seara Business,” respectively.

Our entry into an agreement to consummate the Sale aimed primarily to (i) refocus our business on our food service operations in Brazil, the U.S., Europe and Asia, (ii) reduce the scale and complexity of our organization, and (iii) rebalance the capital structure of the Marfrig Group. We believe that the Sale will further the growth of our business and deliver better leverage levels, higher margins, and cash flow.

The Share Purchase Agreement provided that the purchase price would be paid by JBS to Marfrig by means of the direct or indirect assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) in debt of the Marfrig Group.

The purchase price was subject to limited post-closing adjustments based on variations in the working capital of our subsidiaries that were transferred to JBS.

The Seara Sale was approved by the Brazilian Council for Economic Defense (*Conselho de Administração de Defesa Econômica*, or “CADE”), with no restrictions, on September 12, 2013, and was later approved by the European Commission on September 20, 2013.

The Seara and Zenda Businesses

The Seara Business

The Seara Business consisted of the poultry, pork, prepared and processed products business of the Company in Brazil. Portfolio products in the Seara Business included the production, processing and/or sale of the following (i) processed poultry products such as empanadas, ready-made meals, and frozen or refrigerated products, among others; and (ii) margarine, patés and candies. The Seara Business was expanded in 2012 with the launch of new products of the Seara brand such as lasagnas, ready-to-eat meals, pizzas, sliced meats and sandwiches. In addition to expanding its national presence, Seara Foods launched several product lines targeting the export market (South America, Europe, Asia and the Middle East), including hamburgers, breaded products and ready-to-eat meals and snacks. The Seara Business comprised a number of subsidiaries, each of which were transferred to JBS in September 2013 pursuant to the Share Purchase Agreement, see “—Group Structure.”

The Zenda Business

The Zenda Group operated in Uruguay, Mexico, Germany and South Africa and produced and sold finished and cut leather. On June 30, 2013, JBS purchased the Zenda Business pursuant to the acquisition of ownership interests previously held by us in Columbus Netherlands B.V. We recognized a gain from the sale of R\$483.0 million to our income statement for the year ended December 31, 2013.

Results of the Seara and Zenda Businesses

The Seara Business and the Zenda Business were classified as discontinued operations in our financial statements as of and for the three-month period ended March 31, 2013 and the year ended December 31, 2013. The below table sets forth certain selected income statement line items relating to our Discontinued Operations for the three-month periods ended March 31, 2013 and the years ended December 31, 2013 and 2012.

	Three-month period ended March 31, 2013	Year ended December 31,	
		2013	2012
	(in millions of R\$)		
Net sales.....	2,048.4	6,132.9	7,549.0
Cost of goods sold	(1,600.4)	(5,064.3)	(6,289.1)
Gross income.....	448.0	1,068.5	1,259.9
Gain from divestments.....	(487.0)	820.0	-
Operating income (expenses)	-	(1,915.5)	(2,028.2)
Operating profit (loss).....	(39.0)	(26.9)	(768.3)
Provision for income and social contribution taxes	14.7	(67.2)	257.6
Net income (loss) from discontinued operations	(24.3)	(94.2)	(510.7)
Non-controlling interest	2.6	(3.7)	23.2
Net income (loss) from discontinued operations ..	(21.6)	(97.8)	(487.5)

The below table sets forth certain selected cash flow statement line items relating to our Discontinued Operations for the three-month periods ended March 31, 2013 and the years ended December 31, 2013 and 2012:

	Three-month period ended March 31, 2013	Year ended December 31,	
		2013	2012
	(in millions of R\$)		
Cash from operating activities.....	258.8	230.8	(442.9)
Cash used in investing activities.....	(88.0)	(207.6)	196.5
Cash used in financing activities	(168.9)	(129.8)	514.0
Exchange variation on cash and cash equivalents	(0.6)	3.4	4.0
Cash from discontinued operations.....	—	(226.6)	(410.1)
Cash flow from discontinued operations net of cash.....	1.2	(329.8)	(138.5)

For additional information, see note 35 to our unaudited interim financial statements as of March 31, 2014 and our consolidated audited financial statements as of and for the year ended December 31, 2013.

Timing and Conditions to Closing of the Sale

The Seara Sale was subject to the satisfaction of the following material conditions: (i) receipt of approval of the transaction by the Brazilian antitrust authority, the Brazilian Council for Economic Defense (*Conselho de Administração de Defesa Econômica*, or “CADE”) and European Commission; (ii) receipt of

consents from certain third-party creditors of both Marfrig and JBS relating to the Assumed Indebtedness; and (iii) receipt of approval from BNDESPAR.

We obtained approval for the Seara Sale from CADE, with no restrictions, on September 12, 2013. The Seara Sale later received approval by the European Commission on September 20, 2013, and pursuant to the Share Purchase Agreement, closed on September 30, 2013 following receipt of all regulatory approvals.

Group Structure

Prior to consummation of the Sale, our organizational structure was organized on the basis of two major segments, as shown in the chart below:

- Marfrig Beef, which comprised the beef divisions in Brazil, Argentina, Uruguay and Chile, and the lamb and leather product divisions; and
- Seara Foods, which comprised the poultry, pork, prepared and processed products in Brazil, Europe (Moy Park) and other global regions (Keystone).



Since the consummation of the Seara Sale, our organizational structure has been organized along three major business units: Marfrig Beef, Moy Park and Keystone, as set forth in the chart below:



The subsidiaries that were transferred, along with their share ownership of certain subsidiaries, to JBS in connection with the Seara Sale are as follows:

- Athena Alimentos S.A.;
- Pine Point Participações Ltda.;
- União Frederiquense Participação Ltda.;
- Babicora Holding Participações Ltda.;
- Seara Holdings (Europe) B.V.;
- Seculum Participações Ltda.;
- Excelsior Alimentos S.A.; and
- Baumhardt Comércio e Participações Ltda.

THE ISSUER

Marfrig Holdings (Europe) B.V., or Marfrig Holdings, a wholly-owned subsidiary of Marfrig organized and existing under the laws of The Netherlands, was incorporated as a private limited liability company on October 8, 2007 and registered with the Trade Register of the Chamber of Commerce for Amsterdam under file number 28117368. The registered office of Marfrig Holdings is at Naritaweg 165 Telestone 8, 1043 BW Amsterdam, The Netherlands.

The purposes for which Marfrig Holdings is established are (i) to incorporate, participate in, conduct the management of and take any other financial interest in other companies and enterprises, (ii) to render administrative, technical, financial, economic or managerial services to other companies, persons or enterprises, (iii) to acquire, dispose of, manage and exploit real and personal property, including patents, marks, licenses, permits and other industrial property rights and (iv) to borrow and or lend monies, act as surety or guarantor in any other manner, and bind itself jointly and severally or otherwise in addition to or on behalf of others, the foregoing whether or not in collaboration with third parties, and inclusive of the performance and promotion of all activities which directly and indirectly relate to those objects, all of this in the broadest sense.

Marfrig Holdings' constitutional documents and any other documents referred to in this offering memorandum concerning Marfrig Holdings can be inspected at Marfrig's headquarters in Brazil. The articles of association of Marfrig Holdings have most recently been amended by a deed of amendment, dated December 22, 2009.

The issued and fully paid up share capital of Marfrig Holdings amounts to a total of €240,380,600, divided into 2,403,806 common shares, each with a nominal value of €100. Marfrig Holdings' authorized capital amounts to €750 million, divided into 7,500,000 common shares, each with a nominal value of €100. On May 9, 2011, January 24, 2013 and September 20, 2013 Marfrig Holdings issued (i) U.S.\$750 million 8.375% senior notes due 2018; (ii) U.S.\$600 million 9.875% senior notes due 2017 and (iii) U.S.\$400 million 11.250% senior notes due 2021, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes."

The sole managing director of Marfrig Holdings is Trust International Management (T.I.M.) B.V., a private limited liability company organized and existing under the laws of The Netherlands, having its corporate seat in Amsterdam, registered with the Trade Register of the Chamber of Commerce for Amsterdam under file number 33160097. In accordance with article 19 of the articles of association of Marfrig Holdings, its board of managing directors has the authority to represent Marfrig Holdings.

Marfrig Holdings is (i) the sole shareholder of Moy Park (Europe) Holdings Limited, a holding company headquartered in Northern Ireland, which indirectly owns 100% of Moy Park Ltd. and Kitchen Range Foods Ltd., the entities that consolidate a material part of the Marfrig Group's international operations in the poultry area, and (ii) a holder of 99.98% of Keystone International S.à r.l., which in turn holds MFG (USA) Holdings Inc., a holding company that consolidates the operations of the Keystone businesses in the United States and McKey Luxembourg Holdings S.à r.l.

As of the date of this offering memorandum, the issuer acts either as an issuer or as a guarantor of the following debts of the Marfrig Group:

Debt Instrument	Issuer/Borrower	Guarantors	Principal Amount
9.625% Senior Notes Due 2016 ⁽¹⁾	Marfrig Overseas Limited	- Marfrig Global Foods S.A. - Marfrig Holdings (Europe) B.V.	U.S.\$375,000,000

Debt Instrument	Issuer/Borrower	Guarantors	Principal Amount
8.375% Senior Notes Due 2018	Marfrig Holdings (Europe) B.V	• Marfrig Global Foods S.A. • Marfrig Overseas Limited	U.S.\$500,000,000
9.500% Senior Notes Due 2020	Marfrig Overseas Limited	• Marfrig Global Foods S.A. • Marfrig Holdings (Europe) B.V.	U.S.\$775,000,000
9.875% Senior Notes due 2017 ⁽²⁾	Marfrig Holdings (Europe) B.V	• Marfrig Global Foods S.A. • Marfrig Overseas Limited	U.S.\$600,000,000
11.250% Senior Notes due 2021 ⁽³⁾	Marfrig Holdings (Europe) B.V	• Marfrig Global Foods S.A. • Marfrig Overseas Limited	U.S.\$400,000,000
9.500% Senior Notes due 2020	Marfrig Overseas Limited	• Marfrig Global Foods S.A. • Marfrig Holdings (Europe) B.V.	U.S.\$275,000,000
Export Prepayment Agreement – Credit Suisse CSBBR2010040011	Marfrig Global Foods S.A.	• União Frederiquense Participações Ltda. • Marfrig Holdings (Europe) B.V. • Seara Alimentos Ltda.	U.S.\$100,000,000
Credit Agreement – Credit Suisse – CSBBR20120300013	Marfrig Global Foods S.A.	• Marfrig Holdings (Europe) B.V.	U.S.\$60,000,000
Export Prepayment Agreement – Deutsche Bank	Marfrig Global Foods S.A.	• Marfrig Holdings (Europe) B.V.	U.S.\$105,000,000

Notes:—

- (1) On August 30, 2013, we, together with Credit Suisse, announced the commencement of a tender offer and consent solicitation in respect of any and all of these 2016 Notes. 50.97% of the outstanding 2016 Notes were validly tendered and accepted pursuant to the tender offer. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Material Contracts — Senior Notes.”
- (2) On March 25, 2014, we, together with Banco Bradesco BBI S.A., BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash in aggregate principal amount such that the aggregate principal amount of the 2017 Notes accepted for purchase does not exceed (1) U.S.\$130.0 million less (2) the aggregate principal amount of the 2021 Notes validly tendered and accepted for purchase pursuant to the 2021 Notes. Upon of the expiration of the tender offer in April, 2014, U.S.\$74.7 million were tendered and accepted. On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash any and all of the outstanding 2017 Notes. For more information, see “Management’s

Discussion and Analysis of Financial Condition and Results of Operations — Material Contracts — Senior Notes.”

- (3) On March 25, 2014, we, together with Banco Bradesco BBI S.A., BTG Pactual US Capital LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, announced the commencement of a tender offer by Marfrig Holdings to purchase for cash up to an aggregate principal amount of U.S.\$100.0 million of the outstanding 2021 Notes. Upon the expiration of the tender offer in April, 2014, U.S.\$57.7 were tendered and accepted. On June 5, 2014, we, along with Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC and Marfrig Holdings, announced the commencement of an offer by HSBC Securities (USA) Inc. to purchase for cash any and all of the outstanding 2021 Notes. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Material Contracts — Senior Notes.”

For more information on the indebtedness described above, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts.”

The financial information contained in this offering memorandum does not include any financial information of the issuer, however Marfrig Holdings’ financial statements for the years ended December 31, 2012 and 2013 are hereby incorporated by reference.

THE GUARANTORS

The notes are unconditionally and irrevocably guaranteed by Marfrig and Marfrig Overseas. See “Description of the Notes” for further information on the guarantees. This section summarizes certain aspects of the business of each of the guarantors.

Marfrig Global Foods S.A.

Marfrig Global Foods S.A. is a Brazilian publicly held corporation (sociedade por ações), founded in 2000 with an undetermined term and is headquartered at Avenida Chedid Jafet 222, Bloco A – 5th floor, sala 1, São Paulo, SP, Brazil. We were registered at CVM on September 18, 2007. Our corporate purposes are (i) to explore cold storage activities, the slaughter of cattle, pigs, lambs, birds, fish and the processing and sale of animal products and subproducts, consumable or not, including, but not limited to, the processing and sale of leather products and subproducts, in our own establishments or third parties’ establishments; (ii) the purchase, sale, distribution, representation, import and export for food products in general, including beverages, alcoholic or not, and others; (iii) the purchase and sale of live cattle, birds, pigs, fish and lamb; (iv) the supply of manpower together with other companies; (v) the exploration of agricultural activity; (vi) taking interest as a partner or shareholder in any business or civil company; (vii) the distribution and commercialization of food products in general; (viii) the production, distribution and commercialization of soaps, washing preparations, antiseptics, softeners and other cleaning and hygiene products; (ix) the cogeneration, production and commercialization of energy and biodiesel; (x) taking interest in the financial markets, as well as carbon credit market; (xi) the commercialization and production of products derived from vegetables, as well as of all derivatives and succedaneums thereof; feed, canned food and fats; and (xii) the transport of our products and third party’s products; as well as other related transactions necessary to accomplish our corporate purposes. For more information regarding our business, see “Business.”

Marfrig’s consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 are hereby incorporated by reference.

Marfrig Overseas Limited

Marfrig Overseas is a wholly-owned subsidiary of Marfrig and was incorporated in the Cayman Islands as an exempted company with limited liability on October 25, 2006 with Registration Number 175913 for an unlimited period. The registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY1 – 1104, Cayman Islands, and its constitutional documents and any other documents concerning Marfrig Overseas which are referred to in this offering memorandum can be inspected at Marfrig’s headquarters in Brazil.

According to the laws of the Cayman Islands, in a company limited by share, the liability of each member in respect of the shares it holds in Marfrig Overseas is limited to the amount from time to time unpaid on such member’s shares.

The objects for which Marfrig Overseas is established are unrestricted and without limitation, including to enter into and conduct financial transactions, and Marfrig Overseas shall have full power and authority to carry out any object not prohibited by the Companies Law (2013 Revision) or as the same may be revised from time to time or any other law of the Cayman Islands, as referred in its memorandum of association.

Marfrig Overseas does not have any subsidiaries or equity participation in any undertaking. Marfrig Overseas’ authorized share capital is US\$50,000, divided into 50,000 shares of US\$1.00 par value each. The issued share capital of Marfrig Overseas is one share which has been fully paid up. The board of directors of Marfrig Overseas consists of two directors, Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos. The directors are elected by majority approval at the ordinary shareholders’ meeting for one year or until such time they are removed from office by an ordinary shareholders’ resolution. The board of directors of Marfrig Overseas was appointed on October 25, 2006. The directors’ terms, the manner in which they are elected and other related issues are established in the memorandum and articles of association of Marfrig Overseas.

Marfrig Overseas has not audited or published, and does not propose to audit or publish, any financial statement since it is not required to do so under the laws of the Cayman Islands. Marfrig Overseas does not prepare financial statements.

The financial information contained in this offering memorandum does not include any financial information of Marfrig Overseas, however the financial information submitted by Marfrig Overseas to the Company towards completion of the Company's most recent quarterly and annual consolidated financial statements are hereby incorporated by reference.

As of the date of this offering memorandum, Marfrig Overseas has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than the 2016 Notes and the 2020 Notes. For more information on these notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes."

There has been no change in the capitalization of Marfrig Overseas since the date of its incorporation.

BUSINESS

Introduction

We are a multinational company with operations in the food and food service sectors in Brazil and around the world. We maintain a diversified and comprehensive product portfolio and our operations are based on a commitment to excellence and quality that ensures the presence of our products in the world's largest restaurant and supermarket chains and in the homes of consumers in more than 110 countries. Our activities are focused on the production, processing, preparation, sale and distribution of animal protein (beef, lamb and poultry, which consists of chicken and turkey) and other varied food products such as breaded products, ready-to-eat meals, fish, frozen vegetables and desserts, among others.

We have built an integrated and geographically diversified business model, consisting of production facilities in strategic locations and a wide distribution network that accesses the world's principal consumer channels and markets. We currently operate 79 processing plants, distribution centers and offices located in Brazil and in 15 other countries in South America, North America, Europe, Oceania and Asia. We have, as of the date of this offering memorandum, an annual production capacity of 982,808 metric tons for processed food and an annual slaughtering capacity of 6.6 million head of cattle, 476.5 million chickens, 8.8 million turkeys and 3.0 million lambs. Together, this production platform gives us significant growth capacity as well as the ability to hedge against certain industry risks.

In 2013, we sold to JBS for aggregate consideration of R\$5.85 billion equity interests in (i) certain Marfrig subsidiaries that own and operate the Seara Business and (ii) certain Marfrig subsidiaries that own and operate the Zenda Business. The Zenda Sale closed on June 30, 2013 and the Seara Sale closed on September 30, 2013. See "The Seara Brasil and Zenda Transaction." For a summary of the Zenda Business and the Seara Business, see "The Seara Brasil and Zenda Transaction—The Seara and Zenda Businesses—The Zenda Business" and "The Seara Brasil and Zenda Transaction—The Seara and Zenda Businesses—The Seara Business," respectively.

Our management team continually strives to create value for our entire business. The strategy behind the divestment of the Seara Business and the Zenda Business was to simplify and streamline our organizational structure, reduce the demand on our resources, benefit from lower leverage and focus on our core operations with a stronger capital structure. We believe that the continuous enhancement of our internal processes to achieve improvements in efficiency and cost control, combined with our results-oriented management team and its commitment to profitable growth, will improve the profitability of our business and strengthen our cash generation.

Our organizational structure following consummation of the Sale, which aimed to maximize efficiency across our operations and strengthen our commitment to profitable growth, consists of three major business units as set forth in the chart below:



- *Marfrig Beef* – Our Marfrig Beef business is a pioneer in beef marketing and branding, with a focus on serving the domestic Brazilian market, in particular, the food service industry, and the exports market to cater to our clients worldwide. Marfrig Beef is known in many countries for the quality of its premium products and has leveraged favorable developments in Brazil’s cattle industry and prevailing exchange rates to reinforce our position in the international markets. Our South American international operations focus on exporting prime cuts of beef and on capitalizing on our advantageous business position in Uruguay, which affords access for Marfrig Beef to export to the world’s main consumer markets.
- *Moy Park* — Our Moy Park business is a leading and highly regarded U.K. food company, providing fresh, high quality and locally bred poultry and convenience food products. We have operated in the United Kingdom and Irish retail market for 50 years and deliver a range of fresh, ready-to-cook, coated and ready-to-eat poultry products to major retailers and large food service customers throughout the U.K., Ireland and Continental Europe.
- *Keystone* — Our Keystone business is a supplier of food made from animal protein to major global restaurant chains, with operations focused in the United States, Europe and Asia. While the growth of our business in the United States is based on diversifying our client portfolio and expanding into the Midwestern region, our growth strategy in Asia is based on building partnerships and joint ventures in order to supplement our continued growth in the local food service industry. Additionally, we target growth opportunities to expand our presence in China, which we consider to be one of the major drivers of global growth and demand for animal protein, and have established two Chinese joint ventures through Keystone. The first joint venture, Keystone-Chinwhiz (whereby Keystone owns 60% and Chinwhiz owns 40%), is building a vertically integrated poultry production chain, which processed approximately 160,000 chickens per day in 2013. The second joint venture, Keystone-COFCO (whereby Keystone owns 45% and COFCO owns 55%), is exploring various business opportunities for logistical services and food distribution in China.

In the three-month period ended March 31, 2014, we recorded R\$4,787.5 million in net sales and R\$618.8 million in gross profit, compared to R\$4,374.6 million in net sales and R\$571.1 million in gross profit in the three-month period ended March 31, 2013. In the three-month periods ended March 31, 2014 and 2013, EBITDA (continuing and discontinued operations) amounted to R\$392.8 million and R\$491.2 million, respectively. In the three-month period ended March 31, 2014, the volume of products sold totaled 662.5 thousand tons and decreased by 6.3% in comparison to the 706.8 thousand tons sold in the three-

month period ended March 31, 2013. Additionally, during this period, we continued to upgrade our internal processes through improvements in efficiency and cost control, which we believe will result in an increase in our profitability.

Financial Information

The tables below show financial information derived from our consolidated financial statements and results of operations for the periods indicated.

	For the three-month period ended March 31,			For the year ended December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁶⁾	(R\$)		(U.S.\$) ⁽⁷⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
	(in millions, except percentages)					
Net sales ⁽¹⁾	2,118.4	4,787.6	4,374.6	8,013.8	18,752.4	16,516.4
Net income (loss) from continuing operations ⁽¹⁾	(40.6)	(91.8)	(56.7)	(343.1)	(802.9)	277.4
EBITDA (continuing operations) ⁽²⁾	173.7	392.8	366.6	590.3	1,381.3	1,878.0
EBITDA margin (continuing operations) ⁽²⁾	8.2%	8.2%	8.4%	7.4%	7.4%	10.2%
EBITDA (discontinued operations) ⁽³⁾	-	-	124.6	424.1	992.5	256.0
EBITDA (continuing and discontinued operations) ⁽⁴⁾	173.7	392.8	491.2	1,014.4	2,373.8	2,134.0
EBITDA margin (continuing and discontinued operations) ⁽⁵⁾	8.2%	8.2%	11.2%	12.7%	12.7%	12.9%

Notes:—

- (1) Net sales and net income (loss) for the three-month periods ended March 31, 2014 and 2013 and the years ended December 31, 2013 and 2012 reflect the financial information of the Continuing Operations only.
- (2) For the year ended December 31, 2012, this includes a gain on the sale of discontinued operations of R\$193.8 million. For the year ended December 31, 2013, EBITDA (continuing operations) excludes the gain on sale of discontinued operations of R\$820.0 million in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). See “Presentation of Financial and Other Information.” On a like-for-like basis with EBITDA (continuing operations) for the year ended December 31, 2013, EBITDA (continuing operations) for the year ended December 31, 2012 would have been R\$1,693.7 million.
- (3) EBITDA (discontinued operations) sets forth the stand-alone EBITDA of assets classified as discontinued operations for the periods indicated. See “Presentation of Financial and Other Information—EBITDA.”
- (4) EBITDA (continuing and discontinued operations) sets forth the aggregate EBITDA of our continuing and discontinued operations for the periods indicated. See “Presentation of Financial and Other Information – EBITDA.” See “Summary of Financial and Other Information – EBITDA Reconciliation.”
- (5) EBITDA (continuing and discontinued operations) divided by net sales from continuing operations.
- (6) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (7) Solely for the convenience of the reader, Brazilian real amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(U.S.\$) ⁽⁵⁾	(R\$)		(U.S.\$) ⁽⁶⁾		
	(unaudited)	(unaudited)		(unaudited)	(R\$)	
(in millions, except percentages)						
Cash and cash equivalents	550.5	1,244.0	1,441.8	329.6	771.3	919.9
Marketable securities	508.4	1,149.0	1,729.0	444.6	1,040.3	2,258.3
Short-term debt ⁽¹⁾	573.2	1,295.3	3,640.7	480.0	1,123.3	3,702.9
Long-term debt ⁽²⁾	3,522.2	7,960.2	9,356.5	3,340.4	7,816.5	8,679.0
Total debt ⁽³⁾	4,095.4	9,255.5	12,997.2	3,820.4	8,939.8	12,381.9
Net debt ⁽⁴⁾	3,036.5	6,862.5	9,826.4	3,046.2	7,128.2	9,203.7

Notes:—

- (1) Short-term debt is the current portion of loans and financing plus debentures payable (short-term portion) plus interest on debentures. Finance leases are not considered in the debt amounts for any periods shown. See note 19.1 to our financial statements for the three-month period ended March 31, 2014. Short-term debt as of December 31, 2013 reflects the assumption by JBS of the short-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (2) Long-term debt is the non-current portion of loans and financing plus debentures payable. Long-term debt does not include the Mandatory Convertibles. Long-term debt as of December 31, 2013 reflects the assumption by JBS of the long-term portion of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (3) Total debt is short-term debt plus long-term debt. Total debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (4) Net debt is short-term debt plus long-term debt, less cash and cash equivalents and marketable securities. Net debt as of December 31, 2013 reflects the assumption by JBS of approximately R\$6.0 billion (including working capital adjustments from the Zenda Sale) of our outstanding indebtedness in connection with the Sale.
- (5) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of March 31, 2014 of R\$2.26 to U.S.\$1.00. See “Exchange Rates.”
- (6) Solely for the convenience of the reader, Brazilian real amounts as of March 31, 2014 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R\$2.34 to U.S.\$1.00. See “Exchange Rates.”

For more information on our financial statements, see the section “Presentation of Financial and Other Information” and our financial statements and the accompanying notes included elsewhere in this offering memorandum.

Production Capacity

The table below shows the production capacity for our business as of March 31, 2014 and 2013 and as of December 31, 2013 and 2012 (exclusive of the Discontinued Operations):

	As of March 31,		As of December 31,	
	2014	2013	2013	2012
Cattle ⁽¹⁾	21,036	20,300	21,036	19,100
Chicken ⁽¹⁾	1,597,600	1,610,000	1,785,600	1,610,000
Lamb ⁽¹⁾	11,800	14,000	11,800	11,900
Processed Foods ⁽²⁾	81,901	79,417	75,217	79,417
Turkey ⁽¹⁾	24,286	20,000	20,000	20,000

Notes:—

- (1) Slaughtering capacity in heads/day.
- (2) Capacity in tons/month.

Portfolio of Products

Marfrig Beef

Our portfolio of products in the Marfrig Beef business includes the production, processing and/or sale of the following:

- specialized, portioned and traditional cuts of non-processed meat (beef and lamb);
- processed beef products such as frozen pre-cooked meat, canned meats and dried beef jerky;
- fish such as cod, hake and salmon, among others;
- pre-cooked potatoes; and
- cleaning products.

Moy Park

Our portfolio of products in the Moy Park business includes the production, processing and/or sale of the following:

- fresh, breaded and ready to eat chicken products packaged with suggested recipe ideas;
- comprehensive range of convenient high quality poultry and meat free products and market expertise to the foodservice market;
- high-quality chicken and turkey products, ranging from traditional free range whole birds to ready-to-eat convenience products; and
- high-quality, convenient bite sized treats, including desserts and snacks.

Keystone

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

- a full range of processed proteins, including poultry, beef and fish;
- individually quick frozen food offerings such as hamburgers and beef and pork patties;
- par-fried items, such as breaded chicken nuggets and patties;
- fully cooked products, such as chicken wings, chicken breast filets, beef and chicken fajita strips, diced chicken and bone-in chicken pieces; and
- desserts.

Competitive Strengths

As a result of our history of internal growth and strategic acquisitions and disposals, we believe we are in a unique position to continue to build out our client base as well as seize business opportunities in the processed foods, specialized meat cuts and food service segments. In addition, we believe we have the following competitive strengths:

- *We are a large food producer.* We are a large producer of beef, poultry and industrialized products. Additionally, we are a large agribusiness company in Brazil. Moreover, we have operations in Brazil and more than 15 other countries strategically located in South America,

North America, Europe and Asia, and offer a broad portfolio of products in the main food segments through our Marfrig Beef, Moy Park and Keystone business units. We believe the diversity of our products, our production capacity and the global nature of our operations makes us one of the world leaders in the industry, with activities in a sector that is particularly promising considering the global trend towards increased daily consumption of protein.

- *Capacity for organic growth.* Each of our processing facilities has been designed (or is being upgraded) to produce a wide range of beef, lamb and poultry products, including high value-added products such as specialized cuts and frozen pre-cooked beef. Our modern facilities provide us the opportunity to cater to customers such as global supermarket chains that require the highest quality standards from their suppliers. Accordingly, we believe current investments in our industrial plants, coupled with a greater focus on the expansion of our core business, should provide us with a steady and growing profitability as more brands and products are included in our portfolio.
- *A diversified global platform, product offering and global distribution network.* Our global platform consists of 79 processing facilities, distribution centers and offices in South America, North America, Europe, Oceania and Asia together with a distribution network that allows us to access more than 110 countries. Our beef facilities are strategically located in Brazil, Argentina and Uruguay, countries that have vast lands and longstanding traditions of animal husbandry, which leads to relatively low production costs and competitive pricing. We believe that these factors, when combined with our market position for value-added processed foods in high-income markets such as Europe and the United States, will help us to achieve good margins. In addition, we believe that our presence in Asia, where we have been present for more than 20 years, will constitute one of the main growth areas in the coming years. Our sales volume, which comprises export and domestic markets sales, gives us the necessary scale to maintain and expand our activities in competitive markets. In addition, through our diversified product portfolio we are able to offer customers a wide variety of products, which we believe results in increased customer loyalty. Lastly, our strategy of geographic and product diversification creates a natural hedge against industry risks. Through our various acquisitions, we have expanded our logistics and distribution network and have an established network on a global scale. Through this network, we are able to better serve our clients.
- *Expertise in markets and segments with high growth potential.* We are present in countries with high growth rates, according to data from World Economic Outlook Database of the IMF as of December, 2013, such as Brazil, China, Malaysia, Thailand and certain Middle Eastern countries, which are emerging markets that present a high growth potential for the food industry. As a result, we believe we have a substantial opportunity to capture an increasing share of this growth potential. Our joint ventures in China through Keystone aim to increase our ability to take advantage of the potential growth of poultry consumption in that country. Moreover, we have a strong presence in the quick service restaurants sector, with operations located in Brazil and 15 other countries, which also permits us to take advantage of the expected growth of this sector.
- *We believe we have a strong reputation with our clients.* We believe we have built a solid reputation over time of maintaining high-quality processing and service levels, which have contributed to strong relationships with some of the most important global food service operators and retailers. Moy Park, one of our business units and the second largest integrated system of poultry in the UK, processes chicken and distributes a wide assortment of protein-based products consisting of chicken, turkey, beef and pork, and also distributes vegetables, bread, hamburgers and other snacks through the main food retailers and food service clients in the UK. Keystone, which focuses on producing and developing multi-protein foods, has built a close relationship with some of the main global restaurant and food processors in the U.S., Asia and Europe. Similarly, Marfrig Food Service in Brazil, a segment of Marfrig Beef, is considered a top quality food service provider in the Brazilian market.

- *Experienced and entrepreneurial management.* Our management team has extensive experience in the food sector, which has provided significant advantages when exploring market opportunities and adjusting our business plans to meet demand. We believe we have local managers with relevant industry experience in each of our international operations. Furthermore, in line with the development of our corporate governance practices:
 - (i) Mr. Sergio Rial, who joined the Marfrig Group in November, 2012, became the chief executive officer of the Marfrig Group on January 23, 2014, allowing the Company to comply with *Novo Mercado* regulations prohibiting the chief executive officer and chairman of the board of directors from being the same person. See “Management—Board of Executive Directors;” and
 - (ii) An Executive Committee comprised by our executive officers to assist our chief executive officer in the management of our businesses and chaired by Mr. Sergio Rial has been established. For additional information see “Management—Executive Committee.”

Our Strategy

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

- *Focus on organic growth.* We intend to continue investing in increasing capacity in our poultry, beef and lamb processing plants. We believe our production plants allow us to significantly increase our production capacity, without the need for major investments. Additionally, we intend to make investments in the distribution and logistics segments, especially in Brazil and China, to better meet the demand of our customers and to reduce our transport costs.
- *Strengthen our capital structure.* Our consolidated indebtedness, which does not include our Mandatory Convertibles, as of March 31, 2014, December 31, 2013 and December 31, 2012 was, respectively, R\$9,255.5 million, R\$8,939.8 million and R\$12,381.9 million, where 86.0%, 87.4% and 70.1% of these values represent long-term debt, respectively. We are working to reduce our leverage ratios and further improve our debt profile through alternative long-term financing in the domestic and international. For more information on the allocation of proceeds from this offer, see the section “Use of Proceeds” of this offering memorandum.
- *Development of our international operations.* We believe that our international operations provide significant growth opportunities. We intend to accelerate investments in our international operations, including through joint ventures, to increase the ability and efficiency of our reach to consumer markets through improvements in our distribution networks. For the year ended December 31, 2013, our sales in the international markets accounted for 25.0% of our net sales in respect of our Continuing Operations.
- *Focus on high value-added product and in our food services activities.* We intend to continue to increase our range of industrialized processed foods and specialized cuts of non-processed meat. These are products that should allow us to increase our market share, and should result in increased margins due to their higher value-add when compared to non-processed meat. Additionally, we are seeking new opportunities by region and business division and are exploring untapped markets, while at the same time continuing to invest in the expansion and strengthening of our position in the various domestic markets in which we operate. In the other regions where we have operations, which include South America, Europe, Asia, certain Middle East countries and the United States, we will seek to enter into partnerships and increase our customer base. We also intend to increase direct sales of our products to restaurants, supermarkets, corporate catering facilities, specialty beef outlets and food service chains because these sales generate greater

margins. We constantly seek to broaden our product offerings in the food service segment and optimize our existing distribution network, so as to provide our food service customers with a “one-stop-shop” option consisting of a complete range of food products for their daily needs.

Corporate Structure

The chart below shows our corporate structure as of the date of this offering memorandum.



Our Subsidiaries

The subsidiary and affiliated companies presented in the corporate chart above should be considered within the operational context of the integrated activities of our subsidiaries, exclusive of the Discontinued Operations.

Marfrig Beef

Brazil, Argentina, Uruguay, United States, Chile, Peru and Europe

Marfrig Global Foods S.A.

Marfrig Global Foods S.A., one of the guarantors of the notes, holds directly or indirectly, the following:

- 100% of MFB Marfrig Frigoríficos Brasil S.A., Pampeano Alimentos S.A. (companies based in Brazil), and Marfood USA, Inc. (company based in the U.S.) and 99.99% of MFG Agropecuária Ltda. (company based in Brazil) which comprises twenty three cattle slaughtering and beef processing facilities, which is also used for slaughtering sheep and for industrialization of beef, tanneries factories which produces cleaning and hygiene products, feedlot, canned meats and other industrialized, producer and distributor of beef jerky, also develops livestock activities comprising the breed, treatment, handling, fatstock, purchase and sale and transportation of cattle, goat, lamb and buffaloes - living and embryos, with nine feedlots, located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraná, Rondônia and United States.
- 99.88% of Marfrig Argentina S.A., holder of any and all assets related to our beef segment in Argentina, including 99.99% of Estancias del Sur.
- 97.82% of Frigorífico Tacuarembó S.A. and 100% of Inaler S.A., companies that operates a cattle and lamb slaughter and beef processing facility in Uruguay; holds 100% of Prescott International S.A. and Cledinor S.A. both a beef and lamb packing plant in the city of Salto, and also holds 100% of Establecimientos Colonia S.A. which operates a beef packing plant in the city of Colonia.
- 99.47% of Marfrig Chile S.A. that operates a meat deboning and trading facility, both in the Chilean market which holds 100% of Frigorífico Patagonia S.A. (Chile), which operates a lamb packing plant in Patagonia.
- 100% of Weston Importers Ltd. (United Kingdom) a trading company which operates in the European market and holds 100% of CDB Meats Ltd. (United Kingdom), a producer of processed meat.
- 100% of Marfrig Peru S.A.C, a trading company which operates in Peru.
- 100% of Marfrig Holdings (Europe) B.V., a holding company.
- 100% of Marfrig Overseas Limited.
- 100% of Masplen Ltd., a holding company which holds 100% of Pampeano Alimentos S.A.
- 99.99% of MFG Comercializadora de Energia Ltda., a Brazilian company that purchases and provides energy to Marfrig Global Foods S.A. and its subsidiaries in Brazil.

Keystone

APMEA, United States and Europe

Marfrig Holdings (Europe) B.V.

Marfrig Holdings (Europe) B.V. (The Netherlands) holds 99.99% of Keystone International S.à r.l. which in turn holds: (i) 100% of MFG (USA) Holdings Inc., which holds the assets of Keystone in the

United States; and (ii) 100% of McKey Luxembourg S.à r.l. which holds the assets of Keystone in Asia Pacific, Middle East and Africa, that, jointly with other Keystone units, operates worldwide in the development, production and sale of poultry, fish, pork and beef-based food, specialized in the Food Services channel.

Moy Park

Europe

Marfrig Holdings (Europe) B.V.

Marfrig Holdings (Europe) B.V. (The Netherlands) holds 100% of Moy Park Holdings (Europe) Ltd. (a company based in Northern Ireland), which in turn holds indirectly 100% of Moy Park Group (Northern Ireland) and Kitchen Range Foods Ltd. (England), which operates four poultry slaughter facilities and twelve processing facilities in England, Northern Ireland, France and The Netherlands.

Marfrig

We are a Brazilian publicly held corporation (*sociedade por ações*), founded in 2000 with an undetermined term and are headquartered at Avenida Chedid Jafet 222, Block A – 5th floor, Room 1, São Paulo, SP, Brazil. We were registered at CVM on June 18, 2007. Our corporate purposes are (i) to explore cold storage activities, the slaughter of cattle, pigs, lamb, birds, fish and the processing and sale of animal products and subproducts, consumable or not, including, but not limited to, the processing and sale of leather products and subproducts, in our own establishments or third parties' establishments; (ii) the purchase, sale, distribution, representation, import and export of food products in general, including beverages, alcoholic or not, and others; (iii) purchase and sale of live cattle, birds, pigs, fish and lamb; (iv) supply of manpower together with other companies; (v) exploration of agricultural activity; (vi) interest as a partner of shareholder in any business or civil company; (vii) distribution and commercialization of food products in general; (viii) production, distribution and commercialization of soaps, washing preparations, antiseptics, softeners and other cleaning and hygiene products; (ix) cogeneration, production and commercialization of energy and biodiesel; (x) interest in the financial market, as well as carbon credit market; (xi) commercialization and production of products derived from vegetables, as well as of all derivatives and succedaneums thereof; feed, canned food and fats; and (xii) transport of our products and third party's products; representations and other related transactions necessary to accomplish our corporate purposes.

History of Our Organic Growth, Acquisitions and Disposals

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

In 2003, we acquired the Tangará da Serra plant and, in the following year, we leased the Paranatinga plant (which we later acquired). Both plants are located in the state of Mato Grosso. In April 2006, we acquired the plant in Mineiros, state of Goiás. In July 2006 we founded Marfrig Chile, and in September 2006 we bought 50% of the capital stock of Quinto Cuarto. In August 2006, we acquired the plants at Chupinguaia, in the state of Rondônia, and the plant in São Gabriel, in a state of Rio Grande do Sul.

From 2005 to 2007, we focused on increasing our capacity and regional diversification throughout Brazil, Argentina and Uruguay through the acquisition of plants and companies. During 2006 and 2007, we acquired 22 companies in the region. In October 2006, we acquired 75.22% of the company Tacuarembó in Uruguay. Since then, we acquired additional shares of Tacuarembó, increasing our participation in the company to 97.82%.

On November 20, 2007, we completed the acquisition of 70.51% of the shares of the Argentine company Quickfood from its controlling shareholders. Quickfood is one of the most important producers of processed and elaborated foods derived from beef in Argentina. Its main activities include the slaughter, production, processing and export of beef and derivative products. During 2008, 2009 and 2010 we acquired additional shares of Quickfood, which increased our ownership interest in Quickfood's capital stock increased from 70.51% to 90.05%.

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

Following our initial public offering on June 29, 2007 through 2009, we focused on diversification in terms of protein, growth in our processed food sector and organic growth in our beef segment. From 2008-2011, we acquired an additional 21 companies. We made various investments and acquisitions during this time, the most significant of which are detailed below.

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

On November 3, 2008, we completed the acquisition of the companies of the Moy Park group in England, Northern Ireland, France and The Netherlands, and which are controlled by our subsidiary Marfrig Holdings. This acquisition includes 15 plants in the poultry and other animal protein industrialized and processed product segment. This acquisition included the following companies in Brazil: Braslo (an important supplier of value-added meat and poultry products to fast food chains), Penasul (with activities in the poultry and pork industrialized products segment; this company has vertically integrated production and owns the Pena Branca brand in the south of Brazil) and Agrofrango (with activities in the chicken slaughter segment and vertically integrated production). According to the financial performance of the European business of Moy Park, we agreed with the selling shareholders that the amount to be disbursed for the contingent payment totaling R\$194.9 million, of which R\$22.3 million was paid to a bonus pool for the key executives of Moy Park, and the amount of R\$172.6 million must be paid in 12 consecutive monthly installments, commencing on January 15, 2012.

On January 4, 2010, we completed the acquisition of the Seara businesses, which were mainly comprised of all of the Brazilian animal protein business (comprised of poultry, pork, fish and processed and elaborated products) of Cargill Inc. ("Cargill"), plus certain European and Asian businesses of Cargill, as well as eight processing plants that produce value-added processed poultry and pork products, and a port terminal. The purchase price for this acquisition was R\$1,500.2 million.

The Seara businesses acquired include:

- seven industrial units for poultry with a slaughtering capacity of 1,128,600 chickens per day and two industrial units for pigs with a slaughtering capacity of 7,229 head of pork per day;

- three plants for industrialized and value-added processed products with production capacity of approximately 19,079 metric tons per month;
- a private port terminal for meat packing and dried meat (*Braskarne*) cargo in the city of Itajaí, state of Santa Catarina;
- the Seara brand and other brands;
- international sale and distribution operations, with units located in the United Kingdom, Japan and Singapore, each one holding exporting quotas from Brazil to several other countries;
- nine feed mills, located in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul; and
- six hen farms in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul with approximately 3,000 integrated producers of poultry and pork.

On January 22, 2010, we completed the acquisition of 51% of Zenda, which is consolidated into a holding company named Gideny S.A., with an option to acquire the remaining 49% by January 2014. The total purchase price for this acquisition was initially established on R\$77.3 million and then reduced, on September 2010, to R\$64 million. The balance agreed to be paid for the remaining 49% should correspond to seven times the average of the annual EBITDA of Zenda from 2010 to 2012, less its net debt (as defined in the agreement), multiplied by 49%, plus an additional amount (as defined in the agreement). On October 1, 2010, we acquired an additional 8.17% of the capital stock of Gideny, reaching an indirect stake of 59.17% of Zenda's capital stock. The remaining 40.83% would be paid in three annual installments due on January 20, 2012, 2013 and 2014. Zenda produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries. It has production facilities in Argentina, Uruguay, Mexico, the United States, Germany, South Africa and China, and is headquartered in Uruguay, with a daily production capacity of 16,000 finished and cut hides.

Since 2010, we have focused our acquisitions on consolidating and expanding our now global platform and worldwide distribution capacity. The most significant of these acquisitions are those of Moy Park and the Keystone businesses, detailed below.

On August 3, 2010, through our subsidiary Moy Park, we completed the acquisition of 100% of O'Kane Poultry Ltd., located in Ballymena, North Ireland, for a purchase price of R\$85.2 million, with 50% of the purchase price paid on the date of the acquisition and the rest to be paid in June of 2011. The purchase price of the company was close to the net assets acquired. O'Kane is a vertically integrated company which brings to the Moy Park brand diversification of products, including turkey and chicken. The assets acquired include an animal feed factory, hatcheries, poultry farms, poultry slaughtering and processing units, and a research laboratory. The O'Kane production units are capable of processing 140,000 chickens and 20,000 turkeys per day.

On June 14, 2010, we announced that we had entered into a membership interest purchase agreement with Lindsay Goldberg LLC, resulting in the purchase of the Keystone businesses in two related transactions for R\$1,821.9 million cash payment. In the first, MFG, a newly-formed subsidiary created through an asset purchase and purchase of the equity of an intermediate holding company, would acquire all of the U.S. operations of Keystone Foods Holdings LLC. In the second, Marfrig through the purchase of the equity of an intermediate holding company would acquire all of the non-U.S. operations of Keystone Foods Holdings LLC. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry.

Keystone, headquartered in West Conshohocken, Pennsylvania, is a core, dedicated global distributor and supplier of protein products (beef, chicken and fish) primarily to major fast food chains and franchises. Keystone operates 20 facilities in eleven countries, including the United States, France, England, New Zealand, Australia and Asia (Bahrein, China, Qatar, Thailand, Malaysia and South Korea). Keystone began

its relationship with key chains in the fast food segment when Keystone developed a technology for cryogenically freezing hamburger patties, and has been a leading supplier to such chains since the 1970s. Keystone is highly valued for its innovation, reliability, food safety and quality, and processes chicken products for several fast food restaurant chains and processed food producers.

On October 1, 2010, we completed our purchase of the Keystone businesses acquired described above by making a cash payment of R\$1,821.9 million. During the fourth quarter of 2010, Marfrig further restructured the non-U.S. operations acquired as part of that transaction by placing the Asian, Pacific and Australian operations in a new holding company thereby separating them from the vehicle holding the operations in Europe.

On April 11, 2011, we announced that, through our subsidiaries Keystone CLJV and McKey VI, we formed two joint ventures in China: the first, with COFCO, China's largest food producer, and the second, with Chinwhiz, a private company located in Weifang in the province of Shandong, respectively. With these investments, our operations in China will be expanded, ranging from processing to distribution to clients. The COFCO JV will be owned 45% by Keystone CLJV and 55% by COFCO. Keystone and COFCO have been developing a partnership since 1990. The COFCO JV, with operations projected to start in 2012, provides for the construction of six distribution centers, transportation fleets and information-support technological platforms in several strategic cities, including Beijing, Chengdu, Shanghai, Shenyang, Wuhan and Shenzhen (where Keystone's processing plant in China is located). The total investment in the COFCO JV is estimated to be approximately U.S.\$252 million over 10 years and will be split between each participant, pursuant to its respective stake in the joint venture. The Chinwhiz JV will be owned 60% by McKey VI and 40% by Chinwhiz. The Chinwhiz JV will consist of vertical integration in the supply chain, which should result in improved cost visibility, guaranteed supply, improved food safety and socially responsible production. The Chinwhiz JV will initially have the capacity to process 200,000 chickens per day and will be able to supply 50% of the raw material needs of Keystone's processing unit in China, which serves restaurants in China, Hong Kong and Japan. The total investment in the Chinwhiz JV is estimated to be approximately U.S.\$74.0 million by the end of 2013 and will be split between each participant pursuant to its respective stake in the joint venture.

On July 29, 2011, McKey Luxembourg S.à r.l. incorporated a new company named Keystone Manufacturing Ireland Ltd. to carry out the business of food processing and manufacturing of hamburgers, spiceburgers, sausages and all types of food products and to act as wholesale and retail dealers, distributors, agents, representatives, salesmen in all food products.

On February 27, 2012, the Company announced its new organizational structure, approved by the board of directors in a meeting held on the same date, through the constitution of a new business unit, Seara Foods, whose objective was to achieve greater integration and generate more synergies in the Marfrig Group's poultry, pork and processed product segment, comprising the Seara, Moy Park and Keystone operations.

On April 30, 2012, the Company announced the closing and settlement of the sale of its specialized fast-food distribution, logistics and global freight management businesses in the United States, Europe, Asia and Oceania of its subsidiaries Keystone Foods, LLC (the Company's distribution business) and McKey Luxembourg S.à r.l. to The Martin-Brower Company, LLC for a total amount of U.S.\$400.4 million. The rationale behind this divestment decision was to allow the Company to focus on its core business. Out of the total amount of the purchase price (i) U.S.\$390.1 million was paid to the Company on April 30, 2012, and (ii) U.S.\$4.0 million was paid to the Company on August 30, 2012 after receiving certain legal approvals relating to operations in Dubai and the Arab Emirates, and (iii) the remaining amount of U.S.\$6.3 million was paid to the Company on September 28, 2012 after certain legal approvals relating to the sale of operations in Malaysia were obtained.

On June 11, 2012, the Company and Brasil Foods S.A ("BRF") closed an asset swap transaction in accordance with the Asset Swap Agreement and Other Covenants entered into on March 20, 2012, which established the terms and conditions for the transaction arising out of the Performance Commitment

Agreement (*Termo de Compromisso de Desempenho* or “TCD”) among BRF, Sadia and the Brazilian Council for Economic Defense (*Conselho de Administração de Defesa Econômica*, or “CADE”). Pursuant to the Asset Swap Agreement, BRF and the Company exchanged:

- (a) 100% of the share capital of Athena Alimentos S.A., the entity to which the following assets of BRF referred to in the TCD were transferred: (i) trademarks and intellectual property rights related to 12 brands (Rezende, Confiança, Fiesta, Doriana, Patitas, Tekitos, Freski, Delicata, Wilson, Texas Burguer and Escolha Saudável); (ii) all assets and rights (including real property, facilities and equipment) related to specified plants; (iii) all goods and rights related to eight distribution centers; (iv) a hog slaughtering plant located in the city of Carambeí (pursuant to a lease agreement), with an option for the Company to purchase the plant at the end of the lease term for R\$188.0 million, as adjusted for the IGP-M rate as of June 11, 2012; (v) the BRF inventory described in the Asset Swap Agreement relating to the assets above; (vi) all contracts with integrated producers to ensure that the Company maintains the same levels of supply for BRF and/or Sadia; and (vii) inventory in the amount of R\$125,688,788.60, which included sales taxes (ICMS, PIS and COFINS); and (b) trademarks and intellectual property rights related to the Excelsior brand, and the entire stake held by Sadia, directly and indirectly, equivalent to 64.57% of the capital stock of Excelsior Alimentos S.A.; and
- the following assets of the Company: (i) the entire equity interest held either directly or indirectly by the Company, equivalent to 90.05% of the capital of Quickfood, a company based in Argentina; (ii) all the trademarks and patents related to (a) processed meat and vegetables owned by Quickfood; (b) the product line called “Paty”; (c) the product line called “Barny”; and (d) Quickfood trademark; (iii) 5 specific plants located in Santa Fe and Buenos Aires; (iv) some agreements related to the processed food activities of Quickfood; (v) a minimum inventory to guarantee the transaction in the ordinary course of business; (vi) the employees of Quickfood allocated to the plants mentioned in item (iii) above; and on June 11, 2012, we completed the asset swap transaction with BRF. As part of the asset swap transaction, we agreed to pay to BRF the amount of R\$350 million to be paid in up to six years.

The transaction aimed to strengthen the Seara brand in Brazil’s domestic market, which included doubling our production capacity of elaborated and processed products, increasing Seara’s market share and allowing these products to reach a higher number of consumers while ensuring high levels of quality, safety and agility.

On June 7, 2013, we entered into an agreement for the sale of our Seara Business and Zenda Business to JBS for aggregate consideration of R\$5.85 billion. The sale of the Zenda Business closed in June 2013 and the sale of the Seara Business closed in September 2013. See “The Seara Brasil and Zenda Transaction.”

On December 26, 2013, we entered into an agreement for the lease of assets from Brasil Foodservice Group S.A., comprised of (i) a beef processing unit in Nova Xavantina, a City in southeastern Mato Grosso; (ii) a distribution center; and (iii) a beef jerky production unit located in Itupeva, São Paulo.

In April 2014, the Company completed an internal restructure whereby the Moy Park group was segregated from the Keystone business and Moy Park Holdings (Europe) Ltd became a direct subsidiary of Marfrig Holdings. Around the same time, Moy Park Limited completed the purchase of two European businesses and one related holding company from Keystone, Marfrig’s U.S. and Asia focused business unit, after taking over managerial direction of these businesses during the second quarter of 2013 as part of Marfrig’s plans to streamline and rationalize its businesses. The Keystone Manufacturing Ireland and McKey Food Services businesses focus on value-added meat processing, and McKey Holdco S.A.R.L. is a holding company. A new subsidiary named Keystone International S.à r.l. was incorporated to be 100% owned by Marfrig Holdings and is the holding company of the Keystone businesses, McKey Luxembourg Holdings S.à r.l. and MFG (USA) Holdings, Inc.

In May 2014, we incorporated two new subsidiaries named Moy Park (Newco) Limited and Moy Park (Bondco) Plc with an aim to prepare the Moy Park group for an initial public offering and the issuance of their senior notes.

Geographic Presence

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

- 45 beef and lamb production and processing units, distribution centers and offices of Marfrig Beef (33 in Brazil, 4 in Argentina, 5 in Uruguay, 2 in Chile and 1 in London);
- 14 poultry production and processing units and offices of Moy Park (3 in France, 1 in Holland, 6 in England, 1 in Ireland and 3 in Northern Ireland); and
- 20 poultry production and processing units and offices of Keystone (1 in Hong Kong, 10 in the United States, 4 in China, 2 in Thailand, 1 in Malaysia, 1 in South Korea and 1 in Australia).

Description of Our Business Units

As part of our new strategy to reduce the scale and complexity of our business, focus on our food service operations in Brazil, the U.S., Europe and Asia and deliver better leverage levels, higher margins and cash flows, on August 8, 2013 we announced certain changes to our managerial and organizational structure. Since the consummation of the Seara Sale, our organizational structure has been organized along three major business units: Marfrig Beef, Moy Park and Keystone, as set forth in the chart below:



- Marfrig Beef, which is the business unit of the Company that develops and produces food based on cattle, sheep, and leather. Created with the objective of raising the operating efficiency of its main platforms (Brazil, Argentina, Uruguay and Chile), Marfrig Beef is known in many countries for the premium quality of its products and for its sustainable development model with its pioneering environmental preservation programs in its entire production chain. Among its main brands are: Bassi, La Morocha, Aberdeen Angus, Viva and Tacuarembó.
- Moy Park, which is the second largest integrated system in the United Kingdom for the production of prepared food products made from poultry. Moy Park has a strong presence throughout Europe and in the food service and retail channels, as it produces and distributes prepared and processed

food products made from chicken, turkey, beef and pork, as well as products made from vegetables and bread, such as hamburgers, vegetarian snacks and donuts.

- Keystone, which is the business of the Company that produces and develops multi-protein foods to service large global restaurant chains, with operations in Asia and the United States.

Marfrig Beef

Brazil

The beef segment is directly connected to the beginning of our operations. We began our activities in this segment in 2000 with a beef refrigerated warehouse through the lease of a slaughterhouse and processing plant in the city of Bataguassu, state of Mato Grosso do Sul.

We have 16 cattle slaughterhouses in Brazil as of the date of this offering memorandum, distributed throughout eight states (Rio Grande do Sul, São Paulo, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraná and Rondônia). We have a total authorized slaughter capacity in Brazil of 15,086 head of cattle per day. We also have a production capacity of 11,970 metric tons of industrialized and processed products a month in seven different plants and two tanneries in the city of Promissão, in the state of São Paulo and in Bataguassu, in the state of Mato Grosso do Sul, with daily capacity of 7,000 hides. Our plants are capable of producing frozen cooked beef, meat in portions, canned meats, ready-made meals and beef jerky. Since April 2009, we also have conducted the slaughter of lamb in the city of Promissão, in the state of São Paulo, with a capacity of 1,000 head of lamb per day, and in the city of Alegrete, in the state of Rio Grande do Sul, with a capacity of 2,000 head of lamb per day.

Our cattle plants are fully integrated and designed to carry out slaughter, deboning, butchering (traditional, premium and export cuts), packing and transportation both to our own distribution centers and directly to our customers.

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

The principal brands of our Brazilian business unit, which we believe are recognized for their high quality, include Bassi (haute cuisine), Montana (barbecue), GJ (for export) and Pampeano (canned meat).

In addition to distribution directly from operational plants, we have a distribution center in the city of Santo André, in the state of São Paulo, which handles approximately 500 metric tons per day with its own fleet of refrigerated trucks. Our trucks have modern logistics systems to optimize routes and allocate products based on the delivery schedule. Our retail chain customers include Wal-Mart, Pão de Açúcar, Tesco, Carrefour, Waitrose, Sainsbury's, Sodexo, Sendas, Echo and Accor, and our industrial customers include Kraft, ConAgra Foods, Nestle, Heinz, Marba and Hormel Foods.

We believe we are one of the leaders in the food service segment, with a diverse portfolio of brands that are recognized and respected in Brazil and abroad. We believe we are one of the leaders in importing and distributing premium beef cuts and other food products (lamb cuts, premium beef cuts (such as rump cover steak, ancho steak, chorizo steak), salmon and fish, etc.) to retailers, as well as being one of the largest distributors of pre-cooked, frozen potatoes. We supply a variety of products, with a strong presence in the states of São Paulo and Rio de Janeiro and in the South and Northeast of Brazil. Our customer base in this business unit includes restaurants and fast food chains.

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

International

Our international Beef and Lamb business comprises our operations in Argentina and Uruguay.

Argentina

As part of our geographical diversification strategy, in 2008 our subsidiary Marfood USA, formerly known as Mirab USA, Inc., acquired Pemmican, one of the most recognized meat snack brands in the United States, from ConAgra Foods. In the context of such acquisition, we executed a sales and distribution agreement with ConAgra Foods to supply Pemmican products to its customer base for five years.

Subsequently, in March 2012, Marfrig Argentina S.A. was incorporated with the purpose of being the holder of any and all assets related to our beef segment in Argentina that would not be transferred to BRF pursuant to the Asset Swap Agreement. Marfrig's ownership interest is 99.84%.

Uruguay

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

Our expansion continued in 2007 with the acquisitions of the La Caballada refrigerated warehouse, for the slaughter of cattle and lamb, and Colonia, with the Paty brand. In 2008, we began producing canned industrialized products and beef jerky in a new unit leased from Fray Bentos in Uruguay, with a slaughtering capacity of 76,650 metric tons a month.

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

The Uruguayan operation has five beef slaughter houses (of which four are currently in operation as of the date of this offering memorandum) where we currently are operating two lamb slaughterhouses, and one lamb slaughterhouse in Chile and three industrialized products plants. The slaughtering capacity of our Uruguay operation is of 3,650 head of cattle per day and 8,800 head of lamb per day, and industrialization capacity is 1,176 metric tons a month.

The excellent sanitary conditions in Uruguay give the country, and consequently us, the status of a producer that is able to export fresh meat from South America to practically every location around the world.

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

Moy Park

The acquisition of Moy Park at the end of 2008 (which previously belonged to the OSI Group that later became one of our shareholders) was an important step in our strategy to diversify geographically and in the animal proteins segment.

Moy Park is well-known in the United Kingdom as the largest integrated, industrialized, fresh meat products and added-valued chicken business, and in Northern Ireland as its largest private company. The subsidiaries Moy Park France SAS (France), Dungannon Proteins Ltd. (Republic of Ireland) and Kitchen Range Foods Ltd., also of the United Kingdom, produce and distribute industrialized and processed food products, including frozen foods, vegetables and breads. The Albert van Zoonen B.V. subsidiary in The Netherlands produces and distributes higher added-value frozen products. We operate in Europe under the Moy Park brand. Following the acquisition of O'Kane in August 2010, the Moy Park brand has expanded and further diversified in terms of chicken and turkey products.

Moy Park operates 4 chicken slaughterhouses with a daily capacity of 660,000 head of chicken, one turkey slaughterhouse with a daily capacity of 24,286 head of turkey, and 11 processing facilities with a monthly industrialized product capacity of 22,408 metric tons. The sales of our European operations are concentrated in large retailers and distributors in the United Kingdom such as Tesco, Sainsbury's and Waitrose, as well as fast food chains such as KFC.

Keystone

In October 2010, we completed our acquisition of the Keystone businesses. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry. As a result of this acquisition, and our earlier acquisition of the Seara Business, we are now one of the world's largest food processors.

Keystone, headquartered in West Conshohocken, Pennsylvania, is a core, dedicated global supplier of protein products (beef, chicken, and fish) primarily to major fast food chains and franchises. Keystone operates 20 facilities in 7 countries, including the United States, Australia, China, South Korea, Hong Kong, Malaysia and Thailand. Keystone began its relationship with key chains in the fast food segment when Keystone developed a technology for cryogenically freezing hamburger patties. Keystone has been a key supplier to major fast food restaurants and food companies for over 40 years. Keystone is highly valued for its innovation, reliability, food safety and quality, and processes chicken products for several fast food restaurant chains and processed food producers.

Raw Materials

Marfrig Beef

Cattle

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

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

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

We also carry out feedlot of termination activities in South America. During this operation, the cattle is bought thin, approximately three months before it is slaughtered. The animal is kept confined for approximately three months and fed to reach its fit-for-slaughter weight. The feedlots provide a greater

supply of cattle and improved price control during drought periods when pasture lands dries up, which reduces the supply of cattle of a weight fit for slaughter.

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

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

Lamb

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

Moy Park and Keystone

Poultry

Most of our chicken operations are 100% integrated. We raise poultry and hens, and we have incubators and animal feed plants. We also produce fresh and industrialized chicken meat for sale in the domestic and export markets. We buy eggs and chicks at the beginning of the poultry production cycle. The eggs are sent to our incubators while the chicks go to our grandparent stock poultry farms. The complete cycle, from when the chick is born until it reaches its ideal weight for slaughtering takes approximately 42 days. Marfrig stock produce eggs for incubating from which chicks that will one day be used in our poultry products are hatched. The farms are located close to the slaughterhouses. The chicken is slaughtered and can be sold whole or in pieces. All products are sold in the domestic and export markets. In some locations, we purchase poultry raw materials for our processing plants in the spot market (domestic or imports). In order to sell poultry raw materials to our processing plants, third parties must form part of a list of previously approved suppliers. To form part of this list, suppliers must submit to periodic audits and comply with high safety and quality standards. We believe that this strategy can deliver high-quality products with competitive costs to our clients.

Production Facilities

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

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

The table below shows the production capacity for our business as of March 31, 2014 and 2013 and as of December 31, 2013 and 2012:

	As of March 31,		As of December 31,	
	2014	2013	2013	2012
Cattle ⁽¹⁾	21,036	20,300	21,036	19,100
Chicken ⁽¹⁾	1,597,600	1,610,000	1,785,600	1,610,000
Lamb ⁽¹⁾	11,800	14,000	11,800	11,900
Processed Foods ⁽²⁾	81,901	79,417	75,217	79,417
Turkey ⁽¹⁾	24,286	20,000	20,000	20,000

Notes:—

(1) Slaughtering capacity in heads/day.

(2) Capacity in tons/month.

Marfrig Beef

Cattle

As of March 31, 2014, we had a slaughtering capacity of approximately 21,036 head of cattle per day in 24 slaughterhouses and 9 processed and industrialized product plants located in Brazil, Argentina, Uruguay and Chile. In Brazil, our plants are located in the states of São Paulo, Mato Grosso, Mato Grosso do Sul, Rio Grande do Sul, Rondônia, Pará, Paraná and Goiás. Our plants are located near our cattle suppliers and close to major consumer markets and export channels. We believe that this geographical diversity helps to limit the adverse impact on our revenue stream caused by import restrictions imposed by countries as a result of outbreaks of diseases or trade barriers.

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

The processing plants also permit the removal of cattle hides, which are then sold to local tanneries.

The table below set forth the growth of our cattle slaughtering capacity from 2006 through March 31, 2014, taking into account our processing plants in Brazil, Argentina and Uruguay:

	As of March 31,		As of December 31,							
	2014	2013	2013	2012	2011	2010	2009	2008	2007	2006
Slaughtering Capacity – Heads/Day⁽¹⁾										
Brazil	15,086	14,050	15,086	14,250	15,880	21,600	20,050	13,300	13,300	7,700
Argentina	2,500	2,800	2,500	2,400	2,400	3,900	3,900	3,900	700	700
Uruguay	3,450	3,450	3,450	2,450	2,450	3,900	3,900	3,900	3,900	1,750
Total	21,036	20,300	21,036	19,100	20,730	29,400	27,850	21,100	17,900	10,150

Source: Internal data from Marfrig.

Note:—

(1) In 2011, we began calculating production capacity based on the authorized capacity of our plants in operation. Prior to 2011, production capacity was calculated based on the installed capacity of all plants, including those that were not operational.

The production capacity of our plants results from slaughter capacity, deboning capacity, storage capacity and the availability of trained workers. Typically a plant can have its output increased not only by having its deboning capacity increased but also by increasing slaughter capacity or buying carcasses from third parties. During the three-month period ended March 31, 2014, we had an average utilization of approximately 56.2%, of our capacity for cattle (Brazil, Argentina and Uruguay). Since 2008, Brazil has suffered from a lack of cattle ready for slaughter because the bovine cycle normally takes between two and three years. In 2011 and 2012 we began to see a recovery in the cattle herd, as demonstrated by the better availability of cattle in 2013.

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

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

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

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

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

Lamb

As of March 31, 2014, we had a slaughter capacity of 11,800 heads of lamb per day in our five slaughterhouses in Brazil, Uruguay and Chile. Our processing plants are located near lamb producing regions such as the Chile's Patagonia region, Brazil and Uruguay. They are also located in the major consumer markets and export channels. They are designed for breeding, slaughtering, deboning, preparation of cuts, packaging and transportation to our distribution centers or directly to our customers.

Moy Park

Our slaughtering capacity in Moy Park is 660,000 chickens per day and 22,408 metric tons a month of processed and elaborated products, using our four poultry slaughter facilities and twelve processing facilities. In 2009, we started our operations in the turkey meat in Europe, with the acquisition of O’Kane, with a capacity of 20,000 turkeys per day.

Keystone

Our slaughtering capacity in Keystone is 937,600 chickens per day and 46,347 metric tons a month of processed and elaborated products. We believe that this geographical diversity helps to limit the adverse impact on our revenue stream caused by import restrictions imposed by countries as a result of outbreaks of diseases or trade barriers.

Our plants are designed to raise grandparent stock, parent stock and hatcheries as well as for slaughtering, deboning, preparation of cuts (traditional, premium and for export), packaging and transportation to our distribution centers or directly to our customers.

Customers

We have a base of approximately 77,663 customers. This diversification enables us to reduce market risks by selling our products to different niches and by quickly shifting the allocation of our production in case of sanitary or economic restrictions in any particular market.

In the three-month period ended March 31, 2014, we sold our products to wholesale and food service customers in Brazil and through exports to more than 110 other countries. In the three-month period ended March 31, 2014, our ten largest export customers accounted for approximately 36.2% of our export sales, or approximately 9.5% of our total net sales. We do not have any export customers that individually represent more than 3.0% of our total net sales. In the three-month period ended March 31, 2014, our ten largest domestic customers accounted for approximately 47.0% of our domestic sales, or approximately 34.7% of our total net sales. We did not have any domestic customer that individually represented more than 18.2% of our net sales in the three-month period ended March 31, 2014.

In 2013, we sold our products to wholesale and food service customers in Brazil and through exports to more than 110 other countries. In 2013 our ten largest export customers accounted for approximately 34.7% of our export sales, or approximately 8.6% of our total net sales. We do not have any export customers that individually represent more than 3.3% of our total net sales. In 2013, our ten largest domestic customers accounted for approximately 50.4% of our domestic sales, or approximately 37.9% of our total net sales. We did not have any domestic customer that individually represented more than 20.2% of our net sales in 2013.

In 2012, we sold our products to wholesale and food service customers in Brazil and through exports to more than 110 other countries. Inclusive of our Discontinued Operations, our ten largest export customers in 2012 accounted for approximately 48.4% of our export sales, or approximately 11.1% of our total net sales. We do not have any export customers that individually represent more than 5.3% of our total net sales in the year ended December 31, 2012. In 2012, our ten largest domestic customers accounted for approximately 44.4% of our domestic sales, or approximately 34.2% of our total net sales. We did not have any domestic customer that individually represented more than 17.8% of our net sales in 2012.

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

Seasonality

In the domestic markets, although our net sales are not subject to significant seasonal variation, generally the first quarter is the weakest quarter, while the fourth quarter is the strongest quarter because of

the relative demand in these quarters for our products. Our export markets as a whole are not materially affected by seasonality, in part because seasonality varies across our export markets. However, net sales in specific export markets sometimes vary according to the season. In the Middle East, for example, net sales slow during Ramadan and the summer months.

In general terms, we see the following seasonal variations:

Cattle

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

Lamb

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

Poultry

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

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

Marketing

As one of the world's largest food companies, our sales strategies are aimed at leveraging our leadership in the food service and retail segments through the offering of innovative, safe and healthy food solutions, high-quality service and the production of premium products.

Our Marfrig Beef, Moy Park and Keystone business segments also develop customized strategies to meet the demands of their specific markets.

Marfrig Beef – B2B and B2C

Brazil's food service industry has been registering annual growth rates in the double digits. To meet this growth, the marketing strategy of our Marfrig Beef business unit focuses on developing comprehensive solutions for corporate clients that involve offerings of special beef cuts from different breeds to the distribution of complementary products, such as frozen vegetables and fish, under a one-stop-shop sales model.

Recognized worldwide for the premium quality of our products and as a reference in sustainable development for our comprehensive and integrated production and livestock-sourcing management systems, our marketing strategy is also based on attributing greater value to our products by improving the sustainability of our operations, an aspect that we believe is becoming increasingly important to consumers worldwide.

This strategy has led Marfrig Beef to become the world's first beef and leather producer to have a production unit certified by Rainforest Alliance Certified for the production of food and products.

We also produce certified organic beef in Uruguay and works in partnership with producers of special beef cattle breeds, such as Angus and Hereford, to promote and disseminate the production and consumption of premium quality beef.

With strategies that also target growth through the retail channel and private label brands, Marfrig Beef develops special product lines under the brands Bassi, which targets the gourmet segment, and Montana, which specializes in meats for grilling. In the United States and Canada, under the legendary Pemmican, which is one of the oldest national beef jerky brands in the United States, our line of beef jerky is supplied to nearly 70% of North America's top retailers.

Moy Park – B2B and B2C

Moy Park's strategy is to offer fresh poultry, ready-to-eat meals, appetizers, vegetarian dishes and desserts under private-label and third-party brands.

The tradition of Irish quality, our excellent insight of the demands of European consumers and the continuous pursuit of product excellence are core values that are widely recognized by the clients and consumers of Moy Park. In the 1980s, Moy Park was the first company in the United Kingdom to adopt the production of free range poultry, the system that best ensures animal welfare, and in the 1990s it launched organic poultry production. Today, we also produce chicken under the brand Duchy Originals from Waitrose, which was launched in 1990 by the Prince of Wales and is a global benchmark in organic foods raised and produced sustainably.

Another highlight among our products is the line of ready-to-eat meals signed by Jamie Oliver. The internationally celebrated chef selected Moy Park to develop a line of marinated chicken dishes using organic birds produced in a free-range system using the most advanced animal welfare techniques.

Moy Park's products are sold under the following brands:

- Moy Park: fresh chicken cuts and ready-to-eat meals;
- Moy Park Foodservice: complete portfolio of chicken and vegetarian foods for the food service market;
- Albert van Zoonen: special frozen chicken cuts;
- O'Kane Poultry: premium quality products made from chicken and turkey for both the retail and food service markets; and
- Castle Lea: high quality products at accessible prices.

Keystone – B2B

Keystone's marketing strategy is based on operating exclusively in the food service segment and providing solutions and safe production platforms to support the growth and success of the world's largest food companies. Keystone serves over 37,125 restaurants around the globe, with its clients including leading brands such as Subway, ConAgra Foods, Campbell's Soup Company, KFC, Taco Bell, McDonald's, Wendy's, Heinz and Burger King.

In the United States, Keystone produces foods made from poultry, beef and fish at ten units that employ the most modern production systems. For more than 30 years, it has maintained in the country a research center that is responsible for developing innumerable products and processes to meet the special needs of its clients and for implementing new technologies to boost productivity and efficiency throughout the supply chain.

The strongest elements of Keystone's marketing are innovation, quality and safety. In the 1970s, for example, Keystone developed a technique that uses cryogenics for freezing foods, which maintains the nutrients and texture of the food and increases its shelf life. This innovation was an important technological development that supported the expansion of fast-food restaurant chains around the globe.

Keystone was also responsible for developing chicken nuggets, a format that today is ubiquitous worldwide. The list of innovations also includes the development of molded boneless chicken filets, which are used on a large scale in restaurants and in lines of ready-to-eat frozen meals.

Our strategy currently focuses on the growing consumption of processed foods in China, where we maintain a solid production platform and joint ventures to expand poultry production systems and product distribution in strategic cities, seeking to capture business opportunities in a country that has among the world's highest protein consumption rates.

Information Technology

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

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

We use highly developed software to control all our administrative, financial, accounting and tax operations. On the industrial side, we use software to automate and manage our processes.

Our information security policy is part of our code of ethics and is known and practiced by all users. Additionally, we have made constant investments to develop a cost system that complies with corporate and tax law and allows us to track the cost of our products from slaughter. The system monitors the receipt and shipping of merchandise and the average cost of purchases or production.

To manage warehousing and retail distribution we use routing software that allows greater control and speed in our deliveries throughout Brazil and organizes the cargo efficiently in delivery trucks.

Competition

Marfrig Beef

The Marfrig Beef segment's main competitors in Brazil, Argentina and Uruguay are JBS (through San Jacinto Nirea in the case of Uruguay), Frigorífico Minerva, Canelones freezing plant, Pulsa and Matadero Carrasco.

Moy Park

The main competitors of Moy Park in Europe and in other international markets are 2 Sisters, Doux, Grampian, OSI, Golden State Food, Cargill, Tyson Foods, Smithfield Foods, Swift & Co. (JBS), Australian Meat, Teys Bros and Nippon Meat Packers.

Keystone

The main competitors of Keystone in the United States are Cargill, Tyson Foods, Smithfields Foods and OSI.

Employees

Due to our growth in recent periods, our human resources activities have been focused on the integration of our new employees with the objective of seeking excellence in our workforce and promoting our values. Our investment in training and development and encouragement of participatory management encourage our employees to become leaders and add value to the personnel assets of the companies we

acquire. As of March 31, 2014, we had 43,214 employees worldwide, a 52% decrease from our 90,846 employees worldwide as of March 31, 2013, due mainly to the Seara Sale. As of December 31, 2013 and 2012, we had 42,674 and 91,236 employees worldwide, respectively.

The following table shows the allocation of our employees for the periods indicated:

Division	As of March 31,		As of December 31,		
	2014	2013	2013	2012	2011
Marfrig (head office).....	145	147	95	144	144
Marfrig Beef ⁽¹⁾	22,572	26,557	21,524	26,573	26,506
Poultry, Swine and Processed Foods – Brazil.....	—	43,956	—	43,913	35,284
Moy Park.....	8,847	7,652	12,132	11,572	11,423
Keystone.....	11,650	12,560	8,923	9,034	11,178
Total	43,214	90,846	42,674	91,236	84,535

Note:—

(1) Employees of Brazil, Chile, Argentina and Uruguay.

We have a stock option plan directed to our management, employees and service providers. See “Management—Stock Option Plan.”

Unions and Human Resources

In 2012 and 2013, the Marfrig Group continued to work on unifying its human resources practices and policies, focusing this year primarily on consolidating O’Kane and Keystone.

The guidelines of the workplace health and safety system were enhanced to mitigate worker exposure to the risks of accidents and occupational illnesses. In Brazil, Marfrig conducted various internal campaigns to combat H1N1, programs to educate people on driving safely and campaigns to collect donations for the victims of natural disasters.

Marfrig’s Code of Ethics was inspired by moral values that go beyond merely complying with the law and formalizes the Marfrig Group’s relations with its clients, consumers, employees, shareholders, suppliers, government authorities and society. The Code of Ethics was implemented in all businesses of the Marfrig Group.

Marfrig also seeks to be a company recognized for its corporate social responsibility, with its management practices focused on its employees and surrounding communities putting it in a vanguard position in the approach adopted for its myriad relationships at the national and international levels. The Company complies with all resolutions of the International Labor Organization (ILO), as well as the laws of the countries where it operates, developing safety awareness campaigns, training on the adequate use of personal protection equipment and registering all workplace accidents and illnesses. In 2010, a corporate sustainability department was created to develop global programs to promote the issues cited above.

Plant, Property and Equipment

Our Promissão I and Capão do Leão plants (which commenced operations in 2006 and 2009, respectively) are owned by a third party and operated by us as rural lessee. Our Frai Bentos plant is also owned by a third party and operated by us as rural lessee, operated by our operations in Uruguay. We also lease the plants from Margem and 4 Rios which we have the preferential right in case of acquisition and the

plant form Mercosul from whom we have an option to purchase such plants that may be exercised between December 2012 and October 2014.

The table below shows some of our plants that are encumbered:

Company	Destination	Creditor/Beneficiary	Status
Marfrig	Santo André Distribution Center		We acquired the distribution center in a judicial auction. However, motion to stay the judicial sale filed by a third party is pending.
Marfrig	Santo André Distribution Center	Fazenda do Estado de São Paulo and União Federal	The distribution center was offered as collateral for a tax of approximately R\$22 million against Marfrig Global Foods S.A. (Proc. nº 0033852-22.2011.8.26.0554); and offered as collateral in a tax of approximately R\$3 million from the União Federal against MFG Agropecuária Ltda (Proc. nº 0007619-83.2013.403.6182).
Marfrig	São Gabriel – RS	Fazenda Pública - RS	Industrial unit offered in a judicial auction of approximately R\$23 million against Marfrig Global Foods S.A. (Proc. nº 0050562-97.2013.8.21.0001).
Marfrig	Bataguassu - MS	Fazenda Nacional	Industrial Unit offered in a judicial auction to guarantee injunctions valued at approximately R\$500,000 from the 13ª Vara Federal de São Paulo (Proc. nº 0012598-43.2013.4.03.6100); and offered in a property injunction valued at approximately R\$38 million by Fazenda Nacional against Marfrig Global Foods S.A. (Proc. nº 0020672-86.2013.403.6100).
Marfrig	Promissão I – SP	Fazenda Nacional/ and Justiça Federal	Industrial unit specified to ensure fragmentation of the labor CDA nº 12.5.13.000199-82, in the approximate amount R\$ 1.8 million (Marfrig Global Foods), and appointed to ensure tax lien nº 0047973-53.2013.403.6182, in the approximate amount R\$ 248.000,00, against MFG Agropecuária Ltda.
Marfrig	Tangará da Serra – MT	Fazenda Nacional	Industrial Unit offered in a judicial auction to guarantee injunctions in the proceeding nº 0020672-86.2013.403.6100 of approximately R\$104 million - Fazenda Nacional against Marfrig Global Foods S.A.

Company	Destination	Creditor/Beneficiary	Status
Marfrig	Promissão I	Fazenda Nacional and União Federal	Equipment, improvements and installations offered in a judicial auction to guarantee injunctions from the Fazenda Nacional against Marfrig Global Foods S.A. (Proc. nº 0020672-86.2013.403.6100); and offered as collateral in a tax of approximately R\$107 million from the União Federal against Marfrig Global Foods S.A. (Proc. nº 0031885-71.2012.403.618).
Marfrig	Chupinguaia – RO	Fazenda Nacional and União Federal	Equipment, improvements and installations offered in a judicial auction to guarantee injunctions from the Fazenda Nacional against Marfrig Global Foods S.A. (Proc. nº 0020672-86.2013.403.6100); and offered as collateral in a tax of approximately R\$66 million from the União Federal against Marfrig Global Foods S.A. (Proc. nº 0031885-71.2012.403.6182).
Marfrig	Porto Murтинho – MS	Fazenda Nacional and União Federal	Equipment, improvements and installations offered in a judicial auction to guarantee injunctions from the Fazenda Nacional against Marfrig Global Foods S.A. (Proc. nº 0020672-86.2013.403.6100); and offered as collateral in a tax of approximately R\$59 million from the União Federal against Marfrig Global Foods S.A. (Proc. nº 0031885-71.2012.403.6182).
MFB	Promissão II (State of São Paulo)	Fazenda Nacional	Industrial Unit offered as collateral in a tax of approximately R\$16 million against Marfrig Global Foods S.A. (Proc. nº 0030142-26.2012.403.6182); and offered in connection with an injunction valued at approximately R\$163 million against Marfrig Global Foods (Proc. nº 0020672-86.2013.403.6100).
Pampeano	Hulha Negra – RS / Bagé – RS	State of Rio Grande do Sul – RS	Industrial Unit and fraction of land offered as collateral for ICMS tax benefit.

Company	Destination	Creditor/Beneficiary	Status
Keystone	Site #3 located in Banks, AL, Site #6 located in Eufaula, AL, Site #7 located in Bakerhill, AL, Sites #10, 11,12, 13,14 and 17 located in Camilla, GA; Site # 18 located in Franklin, KY and Site #19 located in Albany, KY; Site #23located in Reidsville, NC; Site#26 located in Toledo, OH; Site located in North Baltimore, OH.	Rabobank	First-priority mortgages.
Keystone	Gadsden, Alabama	Rabobank	First-priority mortgage that guarantees the loan.

As of March 31, 2014, we had invested the total amount of R\$139.0 million in the maintenance, expansion and modernization of our plants and breeders, as well as the other assets of Marfrig.

Insurance

We are currently insured against a variety of risks in Brazil and elsewhere, including losses and damages relating to our slaughter, processing and industrializing plants, business interruption, vehicle fleet and general and public liabilities. We also carry a directors and officers policy issued by ACE Seguradora S.A., which includes all of our officers in Brazil and elsewhere, with global coverage in the amount of R\$50.0 million and that expires on October 17, 2014. We believe our level of insurance coverage is appropriate for a company of our size and that the type of insurance we have is appropriate for our activities.

Regulatory Matters

One of our top priorities is strict compliance with all Brazilian sanitary and environmental laws at the federal, state and municipal levels. This includes keeping our permits up to date.

We seek to comply with substantially all Brazilian sanitary and environmental laws. We have adopted practices in accordance with environmental and labor laws, including by executing an agreement to observe the National Pact for the Eradication of Slave Labor, in March 2008.

Sanitary Regulations

Our slaughter activities and meat processing operations in Brazil are subject to extensive regulation by Brazilian Ministry of Agriculture and by other state or local authorities regarding the processing, packaging, storage, distribution, advertising and labeling of products, including our adherence to safety standards. In recent years, sanitation practices and procedures in the meat processing industry have been subject to more intensive scrutiny and oversight by Brazilian Ministry of Agriculture. Each of our sites in which these activities are performed must be previously licensed by the authorities and we must maintain a technician responsible for each site. The labels of products of animal origin must be registered with Brazilian Ministry of Agriculture. For further information, see “Risk Factors—Risks Relating to Our Business and Industry - We are subject to extensive governmental legislation and regulations in Brazil and in the international markets in which we operate, as well in countries to which we export our products.”

With respect to the sanitary licenses, we hold all necessary sanitary authorizations for us to operate and exercise our activities. Also, there are no material administrative proceedings currently in progress against us for non-compliance with sanitary regulation, and we have not been penalized for any infringement.

Environmental Matters

Environmental Laws

To control the environmental impact of our operations, we maintain a preventive maintenance process for our equipment and filters, as well as programs for the efficient use of water.

We periodically evaluate the environmental impact of our products, processes, operations and services to identify those that cause or could cause material environmental harm. Through our environmental management programs, we seek to identify opportunities for improving production processes, as well as preventing the occurrence of negative environmental impact and lawsuits.

In regard to environmental responsibility, we have always followed strict rules about acquiring cattle only from ranches that are properly registered with IBAMA and have observed the MTE slave labor blacklist. We act proactively when producers fail to comply with the law by immediately removing them from our list of authorized suppliers of animals for slaughter.

The procedures we have adopted include requesting an environmental license, to assure that the properties are properly registered with IBAMA (including daily monitoring of the list of blocked ranches), checking the rural property registration form and other environmental documents when necessary, as well as establishing internal environmental committees at all of our units that operate on the principle of access to information and prevention of environmental problems.

In addition, in December 2007 we implemented a Code of Ethics that establishes guidelines for our relationship with suppliers and includes detailed verification of its implementation. We hold periodic meetings with employees and suppliers, as well as meetings with evaluation committees, to guarantee that these rules are known and complied with. We have also created a hot line to report problems as an additional way to monitor our commercial relationship with our partners.

Environmental Permits

We are subject to extensive environmental laws and regulations. As a producer of animal-derived products which use a wide range of industrial processes, including animal slaughtering and meat processing, our plants are subject to operational permits and water grants to use water resources. Additionally, we are required to observe applicable regulations regarding protected areas.

Brazilian environmental laws and regulations require permits for any activity that causes an actual or potential harm to the environment. These permits are required for location approval, construction and installation, and the operations, and any significant expansion or amendments of our activities and have to be periodically renewed. In addition, permits set out technical requirements that must be fulfilled by us so the permit may remain valid. According to the Resolutions 1/1986 and 237/1997 of the National Council on Environment (*Conselho Nacional do Meio Ambiente*, or “CONAMA”), permits for certain specific activities which are deemed to have a high impact on the environment are subject to a more complex procedure and require the presentation of an environmental impact study (*Estudo Prévio de Impacto Ambiental*, or “EIA”), and an environmental impact report (*Relatório de Impacto Ambiental*, or “RIMA,” together “EIA/RIMA”), a multidisciplinary environmental study.

In addition, Law 9,985/2000 regulates the National System of Conservation Units (*Sistema Nacional de Unidades de Conservação*, or “SNUC”). According to such law and Federal Decrees 4,340/2002 and 6,848/2009, certain activities deemed to cause an actual or potential significant environmental impact must maintain conservation units by paying an amount that is proportionate to the impact caused by such activity, based on information provided in the EIA/RIMA. The licensing environmental agency will calculate the

compensation and its amount will vary, from 0% to 0.5% of the total cost of the investment made for the installation of the project, not including the amount related to the implementation and adoption of environmental programs and plans.

CONAMA Resolution 237/1997 determines which authority (Federal, State or Municipal) is responsible for granting the relevant permit. As such, environmental permits are granted as follows: (i) by Brazilian Environment and Natural Renewable Resources Institute (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or “IBAMA”), if the activity involves or has an environmental impact on more than one state or if the activity/project may affect certain environmental protected areas; (ii) by the state environmental agency, if the activity involves or has an environmental impact on more than one city or on state protected areas; and (iii) by the Municipal Environmental Agency, if the activity involves or has an environmental impact on only one city. The criteria for determining which environmental agency is empowered to grant the permits are not limited to the location where the activity will be implemented, but will also consider the extent of the effects of the activity. The environmental licensing process consists of three permits with determined terms: the preliminary permit, the installation permit and the operational permit. Each permit is granted according to the phase of the activity and their validity will depend on the adherence to the requirements made by the regulator. Operating a potentially pollutant activity without the relevant environmental permit or in violation of the applicable operating requirements may lead to criminal and administrative liabilities, regardless of the obligation to repair any damages in the civil sphere. Regarding administrative liability, operating a potentially pollutant business without the relevant permits may subject a company to penalties that vary from simple warnings to shut down orders, in addition to the imposition of fines that could range from R\$50 to R\$50 million, depending on the seriousness of the violation and the relevant agency’s criteria.

Under Brazilian environmental laws, any individual or legal entity (public or private) that directly or indirectly harms the environment may be held liable for damages caused, irrespective of whether there is a direct or indirect connection between their act (or omission) and the damage caused to the environment. There are three types of liabilities that may arise under Brazilian Environmental Law that may be applied cumulatively: (i) civil, (ii) criminal and (iii) administrative.

Civil liability for environmental damages is strict and it applies irrespective of fault or intent by those that have caused the damage, obliging the remediation of the damages or the payment of indemnification when the damages cannot be remediated. Civil liability also applies jointly and severally to those who, by virtue of their activity, facilitate or contribute to the occurrence of ecological damages, because it defines a polluter as the individual or legal entity that is directly or indirectly responsible for activities that cause environmental degradation. As a result, the party bringing the environmental claim may freely choose whom to sue. In recent years there has been a tendency to claim damages from the party with the greater capacity for repayment, known as the Deep Pocket Doctrine. The party that is being sued may be held liable to repair all of the damage caused. However, such party may in turn bring a lawsuit against the party who was directly responsible for the damage, in order to recover any amounts they paid out to effect the remediation. There is no limit to the amount that Brazilian courts may award to cover the costs of repairing the damage or, if the damage cannot be repaired, the payment of an indemnity.

Federal Law 9,605/98 allows for the assignment of criminal liability to individuals and legal entities. Individuals are subject to fines and imprisonment, but the latter may be substituted in certain circumstances for the restriction of rights. Legal entities are subject to fines, the partial or total suspension of activities and temporary shutdowns, among others.

Administrative penalties may also be imposed whenever a violation of environmental legislation is identified and it results in the imposition penalties (such as warnings, fines and the suspension of activities) by environmental protection agencies.

The application of penalties and/or expenditures with repair or indemnification of environmental damages may impact or even suspend, the installation and operation of our plants. For further information on

the risk related to non-compliance with environmental laws, see “Risk Factors—Risks Relating to Our Business and Industry-Environmental.” Laws and regulations may require increased expenditures for compliance, and non-compliance with these laws and regulations may result in civil, criminal and administrative penalties, as well as in civil liability to redress the damage caused.”

The environmental regulation imposes other additional burden on us, including the requirement of an appropriate destination to our disposals and the authorization requirements for water capture and effluents disposal.

Based on the advice of our internal counsel, we believe that we are in substantial compliance with all material Brazilian governmental environmental laws and regulations, and we endeavor our best efforts to maintain all material environmental permits and permits necessary to our operations are in full force and effect.

For each cattle purchase, we check the National Register of Legal Entities (CNPJ) of the supplier, as well as the Taxpayer’s Card No. (CPF) on the list published by the Ministry of Labor and Employment. We also are in compliance in the following areas:

- suppliers regarding areas seized by IBAMA;
- suppliers regarding conflicts in indigenous areas;
- suppliers regarding slave labor;
- animal supply regarding preservation areas; and
- animal supply regarding deforestation.

Intellectual Property

Under the applicable Brazilian laws, the exclusive right to use a trademark, patent or industrial design in the territory of Brazil is acquired when the Brazilian Patent and Trademark Office (*Instituto Nacional da Propriedade Industrial*, or “INPI”) grants its registration. Until the grant of the registration, the applicant has only a contingent right over the trademark, patent or industrial design.

We own several trademark applications and registrations in Brazil, which are mainly related to commercialization of food. Our main trademarks, such as “BASSI”, “MONTANA” (as a licensee), “MARFRIG” and “TACUAREMBÓ” are currently duly registered at INPI. We also deposited the new trademark Marfrig Global Foods at INPI.

We also own several internet domain names duly registered in Brazil, including “marfrig.com.br.”

We have also trademarks and internet domain registered outside of Brazil. We have a license to use the trademarks Castle Lea, Kitchen Range Foods, Moy Park, O’Kane, and Jaime Oliver. The registered internet domains are: moyparkgroup.com, moyparkchicken.co.uk, moyparkchicken.com, kitchenrangefoods.co.uk, kitchenrangefoods.com, marfrig.eu, moypark.com, moypark.eu, moyparkfoods.co.uk, moyparkfoods.com, albertvanzoonen.nl, and okanepoultry.com.

We currently own one patent for “meat product and method and apparatus for making a meat product”, registered under UK Patent application number 1213457.3, and do not own industrial designs. As of the date of this offering memorandum, all copies of third-party software we use are currently duly licensed.

Investments and Divestments

The charts below set forth, except for transactions related to Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, the transactions between us and our wholly-owned subsidiaries in the three-month periods ended March 31, 2014 and 2013 and the three years ended December 31, 2013, December 31, 2012 and December 31, 2011, that we do not consider related-party transactions because they

are made in the ordinary course of business, integrate our consolidated financial statements and have no impact on our results.

	Three-month period ended					
	March 31, 2014			March 31, 2013		
	Investment	Divestment	Capital Decrease / Increase	Total	Investment	Divestment
				(in millions of R\$)		
Marfrig Argentina S.A.	—	—	27.2	27.2	—	—
Athena Alimentos S.A.	—	—	—	—	(2.8)	—
Total	—	—	27.2	27.2	(2.8)	(2.8)

	2012					
	2013			2011		
	Investment	Divestment	Capital Decrease / Increase	Total	Investment	Divestment
				(in millions of R\$)		
União Frederiquense Partic. Ltda (Frigorífico Mabella Ltda) (Brazil).....	(786.9)	—	(786.9)	—	—	—
Blue Horizon Trading Co. LLC (Quickfood S.A.) (Argentina)	—	—	—	(152.0)	—	—
Marfrig Holdings (Europe) B.V.	—	—	—	1,126.9	—	—
Marfood USA, Inc.....	—	49.8	49.8	—	—	—
Seara Holdings (Europe) B.V.	(640.2)	—	(640.2)	—	—	—
Columbus Netherlands B.V.	(156.0)	—	(156.0)	—	—	—
Frigorífico Tacuarembó S.A.	—	—	—	—	0.4	(19.0)
Masplen Limited.....	—	—	—	—	—	5.8
Marfrig Argentina S.A.	—	40.8	40.8	131.3	—	—
McKey Luxembourg Holdings S.à r.l.....	—	—	—	(1,081.7)	171.5	—
McKey APMEA	—	—	—	—	319.7	—
Athena Alimentos S.A.	(790.5)	—	(790.5)	796.6	—	—
Excelsior Alimentos S.A.....	(21.2)	—	(21.2)	18.6	—	—

Baumhardt Comércio e Participações Ltda.....	—	(8.0)	—	(8.0)	5.8	—	—	—	—	—	—	—
Seculum Participações Ltda.....	—	(8.4)	—	(8.4)	5.8	—	—	—	—	—	—	—
Keystone Foods International Holdings LLC.	—	—	—	—	—	—	—	(491.2)	—	—	(491.2)	—
Total	—	(2,402.9)	90.6	(2,320.7)	1,947.9	(1,233.7)	131.3	845.5	491.6	(491.2)	(13.2)	(12.8)

We will continue to evaluate potential investment and divestment opportunities in the future. For further information on our current capital investments and divestments, see “Summary—Recent Developments” and “—History of Our Organization Growth, Acquisitions and Disposals.”

We did not make any material divestments over the fiscal year ended December 31, 2012. In the year ended December 31, 2013, we sold the Seara Business and the Zenda Business. See “The Seara Brasil and Zenda Transaction.”

Material Contracts

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts” for information on our material contracts.

Legal and Administrative Proceedings

We are party to lawsuits and administrative proceedings incidental to the normal course of our business. Our policy is to provision 100% of the liabilities for which the risk of losses is evaluated as probable. We do not make provisions when the risk of losses is evaluated as possible or remote. We classify each lawsuit into one of these three categories based upon the opinion of outside counsel and specialized technical advisors responsible for each matter.

For further information on material lawsuits with a possible risk of loss, see note 22 to our financial statements as of and for the three-month period ended March 31, 2014 included elsewhere in this offering memorandum.

As of March 31, 2014, we had provisions in the aggregate amount of R\$27.1 million related to (i) lawsuits and administrative proceedings in which we were a defendant, including tax and social security, labor and civil matters and other matters, and (ii) certain non materialized tax contingencies.

Tax and Social Security Proceedings

As of December 31, 2013, the Brazilian legal entities of the Marfrig Group were party to several tax judicial and administrative proceedings involving the total amount of R\$1.7 million. We have recorded accounting provisions in the amount of R\$6.1 million for the tax contingencies above.

Our main tax and social security proceedings are:

Social Security Contributions

We are a party to two administrative proceedings related to the imposition of social security contributions to the Fund for the Assistance of the Rural Worker (*Fundo de Assistência ao Trabalhador Rural*), other entities and funds (SENAR and GILRAT) and penalties for failing to comply with accessory obligations, resulting from a failure to declare social security contribution on a FGTS Payment and Social Security Information Form (*Guia de Recolhimento do FGTS e de Informações à Previdência Social*, or “GFIP”), in the total amount of R\$251.0 million. We have filed administrative defenses against these tax assessments alleging the non-constitutionality of said contribution based on a Federal Supreme Court’s decision. However based on the opinion of external counsels, we believe that losses are possible. An unfavorable decision related to such proceeding may adversely affect our business.

Federal Taxes and Contributions

As of March 31, 2014, we were party to administrative proceedings which involved the total original amount of R\$429.4 million, relating to the following matters: (i) differences in payments of PIS and COFINS debts and ancillary/ filing obligations, (ii) fine for the release of goods due to formal mistakes in documentation (the total amount involved in items (i) and (ii) is of R\$1.2 million), (iii) IPI deemed credit, involving the original amount of R\$0.2 million, but an administrative decision already recognized the

legitimacy of the company's credit, (iv) a request of refund in the original amount of R\$68.6 million on the grounds that the ICMS should be excluded from PIS and COFINS taxable basis, and (v) denial of the offsetting of tax debts with credits relating to the IRPJ in fiscal year 2008 (this tax assessment involves the amount of R\$25.0 million). Marfrig has filed administrative defenses against the tax assessments above, which are pending final judgment. Based on the opinion of our external counsels, we believe that losses in the proceedings above are possible, and therefore we have not recorded provisions for them.

The Company and our subsidiaries MFB and Pampeano also have certain federal tax debts that individually are not significant and which in their totality are valued at R\$141.0 million.

Income tax (IRPJ) and social contribution on net profit (CSLL)

As of March 31, 2014, the Company was a party in an income tax and social contribution proceeding and in an administrative proceeding arising out of tax assessments issued by the federal tax authorities claiming that the Company failed to report R\$37.3 million and R\$38.1 million in income, respectively, deriving from profits of foreign branches, subsidiaries or affiliated companies in fiscal year 2008 when determining the taxable income for purposes of the IRPJ and the CSLL. Marfrig has filed administrative defenses, which are pending final judgment. It is important to note that these tax assessments did not impose any taxes, but rather reduced the amount of tax losses registered by the Company. Moreover, the disallowance of the negative balance of income tax (IRPJ) for 2008, with partial approval of the offsets made (due to the non-recognition of a portion of the credit a debit was created in the historical amount of R\$25.0 million) against said disallowance a statement of nonconformance, was presented so that the entire credits of the Company could be recognized. The Company also has a disallowance of the negative balance of income tax for 2007 in the historical amount of R\$8 million, resulting from alleged improper use of credit to settle monthly estimates forming such negative balance.

The Company is subject to a tax foreclosure related to CSLL, IRPJ and export tax (IE) tax claims in the original amount of R\$16.5 million. Such tax foreclosure is currently guaranteed and secured by certain assets of the Company, and is currently being challenged by the Company. We have also requested the right to offset the tax debts related to such foreclosure with certain tax credits, aiming at the extinction of such debts.

The Company has an action pending requesting additional contributions to SENAI, at a value of R\$0.3 million. Such action is pending the assessment of an expert report to be submitted by the Company.

The Company has tax foreclosures related to social contribution, contribution, income and IE, in the historical amount of R\$17.2 million. In this foreclosure action, a petition was presented stating that the tax debt was previously recorded in Injunction No. 0012598-43.2013.413.6100. There is currently a demand pending to cancel the debt.

The tax foreclosures set forth below, in the total amount of R\$605,264, are not included in the total tax liabilities presented in our financial statements. They are considered to be remote risks for the Company, based on the legal opinion of its legal advisors, and the below actions are being presented in this offering memorandum only as additional information related to tax proceedings:

- The Company is subject to three tax foreclosure actions claiming the payment of certain social security contributions in the total amount of R\$317.9 million. MFB is subject to a similar action claiming the payment of social security contributions in the amount of R\$45.9 million. We have filed administrative defenses against the tax foreclosures claiming for the right to use certain export tax credits to pay the related contributions. The amounts in dispute are not enforceable until final judgment of the defenses.
- Our subsidiary MFG has tax foreclosures related to social security contribution in the historical amount of R\$5.1 million, for which the Company has provisioned assets as a guarantee. Should a judgment be entered into, we plan to challenge the enforceability of the debt.

- Our subsidiaries MFB and Pampeano are involved in certain administrative proceedings that individually are not significant, related to certain federal tax credits that offset potential liabilities in the amount of R\$124.6 million and R\$111.7 million, respectively. We have disputed the claims.

PIS and COFINS Taxes on Imports

In November 2004, Marfrig filed a lawsuit against the charge of PIS and COFINS on imports and requested the right to not pay them. A preliminary injunction was granted and was further confirmed by the first level decision. The Brazilian government appealed and a decision is currently pending. The existing injunction has a favorable effect on our cash flow, as it allows Marfrig to pay these taxes only when its products are sold. The PIS and the COFINS taxes on imports are different from the PIS and the COFINS taxes on income, even though they are related for offsetting purposes. In order to formalize any debt due to the PIS and COFINS taxes on imports that Marfrig is currently not paying, the tax authority will have to file a tax assessment (*auto de infração*). Marfrig is not aware of the amount of the contingency related to the PIS and COFINS taxes on imports. If the injunction that currently allows Marfrig not to pay these taxes is later retracted, Marfrig will have 30 days to pay the amount without any penalty. The payment of PIS and COFINS taxes on imports generates a credit for other PIS and COFINS payments, unless it is barred by the statutes of limitations. An unfavorable decision related to this lawsuit may adversely affect our business and results of operations.

Installment Payment Plan for Federal and Social Security Taxes

On September 30, 2009, Marfrig applied to the special installment payment plan, established by Law No. 11.941/09 (“REFIS”), and cancelled other tax payment programs. The social security tax debts, which Marfrig incurred after it had applied to the tax payment programs, totaled R\$156.3 million. The tax debts have been consolidated by the Brazilian Tax Authorities. Marfrig has regularly paid the installments under the REFIS. For more information on the installment payment plan for federal and social security taxes, see note 16 to our financial statements for the three-month period ended March 31, 2014, included elsewhere in this offering memorandum.

If Marfrig fails to fulfill certain auxiliary procedures related to the REFIS, the full amount of the debts included in this installment payment plan will be charged by the Brazilian Tax Authorities, without considering the discounts granted by the legislation of the REFIS on the interest and fines.

ICMS Tax

Value-added tax on goods and services (*Imposto sobre Circulação de Mercadorias e Serviços*, or “ICMS”), is a state, non-cumulative tax levied on the value of the good at each stage of the production and distribution chain at rates that range from 7.0% to 19.0%, depending on the product and on the state of Brazil in which it is sold.

The discussions related to ICMS involving Marfrig comprise the administrative proceedings filed by the tax authorities of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia, Rio Grande do Sul, Rondônia and Ceará, which challenge the credits from the transfer of goods, non-fulfillment of ancillary obligations, issuance of invoices with mistakes and the lack of payment of the ICMS under the “tax substitution regime”, which amounts involved are of R\$58.2 million. From such amount, the amount of R\$13.2 million was the object of a legal claim on the credit granted by the State of São Paulo, with an injunction that suspended its enforceability. The Company challenges the collection imposed for the lack of supporting documentation to prove the entrance of goods in the Free-Trade Zone of Manaus, at the original value of R\$1.0 million. In the State of Mato Grosso, the tax assessments refer to the disregard of the tax estimative regime established with the State and the absence of issuance of electronic invoice, corresponding to R\$3.9 million evaluated as possible chance of loss.

The most relevant proceedings relating to ICMS arise out of tax assessments issued by the tax authorities of the State of São Paulo claiming amounts related to deemed credit taken on transfer of goods

carried out by the branch located in the State of Mato Grosso do Sul to the branches in the State of São Paulo (this discussion is locally known as “tax war”). The original amount involved in such proceedings is of R\$292.5 million, out of which R\$123.8 million are being discussed at the administrative level. The Company has filed a lawsuit claiming the suspension of the enforceability of a credit totaling R\$98.6 million. Out of such R\$98.6 million, R\$97.1 million refer to five tax foreclosure actions.

Our subsidiary MFB has received various controlled assessment notices for the collection of ICMS debts issued by the treasuries of the states of Rondônia and Goiás, alleging: (i) disallowance of ICMS credits due to breach of certain obligations, (ii) an error in determining the calculation of ICMS, (iii) not including shipping in the calculation of the value of certain provisions for transport services; (iv) for the shipment of goods which did not comply with the minimum applicable tariff and (v) omission of the ICMS statement in the applicable periodic verification statement. The total value of the controlled assessment notices is estimated at R\$0.3 million.

Our subsidiary MFG has received an infraction, in the historical amount of R\$0.6 million, aimed at collecting ICMS debts filed by the State of São Paulo for nonpayment, alleging that the company failed to comply with the GIA tax rate differential with respect to interstate use and material consumption.

Our subsidiary Pampeano has received an infraction, in the historical amount of R\$0.1 million, aimed at the collection of ICMS debts drawn up by the Rio Grande do Sul State Treasury. The infraction discusses the collection of ICMS debts under an alleged invoice issuance without specifying the ICMS goods of that state.

Tax on Services of Any Nature – ISSQN

The Company has received an infraction, aimed at collecting ISSQN, for alleged non-payment of withholding and tax credits for the provision of certain services from October 2005 to June 2010. The total value of the infraction is estimated at R\$66.0 million.

Labor Proceedings

As of March 31, 2014, Marfrig and its subsidiaries were parties to various labor lawsuits and administrative proceedings in which the estimated total risk of losses evaluated as probable and possible was estimated at R\$158.6 million. Based on the history of payments made by the Company, we have made a provision of R\$11.2 million in connection with these lawsuits. Our management and external counsel believe that the provision is enough to cover potential losses. A large percentage of the labor lawsuits filed against us relate to issues commonly alleged against other meat producers, such as discussions about good cause termination, breaks for employees who work in refrigerated environments and demands for in itinerant hours, among others. Out of the total labor lawsuits, we were parties to some collective labor claims filed by workers’ unions or the Public Labor Prosecutor’s Office. The main claims of these collective labor lawsuits are related to change of uniform (preparation time), non-compliance with the legal limit of working hours, breaks for personnel who work in refrigerated environments and payment of health hazard and risk premium.

Any adverse decision in any labor lawsuit or administrative proceedings initiated by labor authorities that requires us to take certain remediation measures may adversely affect our business and results of operation.

On January 31, 2012, Marfrig announced an accident at its tannery in Bataguassu in the State of Mato Grosso do Sul, which was isolated for forensic examination. Preliminary information indicates that there was a chemical reaction during the unloading of inputs by an outsourced company. There were four fatalities and the Company is taking steps to evaluate and implement remedial measures that it deems to be necessary. Losses arising from the deaths and injuries to its own employees are covered by the Company’s civil liability insurance. The Bataguassu unit’s meatpacking and beef processing unit, which is located near the tannery, was not affected by the accident. On July 3, 2012 a Public Civil Action has been filed by Labor Public Prosecutor Office, discussing the conditions of work at the tannery and claiming for collective moral

damages. On December 6, 2013, we resolved such Public Civil Action by signing a legal settlement whereby we agreed to comply with all laws and regulations applicable to the Public Civil Action, to pay a fine of R\$5.0 million over five years and to make certain improvements to our Bataguassu unit.

In November 2013, the Labor Public Prosecutor Office filed a Public Civil Action against our subsidiary MFB, alleging that the company (i) neither granted breaks for personnel who work in refrigerated environments nor permitted them time to change into their uniforms; (ii) granted working breaks shorter than the time set forth by law; and (iii) subjected their employees to excessive working hours, exceeding the legal limit of 2 overtime hours per day. The amount claimed was R\$29.0 million, attributed as collective moral damages. The company alleged that the Labor Public Prosecutor Office was not a lawful party to file this lawsuit and that the allegations did not typify collective damage. In the preliminary hearings, the legal settlement proposal was rejected and an investigation was ordered. We have complied with the preliminary decision and are waiting on the investigation results.

In January 2014, the Public Labor Prosecutor Office filed a Public Civil Action against the Company claiming collective moral damages due to the absence of breaks for personnel who work in refrigerated environments, in the amount of R\$10.0 million. The Company presented its defense at the initial hearing and we are awaiting the decision.

Furthermore we have received 32 notices of infraction from the Ministry of Labor but no administrative sanctions have been applied, other than a fine of R\$1.0 million issued by IMASUL – *Instituto de Meio Ambiente de Mato Grosso do Sul* as a consequence of the accident, which the Company has already appealed.

Civil and Environmental Proceedings

As of March 31, 2014, Marfrig and its subsidiaries were parties to various civil lawsuits in which the risk of losses evaluated as probable and possible was in the estimated total amount of R\$25.8 million, for which we provisioned R\$9.7 million based on the assessment of a probable risk of loss by our management and external counsel. Our civil lawsuits typically involve claims related to our commercial dealings or damages claims.

Antitrust and Administrative Proceedings

On July, 2013, we notified CADE of the Seara Sale. The filed transaction (Concentration Act No. 08700.006153/2013-08) was formally approved by CADE on September 12, 2013.

In August 2013, we notified the Europe Commission of the Seara Sale under case No. 7012. The filed transaction was later formally approved, with the closing occurring on September 30, 2013.

MANAGEMENT

Pursuant to our by-laws, our management is composed of a board of directors (*conselho de administração*) and a board of executive officers (*diretoria*). Our by-laws also provide for a permanent fiscal council.

Board of Directors

Our board of directors is a collective decision-making body responsible for the formulation and monitoring for implementation of overall business policies, including our long-term strategy. It is also responsible, among its other functions, for the appointment and supervision of our executive officers. Under Brazilian Corporate Law, the board of directors is also responsible for the hiring of independent auditors.

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

Pursuant to our by-laws, our board of directors must be composed of a minimum of five and a maximum of eleven members. The directors are elected at our annual shareholders' meeting, for a unified, two-year term of office. The members of our board of directors can be re-elected and removed at any time by our shareholders in a shareholders' meeting. Under the *Novo Mercado* listing segment regulation, a minimum of 20% of the members of our board of directors should be independent. Our directors are required to sign, prior to taking office, the administrators' instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* listing segment regulation.

In addition, under Brazilian Corporate Law, the members of our board of directors are prohibited from acting in any transaction or business in which their interests conflict with our own.

The current members of our board of directors were elected at the annual shareholders' meeting held on April 30, 2013, for a unified two-year term, which is set to expire at the date of our annual shareholders' meeting to be held in 2015.

On July 1, 2013, we announced certain changes to our managerial and organizational structure. See "The Seara Brasil and Zenda Transaction —Group Structure."

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

Name	Age	Position	Date of Election
Marcos Antonio Molina dos Santos	44	Chairman	April 30, 2013
Márcia Aparecida Pascoal Marçal dos Santos	41	Director	April 30, 2013
Rodrigo Marçal Filho	39	Director	April 30, 2013
David G. McDonald	49	Independent Director	April 30, 2013
Carlos Geraldo Langoni	69	Independent Director	April 30, 2013
Marcelo Maia de Azevedo Correa.....	58	Independent Director	April 30, 2013
Antonio dos Santos Maciel Neto	56	Independent Director	April 30, 2013
Alain Emilie Henry Martinet.....	71	Director	April 30, 2013

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

Marcos Antonio Molina dos Santos. Mr. Molina dos Santos is currently chairman of our board of directors. He has extensive experience in the sectors we operate in. He has worked in the beef sector since the age of 16, when he started his own business. Mr. Molina dos Santos was our chief executive officer from the incorporation of our company until January 2014. Mr. Molina dos Santos is also shareholder and chief

executive officer of MMS Participações, our controlling shareholder. Mr. Molina dos Santos holds a high school degree.

Márcia Aparecida Pascoal Marçal dos Santos. Ms. Santos has been a member of our board of directors since March 26, 2007. She has extensive experience in the beef sector and was in charge of our financial team from 2000 to 2006 and of our internal audit team from 2000 to 2006. Since November 12, 2010, she has been a member of our internal audit committee. Ms. Santos holds a high school degree.

Rodrigo Marçal Filho. Mr. Marçal Filho has been a member of our board of directors since March 26, 2007, and is also one of our executive officers with no specific title. His professional life has been connected to the agribusiness area, having worked as farm manager until May 2000, when he joined us. He was responsible for the purchase of cattle and later became our officer in charge of infrastructure. Mr. Marçal Filho holds a high school degree.

David G. McDonald. Mr. McDonald has served as a member of the board of directors of Marfrig since December 2008, when the Company acquired the OSI operations in Europe and in Brazil. He is also the President, chief executive and a member of the board of directors of the OSI Group. Mr. McDonald holds a degree in Animal Science from Iowa State University. In 1987 he joined OSI Industries, LLC as project manager and over time served the Company in various roles, including as chief operating officer and President. Now operating as OSI Group, LLC, this is a food processing international conglomerate with over 70 manufacturing facilities and office premises located in 38 countries.

Carlos Geraldo Langoni. Mr. Langoni has served as independent member of the board of directors of Marfrig since May 2007. He currently serves as a member of the board of directors of Souza Cruz (a subsidiary of British American Tobacco), member of the Advisory Board of the Guardian Industries Group, President of Projeta Consultoria Economica Ltda. and Senior Adviser to Companhia Vale do Rio Doce. Mr. Langoni holds a graduate degree in Economics (1968) from the Federal University of Rio de Janeiro, Brazil, and a PhD degree in Economics (1970) from the University of Chicago, in the United States. He served as Chairman of the Central Bank of Brazil between 1980 and 1983.

Marcelo Maia de Azevedo Correa. Mr. Correa has served as independent member of the board of directors of Marfrig since May 2007. Until August 2012, he served as the chief executive officer of Grupo Neoennergia S.A., as a member of the board of governors of ONS (*Operador Nacional do Sistema Elétrico*) the Brazilian Electric Power System Operator, as director of electric power utilities in the Brazilian states of Bahia (Coelba), Rio Grande do Norte (Cosern) and Pernambuco (Celpe), as director of local power utilities, thermal power stations and small hydropower plants (Itapebi, Termopernambuco, Bahia PCH I, Afluente, Goiás Sul and Baguari I) operated by the Neoennergia group. Previously, he served as chairman of the board of CPFL – Piratininga (2001 – 2002), chief executive officer of VBC Energia S.A. (1997 – 2004), member of the fiscal council of RGE – Rio Grande Energia (1997 – 1999) and of CPFL – Paulista (2000). Mr. Correa holds a graduate degree in engineering (1982) from the Pontifical Catholic University of Rio de Janeiro and a master's degree in Finance (1992) from the IBMEC.

Antonio dos Santos Maciel Neto. Mr. Maciel Neto has served as independent member of the board of directors of Marfrig since May 2007. He is currently the chief executive officer of CAO Group, a leading automotive distribution and manufacturing company in Brazil. From 2006 to 2012 he served as the chief executive officer of Suzano Papel e Celulose S/A, one of Latin America's largest vertically integrated producers of paper and eucalyptus pulp. He is also a member of the board of directors of Archer Daniels Midland Company, a U.S.-based global food processing and commodities trading corporation. From 1999 to May 2006, Mr. Maciel Neto held various executive positions with the Ford conglomerate, including as corporate vice president of the Ford Motor Company (2004), chief executive officer of Ford Brazil (1999 – 2003) and President of Ford South America Operations (2003 – 2006). Previously, he served as Chairman of Grupo Itamarati (sugarcane, renewable energy; from 1997 to 1999) and CECRISA - Revestimentos Ceramicos (ceramic tiles, from 1993 to 1997). Between 1990 and 1993, he held various positions in the federal government of Brazil, including as Adjunct Director of the Manufacturing and Commerce

Department of the Ministry of Development Manufacturing and Trade, and National Adjunct Secretary of Economics of the Ministry of Finance, and Vice Minister of the Ministry of Industry, Commerce and Tourism. In the same period he was technical coordinator of the Brazilian Quality and Productivity Program (*Programa Brasileiro de Qualidade e Produtividade*) or PBQP. He began his professional career at Petrobras in 1980, where he worked for ten years. Mr. Maciel Neto holds a graduate degree in Mechanical Engineering (1979) from the Federal University of Rio de Janeiro.

Alain Emilie Henry Martinet. Mr. Martinet has been working in the beef industry for more than 30 years. From 1978 to 1984 he worked as the manager of the international area of the beef division of Louis Dreyfus Corporation USA. From 1985 to 1991 he was the general manager and from 1991 to 1992 the commercial officer of Frigorífico Rio-Platense. He served as an officer of Swift Argentina for five years, starting on 2001. He joined our Company in October 2006, and previously held the position of the chief executive officer of our Argentine operations, our trading companies and our United States operations.

Advisory Committees to our Board of Directors

Our by-laws provide for the creation of technical and consulting committees to assist our board of directors. These committees may be comprised of members of our board of directors, our executive committee or external service providers. Once installed, our board of directors will determine the attributes of our committees, as well as their goals. We currently have the following committees:

Audit Committee

Our audit committee was created on July 16, 2007 and its current guidelines were approved at a meeting of our board of directors held on January 23, 2014. Our audit committee assists our board of directors in conducting internal and external audit procedures, in matters involving accounting and disclosure of financial information, and in evaluating our legal and internal financial compliance controls.

Finance and Risk Management Committee

Our finance committee was created on July 16, 2007 and its current rules were approved at a meeting of our board of directors held on January 23, 2014. This committee is responsible for periodically examining our investment and financing plans and their impacts on our capital structure, as well as determining parameters for monitoring liquidity and predetermined capital structures.

Compensation, Corporate Governance and Human Resources Committee

Our committee for compensation, corporate governance and human resources was created on July 16, 2007 and its current guidelines were approved at a meeting of our board of directors held on January 23, 2014. This committee is the deliberative body in charge of assessing and reviewing management compensation and focuses on strategic human resources issues.

Management Committee

Our management committee guidelines were approved at a meeting of our board of directors held on January 23, 2014. Our management committee assists the board in delivering its responsibilities concerning our long-term strategy and strategic planning. Our management committee is also responsible for analyzing and approving financial transactions that are valued between 0.5 and 12% of our net worth, based on our most recent publicly disclosed financial statements. The address of our management committee is Naritaweg 165 Telestone 8, 1043 BW Amsterdam, The Netherlands.

Board of Executive Officers

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

Our board of directors may hold a position in our board of executive officers.

Our executive officers are elected by our board of directors for a three-year term of office. Our executive officers can be reelected and removed by our board of directors at any time.

Our by-laws provide that our board of executive officers will have a minimum of two, and a maximum of seven members with the following positions: chief executive officer, general counsel, investor relations officer and chief administrative and financial officer, while the remaining officers do not have specific titles. The executive officers must, prior to taking office, sign an instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* listing segment regulation. Currently, our board of executive officers elected at a meeting of our board of directors held on January 23, 2014 is composed of five members, for a term of office set to end on May 7, 2016, reelection being permitted.

The table below sets forth the name, age, position and date of election of the members of our board of executive officers:

Name	Age	Position	Date of Election
Sergio Agapito Lires Rial	53	Chief Executive Officer	January 23, 2014
Ricardo Florence dos Santos	59	Chief Financial and Administrative Officer and Investor Relations Officer	May 6, 2013
Heraldo Geres.....	45	General Counsel	January 23, 2014
Tang David.....	45	Executive Officer with no specific title	January 23, 2014
Rodrigo Marçal Filho	39	Executive Officer with no specific title	January 23, 2014

Below is a brief biographical description of the members of our executive committee (except for Mr. Rodrigo Marçal Filho, who is also a member of the board of directors):

Sergio Agapito Lires Rial. Mr. Rial has been our chief executive officer since January 23, 2014. His professional background includes holding a position as executive vice-president and global chief financial officer of Cargill as well as being a member of its board of directors. He worked at Cargill for nine years. Before that, he worked as managing director of the investment bank Bear Stearns & Co. in New York, director of ABN AMRO Bank and a member of ABN AMRO Bank's board of directors in The Netherlands. He was also a member of the board of directors of Mosaic Fertilizers. Mr. Rial graduated in law from the Federal University of Rio de Janeiro (UFRJ) and in economics from Universidade Gama Filho. He also holds an MBA from IBMEC – São Paulo, with a specialization from Harvard Business School, from the University of Pennsylvania - Wharton School and from INSEAD, in France. He is also a member of the board of directors of Cyrela Brazil Realty S.A.

Ricardo Florence dos Santos. Mr. Florence dos Santos is our chief financial and administrative officer and investor relations officer. He worked at Grupo Pão de Açúcar from 1984 to 2000, as the financial planning executive officer and the Investor Relations statutory executive officer. He worked for two years at UOL Inc. (*Grupo Folha de São Paulo*) as an investor relations executive officer. He worked from 2006 to 2007 as an adjunct investor relations executive officer at Brasil Telecom. He was a member of the board of Grupo Pão de Açúcar from 1995 to 1999; of UOL Inc. (*Grupo Folha de São Paulo*) in 2001; of Dentalcorp Sand from 2002 to 2006. Mr. Florence dos Santos also served as President of the Brazilian Institute of Investor Relations (*Instituto Brasileiro de Relações com Investidores*), or IBRI. Mr. Florence dos Santos holds a degree in chemical engineering from the Escola Politécnica da Universidade de São Paulo and in business from Universidade Presbiteriana Mackenzie. He holds an MBA from IBMEC São Paulo.

Heraldo Geres. Mr. Geres is our general counsel. He holds a law degree and has been a member of the Brazilian Bar Association since 1994. He also holds a graduate degree in tax law from the Pontifical Catholic University of São Paulo (PUC-SP). Additionally, he holds a bachelor's degree in business administration from PUC-SP, a master's degree in political and economic law from Universidade Presbiteriana Mackenzie and a certificate in global business administration from the Thunderbird School of Business.

Tang David. Mr. Tang David is one of our executive officers with no specific title. He worked for 11 years (starting in 1991) in the treasury department of Asea Brown Boveri – ABB Brasil, where his last position was executive officer of Banco ABB S.A., which is the financial arm of ABB Brasil. He worked for four years (between 2002 and 2006) in the treasury department of JBS Friboi, where his last position was as controller of the in-natura division. He also serves as our internal audit officer.

Board of Executive Officers of Our Business Units

Our management is organized by a board of executive officers by business unit. This board of executive officers is comprised of experienced professionals in each area.

The names, dates and positions of each of the members of our board of executive officers by division are presented below:

Name	Position	Age
Sergio Rial.....	Chief Executive Officer of Marfrig Group	53
Martin Carignani	Head of Argentina business unit	44
Martin Secco Arias.....	Head of Marfrig Beef Southern Cone	48
Janet McCollum	Head of Europe business unit	49
Frank M. Ravndal.....	Head of Keystone business unit	53
Andrew Murchie.....	Head of Marfrig Beef Brazil	44

The heads of our business units can remain in their respective offices indefinitely or may be removed at any time. Below is a brief biographical description of the heads of our business units (other than those officers who are also members of our board of directors or of our board of executive officers):

Martin Carignani. Mr. Carignani is the head of our operations in Argentina. He has more than 19 years of experience in the beef sector. In 1994, he joined the production department of Frigorífico CEPA S.A., becoming responsible for its production costs and management area in 1995 and its planning manager in 1996. He joined us in 2000 as the planning manager of Quickfood, becoming the general manager of Quickfood in 2011. Mr. Carignani holds a degree in Agronomy Engineering from the Universidad Católica de Córdoba, a graduate degree in management from Universidad del ESADE y UCC, an MBA in agro-business from the Universidad del CEMA, and has completed a corporate finance course at IAE.

Martin Secco Arias. Mr. Secco is the head of our Marfrig Beef Southern Cone operations. From 1987 to 1992, he was an executive officer of Frigorífico Brincofor S.A. in Uruguay. From 1992 to 2007 he has worked at Tacuarembó as an industrial and commercial executive officer. He joined us in 2006, in 2007 became the Head of Division of Uruguay, aggregating Chile division in 2008 and Zenda in 2009. Mr. Secco holds a degree in business administration from the Universidad Católica de Uruguay and a post-graduate degree in management from Universidad de Montevideo.

Janet McCollum. Ms. McCollum is the chief executive officer of Moy Park. Ms. McCollum has extensive experience in the business, having worked for Moy Park for more than 20 years. She started her career working for the Coca-Cola beverage company and later for Schweppes. She is also a member of the Chartered Institute of Management Accountants as well as Director of the Chamber of Commerce of

Northern Ireland. Ms. McCollum holds a degree in business administration from Aston University in Birmingham, England.

Frank M. Ravndal Jr. Mr. Ravndal is the chief executive officer of Keystone, reporting to Mr. Sergio Rial. Mr. Ravndal has 17 years of experience in various positions at Cargill, Inc., most recently serving as president of its Thermal Energy Supply Chain business. He also served as president of Cargill North America Power and Gas and of Cargill Americas Grain and Oilseeds Crush Businesses. Prior to joining Cargill, Inc., Mr. Ravndal worked at several companies in the financial industry in Boston and Venezuela.

Andrew Murchie. Mr. Murchie is the head of our Marfrig Beef Brazil operations. His professional background in the animal protein industry started in 1990, as a trainee at Frigorífico Anglo, where he served in the fields of trade, industrial and administration for three and a half years. Later, he became an industrial manager in a plant located in Goiania, where he served for three additional years. In 2003, Andrew joined us as export manager, and assisted in planning and production control, as well as working with technical files, home or internal markets, and retail and wholesale.

Executive Committee

The Executive Committee, which was created by our board of directors and announced in a material fact released on November 7, 2012, is a body which acts as an advisory group to our chief executive officer, primarily with respect to financial and strategic management, relationships with financial institutions and rating agencies, and general management support, budget preparation and control. Mr. Sergio Rial chairs the Executive Committee.

Fiscal Council

Pursuant to Brazilian Corporate Law, the fiscal council (*Conselho Fiscal*) is a body independent of the management and the Company's independent auditors. The primary responsibilities of the fiscal council are monitoring management activities, reviewing the Company's financial statements, and reporting its findings to the Company's shareholders.

Whenever established, the fiscal council will be composed of a minimum of three and a maximum of five members with an equal number of alternates. Only residents of Brazil who hold a university degree or who have served in the position of company manager or on a fiscal council may be elected. The members of our fiscal council must also sign, prior to taking office, the instrument of consent of members of the fiscal council, as established in the *Novo Mercado* listing segment regulation.

The fiscal council may not be composed of members who are also members of our board of directors, board of executive officers or work in a subsidiary or a company of the same group. This prohibition extends to our administrators' spouses or close family member. In addition, Brazilian Corporate Law established that members of the fiscal council will be compensated with at least 10% of the average salary paid to each executive officer, excluding benefits, expenses and profit sharing.

Our fiscal council is a permanent body composed of three effective members and three alternate members, who are appointed for a one-year term of office with the possibility of reelection.

The table below sets forth the name, age, position and date of election of the members of our fiscal council:

Name	Age	Position	Date of Election
Eduardo Augusto Rocha Pocetti.....	55	Effective Member	April 17, 2014
Roberto Lamb.....	65	Effective Member	April 17, 2014
Axel Erhard Brod	56	Effective Member	April 17, 2014
Peter Vaz da Fonseca.....	46	Alternate Member	April 17, 2014

Name	Age	Position	Date of Election
Eduardo Augusto Rocha Pocetti.....	55	Effective Member	April 17, 2014
Roberto Lamb.....	65	Effective Member	April 17, 2014
Axel Erhard Brod	56	Effective Member	April 17, 2014
Peter Vaz da Fonseca.....	46	Alternate Member	April 17, 2014
Carlos Alberto de Albuquerque Sá	64	Alternate Member	April 17, 2014
Christiano Ernesto Burmeister.....	66	Alternate Member	April 17, 2014

Below is a brief biographical description of the current members of our fiscal council:

Eduardo Augusto Rocha Pocetti. Mr. Pocetti holds a graduate degree in accounting and a master's degree in business administration from the Business Administration School of the Getúlio Vargas Foundation (FGV). He serves as President of the Brazilian Institute of Independent Auditors (IBRACON). With over 30 years of experience in auditing, he was a partner of KPMG Auditores Independentes from 2004 to 2011, Chairman of BDO Auditores Independentes, and representative of BDO Brasil before the global network of BDO member firms. He is highly experienced in finance, accounting, independent auditing, economic and financial planning, coordinating middle and upper management in multiple domestic and international large-cap manufacturing companies and financial conglomerates and was lead partner in multiple IPOs and corporate project finance transactions in mergers and acquisitions. Mr. Pocetti has not occupied positions on the board or management of Brazilian public companies.

Roberto Lamb. Mr. Lamb has been a member of the fiscal council of Marfrig Global Foods S.A. since April 2011. He holds a bachelor's degree in physics from the Federal University of Rio Grande do Sul (1972), a graduate degree in monetary economics from the Federal University of Rio Grande do Sul (1987) and a master's degree in business administration (finance) from the same university (1993). He is a certified fiscal council member by the IBGC. He has been (1) Professor of financial administration (undergraduate and graduate programs) at the Federal University of Rio Grande do Sul since 1998; and (2) a member of the fiscal councils of AES Tietê S.A., a company operating in the energy generation segment, since April 2012, and of Gerdau S.A., a company operating in the metal and steel segment, since April 2013. He is also an alternate member of the Fiscal Council of both AES Elpa S.A., a company whose purpose is to hold interest in other companies, and is currently the controlling shareholder of AES Eletropaulo, a company operating in the energy distribution segment, as well as at Petrobras S.A., a company operating in the fields of energy, oil, gas and other energy sources. He is also a member of the fiscal council of the following publicly-held companies: Seara Alimentos Ltda., a Brazilian food producer, Marcopolo S.A., a Brazilian bus and van body maker, Rio Grande Energia S.A., a Brazilian power distributor, and AES Eletropaulo, also a Brazilian power distributor.

Axel Erhard Brod. Mr. Brod holds a graduate degree in business administration from the Universität des Saarlandes em Saarbrücken in Germany and from the Pontifical Catholic University of Rio de Janeiro (PUC-RJ), as well as a master's degree in finance from PUC-RJ. He is currently the managing partner of ABZ Assessoria e Consultoria Empresarial. He is a member of the fiscal council for the following companies: Mahle Metal Leve S.A., Metalúrgica Gerdau S.A., Santos Brasil S.A. and A.W. Faber Castell S.A. From 1999 to 2010, he worked in the MAHLE Group, exercising a wide variety functions, including managing teams at the MAHLE Group's global operations; as member and Chairman of several boards of directors in joint ventures and group companies; and in MAHLE Metal Leve S.A. as the chief financial, administrative and investor relations officer from 1999 to 2010, where he also served as the vice chief executive officer from 2004 to 2010. From 1990 to 1998, he worked in the Thyssen Group in the trading and services division, holding several positions, including as chief administrative and financial officer for South America. From 1984 to 1989, he worked in KPMG Auditores Independentes as audit manager of the German Desk at their Rio de Janeiro branch office.

Carlos Alberto de Albuquerque Sá. Mr. Albuquerque Sá has been an alternate member of our fiscal council since April 30, 2013. He holds an accounting sciences graduate degree and an economic sciences degree, in addition to a post-graduate degree in finance from the Pontifical Catholic University of Rio de Janeiro. Until 2012, he was a professor of corporate risk management & internal controls at the MBA Program of the Armando Alvares Penteado Foundation, and taught risk management at the Director Education Program of the Brazilian Institute of Corporate Governance (*Instituto Brasileiro de Governança Corporativa*), or IBGC. Mr. Albuquerque Sá has been a fiscal council member of the local council of the city of Goiânia (state of Goiás) since July 2011. He previously served as alternate fiscal council member of the Company.

Christiano Ernesto Burmeister. Mr. Burmeister holds graduate degrees in Business Administration and Electronic Engineering from Universidade Mackenzie in São Paulo. He has been with GBS Consultoria - Governança Corporativa e Coaching, a corporate governance advisory and coaching services firm, since 2010. Previously, from 1975 to 2003, he worked for BASF S.A. in a number of positions, last having served as Executive Vice President of BASF South America. He has been a member of the Fiscal Council of Associação Beneficente Mahle since April 2009 and a member of the Higher Committee for Agriculture (COSAG) of the São Paulo Federation of Industries since November 2009. He was appointed to the position by former Minister of Agriculture, Roberto Rodrigues, the then Chairman of the COSAG. In addition, Mr. Burmeister is a former member of the Directive Board of the National Association for Vegetal Protection (*Associação Nacional de Defesa Vegetal* - ANDEF) having served for the 1987-1989, 1993-1997 and 2006-2010 terms. He is a former member (2006-2010) of the Advisory Board of the National Pesticide Trade Union (*Sindicato Nacional de Defensivos Agrícolas* – SINDAG) and, as a representative of TASA, former Board member with the Brazil-Germany Chamber of Commerce and Industry (January 2005 - March 2006).

Peter Vaz da Fonseca. Mr. Fonseca holds a graduate degree in accounting, and specialized in Business Economics from São Paulo University. He attended specialization courses in Auditing and Expert Inspections at Faculdade Álvares Penteado (FECAP). He is an independent accounting consultant for multiple companies, in addition to an external audit committee member for a number of companies across industries. He is an experienced fiscal council member. Mr. Peter has served as a Fiscal Council member for Marfrig Global Foods from April 2010 to April 2013.

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 as of March 31, 2014:

Name	Number of Common Shares	(%)
Marcos Antonio Molina dos Santos ⁽¹⁾	15,215,601	2.92
Márcia Aparecida Pascoal Marçal dos Santos ⁽¹⁾	13,571,401	2.61
Rodrigo Marçal Filho.....	3,451	—
David G. McDonald.....	1	—
Marcelo Maia de Azevedo Correa	36,951	0.01
Carlos Geraldo Langoni	22,351	—
Antonio Maciel Neto.....	96,551	0.02
Alain Emile Henry Martinet.....	3,601	0.00
Sergio Agapito Lires Rial.....	—	—
Ricardo Florence dos Santos	129,652	0.02

Note:—

- (1) Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal dos Santos are the indirect holders of our controlling shareholder. See “Principal Shareholders.”

Compensation

Pursuant to Brazilian Corporate Law, our shareholders are responsible for establishing, at a shareholders’ meeting, on an annual basis, the total amount of compensation of the members of our management. Our board of directors is responsible for deciding how to allocate the amount fixed between its members and those of our board of executive officers.

For the year ended December 31, 2013, the aggregate compensation of the members of our management totaled R\$18.4 million, including charges and benefits. At our general shareholders’ meeting held on April 17, 2014, our shareholders approved an aggregate compensation for the members of our management of up to R\$27.4 million, including benefits and charges for the year ended 2014.

The table below sets forth the aggregate compensation that our directors and officers received during 2013:

	Fixed	Variable	Total
	(in thousands of R\$)		
Board of Directors	2,633,390	—	2,633,390
Management.....	7,853,478	7,155,200	15,008,678
Audit Committee	769,697	—	769,697
Total	11,256,565	7,155,200	18,411,765

CVM Proceedings Against Management

On August 22, 2013, Mr. Marcos Antonio Molina dos Santos (currently chairman of the board), Mr. Ricardo Florence dos Santos (currently chief financial and administrative officer and investor relations officer), Mr. James David Ramsey Cruden, former operational officer, and Mr. Alexandre José Mazzuco, former chief financial officer, all officers of the Company at the time of the alleged facts, were notified by the CVM, the Brazilian securities regulator, through an administrative proceeding (*Processo Administrativo Sancionador*, or “PAS”). In the PAS, the CVM alleges non-compliance by these individuals with rules and regulations governing the preparation and public disclosure of financial information of the Company for the years ended December 31, 2010, 2009 and 2008. The CVM alleged that the named individuals should be held liable in connection with the Company’s failure to timely disclose the contingent payment of the purchase price of the acquisition of Moy Park in the notes to the Company’s financial statements, which disclosure was made in full in 2010. On August 29, 2013, these individuals timely presented to the CVM a Settlement Proposal (*Proposta de Celebração de Termo de Compromisso*, or the “Settlement Proposal”). The CVM board accepted the terms of the Settlement Proposal in a meeting held on December 10, 2013, and, in May 2014, the individuals paid the settlement amounts. The CVM is expected to confirm the fulfilment of the Settlement Proposal and timely certify the termination the PAS.

Stock Option Plan

We have a stock option plan (the “Plan”), which was originally approved on May 7, 2007 at a special shareholders’ meeting. The Plan was revised and consolidated on May 29, 2009 at a special shareholders’ meeting.

The Plan establishes that our board of directors may create stock option programs with specific conditions regarding its participants, number of options granted, performance targets or performance achieved, exercise price and other conditions, which may be different from the general conditions established in the Plan (the “Specific Programs”).

Specific Programs have been developed within the framework of the Plan. They were analyzed by our compensation and corporate governance committee, and submitted to our board of directors. The Specific Programs and contract model were prepared with the assistance of a Brazilian law firm to assure compliance with Brazilian Corporate Law.

The beneficiaries must follow our Securities Trading Policy, which is available on our investor relations website.

As of March 31, 2014, the total of shares held in treasury (balance) was 461,223, and as of March 31, 2014 there was no ongoing share buyback program.

Share Acquisitions Through Our Repurchase Program for the Stock Option Plan and Our Treasury Stocks

On April 9, 2008, our board of directors authorized the acquisition of up to 699,489 of our shares, equivalent to 1% of our shares in circulation on the market, to be held in treasury and later released to the directors who are participants in the long term bonus stock and stock option program, within the limits later approved at the special shareholders' meeting held on May 29, 2009. This share repurchase program was later ratified at the board of directors meeting held on October 2, 2009. According to the board decision, any purchase pursuant to this authorization would have to be made through one of the following institutions: Credit Suisse Hedging Griffo CTVM S.A., Banco Bradesco BBI S.A. or ABN AMRO Real S.A. The authorization was in compliance with the CVM Instruction 10/80 and its effectiveness expired on December 31, 2008.

All purchases were made through Credit Suisse Hedging Griffo CTVM S.A. On May 2, 2008, we acquired 205,600 shares, for the amount of R\$3,885.8 million. In the third quarter of 2008 we acquired another 490,000 shares for R\$9,080.0 million, for a total in 2008 of 695,600 shares acquired for the amount of R\$12,966.0 million, for an average total cost of R\$18,640 per share. The maximum average daily trading price in these transactions was R\$18.9355 per share on August 14, 2008, and the lowest was R\$16.8504 per share on August 27, 2008. The average amounts above include the regular brokerage and fee expenses for the transactions.

As of March 31, 2014, there were 461,223 shares held in treasury (balance) registered in our financial statements in the amount of R\$4,361 thousand.

We do not foresee any dilution for our current shareholders at the time the Plan is exercised on its vesting date up until the limit of shares held in treasury for this purpose.

On February 7, 2011, our board of directors approved the use of R\$100,000,000.00 to repurchase of up to 5,800,000 common shares issued by us, with the objective of maximizing value creation for shareholders through an efficient management of the capital structure. The limit of shares which could be acquired under the Share Buyback Plan represented 2.97% of total outstanding shares. The final deadline for the purchase of shares under the Share Buyback Plan was February 7, 2012. The shares purchased under the Share Buyback Plan shall be held in treasury to cover the exercise of options to purchase shares by beneficiaries of the Plan and/or subsequent cancellation or sale. Share repurchases shall be conducted at market prices on the trading floor of the BM&FBOVESPA through Credit Suisse (Brasil) S.A. Corretora de Títulos e Valores Mobiliários. As a result, in the year ended December 31, 2011, we acquired 1,100,000 shares for R\$9.37 million, recorded as an acquisition of treasury shares in shareholders' equity. In the year ended December 31, 2012, we acquired 865,500 shares for R\$9,948 thousand, recorded as R\$9.45 per share. In the period ended March 31, 2014, there was no ongoing share buyback program and we did not acquire any shares.

Stock Option Grant

In 2008, 55,200 stock options were granted to our board of directors under the Plan. The exercise price for these stock options was established on the basis of the weighted average of the last 20 trading sessions before March 4, 2008, (R\$15.097 per share), with a discount of 10% on the average mentioned above.

(R\$13.588 per share). These options will be exercised at a rate of 25% a year over four years, with 25% at the end of the first year; 25% at the end of the second year; 25% at the end of the third year; and 25% at the end of the fourth year, in accordance with the rules that were approved. In addition, 212,676 stock options were granted to 21 members of our board of executive officers, which were subject to termination and substitution as a result of the reformulation of the Plan approved at the annual shareholders' meeting held on May 29, 2009, and the granting of Specific Plan I (2007/2008) approved at the meeting of our board of directors held on July 28, 2009.

The granting of 165,800 stock options in 2009 (relative to 2008) to our board of directors established by contract was also re-ratified, at the value per share of R\$6.7783, based on the weighted average from the last 20 trading sessions before March 3, 2009, which is the grant date for the Plan. These options will be exercised for the amount above between 2010 and 2013 at the rate of 25% each year.

The granting of stock options of four Specific Programs was approved by our compensation and governance committee on June 29, 2009, and by our board of directors on July 28, 2009, as authorized by our shareholders, at the shareholders' meeting held on May 29, 2009, under the following terms:

- For the 2007/2008 period, which is to be exercised in four installments of 25% each, one per year, with the first one to be exercised by November 30, 2009, and the other three as follows: from March 3, 2010 through September 2, 2010; from March 3, 2011 through September 2, 2011; and from March 3, 2012 through September 2, 2012.
- For the 2008/2009 period (short-term)—exercise by November 30, 2009 (100%).
- For the 2008/2009 period (long-term)—exercise in four installments of 25% each, as follows: from March 3, 2010 through September 2, 2010; from March 3, 2011 through September 2, 2011; from March 3, 2012 through September 2, 2012; and from March 3, 2013 through September 2, 2013.
- For the 2009/2010 period (long-term)—exercise in four installments of 25% each, as follows: from March 3, 2011 through September 2, 2011; from March 3, 2012 through September 2, 2012; from March 3, 2013 through September 2, 2013; and from March 3, 2014 through September 2, 2014.
- For the 2010/2011 period (long-term)—exercise in four installments of 25% each, as follows: from March 3, 2012 through September 2, 2012; from March 3, 2013 through September 2, 2013; from March 3, 2014 through September 2, 2014; and from March 3, 2015 through September 2, 2015.
- For the 2011/2012 period (long-term)—exercise in four installments of 25% each, as follows: from March 3, 2013 through September 2, 2013; from March 3, 2014 through September 2, 2014; from March 3, 2015 through September 2, 2015; and from March 3, 2016 through September 2, 2016.

The exercise prices are:

- R\$0.75485 for the grant in regard to the 2007/2008 period;
- R\$1.03823 for the short-term grant regarding the 2008/2009 period;
- R\$0.67783 for the long-term grant regarding the 2008/2009 period;
- R\$11.02605 for the long-term grant regarding the 2009/2010 period;
- R\$7.0251 for the long-term grant regarding the 2010/2011 period; and
- R\$4.7680 for the long-term grant regarding the 2011/2012 period;
- R\$5.008273 for the long-term grant regarding the 2012-2013 period

The following criteria were adopted for purpose of exercise of stock options in 2009, 2010, 2011, 2012 and 2013:

- **2009:** (a) Specific Plan I—long-term 2007/2008 - R\$15.097 strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2008; (b) Specific Plan II—short-term 2008/2009 - R\$10.3823 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before May 11, 2009; and (c) Specific Plan III—long-term 2008/2009 - R\$6.7783 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2009;
- **2010:** Specific Plan IV—long-term 2009/2010 - R\$11.02605 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2010; and
- **2011:** Specific Plan V – Long Term 2010/2011: Average weighted price in the 20 trading sessions prior to 03/03/2011: R\$7.0251.
- **2012:** Specific Plan VI – Long Term 2011/2012: Average weighted price in the 20 trading sessions prior to 03/03/2012: R\$4.7680.
- **2013:** Specific Plan VII – Long Term 2012/2013: Average weighted price in the 20 trading sessions prior to 03/03/2012: R\$5.0082.

Considering the six programs developed and reviewed by the Corporate Governance and Compensation Committee and submitted to the board of directors, the total number of stock options granted as of March 31, 2014 was 3,121,018 shares. 27,650 options were cancelled or expired in the three-month period ended March 31, 2014. The total number of shares granted by these six plans corresponds to 0.60% of the capital stock, and as such is within the 2.0% limit established by the Shareholder's Meeting on May 29, 2009 for approval by the board of directors. There were 119 participants in our stock option program on March 31, 2014.

Participants Rights Under the Plan

All dividends and distributions or their equivalent (whether in cash, shares or another form) for unexercised restricted shares are rights of the participant and will be credited by us to their account for release when the restrictions terminate.

We will have the option to pay these credits for accumulated dividends or distributions or their equivalent in cash, in our shares in lieu of cash or by other means. If the payment is made in shares, their conversion will be made at the weighted average price from the previous 20 trading sessions on the BM&FBOVESPA before the payment date, adjusted for the net income tax amount levied on the credit granted.

The rights will elapse if the participant ceases to be our employee or to provide services to us for any reason other than death, disability, retirement or involuntary termination that is not for cause. In these cases, all restricted shares will terminate and those not exercised will become released amounts, fully exercised.

When our capital is increased, the participants will have the right to exercise their subscription rights with their own funds for the total of the amount granted, and the shares subscribed will be immediately released to the participant.

Stock Option Plan Movements and its Effects in Our Income Statement as if We Had Accounted for the Stock Option Plan Movements on March 31, 2014

For details on the demonstration of the bonuses paid through restricted shares to our executive officers and through stock options to our directors and information regarding the effects of these payments on our income statement as if we had accounted for the payments on March 31, 2014, please see note 28.5 to our financial statements for the year ended March 31, 2014.

Total Options Granted

The compensation policy is designed to establish the criteria, responsibilities and directions for the short- and long-term compensation program of Marfrig Group's management (bonus and stock option).

The purpose of this policy is to motivate the Company's executive officers to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward pay-out.

The Corporate Governance and Compensation Committee is responsible for evaluating/analyzing Management's compensation. The Committee is made up of a coordinator and two other members, who are all on the board of directors. Meetings are held periodically to discuss strategic HR issues.

The parameters used to determine Management's compensation are based on market practices.

Options granted are broken down as follows:

Plans	Granting date	Performance vesting period	Option expiry date	Options granted	Vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price	Value of option in the period (Black Scholes) in BRL
Total in	12/31/2013			3,121,018	1,654,617	4,724	0	1,622,793	1,493,501		
Options exercised/canceled in previous periods:											
				1,654,617	1,654,617	0	37,450	1,625,967	0		
ESP IV LP 08-10	7/1/2010	3/3/2014	9/2/2014	80,000	80,000	0	0	0	80,000	R\$ 11,0261	4,3161*
ESP V LP 10-11	4/20/2011	3/3/2013	9/2/2012	80,000	80,000	0	0	0	80,000		
ESP V LP 10-11	4/20/2011	3/3/2013	9/2/2012	142,770	142,770	0	0	275	142,495	R\$ 7,0251	2,4351*
ESP V LP 10-11	4/20/2011	3/3/2013	9/2/2013	142,770	0	0	0	375	142,495	R\$ 7,0251	0,1764
ESP VI LP 11-12	4/24/2012	3/3/2014	9/2/2014	250,447	142,770	0	0	350	284,990		
ESP VI LP 11-12	4/24/2012	3/3/2014	9/2/2014	250,447	250,447	0	0	0	250,447	R\$ 4,7680	0,3780*
ESP VI LP 11-12	4/24/2012	3/3/2014	9/2/2015	250,447	0	0	0	0	250,447	R\$ 4,7680	0,6548
ESP VI LP 11-12	4/24/2012	3/3/2014	9/2/2016	250,447	0	0	0	0	250,447	R\$ 4,7680	1,0302
ESP VII LP 12-13	4/5/2013	3/3/2014	9/2/2014	87,380	87,380	0	0	0	87,380	R\$ 5,0083	0,4181*
ESP VII LP 12-13	4/5/2013	3/3/2014	9/2/2015	87,380	0	0	0	0	87,380	R\$ 5,0083	0,5715
ESP VII LP 12-13	4/5/2013	3/3/2014	9/2/2016	87,380	0	0	0	0	87,380	R\$ 5,0083	0,5733
ESP VII LP 12-13	4/5/2013	3/3/2014	9/2/2017	87,380	0	0	0	0	87,380	R\$ 5,0083	1,3852
Total at:	3/31/2014			3,121,018	3,375,214	0	37,450	1,637,517	1,445,951		

*Measured by the difference between the closing quote of the stock on March 31, 2014 and the exercised price of the options after the vesting period.

Plans	Granting date	Market value of unvested options at the end of the period (R\$ thousand)	Market value of outstanding vested options at the end of the period (R\$ thousand)	Effects in the result in case of accounting (R\$ thousand)
Total in	12/31/2013			
Options exercised/canceled in previous periods				
ESP IV LP 09-10	7/1/2010	0.0	-530.9	-125.8
ESP V LP 10-11	4/20/2011	0.0	-530.9	-125.8
ESP V LP 10-11	4/20/2011	0.0	-375.5	346.1
ESP V LP 10-11	4/20/2011	25.2	0.0	346.1
ESP VI LP 11-12	4/24/2012	25.2	-375.5	692.2
ESP VI LP 11-12	4/24/2012	0.0	-94.7	1,173.6
ESP VI LP 11-12	4/24/2012	164.0	0.0	1,173.6
ESP VI LP 11-12	4/24/2012	264.3	0.0	1,173.6
ESP VII LP 12-13	4/5/2013	428.3	-94.7	3,520.8
ESP VII LP 12-13	4/5/2013	0.0	-54.0	388.5
ESP VII LP 12-13	4/5/2013	50.0	0.0	388.5
ESP VII LP 12-13	4/5/2013	85.0	0.0	388.5
ESP VII LP 12-13	4/5/2013	112.3	0.0	388.5
Total at:	3/31/2014	700.8	-1,055.1	5,641.2

Family Relationship Among Management, as well as Between Managers and Our Shareholders

Mr. Marcos Antonio Molina dos Santos, the chairman of our board of directors, and his wife Ms. Márcia Aparecida Pascoal Marçal dos Santos, a member of our board of directors, hold, directly and indirectly, as of March 31, 2014, 33.29% of our capital stock. Mr. Rodrigo Marçal Filho, a member of our board of directors, is Ms. Márcia Aparecida Pascoal Marçal dos Santos's brother.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The table below sets forth information relating to the ownership of our common shares by each holder of 5% or more of our capital stock, as well as by the members of our board of directors and our treasury stock as of the date of this offering memorandum.

Shareholders	Number of Common Shares	(%)
MMS Participações ⁽¹⁾	173,362,696	33.29
Treasury Stock.....	461,223	0.09
Management.....	294,278	0.06
BNDESPAR	102,202,427	19.63
Skagen AS.....	29,217,400	5.61
Others.....	215,209,381	41.33
Total	520,747,405	100.0

Note:—

(1) Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Aparecida Pascoal Marçal dos Santos directly own 15,215,601 (2.92%) and 13,571,401 (2.61%), respectively, common shares of the Company.

The table below sets forth the beneficial ownership structure of MMS Participações.

MMS Participações S.A.	Number of Common Shares	(%)	Total capital stock	(%)
Marcos Antonio Molina dos Santos.....	102,817,625	50.0	102,817,625	50.0
Márcia Aparecida Pascoal Marçal dos Santos	102,817,625	50.0	102,817,625	50.0
Total	205,635,250	100.0	205,635,250	100.0

Information on Our Principal Shareholders

MMS Participações S.A.

MMS Participações, our controlling shareholder, is a corporation organized under the laws of Brazil, with registered office in the city of São Paulo, state of São Paulo. MMS Participações' corporate purpose is to manage its own assets, acquire interests in companies in Brazil and elsewhere and make investments in general. As of the date of this offering memorandum, MMS Participações holds the controlling power, and is controlled by Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos.

BNDES Participações S.A.—BNDESPAR

BNDESPAR is a publicly held corporation organized under the laws of Brazil. BNDESPAR is a wholly-owned subsidiary of the BNDES. Its registered office is located in Brasília, Federal District. BNDESPAR's corporate purpose is to invest in the corporate sector, manage investment portfolios and finance private undertakings.

On August 10, 2010, Marfrig Global Foods S.A. announced the existence of a shareholders' agreement between MMS Participações and BNDESPAR, under which BNDESPAR undertook an investment in the

Marfrig by means of subscription and payment of the debentures (as described below, see “Related Party Transactions”). At that time, BNDESPAR had an interest in 48,200,827 common shares issued by Marfrig, representing 13.89% of Marfrig’s share capital.

On February 5, 2013, BNDESPAR exercised its conversion right and converted 35,000 of principal amount of Mandatory Convertibles debentures into 43,750,000 shares of the Company and became the holder of an aggregate of 102,202,427 of our common shares (representing 19.63% of our total capital stock). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Mandatory Convertibles” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Share Offering.”

On January 3, 2014, we announced that an extraordinary shareholders meeting would be convened to approve the fifth issuance of unsecured convertible debentures in a single series in the aggregate amount of R\$2.15 billion, with the proceeds to be used to redeem the debentures from our second issuance of unsecured convertible debentures. See “Summary – Recent Developments” and for more information on our second issuance of unsecured convertible debentures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Mandatory Convertibles.”

Skagen AS

On September 25, 2013, we announced that we had been informed by Skagen AS (“Skagen”), a Norwegian investment company managing investments funds abroad, that it now owned 29,217,400 of the 520,747,405 common shares of Marfrig, representing 5.61% of Marfrig’s share capital.

RELATED PARTY TRANSACTIONS

According to the Company's by-laws, the board of directors must approve any transactions or group of transactions involving the Company and any related parties, whose annual value exceeds the limit defined by the board of directors. The Company defines a "related party" as any member of management, employee or shareholder of the Company that holds, directly or indirectly, more than a 10% interest in the Company's share capital. Our board of executive officers and our financial committee may approve transactions between related parties whose value is below the limit defined by the board of directors.

The Company's controlling shareholder, MMS Participações, and its sole partners, have endorsed some financial agreements of the Company. No amounts were paid to the controlling shareholder or to its partners for the guarantees offered. In case of default, creditors can demand payment directly from the controlling shareholder and from its partners and, if they make the payment, they will be entitled to reimbursement from the Company. There are no other relationships with officers or shareholders of Marfrig Group with the Company.

In addition, in the ordinary course of business, companies within the Marfrig Group enter into transactions on an arm's length basis. The nature of related-party transactions between Marfrig Group companies are represented by commercial transactions (purchases and sales of products) and sending cash as payment of such transactions, as well as for working capital.

Intercompany loans (instruments receivable and payable) are taken out under contracts establishing different rates and terms. Loan rates vary from 1.00% p.a. to 3.00% p.a. + LIBOR (London Interbank Offered Rate), the latter applied to transactions with foreign subsidiaries.

Purchases and sales of products are made at market values. No guarantees or allowances for doubtful accounts are required. These transactions involve the purchase and sale of fresh meat and cattle, poultry, lamb and pork processed products.

Transactions between subsidiaries do not have an impact on consolidated financial statements, given that they are eliminated in consolidation.

For further information on related party transactions, see note 10.1 to our financial statements as of and for the three-month period ended March 31, 2014.

DESCRIPTION OF THE NOTES

The following summary describes certain provisions of the notes and the Indenture. This summary does not purport to be complete and 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 as set forth under “Listing and General Information.”

The notes (the “Notes”) are to be issued under and governed by an Indenture, to be dated as of June 24, 2014 (the “Indenture”), among Marfrig Holdings (Europe) B.V., as Issuer, Marfrig Global Foods S.A., as Guarantor, Marfrig Overseas Limited (“Marfrig Overseas”), as Subsidiary Guarantor, The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent, The Bank of New York Mellon, as trustee, registrar, transfer agent and New York paying agent (the “Trustee”) and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent (the “Luxembourg Paying Agent”). Copies of the Indenture are available for inspection during normal business hours at the Company’s principal office and at the Corporate Trust Office of the Trustee in New York City, New York. The holders of the Notes are entitled to the benefits of, are bound by, and are deemed to have notice of, all the provisions of the Indenture. Wherever defined terms of the Indenture are referred to, such defined terms are incorporated herein by reference. Certain terms used in this description are defined under the subheading “—Certain Definitions.” For purposes of this “Description of the Notes,” the terms “the Company” and “Guarantor” means Marfrig Global Foods S.A. and its successors under the Indenture, in each case excluding its Subsidiaries; “Issuer” means Marfrig Holdings (Europe) B.V., and its successors under the Indenture, in each case excluding its Subsidiaries; and “Subsidiary Guarantors” means certain subsidiaries of the Company that are from time to time guarantors of the Notes pursuant to the provisions described below under “—Subsidiary Guarantors,” unless the context indicates otherwise. Marfrig Overseas will be the sole Subsidiary Guarantor of the Notes at the time of the issuance of the Notes.

General

The Indenture does not limit the aggregate principal amount of the debt securities that may be issued under the Indenture. The initial outstanding principal amount of the Notes will be U.S.\$850,000,000. The Issuer may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the “Additional Notes”), which shall have identical terms as the Notes issued on the date of issuance, other than with respect to the date of issuance and issue price, either of which shall be confirmed to the Trustee pursuant to an Officers’ Certificate and an opinion of counsel stating that such issuance constitutes a “qualified reopening” for U.S. tax purposes. The Issuer will only be permitted to issue such Additional Notes if at the time of such issuance, the Company and the Issuer are in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes that the Issuer 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 U.S.\$200,000 and integral multiples of U.S.\$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 the Issuer’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 Notes will mature on June 24, 2019 (the “Maturity Date”), and the aggregate principal amount of Notes outstanding at such time will become due and payable. On such date, the Issuer 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 6.875% from June 24, 2014, 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 June 24 and December 24 of each year, commencing on December

24, 2014, to the person in whose name a Note is registered at the close of business on the preceding June 9 or December 9 (each a “Record Date”), as the case may be. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Holders of the Notes must surrender the Notes to any paying agent for the Notes to collect principal payments. Except as described under “—Form and Registration,” the Issuer will pay principal and interest at the office or agency of the Issuer 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.

The Guarantees

The Company and each Subsidiary Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of the principal of, and interest and Additional Amounts on, the Notes, as well as any other amounts whatsoever owed under the Indenture.

Neither the Notes nor the guarantees will be secured by any of the assets or properties of the Company or the Issuer or the Subsidiary Guarantors. As a result, if the Company or the Subsidiary Guarantors are required to pay under the guarantees, holders of the Notes would be unsecured creditors of the Company and the Subsidiary Guarantors.

Subsidiary Guarantors

If, at any time, any of the Company’s Restricted Subsidiaries (other than Keystone International S.à.r.l., Moy Park Holdings Europe Ltd. and any of their respective Subsidiaries, which shall not become Subsidiary Guarantors) constitutes a Significant Subsidiary, then the Company shall promptly cause such Significant Subsidiary to guarantee, on an unsecured basis, all of the obligations of the Company under the Notes and the Indenture by executing a supplemental indenture.

Notwithstanding the foregoing, each guarantee of the Notes will be limited to the maximum amount that (1) would not render such Significant Subsidiary’s obligations subject to avoidance under applicable law, including applicable fraudulent conveyance laws or (2) would not result in a breach or violation by such Significant Subsidiary of any then-existing agreement to which it is a party. By virtue of these limitations, a Subsidiary Guarantor’s obligation under the guarantee of the Notes could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may have effectively no obligation under the guarantee of the Notes.

The guarantee of a Subsidiary Guarantor may be terminated upon:

- (i) a sale or other disposition (including by way of consolidation or merger) by the Company of all or a portion of the Capital Stock of such Subsidiary Guarantor, or the sale or disposition of assets of such Subsidiary Guarantor, in each case following which such Subsidiary Guarantor is no longer a Significant Subsidiary;
- (ii) defeasance or discharge of the Notes, as described in “—Satisfaction and Discharge” and “—Defeasance”; or
- (iii) the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

Marfrig Overseas will be the sole Subsidiary Guarantor at the time of the issuance of the Notes. The Luxembourg Stock Exchange will be notified by the Company in the event a Significant Subsidiary becomes a Subsidiary Guarantor.

Ranking

The Notes will be the Issuer's senior unsecured obligations. The Notes will rank equally in right of payment with all other existing and future unsecured Senior Indebtedness of the Issuer (except those obligations preferred by statute or operation of law).

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

As of the date of this offering memorandum, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than as described in "The Issuer."

Optional Redemption

Except as set forth below, the Issuer will not be entitled to redeem the Notes at its option prior to maturity.

At any time prior to June 24, 2017, the Issuer may at its option on one or more occasions redeem Notes (which includes Additional Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (which includes Additional Notes, if any) originally issued prior to the redemption date at a redemption price (expressed as a percentage of principal amount) of 106.875%, *plus* accrued and unpaid interest to the redemption date, with the Net Cash Proceeds from one or more Equity Offerings; *provided, however*, that

- (1) at least 65% of such aggregate principal amount of Notes (which includes Additional Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Notes held, directly or indirectly, by the Issuer or the Company or their Affiliates); and
- (2) each such redemption occurs within 90 days after the date of the related Equity Offering.

At any time on or after June 24, 2017, the Issuer may, at its option redeem some or all of the Notes at a redemption price equal to the percentage of principal amount set forth below *plus* accrued and unpaid interest, if any, to, but excluding, the applicable redemption date (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period beginning on June 24 of the years set forth below:

Period	Percentage
2017.....	103.438%
2018 and thereafter.....	101.719%

Selection and Notice of Redemption

If the Issuer is redeeming less than all the Notes at any time, the Notes shall be redeemed on a *pro rata* basis or according to methods commonly accepted by the relevant international central securities depositories and stock exchanges (subject to the applicable procedures of DTC).

No Notes of a principal amount of U.S.\$1,000 or less may be redeemed in part and Notes of a principal amount in excess of U.S.\$1,000 may be redeemed in part in multiples of U.S.\$1,000 only. The Issuer will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. The Issuer will issue a new Note in a principal amount equal to the unredeemed portion of the original Note in the name of the holder upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Optional Tax Redemption

The Notes may be redeemed at the Issuer'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 Netherlands, 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 Netherlands, the Issuer has or will become obligated to pay Additional Amounts on the Notes, if such change or amendment is first announced on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided, however*, that (1) for the avoidance of doubt, reasonable measures shall not include changing the jurisdiction of the Issuer or the incurrence of material out-of-pocket costs by the Issuer 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 the Issuer would be obligated to pay such Additional Amounts, were a payment in respect of the Notes then due.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed.

Prior to the giving of notice of redemption of such Notes pursuant to the Indenture, the Company or the Issuer will deliver to the Trustee an Officers' Certificate and a written opinion of recognized Brazilian or Dutch counsel, as the case may be, independent of the Company and the Issuer, to the effect that all governmental approvals necessary for the Issuer to effect such redemption, including any required approvals from the Central Bank of Brazil, the central bank of The Netherlands or the Luxembourg Stock Exchange, if applicable, have been or at the time of redemption will be obtained and in full force and effect and that the Issuer 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 the Issuer 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 or any of its Restricted Subsidiaries' 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); *provided, however*, that payment of interest pursuant to debt securities mandatorily convertible into common stock of the Company or any Restricted Subsidiary that are considered Capital Stock shall not be deemed a Restricted Payment (as defined below) under this clause (a);

- (b) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than the Company or another Restricted Subsidiary (other than a purchase, redemption, retirement or other acquisition for value that would constitute a Permitted Investment);
 - (c) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase, redemption, defeasance or other acquisition of Subordinated Obligations made in anticipation of satisfying a sinking fund obligation, a principal installment or a final maturity, in each case, due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition); or
 - (d) make any Investment (other than a Permitted Investment) in any Person;
- (the actions described in clauses (a) through (d) above being herein referred to as “Restricted Payments” and each, a “Restricted Payment”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:
- (i) an Event of Default will have occurred and be continuing;
 - (ii) after giving effect to the Restricted Payment, the Net Debt to EBITDA Ratio would be greater than 4.75:1; or
 - (iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the management of the Company or the applicable Restricted Subsidiary) declared or made subsequent to the Closing Date would exceed the sum of, without duplication:
 - (A) 100% of Consolidated Net Income accrued during the period (treated as one accounting period) from March 31, 2014 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, but including debt securities mandatorily convertible into common stock of the Company that are considered Capital 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)(d)(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 Repurchase Event; *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 a Change of Control Repurchase Event" 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)(d)(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)(d)(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 Sales 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)(d)(iii) above;
 - (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)(d)(iii) above;
 - (g) so long as no Default or Event of Default has occurred and is continuing, the purchase, redemption or other acquisition, cancellation or retirement for value of any of the Company’s Capital Stock or any Capital Stock of any of its Restricted Subsidiaries held by any then-existing or former director, officer, employee, independent contractor or consultant of the Company or any of its Restricted Subsidiaries or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; *provided, however*, that the price paid for all repurchased, redeemed, acquired, cancelled or retired Capital Stock in all cases does not exceed U.S.\$5.0 million in the aggregate;
 - (h) so long as no Default or Event of Default has occurred and is continuing, the payment of any dividend by a Restricted Subsidiary, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
 - (i) repurchases of Capital Stock of the Company or any Restricted Subsidiary deemed to occur upon exercise of warrants, options or rights to acquire Capital Stock in each case in connection with employee stock option or stock purchase agreements or other agreements to compensate management employees, if such Capital Stock represents a portion of the exercise price of such warrants, options or rights or nominal cash payments in lieu of issuances of fractional shares; and
 - (j) other Restricted Payments in an aggregate amount not to exceed U.S.\$30.0 million since the Closing Date; *provided, however*, that at the time of, and after giving effect to, the proposed Restricted Payment (a) no Default or Event of Default has occurred and is continuing, and (b) the Company could incur at least an additional US\$1.00 of Indebtedness under the Net Debt to EBITDA Ratio test set forth in paragraph (1) of the covenant described under the caption “—Limitation on Indebtedness.”

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 (a) U.S.\$15.0 million, as determined by the management of the Company, such determination shall be approved by the Board of Directors of the Company, and (b) U.S.\$30.0 million, as determined by the management of the Company, such determination shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized standing.

Limitation on Indebtedness

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; *provided, however*, that the Company or any Restricted Subsidiary may Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto and the application of the proceeds therefrom, the Net Debt to EBITDA Ratio would be no greater than 4.75:1.
- (2) Notwithstanding clause (1) above, the Company or any Restricted Subsidiary may Incur the following Indebtedness:
 - (a) intercompany Indebtedness between or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided, however*, that:
 - (i) if the Company or any Restricted Subsidiary is the obligor on such Indebtedness Incurred, such Indebtedness must be subordinated to the Notes in right of payment, in the case of the Company, or any applicable Subsidiary Guarantee; and
 - (ii) any subsequent issuance or transfer of Capital Stock or any other event that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (a);
 - (b) Indebtedness:
 - (i) represented by the Notes and the Subsidiary Guarantees (other than any Additional Notes);
 - (ii) outstanding on the Closing Date; or
 - (iii) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this subclause (b) or in clause (1) above.
 - (c)
 - (i) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of, or was otherwise acquired by, the Company); *provided, however*, that on the date that such Restricted Subsidiary is acquired by the Company, the Company would have been able to Incur U.S.\$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 or Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims;
 - (e) Purchase Money Obligations, which may include Capitalized Lease Obligations, in an aggregate principal amount not in excess of U.S.\$50.0 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 U.S.\$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) (i) Indebtedness incurred to pay all or a portion of the purchase price or lease of: (A) equipment useful in a Related Business, (B) vehicles and trucks used to transport cattle to the Company’s or a Restricted Subsidiary’s slaughterhouses or containers or other shipments of its beef and other products destined for export or domestic sale and (C) aircraft up to an aggregate amount not to exceed U.S.\$15.0 million; *provided* that in each case (A), (B) and (C), the equipment, vehicles, trucks or aircraft are used in the ordinary course of business of the Company or its Restricted Subsidiaries; and (ii) Refinancing Indebtedness Incurred in respect of Indebtedness Incurred pursuant to this clause (i);
 - (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;
 - (k) Indebtedness to the extent that the net proceeds thereof are promptly deposited to defease, or to satisfy and discharge, all of the outstanding Notes in accordance with the provisions of “—Satisfaction and Discharge” and “—Defeasance”;
 - (l) Indebtedness arising from agreements providing for adjustment of purchase price or other similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or a Restricted Subsidiary; *provided, however*, that the maximum aggregate liability in respect of such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any of its Restricted Subsidiaries in connection with such disposition;
 - (m) Indebtedness in an aggregate principal amount at any time outstanding not to exceed the greater of (i) U.S.\$100.0 million (or the equivalent amount thereof at the time of determination) and (ii) 4.0% of Consolidated Net Tangible Assets as of the most recent period for which financial statements are available; and
 - (n) Indebtedness consisting of Guarantees of Indebtedness of the Company or any Restricted Subsidiary incurred under any other clause of this covenant.
- (3) For purposes of determining compliance with this covenant:
- (a) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including clause (1) above, the Company, in its sole discretion, may

classify, and from time to time may reclassify, such item of Indebtedness in one of the types of Indebtedness described above, including clause (1) above; and

- (b) the Company will be entitled to divide and classify, and from time to time may reclassify, an item of Indebtedness in more than one of the types of Indebtedness described above, including clause (1) above.

Notwithstanding any other provision of this covenant, neither the Company nor any Restricted Subsidiary shall, with respect to any outstanding Indebtedness Incurred, be deemed to be in violation of this covenant solely as a result of fluctuations in the exchange rates of currencies.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated calculated based on the relevant currency exchange rates as calculated in the first sentence of this paragraph. Any and all calculations shall be performed by the Company.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to incur, issue or assume any Indebtedness secured by a Lien (the “Initial Lien”) upon any property or assets of the Company or any Restricted Subsidiary without effectively providing that the Notes (together with, if the Company so determines, any other Indebtedness or obligations then existing or thereafter created) shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured; *provided, however*, that any Lien created for the benefit of the holders of the Notes (and, if applicable, holders of such other Indebtedness or obligations) pursuant to the foregoing shall provide by its terms that such Lien will be automatically and unconditionally released and discharged upon release and discharge of the Initial Lien; except that the foregoing provisions shall not apply to (without duplication):

- (a) Liens which secure only Indebtedness owing by any Restricted Subsidiary to the Company and/or by the Company to one or more Restricted Subsidiaries;
- (b) Liens on any property or assets acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Liens on the property or assets of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction; *provided* that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary;
- (c) any Lien on any property or assets existing at the time of acquisition thereof and which is not created as a result of or in connection with or in anticipation of such acquisition; *provided* that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary;
- (d) Liens for taxes, assessments, governmental charges, levies or claims which are not yet due or thereafter can be paid without penalty or are being contested in good faith by appropriate proceedings or the period within which such proceedings may be initiated has not expired;
- (e) pledges or deposits in connection with workers’ compensation laws, unemployment insurance laws or similar legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which the Company or any Restricted Subsidiary is a party, good faith deposits in

- connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which the Company or any Restricted Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;
- (f) any Lien in favor of issuers of surety or performance bonds or letters of credit, or other obligations of a like nature, issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of business;
 - (g) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens, on the property or assets of the Company or any Restricted Subsidiary arising in the ordinary course of business and securing payment of obligations that are not yet due or are being contested in good faith by appropriate proceedings;
 - (h) Defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary, and which are made on customary and usual terms applicable to similar properties;
 - (i) Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that such deposit account is not a dedicated cash collateral account and is not intended by the Company or any Restricted Subsidiary to provide collateral to such depository institution;
 - (j) any rights of set-off of any Person with respect to any deposit account of the Company or any Restricted Subsidiary arising in the ordinary course of business;
 - (k) Liens granted to secure borrowing from (i) *Banco Nacional de Desenvolvimento Econômico e Social —BNDES* or any other Brazilian governmental development bank or credit agency, or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;
 - (l) judgment Liens not giving rise to an Event of Default so long as such Lien is bonded in accordance with applicable law and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;
 - (m) any Liens on the inventory or receivables of the Company or any Restricted Subsidiary (and all intangibles related thereto and proceeds thereof), securing the obligations of such Person under any credit facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of receivables securing Indebtedness shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Company's consolidated gross revenues from export sales for the 12-month period ending on the last day of the Company's most recently completed fiscal quarter or (ii) with respect to transactions secured by receivables from non-export sales, 80% of the Company's consolidated gross revenues from non-export sales for the 12-month period ending on the last day of the Company's most recently completed fiscal quarter; and, *provided, further*, that Advance Transactions will not be deemed transactions secured by receivables for purpose of the above calculation;
 - (n) Liens on property or assets (including Capital Stock) of any Person that secure Indebtedness Incurred for the purpose of financing all or any part of the purchase price or cost of construction or

improvement of such property or asset and which attach within 365 days after the date of such purchase or the completion of construction or improvement;

- (o) Liens in existence on the Closing Date;
- (p) other Liens securing obligations in an aggregate amount not to exceed 20.0% of Consolidated Net Tangible Assets;
- (q) any Lien securing Hedging Obligations so long as such Hedging Obligations are entered into for bona fide, non-speculative purposes or are otherwise permitted to be Incurred under the Indenture;
- (r) Liens in respect of options, put and call arrangements, rights of first refusal and similar rights relating to Investments in Permitted Joint Ventures and the like, to the extent that such Investments are permitted under “–Limitation on Restricted Payments”; and
- (s) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the clauses (b), (c), (k), (n) or (o) above or of any Indebtedness secured thereby, *provided* that the principal amount of Indebtedness so secured shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement (*plus* premiums, interest and reasonable expenses incurred in connection therewith), and that such extension, renewal or replacement Lien shall be limited to all or part of the property which secured the Lien extended, renewed or replaced (*plus* improvements on or additions to such property).

Liens or deposits required by any contract or statute or other regulatory requirements in order to permit the Company or a Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of a governmental entity or any department, agency or instrumentality thereof, or to secure partial progress, advance or any other payments to the Company or any Restricted Subsidiary by a governmental entity or any department, agency or instrumentality thereof pursuant to the provisions of any contract or statute shall not be deemed to create Indebtedness secured by Liens.

Limitation on Sales of Assets

- (1) The Company will not, and will not permit any Subsidiary to, make any Asset Disposition unless the following conditions are met:
 - (a) The Asset Disposition is for Fair Market Value;
 - (b) At least 75% of the consideration consists of all or part of any of the following, received at closing, (i) cash and Temporary Cash Investments or (ii) Additional Assets;
 - (c) Within 360 days after the receipt of any Net Available Cash from an Asset Disposition, the Net Available Cash may be used:
 - to permanently prepay, repay or purchase 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;
 - to acquire Additional Assets for the Company or its Restricted Subsidiaries; or
 - in connection with a combination of any of the foregoing;
 - (d) The Net Available Cash of an Asset Disposition not applied pursuant to clause (c) above within 360 days of the Asset Disposition shall constitute “Excess Proceeds.” Excess Proceeds of less than

U.S.\$50.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds U.S.\$50.0 million, the Issuer must, and the Company shall cause the Issuer 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 aggregate principal amount of the Notes and all *pari passu* Senior Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Disposition, rounded down to the nearest U.S.\$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, the Issuer will, and the Company shall cause the Issuer to, (a) make an offer (an "Offer") to purchase such Notes (and any other *pari passu* Senior Indebtedness), at a purchase price, in U.S. dollars, of 100% of such Notes principal amount *plus* accrued and unpaid interest (including Additional Amounts, if any) thereon, to the date of purchase; and (b) if the aggregate principal amount of Notes (and any other Senior Indebtedness) tendered pursuant to the Offer exceeds the Net Available Cash allotted to their purchase, the Company shall select the Notes and other Senior Indebtedness to be purchased on a *pro rata* basis (subject to the applicable procedures of DTC) but in round denominations, which in the case of the Notes will be denominations of U.S.\$1,000 principal amount or incremental multiples thereof.
- (3) The Issuer 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 the Issuer 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.

Solely for the purposes of clause (1)(b) above, the following will be deemed to be cash:

- (a) any liabilities (as shown on the Company's most recent consolidated balance sheet or in the footnotes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been shown on the Company's consolidated balance sheet or in the footnotes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by the Company) of the Company or any Restricted Subsidiary, other than liabilities that are by their terms subordinated to the notes or to any Subsidiary Guarantee, that are assumed by the transferee of any such assets (or are otherwise extinguished in connection with the transactions relating to such Asset Disposition) and for which the Company and all of its Restricted Subsidiaries have been validly released; and
- (b) securities received by the Company or any of its Restricted Subsidiaries from the transferee that are converted within 90 days into cash or Temporary Cash Investments.

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 U.S.\$3.0 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.\$10.0 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.\$40.0 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;
- (iii) transactions or payments pursuant to any employee, officer or director compensation or benefit plans, customary indemnifications or arrangements entered into in the ordinary course of business;
- (iv) (A) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms or (B) transactions with Permitted Joint Ventures on market terms;
- (v) the issuance or sale of any Capital Stock (other than Disqualified Stock) of, and any contribution of capital to, the Company;
- (vi) Restricted Payments that are permitted by the provisions of the covenant described under “—Limitation on Restricted Payments” above; and
- (vii) transactions on arm's-length terms with any Person that is not an Affiliate prior to such transaction but becomes an Affiliate as a result of such transaction, in an aggregate amount, together with all other transactions made pursuant to this clause (vii), not exceeding U.S.\$30.0 million.

Limitation on Sale and Lease-Back Transactions

The Company covenants and agrees that neither the Company nor any Restricted Subsidiary will enter into any Sale and Lease-Back Transaction unless either the Company or such Restricted Subsidiary would be entitled:

- (a) (i) pursuant to the provisions of the covenant described under “—Limitation on Indebtedness” above to Incur Indebtedness in a principal amount equal to or exceeding the Attributable Debt in respect of such Sale and Lease-Back Transaction; and

- (ii) pursuant to the provisions of the covenant described under “—Limitation on Liens” above to Incur a Lien to secure such Indebtedness; or
- (b) the Company, during or immediately after the expiration of three months after the effective date of such Sale and Lease-Back Transaction (whether made by the Company or a Restricted Subsidiary), applies to the voluntary retirement of Funded Debt, an amount equal to the Value of such Sale and Lease-Back Transaction, less an amount equal to the sum of: (i) the principal amount of Notes delivered, within such three-month period, to the Trustee for retirement and cancellation and (ii) the principal amount of other Funded Debt voluntarily retired by the Company within such three-month period, in each case excluding retirements of Notes and other Funded Debt as a result of conversions or pursuant to mandatory sinking fund or mandatory prepayment provisions or by payment at maturity.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary or with respect of any other interest or participation in, or measured by, its profits;
- (2) pay any Indebtedness owed to the Company or any Restricted Subsidiary;
- (3) make loans or advances to the Company or any Restricted Subsidiary; or
- (4) transfer any of its properties or assets to the Company or any Restricted Subsidiary.

However, the preceding restrictions will not apply to encumbrances or restrictions:

- (i) existing under or by reason of applicable law or governmental rule, regulation or order;
- (ii) on any property or assets acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or by reason of any Liens on the property or assets, or relating to the Indebtedness, of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary, or restriction relating to Indebtedness of any such Person and, in any such case, is not created as a result of or in connection with or in anticipation of any such transaction; *provided* that such Liens and any extensions, renewals, replacements or refinancings thereof may not extend to any other property owned by the Company or any Restricted Subsidiary; and *provided further* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
- (iii) on any property or assets existing at the time of acquisition thereof and which are not created as a result of or in connection with or in anticipation of such acquisition; *provided* that such encumbrances and restrictions and any extensions, renewals, replacements or refinancings thereof may not extend to any other property owned by the Company or any Restricted Subsidiary; and *provided further* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
- (iv) in the case of clause (4) above:
 - (a) that exist by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture;

- (b) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract or contractual right;
- (c) contained in mortgages, pledges or other security agreements permitted under the Indenture securing Indebtedness of the Company or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements;
- (d) imposed by Purchase Money Obligations for property acquired in the ordinary course of business or by Capitalized Lease Obligations permitted under the Indenture on the property so acquired, but only to the extent that such encumbrances or restrictions restrict the transfer of the property; or
- (e) arising or agreed to in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company and its Restricted Subsidiaries.
- (v) imposed by the standard loan documentation in connection with loans from (i) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* or any other Brazilian governmental development bank or credit agency, or (ii) any international or multilateral development bank, government sponsored agency, export-import bank or official export-import credit insurer;
- (vi) imposed pursuant to a provision in a credit agreement or any other agreement to which a Restricted Subsidiary is party that limits such Restricted Subsidiary's ability to pay more than 50% of the aggregate amount of its net income accrued on a cumulative basis during the period, taken as one accounting period, beginning on the issue date and ending on the last day of such Restricted Subsidiary's most recently completed fiscal quarter as dividends or any other distributions on its Capital Stock;
- (vii) existing by reason of Liens that secure Indebtedness otherwise permitted to be incurred under the provisions of the covenant described under “—Limitation on Liens” above and that limit the right of the debtor to dispose of the assets subject to such Liens;
- (viii) imposed with respect of a Restricted Subsidiary pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;
- (ix) with respect to a Restricted Subsidiary and imposed pursuant to a customary provision in a Permitted Joint Venture or other similar agreement with respect to such Restricted Subsidiary; or
- (x) existing on the Closing Date and any amendments, extensions, renewals, replacements or refinancings thereof; *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced.

Consolidation, Merger, Conveyance, Sale or Lease

Nothing contained in the Indenture prevents the Company from consolidating with or merging into another Person or conveying, transferring or leasing the Company's properties and assets substantially as an entirety to any Person; *provided* that,

- (a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the Company's properties and assets

substantially as an entirety is a Person (the “Successor Company”) organized and existing under the laws of Brazil or the United States, any State thereof, the District of Columbia or any other country member of the Organization for Economic Co-operation and Development (OECD) 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 in 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 (i) could Incur at least an additional U.S.\$1.00 of Indebtedness under clause (1) of the covenant described under “—Limitation on Indebtedness” above or (ii) would have a Net Debt to EBITDA Ratio less than or equal to the Company’s Net Debt to EBITDA Ratio immediately prior to such transaction;
- (d) each Subsidiary Guarantor (unless it is the other party to the transactions above, in which case clause (a) above shall apply) shall have by supplemental indenture confirmed that its Subsidiary Guarantee shall apply to such Person’s obligations in respect of the Indenture and the Notes; and
- (e) the Company has delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the Indenture and that all conditions precedent set forth therein relating to such transaction have been satisfied.

The Company will not permit the Issuer 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 with or into or to 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 Person was organized or under the laws of Brazil, the United States or The Netherlands, any State thereof, the District of Columbia or any other country member of the Organization for Economic Co-operation and Development (OECD), and (y) in the case of a consolidation, merger, conveyance, transfer or lease of all or substantially all of the assets of a Subsidiary Guarantor, such Person shall expressly assume, by a Guarantee agreement substantially similar in all respects to the Subsidiary Guarantee to which such Subsidiary Guarantor was a party and in a form satisfactory to the Trustee, all the obligations of such Subsidiary Guarantor, if any, under such Subsidiary Guarantee; *provided* that the foregoing shall not apply in the case of a Subsidiary Guarantor that (A) has been disposed of in its entirety to another Person (other than to the Company or a Restricted Subsidiary), whether through a merger, consolidation or sale of Capital Stock or assets or (B) as a result of the disposition of all or a portion of its Capital Stock, ceases to be a Restricted Subsidiary, in both cases, if in connection therewith the Company provides an Officers’ Certificate to the Trustee to the effect that the Company shall comply with its obligations under the covenants described under “—Limitation on Sales of Assets” and “—Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries” in respect of such disposition);
- (2) immediately after giving effect to such transaction or transactions on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default shall have occurred and be continuing; and
- (3) the Company delivers to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease, such guarantee agreement, if

any, and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the Indenture and that all conditions precedent set forth therein relating to such transaction have been satisfied.

Other Covenants

In addition, the Indenture will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding permitted lines of business of the Company, the performance of the Company's and the Issuer's obligations under the Notes, the maintenance of the Company's and the Issuer's corporate existence, the maintenance of the Company's and any Subsidiary Guarantors' properties, the compliance with applicable laws, maintenance of the Company's, the Issuer's and any Subsidiary Guarantors' governmental approvals, the Company's, the Issuer'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, the Issuer'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 a Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, each holder of Notes will have the right to require the Issuer and the Company to repurchase all or any part (equal to U.S.\$200,000 and integral multiples of U.S.\$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 U.S.\$200,000. In the Change of Control Offer, the Issuer and the Company will offer a "Change of Control Payment" in U.S. dollars equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased, to the date of purchase (subject to the right of the holders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date).

No later than 30 days following a Change of Control Repurchase Event, the Issuer 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 Repurchase Event and offering to repurchase Notes on the date specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

Notwithstanding anything to the contrary contained herein, the Issuer and the Company may make an offer to purchase in advance of a Change of Control and conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the offer to purchase is made.

The Issuer 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 the Issuer 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, the Issuer 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 the Issuer and the Company.

The paying agents will promptly deliver to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will upon written order of the Issuer authenticate and deliver (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 U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Issuer 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 the Issuer and the Company to make a Change of Control Offer following a Change of Control Repurchase Event 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 Repurchase Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer and the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer and the Company will not be required to make a Change of Control Offer upon a Change of Control Repurchase Event 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 the Issuer and the Company and such third party purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

Suspension 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 Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (f) “—Limitation on Sale and Lease-Back Transactions”; and
- (g) clause (c) of “—Consolidation, Merger, Conveyance, Sale or Lease”.

Clauses (a) through (g) above are collectively referred to as the “Suspended Covenants.”

If, during any period in which the Suspended Covenants are suspended, the Notes cease to have an Investment Grade Rating by two Rating Agencies, the Suspended Covenants will thereafter be reinstated and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain an Investment Grade Rating by any two Rating Agencies (in which event the Suspended Covenants will again be suspended for such time that the Notes maintain an Investment Grade Rating by any two Rating Agencies); *provided, however*, that no Default or breach or violation of any kind will be deemed to exist under the Indenture, the Notes or any Subsidiary Guarantee with respect to the Suspended Covenants (whether during the period when the Suspended Covenants were suspended or thereafter) based on, and none of the Issuer, 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. The Issuer shall provide notice to the Trustee within 5 Business Days of any date in which the covenants are suspended or reinstated.

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 60 consecutive days after written notice 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 U.S.\$40 million or more;
- except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor,

shall contest the enforceability thereof in a pleading in any court of competent jurisdiction or similar body;

- the Company 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 Company Guarantee, or gives notice to such effect (other than by reason of the termination of the Indenture or the release of the Company Guarantee in accordance with the provisions of the Indenture); and
- certain events of bankruptcy, insolvency or reorganization of the Issuer, Company or any Significant Subsidiary.

The Company will deliver to the Trustee, within thirty 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 of Brazil 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.

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 of exercising any trust or power conferred on the Trustee with respect to the Notes, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed conflicts with any law or the provisions of the Indenture, if the Trustee shall determine that such action would be prejudicial to holders of the Notes not taking part in such direction or if the Trustee determines in good faith that such action would involve the Trustee in personal liability and the Trustee is not offered indemnity or security satisfactory to it.

No holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

- such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes;

- the holders of not less than 25% in principal amount of the outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee thereunder;
- such holder or holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes,

it being understood and intended that no one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such holders.

Notwithstanding any other provision of the Indenture, the holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest (and Additional Amounts), if any, on such Note and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such holder.

Additional Amounts

All payments of principal and interest by the Issuer or on behalf of the Issuer 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 Netherlands, Brazil or any other jurisdiction from or through which payments by or on behalf of the Issuer 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, the Issuer or the Company (in the case of payments made by the Company), 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 (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) and Brazil, The Netherlands or any other jurisdiction through which payments by or on behalf of the Issuer are made or within any political subdivision thereof, other than the mere receipt of such payment or the mere holding or ownership of such Note or beneficial interest or enforcement of rights thereunder;
- (b) in respect of any tax to the extent that such tax would not have been so withheld or deducted if the Note had been presented for payment within 30 days after the Relevant Date (as defined below);
- (c) in respect of any tax that would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the Note to (i) make a declaration of non-residence or any other claim or filing for exemption to which it is entitled or (ii) comply with any reasonable certification, identification, information, documentation or other reporting requirement concerning its nationality, residence, identity or connection with the United States, Brazil or The Netherlands

- or any other jurisdiction (or any political subdivision thereof) from or through which payments by or on behalf of the Issuer are made ;
- (d) in respect of any tax that would not have been so withheld or deducted but for the failure by the holder or beneficial owner of the Note, or any financial institution through which the holder or beneficial owner holds any note or through which payment on the Note is made, to enter into an agreement described in Section 1471(b)(1) of the Code or otherwise comply with Sections 1471 through 1474 of the Code or any regulations promulgated thereunder;
 - (e) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;
 - (f) in respect of any tax, assessment or other government charge payable other than by withholding or deduction;
 - (g) 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;
 - (h) 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;
 - (i) in respect of any taxes imposed in connection with a Note presented for payment by or on behalf of a holder thereof who is a resident of the European Union for tax purposes and who would have been able to avoid such tax by presenting the relevant Note to another paying agent in a member state of the European Union to whom presentation could have been made; or
 - (j) in respect of any combination of (a) through (i) above.

“Relevant Date” means, with respect to any payment due from the Issuer 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), the Issuer or the Company, as the case may be, will furnish to the Trustee and each paying agent an Officers’ Certificate instructing the Trustee and each such paying agent whether payments of principal 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, the Issuer or the Company, as the case may be, will furnish the Trustee and each such paying agent with an Officers’ Certificate which specifies the amount, if any, required to be withheld on such payment to holders of the Notes and certifies that the Issuer or the Company, as the case may be, shall pay such withholding or deduction. Any Officers’ Certificate required by the Indenture to be provided to the Trustee and any paying agent for these purposes shall be deemed to be duly provided if delivered to the Trustee and such paying agent, with originals to follow.

The Issuer 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.

The Issuer 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 Netherlands and except, in certain cases, for taxes, charges or similar levies resulting from certain registration of transfer or exchange of Notes.

Reports

The Company shall provide the Trustee and, upon request, the holders of the Notes:

- within 120 days following the end of each fiscal year of the Company after the Closing Date, the annual financial statements (including the notes thereto) of the Company in a form substantially similar to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP and presented in the English language and a report thereon by the Company's certified independent accountants.
- within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending after the Closing Date, all quarterly financial statements (including the notes thereto) of the Company, prepared in accordance with Brazilian GAAP and presented in the English language.

In addition, the Issuer 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 Euro MTF Market 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 Paying Agent.

Modification of the Indenture

The Indenture contains provisions permitting the Issuer, 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 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);
- 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 the 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 the Issuer, the Company and the Trustee to amend the Indenture in certain circumstances without the consent of the holders of any Notes to evidence the Company's merger, the replacement of the Trustee and for certain other purposes.

No Personal Liability of Directors, Officers, Employees and Shareholders

No past, present or future director, officer, partner, employee, incorporator, shareholder or member of the Issuer, the Company or any Subsidiary of the Company shall have any liability for any obligations of the Issuer, 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 and Dutch corporate law.

Enforceability of Judgments

Since the Issuer is incorporated in The Netherlands, 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 the Issuer, 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 "Enforcement of Judgments and Service of Process."

Luxembourg Listing

We will apply to list the Notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. Following the issuance of the Notes, we will use our commercially reasonable efforts to obtain listing of the Notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. If the European Union's directive (2003/0045(COD), the "Transparency Directive") would require us to publish financial information either more regularly than we would otherwise be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may delist the Notes and, at our option, seek an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, stock exchange and/or quotation system outside the European Union. In such event, we will give notice of the identity of such other listing authority, stock exchange and/or quotation system to the holders of the Notes as described under "—Notices."

In the event that a Significant Subsidiary provides a Subsidiary Guarantee or is released from its obligations under a Subsidiary Guarantee at a time when the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Issuer and the Company will, to the extent required by the rules of the Luxembourg Stock Exchange, send a copy of such notice to the Luxembourg Stock Exchange and, in the case of the granting of a new Subsidiary Guarantee, deposit a copy of the Subsidiary Guarantee with the Luxembourg Stock Exchange and the Luxembourg Paying Agent and execute a supplemental indenture and inform the Luxembourg Stock Exchange of such execution.

Paying Agents, Registrar and Transfer Agents; Listing Agent

Until the Notes have been paid, we will maintain a paying agent, a registrar and a transfer agent in New York City and, if and for so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, we will maintain a paying agent and transfer agent in respect of the Notes in Luxembourg.

The Trustee will initially act as paying agent, registrar and transfer agent for the Notes in New York. The Bank of New York Mellon (Luxembourg) S.A. is the Luxembourg Listing Agent and will be the Luxembourg Paying Agent and Luxembourg Transfer Agent for the Notes. The Bank of New York Mellon Trust (Japan), Ltd. is the Principal Paying Agent for the Notes. The addresses of the Trustee and Luxembourg Paying Agent and Luxembourg Transfer Agent and Principal Paying Agent are set forth on the inside back cover of this offering memorandum.

We may change any paying agent, registrar or transfer agent without prior notice to holders. We will promptly provide notice of the termination or appointment of any paying agent, registrar or transfer agent, or of any change in the office of any paying agent, registrar or transfer agent as described under “—Notices.”

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 Euro MTF Market of the Luxembourg Stock Exchange, the Issuer and the Company will also give notices to the holders of the Notes as required by the rules of such exchange for so long as it is required by its rules. Notices will be published on the Luxembourg Stock Exchange website.

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.

In the case of Global Notes, notices will be delivered to holders via DTC in accordance with its procedures.

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. 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. The Issuer 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 the Issuer, 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. The Issuer 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. The Issuer 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.

DTC has advised the Issuer 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 the Issuer 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 the Issuer 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 depository with respect to the Notes at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Notes are required to be printed and delivered. See “—Certificated Notes.”

Under certain circumstances, the Issuer and the Company may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depository. 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, the Issuer 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 depository for the Global Notes and a successor depository is not appointed by the Issuer 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 the Issuer issue to such beneficial holder its proportionate interest in a Global Note, the Issuer 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 the Issuer is issuing certificated Notes pursuant to clause (ii) above, the Issuer 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 the Issuer and the Company for such purpose in the Borough of Manhattan, The City of New York, which initially will be the Corporate Trust Office of the Trustee. Upon the transfer, exchange or replacement of definitive Notes bearing the legend, or upon specific request for removal of the legend on a definitive Note, the Issuer 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 the Issuer, the Company and the Trustee such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Company and the Trustee, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Neither the Trustee, the Luxembourg Paying Agent, the Principal 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.

Prior to presentment of a Note for registration of transfer (including a Global Note), the Issuer, the Company, the Trustee and any agent of the Issuer, 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 the Issuer, the Company, the Trustee or any agent of the Issuer, the Company or the Trustee shall be affected by notice to the contrary.

Satisfaction and Discharge

The Indenture will be discharged and (together with any Subsidiary Guarantee) will cease to be of further effect as to all Notes issued thereunder, when:

- (1) (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, 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 the Issuer 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 the Issuer, the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound;
- (3) the Issuer, the Company or any Restricted Subsidiary has paid or caused to be paid all other sums payable by it under the Indenture; and
 - (4) the Issuer 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, the Issuer 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

The Issuer 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 the Issuer 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 in the opinion of a certified public accounting firm to pay and discharge (without reinvestment) 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 the Issuer 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, the Issuer and the Company are required to deliver to the Trustee:

- (a) an opinion of recognized U.S. counsel independent of the Issuer and the Company to the effect:
 - that the holders of the Notes will not recognize income, gain or loss for U.S. 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 will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred; and
 - that the defeasance trust is not, or is not required to be 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 the Issuer 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 the Issuer 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 the Issuer and the Company that the Trustee give notice of such redemption in the name and at the expense of the Issuer 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. The Issuer 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, the Issuer and the Company has each agreed, and each holder by holding such Note will be deemed to have agreed, to the fullest extent that the Issuer, 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.

The Issuer and the Company's obligation in respect of any sum payable by it to the Trustee or 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 Trustee or holder of such Note of any sum adjudged to be so due in the judgment currency, the Trustee or 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 Trustee or holder of such Note in the judgment currency (determined in the manner set forth in the preceding paragraph), each of the Issuer and the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Trustee or 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 Trustee or holder of such Note, the Trustee or such holder, as applicable, agrees to remit to the Issuer or the Company such excess, *provided* that the Trustee or such holder, as applicable, shall have no obligation to remit any such excess as long as the Issuer or the Company shall have failed to pay the Trustee or such holder, as applicable, any obligations due and payable under such Note, in which case such excess may be applied to the Issuer and the Company's obligations under such Note in accordance with the terms thereof.

Certain Definitions

Set out below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms as well as any other capitalized terms used herein for which no definition is provided. Unless the context otherwise requires, an accounting term not otherwise defined has the meaning assigned to it under and in accordance with Brazilian GAAP.

"Additional Amounts" has the meaning given to it under "—Additional Amounts."

"Additional Assets" means:

- (1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Related Business;
- (2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

“Additional Notes” has the meaning given to it under “—General.”

“Advance Transaction” means an advance from a financial institution involving either (a) a foreign exchange contract (ACC —*Adiantamento sobre Contrato de Câmbio*) or (b) an export contract (ACE—*Adiantamento sobre Contrato de Exportação*).

“Affiliates” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. For purposes of the provisions described under “—Restrictive Covenants—Limitation on Transactions with Affiliates” only, “Affiliate” of any Person shall also mean any beneficial owner of shares representing 5% or more of the total voting power of the Voting Stock (on a fully diluted basis including all rights or warrants to purchase such Voting Stock (whether or not currently exercisable)) of such Person and any Person known to such Person who would be an Affiliate of any such beneficial owner pursuant to this sentence or the first sentence hereof.

“Asset Disposition” means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a “disposition”), of:

- (1) any shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);
- (2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or
- (3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary,

provided, however, that Asset Disposition will not include:

- (a) a disposition by a Restricted Subsidiary to the Company or another Restricted Subsidiary or by the Company to a Restricted Subsidiary;
- (b) for purposes of the provisions described under “—Restrictive Covenants—Limitation on Sales of Assets” only, a Restricted Payment;
- (c) a disposition of assets with a Fair Market Value of less than U.S.\$30.0 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 “—Restrictive Covenants—Consolidation, Merger, Conveyance, Sale or Lease”;
- (f) the disposition of assets in a Sale and Lease-Back Transaction, if permitted by the covenant described under “—Restrictive Covenants—Limitation on Sale and Lease-Back Transactions”
- (g) the Incurrence of any Lien permitted by the covenant described under “—Restrictive Covenants— Limitation on Liens”; or
- (h) sales, transfers or other dispositions of assets for non-cash consideration at least equal to the Fair Market Value (as certificated in an Officers’ Certificate) of such assets, to the extent that such non-cash consideration would constitute Additional Assets.

“Attributable Debt” in respect of a Sale and Lease-Back Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the Sale and Lease-Back Transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Lease-Back Transaction (including any period for which such lease has been extended).

“Average Life” means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing:

- (1) the sum of the products of the numbers of years (rounding to the nearest one-twelfth of one year) from the date of determination to the dates of each remaining scheduled principal payment (including the payment at final maturity) of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment, by
- (2) the sum of all such payments.

“Board of Directors” means, with respect to any Person, the board of directors of such Person or any committee thereof duly authorized to act on behalf of the board of directors of such Person, or similar governing body of such Person, including any managing partner or similar entity of such Person.

“Brazil” means The Federative Republic of Brazil and any branch of power, ministry, department, authority or statutory corporation or other entity (including a trust) owned or controlled directly or indirectly by it or any of the foregoing or created by law as a public entity.

“Brazilian GAAP” means the accounting practices adopted in Brazil as applicable to public companies (*companhias abertas*), as in effect from time to time, it being understood that the Company’s consolidated financial statements under Brazilian GAAP currently comply with IFRS as adopted by IASB.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York City, New York, Tokyo, Japan or São Paulo, Brazil 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 or exchangeable into such equity (other than debt securities mandatorily convertible or exchangeable into common stock of the Company or any Restricted Subsidiary).

“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 of Brazil” means the Central Bank of Brazil (*Banco Central do Brasil*).

“Change of Control” means any Person (other than a Permitted Holder) directly or indirectly possesses a majority of the Voting Stock of the Company.

“Change of Control Offer” has the meaning given to it under “—Repurchases at the Option of the Holders of the Notes upon a Change of Control Repurchase Event.”

“Change of Control Payment” has the meaning given to it under “—Repurchases at the Option of the Holders of the Notes upon a Change of Control Repurchase Event.”

“Change of Control Payment Date” has the meaning given to it under “—Repurchases at the Option of the Holders of the Notes upon a Change of Control Repurchase Event.”

“Change of Control Repurchase Event” means the occurrence of both a Change of Control and a Ratings Decline.

“Clearstream” means Clearstream Banking, *société anonyme*, Luxembourg.

“Closing Date” means June 24, 2014.

“Company” means Marfrig Global Foods S.A.

“Consolidated EBITDA” means, for any period, the amount equal to the sum of the Company’s and its Restricted Subsidiaries’ net income (loss) of controlling shareholders *plus* net financial expenses, *plus* income taxes and social contribution *plus* depreciation and amortization *plus* minority interest.

“Consolidated Net Income” means, for any period, the aggregate net income (or loss) of the Company and its consolidated Restricted Subsidiaries, if any, for such period determined on a consolidated basis in conformity with Brazilian GAAP.

“Consolidated Net Indebtedness” means consolidated financial indebtedness of the Company and its consolidated Restricted Subsidiaries, if any, as set forth on the most recent consolidated quarterly balance sheet of the Company and its consolidated Restricted Subsidiaries, if any, *minus* the sum of cash and cash equivalents and marketable securities recorded as current assets in the Company’s most recent consolidated quarterly financial statements (except for any Capital Stock in any Person).

“Consolidated Net Tangible Assets” means the total amount of assets of the Company and its consolidated Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from writeups of capital assets subsequent to the Closing Date, after deducting therefrom (i) all current liabilities of the Company and its consolidated Restricted Subsidiaries (excluding intercompany items) and (ii) goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles as set forth on the most recent consolidated quarterly financial statements of the Company.

“Control” means, with respect to any Person, possession, directly or indirectly, of (a) at least a majority of all voting shares of capital stock of such Person, (b) the voting power to elect or cause the election of at least a majority of the Board of Directors of such Person and (c) the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“CVM” means the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).

“Default” means any event which is an Event of Default or which, after notice or passage of time or both, would be an Event of Default.

“Disqualified Stock” means, with respect to any Person, any Capital Stock that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock; or
- (3) is redeemable at the option of the holder thereof, in whole or in part,

in each case on or prior to the first anniversary of the Stated Maturity of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions of the Indenture.

“DTC Participants” has the meaning given to it under “—Form and Registration—Global Notes.”

“Equity Offering” means any sale of Capital Stock (other than Disqualified Stock).

“Euroclear” means Euroclear Bank, S.A./N.V.

“Event of Default” has the meaning given to it under “—Events of Default.”

“Exchange Act” means the United States Securities and Exchange Act of 1934, as amended.

“Fair Market Value” of any property, asset, share of Capital Stock, other security, Investment or other item means, on any date, the fair market value of such property, asset, share of Capital Stock, other security, Investment or other item on that date as determined in good faith by the management of the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Funded Debt” means Indebtedness of the Company (including the Notes) or any Restricted Subsidiary maturing by the terms thereof more than one year after the original creation thereof.

“Global Notes” has the meaning given to it under “—Form and Registration.”

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of any Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a correlative meaning. The term “Guarantor” shall mean any Person Guaranteeing any obligation.

“Hedging Obligations” of any Person means the obligations of such Person under any agreement relating to any swap, option, forward sale, forward purchase, index transaction, cap transaction, floor transaction, collar transaction or any other similar transaction, in each case, for purposes of hedging or capping against Brazilian inflation, interest rates, currency or commodities price fluctuations.

“IFRS” means International Financing Reporting Standards as adopted by the International Accounting Standards Board.

“Incur” means issue, assume, Guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person is merged or consolidated with the Company or becomes a Subsidiary of the Company (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time of such merger or consolidation or at the time it becomes a Subsidiary of the Company. The term “Incurrence” when used as a noun shall have a correlative meaning. Neither the accretion of principal of a non-interest bearing or other discount security nor the capitalization of interest on Indebtedness shall be deemed the Incurrence of Indebtedness.

“Indebtedness” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal in respect of indebtedness of such Person for borrowed money;
- (2) the principal and premium, if any, in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables and contingent obligations to pay earn-outs), which purchase price is due more than nine months after the date of placing such property in service or taking delivery and title thereto;
- (4) all reimbursement obligations of such Person in respect of the face amount of letters of credit or other similar instruments (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person, such as import tax credits and import transactions, to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);
- (5) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding, in each case, any accrued dividends);
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of Indebtedness of such Person shall be the lesser of:
 - (i) the Fair Market Value of such asset at such date of determination; and
 - (j) the amount of such Indebtedness of such other Persons;
- (7) to the extent not otherwise included in this definition, all Hedging Obligations of such Person; and
- (8) all obligations of the type referred to in clauses (1) through (7) above of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to any contingent obligations, the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of such contingent obligations at such date.

“Indenture” has the meaning given to it in the first paragraph of this Description of the Notes.

“Initial Lien” has the meaning given to it under “—Restrictive Covenants—Limitation on Liens.”

“Interest Payment Date” means each June 24 and December 24 of each year, commencing on December 24, 2014.

“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:
 - (k) the Company’s Investment in such Subsidiary at the time of such redesignation, *minus*
 - (l) 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 the Company’s Investment in such Subsidiary at the time of such redesignation, *minus*
- (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.

“Issuer” has the meaning given to it in the first paragraph of this Description of the Notes.

“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).

“Maturity Date” has the meaning given to it under “—General.”

“Minimum Legally Required Dividend” means, for any Person and any period, an amount equal to the sum of (a) the minimum dividend required to be distributed under applicable Brazilian law by such Person to holders of its Capital Stock during such period and (b) the minimum dividend required to be distributed to holders of Preferred Stock in such Person during such period so as to avoid such holders from acquiring or maintaining any voting rights under Brazilian law.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Available Cash” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case *minus*:

- (1) all legal fees and expenses, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability in accordance with Brazilian GAAP, as a consequence of such Asset Disposition;

- (2) all payments, including any prepayment premiums or penalties, made on any Indebtedness that is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) appropriate amounts to be provided by the seller as a reserve, in accordance with Brazilian GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds” with respect to any issuance or sale of Capital Stock or sale or other disposition of any Investment, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable in connection with such issuance, sale or disposition.

“Net Debt to EBITDA Ratio” means at any date (i) Consolidated Net Indebtedness divided by (ii) Consolidated EBITDA for the period of four consecutive fiscal quarters ending on or most recently prior to such date for which financial statements are available; *provided, however*, that:

- (a) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period; *provided that pro forma* effect shall be given to the proceeds applied of the Asset Disposition as if the event had occurred on the first day of such period;
- (b) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Person that is merged with or into the Company or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period;
- (c) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (a) or (b) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period; and
- (d) *pro forma* effect shall be given to any Indebtedness Incurred (or repaid) since the most recently consolidated quarterly balance sheet of the Company.

To the extent that *pro forma* effect is to be given to an acquisition or disposition of a company, division or line of business, the *pro forma* calculation will be (i) based upon the most recent four full fiscal quarters for which the relevant financial information is available and (ii) determined in good faith by a financial or accounting officer of the Company. In connection with an acquisition or disposition of a company, division

or line of business (an “Acquired Entity”) for which audited or reviewed financial statements are not available, EBITDA for such Acquired Entity shall be calculated in good faith by the Company based upon management reports or other similar information (“Acquired Entity EBITDA”). Notwithstanding any other provision of this covenant, neither the Company nor any Restricted Subsidiary shall, with respect to any Indebtedness Incurred pursuant to this Acquired Entity EBITDA calculation, be deemed to be in violation of the covenant described under “ – Limitation on 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 the Notes.

“OECD” means Organisation for Economic Co-operation and Development.

“Offer” has the meaning given to it under “—Restrictive Covenants—Limitation on Sales of Assets.”

“Officers’ Certificate” means a certificate signed by any Officer (as defined in the Indenture) of the Issuer, or, with respect to the Company or any Restricted Subsidiary, by two Officers or by an Officer and the chief financial officer of the Company or such Restricted Subsidiary, respectively.

“Opinion of Counsel” means a written opinion from legal counsel who may be an employee of or counsel to the Company, which opinion shall be reasonably satisfactory to the Trustee.

“Permitted Financial Institution” means any of Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander S.A., Caixa Econômica Federal and Itaú Unibanco S.A. or any of their respective affiliates.

“Permitted Holders” means each of Marcos Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, their respective sons and daughters, or any of their respective heirs or any Affiliate of any of the foregoing Persons.

“Permitted Investment” means:

- (1) an Investment by the Company or any Restricted Subsidiary in the Company or any Restricted Subsidiary;
- (2) an Investment by the Company or any Restricted Subsidiary in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary or becomes a Restricted Subsidiary; *provided, however*, that such Person’s primary business is a Related Business;
- (3) cash and cash equivalents and marketable securities as determined in accordance with Brazilian GAAP;
- (4) Temporary Cash Investments;

- (5) 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;
- (6) stocks, obligations or securities received in settlement, compromise or resolution 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 or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;
- (7) any Investment existing on the Closing Date and any Investment that replaces, refinances or refunds an existing investment; provided that the new Investment is in an amount that does not exceed the amount of, and is in the same Person as, the Investment so replaced, refinanced or refunded;
- (8) Hedging Obligations permitted under clause (2)(f) of the covenant described under “—Restrictive Covenants—Limitation on Indebtedness”;
- (9) Guarantees of Indebtedness permitted under the covenant described under “—Restrictive Covenants—Limitation on Indebtedness”;
- (10) Investments which are made exclusively with Capital Stock of the Company (other than Disqualified Stock);
- (11) 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;
- (12) 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”;
- (13) loans and advances to officers, directors or employees of or independent contractors to the Company or any of its Restricted Subsidiaries made in the ordinary course of business in an aggregate amount outstanding at any one time not to exceed U.S.\$2.0 million;
- (14) Investments in Unrestricted Subsidiaries in an aggregate amount which, when taken together with all Investments made pursuant to this clause (14), does not exceed U.S.\$2.0 million in the aggregate at any one time outstanding;
- (15) Investments in connection with pledges, deposits, payments or performance bonds made or given in the ordinary course of business in connection with or to secure statutory, regulatory or similar obligations, including obligations under health, safety or environmental obligations;
- (16) repurchases of Notes;
- (17) Investments in one or more Permitted Joint Ventures having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (17) that are at the time outstanding, that does not exceed the greater of (i) U.S.\$150.0 million (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value) and (ii) 0.75% of the Consolidated Net Tangible Assets; and

- (18) other Investments by the Company or any of its Restricted Subsidiaries, together with all other Investments made pursuant to this clause (18), in an aggregate amount at any time outstanding not to exceed U.S.\$30.0 million.

“Permitted Joint Venture” means a joint venture in a Related Business between the Company or any Restricted Subsidiary and any other Person.

“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/or S&P.

“Ratings Decline” means that at any time within 60 days (which period shall be extended so long as the rating of the Company is under publicly announced consideration for possible downgrade by any Rating Agency) after the date of a public notice of a Change of Control or of the Company’s intention or that of any Person to effect a Change of Control, the then-applicable rating of the Company is decreased by two of the Rating Agencies by one or more categories; *provided* that any such Rating Decline is in whole or in part in connection with a Change of Control.

“Real,” “Reais” or “R\$” means the lawful currency of Brazil.

“Receivables” means all rights of the Company or any Restricted Subsidiary to payments (whether constituting accounts, chattel paper, instruments, general intangibles or otherwise, and including the right to payment of any interest or finance charges), which rights are identified (or, in the case of future rights to payments, are expected to be identified) in the accounting records of the Company or such Restricted Subsidiary as accounts receivable.

“Refinance” means, in respect of any Indebtedness, to refinance, extend (including pursuant to any defeasance or discharge mechanism), renew, refund, repay, replace, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. “Refinanced” and “Refinancing” shall have correlative meanings.

“Refinancing Indebtedness” means Indebtedness that is Incurred to Refinance any Indebtedness of the Company or any Restricted Subsidiary existing on the Closing Date or Incurred in compliance with the Indenture (including Indebtedness that Refinances Refinancing Indebtedness); *provided, however*, that:

- (1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced (*plus* premiums, interest and reasonable expenses incurred in connection therewith); and
- (3) if the Indebtedness being Refinanced is Subordinated Obligations, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced;

provided, further, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

“Regulation S Global Notes” has the meaning given to it under “—Form and Registration.”

“Related Business” means any business conducted by the Company and the Restricted Subsidiaries on the Closing Date and any business related, incidental, ancillary or complementary thereto.

“Relevant Date” has the meaning given to it under “—Additional Amounts.”

“Restricted Global Notes” has the meaning given to it under “—Form and Registration.”

“Restricted Payment” has the meaning given to it under “—Restrictive Covenants—Limitation on Restricted Payments.”

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc., and its successors.

“Sale and Lease-Back Transaction” means any arrangement with any Person (other than the Company or a Restricted Subsidiary), or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary for a period of more than three years of any property or assets which property or assets have been or are to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person (other than the Company or a Restricted Subsidiary) to which funds have been or are to be advanced by such Person on the security of the leased property or assets.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Senior Indebtedness” means all unsubordinated Indebtedness of the Company or of any Restricted Subsidiary, whether outstanding on the Closing Date or Incurred thereafter.

“Significant Subsidiary” means any Restricted Subsidiary either (i) the assets of which, as of the date of the Company’s most recent consolidated quarterly balance sheet at the time of determination, constituted at least 20% of the total assets of the Company and its consolidated Restricted Subsidiaries or (ii) the gross revenues of which, for the twelve-month period ending on the date of the Company’s most recent consolidated quarterly statement of income at the time of determination, constituted at least 20% of the total gross revenues of the Company and its consolidated Restricted Subsidiaries for such period.

“Stated Maturity” means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final payment of principal of such Indebtedness is due and payable, including, with respect to any principal amount which is then due and payable pursuant to any mandatory redemption provision, the date specified for the payment thereof (but excluding any provision providing for the repurchase of any such Indebtedness upon the happening of any contingency unless such contingency has occurred).

“Subordinated Obligation” means any Indebtedness that is subordinate or junior in right of payment to the Notes and Subsidiary Guarantees pursuant to a written agreement.

“Subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with Brazilian GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity:

- (1) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent; or
- (2) that is, as of such date, otherwise controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary Guarantee” means any Guarantee by a Significant Subsidiary of Issuer’s obligations with respect to the Securities, executed pursuant to the provisions of the Indenture.

“Subsidiary Guarantor” means any Subsidiary of the Company that has provided a Subsidiary Guarantee.

“Successor Company” has the meaning given to it under “—Restrictive Covenants—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 U.S.\$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 any 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 U.S.\$10.0 million, (ii) the aggregate amount of all investments permitted under this clause (8) does not at any time exceed U.S.\$20.0 million and (iii) the local investment grade rating of such Brazilian bank is AA or higher by S&P and Aa or higher by Moody's or the international or local investment grade rating of any such OECD bank is BBB- or higher by S&P and Baa3 by Moody's, or the equivalent thereof; 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 the Notes.

"United States" means the United States of America.

"Unrestricted Subsidiary" means:

- (10) 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
- (11) 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 U.S.\$1,000 or less; or
- (b) if such Subsidiary has consolidated assets greater than U.S.\$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 material Brazilian, US and Dutch income tax considerations that may be relevant to the acquisition, ownership and disposition of notes. 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 own tax advisors about the tax consequences of investing in and 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.

Certain Brazilian Tax Considerations

The following discussion summarizes the main Brazilian tax considerations relating to the acquisition, ownership and disposition of the notes by an individual, entity, trust or organization resident or domiciled outside Brazil, or “Non-Brazilian Holder”. The following discussion is based on the federal tax laws of Brazil as in effect on the date hereof, is subject to any change in Brazilian law that may come into effect after such date, and is applicable to us. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes and is not applicable to all categories of investors, some of which may be subject to special rules. The discussion below does not address any tax consequences under the tax laws of any state or locality of Brazil. The earnings of foreign companies and persons not resident in Brazil are taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil. Investors should note that, as to the discussions below, other income tax rate or treatment may be provided for in any applicable tax treaty between Brazil and the country where the non-resident holder is domiciled.

This summary is based upon tax laws of Brazil as in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations. Any change could affect the continued validity of this summary. You should consult your own tax advisors as to the Brazilian or other tax consequences of the purchase, ownership and disposition of notes.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

Payments on the Notes made by the issuer (Marfrig Holdings)

Generally, a Non-Brazilian Holder is taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and on the domicile of the beneficiaries thereof.

Considering that the notes will be issued by our Netherlands subsidiary, and based on the position that, as a general rule, the Netherlands subsidiary is considered to be domiciled outside of Brazil for tax purposes, payments of income (including interest) made to a Non-Brazilian Holder by the issuer with respect to the notes will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with resources held by such entity outside of Brazil. If the Netherlands subsidiary is not successfully qualified as a non-resident of Brazil and the above position does not prevail in the event of a tax dispute, the amounts remitted abroad could be subject to Brazilian withholding income tax at a rate of up to 25%, plus interest and fines, as further explained below.

Capital Gains

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil involving assets located in Brazil are subject to tax in Brazil, according to article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad and, thus, should 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 (other than a branch or subsidiary of a Brazilian resident) to another non-Brazilian resident should not be 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.

As a result, gains recognized by a Non-Brazilian Holder from the sale or other disposition of the notes to either a non-resident or a resident in Brazil, in the case the notes are deemed to be located in Brazil, may be subject to income tax in Brazil at a rate of 15%, or 25% if such Non-Brazilian Holder is located in a country or location which does not impose any income tax or which imposes it at a maximum rate lower than 20% ("Low or Nil Tax Jurisdiction") or where the local legislation imposes restrictions on the disclosure of the shareholding composition, of the ownership of the investment or of the identity of the effective beneficiary of the income attributed to non-residents, unless a lower rate is provided for in an applicable tax treaty entered into between Brazil and the country where the Non-Brazilian Holder of the payment is resident.

Discussion on Low or Nil Tax Jurisdictions

On June 23, 2008, Law No. 11,727 enlarged the concept of a Low or Nil Tax Jurisdiction and introduced the concept of "Privileged Tax Regime", which is considered to be a regime that (i) does not tax income or taxes income at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or dependency, or (b) conditioned on the non-exercise of a substantial economic activity in the country or dependency; (iii) does not tax income generated outside the jurisdiction, or that taxes such income at a maximum rate lower than 20%; or (iv) does not provide access to information related to shareholding composition, ownership of goods and rights or the economic transactions carried out.

In addition, on June 4, 2010, the Brazilian tax authorities enacted Ordinance No. 1,037, as amended, listing (i) the countries and jurisdictions considered as tax haven jurisdictions, and (ii) the Privileged Tax Regimes. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that such concept of Privileged Tax Regime shall be solely applied for purposes of the observance of transfer pricing and thin capitalization rules, it is still not clear whether this Privileged Tax Regime concept will also be applied to interest payments made to Non-Brazilian Holders in respect of the notes, under the scenario reviewed above.

However, if the Brazilian tax authorities determine that payments on the notes will be made to a recipient that will benefit from a Privileged Tax Regime, such payments could be subject to Brazilian withholding tax at a rate of 25%. Potential investors should consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Ordinance No. 1,037 and of any related Brazilian tax law or regulation concerning Low or Nil Tax Jurisdictions and Privileged Tax Regimes.

Payments on the Notes made by the guarantor (Marfrig)

In the event the issuer fails to timely pay any due amount, including any payment of principal, interest or any other amount that may be due and payable in respect of the notes, Marfrig as guarantor will be required to assume the obligation to pay such due amounts. As there is no specific legal provision dealing with the imposition of withholding income tax on payments made by Brazilian sources to non-resident beneficiaries under guarantees and no uniform decision from the Brazilian courts, there is a risk that tax

authorities will take the position that the funds remitted by Marfrig as guarantor to the Non-Brazilian Holders may be subject to the imposition of withholding income tax at a general 15% rate, or at a 25% rate, if the Non-Brazilian Holder is located in a Low or Nil Tax Jurisdiction.

Arguments exist to sustain that (a) payments made under the guarantee structure should be subject to imposition of withholding income tax according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at the rates of 15% or 25%, in cases of beneficiaries located in Low or Nil Tax Jurisdiction, as defined by the Brazilian legislation; or (b) that payments made under guarantee by Brazilian sources to non-resident beneficiaries should not be subject to the imposition of withholding income tax, to the extent that they should qualify as a credit transaction by the Brazilian party to the borrower. The imposition of withholding income tax under these circumstances has not been settled by the Brazilian courts.

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários*), or IOF/Exchange, due upon the conversion of Brazilian currency (*reais*) into foreign currency and upon the conversion of foreign currency into *reais*. Currently, the IOF/Exchange rate for most foreign currency exchange transactions is 0.38%, including foreign exchange transactions in connection with payments under the guarantee by Marfrig to Non-Brazilian Holders. Notice, however, that other types of transactions for the inflow or outflow of funds from Brazil may be subject to different the IOF/Exchange rates and the Brazilian government is permitted to increase this rate at any time up to 25%. Any such increase in the relevant rate may only apply to future transactions.

In addition, the Brazilian tax authorities could argue that a Tax on Loan Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários*), or IOF/Loan, due on loan transactions could be imposed upon any amount paid in respect of the notes by the guarantor under the guarantee given at a rate of up to 1.88% of the total amount paid.

Other Brazilian taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some States of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian States.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of notes by a U.S. Holder (as defined below). This summary deals only with purchasers of notes for an amount of cash equal to the initial offering price that are U.S. Holders and that will hold the notes as capital assets. This summary does not address purchasers who participate in the June 5, 2014 offer to purchase and consent solicitation for the 2021 Notes or the June 5, 2014 offer to purchase and consent solicitation for 2017 Notes. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss the Medicare tax on net investment income, or all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, traders in securities that elect mark-to-market treatment, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if 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 the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest and Additional Amounts

General.

Payments of interest on a note (including any Additional Amounts and withheld taxes therefrom) generally will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued, depending on the holder’s method of accounting for tax purposes. Interest received or accrued on the note generally will constitute income from sources outside the United States.

Effect of Withholding Taxes.

Payments are expected to be made by Marfrig Holdings in which case neither Brazil nor the Netherlands would impose withholding tax on such payments (see “—Certain Brazilian Tax Considerations” and “—Certain Dutch Tax Considerations”). However, if Marfrig as guarantor is required to make payments

as a guarantor, as discussed in “—Certain Brazilian Tax Considerations,” under current law payments of interest on the notes to non-Brazilian investors may become subject to Brazilian withholding taxes. Subject to certain exceptions, Marfrig is generally liable for the payment of Additional Amounts to U.S. Holders (see “Description of the Notes—Additional Amounts”) so that U.S. Holders receive the same amounts they would have received had no Brazilian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Brazilian taxes withheld by Marfrig with respect to a note, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from Marfrig with respect to the payment.

Subject to certain generally applicable conditions and limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability (or a deduction in computing its U.S. federal taxable income if the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year) for any Brazilian income taxes withheld by Marfrig. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets,” and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Interest and Additional Amounts generally will constitute “passive category income.” In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian taxes imposed on a payment of interest if the U.S. Holder has not held the notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these Brazilian taxes.

Disposition of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a note equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition and such U.S. Holder’s tax basis in the note. A U.S. Holder’s tax basis in a note will generally be its U.S. dollar cost. The amount realized does not include any amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a note will be capital gain or loss and will be long-term capital gain or loss if the note was held by the U.S. Holder for more than one year. Certain non-corporate U.S. Holders (including certain individuals) may be eligible for preferential tax rates in respect of long-term capital gains. The deductibility of capital losses by U.S. Holders is subject to limitations.

Gain or loss realized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a note generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilize foreign tax credits attributable to any foreign withholding or income tax imposed on the disposition. Alternatively, a U.S. Holder may be eligible to claim a deduction against its U.S. federal taxable income. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale, exchange, redemption, retirement or other taxable disposition of notes.

Backup Withholding and Information Reporting

Payments of principal, interest and Additional Amounts on, and the proceeds of sale or other disposition of, notes by a U.S. paying agent or other U.S. intermediary will be reported to the Internal Revenue Service (the “IRS”) and to the U.S. Holder as may be required under applicable United States Treasury regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to information reporting and backup withholding. U.S. Holders should consult their tax advisers as to their

qualification for exemption from information reporting and backup withholding and the procedure for obtaining an exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded (or credited against such holder's U.S. federal income tax liability, if any), provided the required information is properly furnished to the IRS.

Foreign Financial Asset Reporting

Legislation enacted in 2010 imposes reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds \$50,000 at the end of the taxable year or \$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The notes are expected to constitute foreign financial assets subject to these requirements unless the notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisers regarding the application of this legislation.

Certain Dutch Tax Considerations

The following summary of certain Dutch tax consequences of the acquisition, ownership and disposition of notes only deals with holders that (i) are neither resident nor deemed to be resident in the Netherlands and that have not elected to be treated as a resident of The Netherlands for Dutch tax purposes, and (ii) have neither a direct or indirect equity interest, nor a deemed equity interest, in Marfrig Holdings, either alone or in case of individuals through certain relatives. This summary does not describe all tax considerations that may be relevant to a holder of notes. Each potential holder of notes should consult its own tax advisors to obtain advice with respect to the Dutch tax consequences of the acquisition, ownership and disposition of notes in its particular circumstances.

This summary is based on Dutch tax law in force as at the date of this offering memorandum (unpublished case law not included). Dutch tax law is subject to change, possibly with retroactive effect. Any changes to Dutch tax law may invalidate this summary, which will not be updated to reflect such changes. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "The Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary assumes that each transaction with respect to notes is at arm's length.

Residence

A holder of a note will not be, nor be deemed to be, resident in The Netherlands for Dutch tax purposes and, subject to the exceptions set out below, will not otherwise be subject to Dutch income taxation by reason only of the execution, delivery and/or enforcement of the documents relating to the notes or the performance by Marfrig Holdings of its obligations under the notes.

Other Taxes and Duties

No Dutch registration tax, custom duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the documents relating to this offering memorandum or the performance by Marfrig Holdings thereunder.

Withholding Tax

Payments on the notes by Marfrig Holdings may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or thereon.

Taxes on Income and Capital Gains

A holder of the notes will not be subject to any Dutch income taxes in respect of Payments on the notes made by Marfrig Holdings and gains on the notes, provided that (i) such holder does not derive profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to such enterprise, that is either being managed in The Netherlands or carried on, in whole or in part, through a permanent establishment, a deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise the notes are attributable, and (ii) if such holder is an individual, such holder does not derive any income or gain from the notes which income or gain qualifies as income from ‘miscellaneous activities’ (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Dutch Gift and Inheritance Tax

If a holder of notes disposes of notes by way of gift, in form or in substance, or if a holder of notes who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless (i) the donor is, or the deceased was resident or deemed to be resident in The Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable, or (ii) the donor made a gift of notes, then became a resident or deemed resident of The Netherlands, and died as a resident or deemed resident of The Netherlands within 180 days of the date of the gift. For purposes of the above, a gift of notes made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Turnover Taxes

No Dutch turnover tax (*omzetbelasting*) will be due by a holder of notes with respect to any payment by Marfrig Holdings of principal or interest on the notes.

FATCA

The Netherlands entered into an intergovernmental agreement (the “IGA”) with the United States on 18 December 2013. The terms of the IGA are broadly similar to those of other so-called “Model 1” IGAs entered into by the United States with several other jurisdictions. Under the terms of the IGA (which, although signed, still needs to be approved by both jurisdictions), the issuer will not be required to enter into an agreement with the IRS, but may instead be required to register with the IRS to obtain a Global Intermediary Identification Number (“GIIN”) and then comply with the Dutch legislation that is to be implemented to give effect to the IGA. The terms of such legislation are at this stage still uncertain and it is not yet clear whether the issuer would be required to report information to the Dutch tax authorities or exchange such information with the IRS under the terms of the IGA. Thus, U.S. investors and others whose information would be subject to reporting under the IGA should be aware that this may occur. Under the terms of the IGA, withholding will not be imposed on payments made to the issuer, or on payments made by the issuer to the noteholders, unless the IRS has specifically listed the issuer as a non-participating financial institution.

EU Savings Directive

Under Directive 2003/48/EC on the taxation of savings income in the form of interest payments Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, currently Luxembourg and Austria are instead

required (unless they elect otherwise) to operate a withholding system in relation to such payments (the ending of such withholding system being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), deducting tax at rates rising over time to 35%.

A number of non-EU countries (including Switzerland, which has adopted a withholding system) and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in such Member State to, or collected by such a person for, an individual resident in the relevant territory.

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 Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA plans") and on those persons who are fiduciaries with respect to ERISA plans. Investments by ERISA plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA plan's investments be made in accordance with the documents governing the ERISA plan. The prudence of a particular investment must be determined by the responsible fiduciary of the ERISA plan by taking into account the ERISA plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors."

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended ("the Code"), prohibit certain transactions involving the assets of an ERISA plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA plans, "Plans")) and certain persons (referred to as "parties in interest" for purposes of ERISA or "disqualified persons" for purposes of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Among other possible adverse results, a party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Governmental plans, non-U.S. plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing any notes.

The fiduciary of a Plan that proposes to purchase and hold any notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, Marfrig, the initial purchasers or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the notes on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (such PTCEs collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. We cannot assure you that any exemption will be available with respect to any particular transaction involving the notes, or, if available, that any of these Class Exemptions or any other will cover all possible prohibited transactions.

By its acquisition of any notes or interests in notes, the purchaser thereof, and any transferee thereof, will be deemed to have represented and agreed either that (a) it is not, and for so long as it holds the notes or interests in notes will not be, a Plan, an entity whose underlying assets include the assets of any such Plan or

a governmental plan, church plan, non-U.S., or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law).

The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any notes or interests in notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment and holding will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of notes or interests in notes to a Plan is in no respect a representation by us or the initial purchasers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with Marfrig Holdings, the Company and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It shall not resell or otherwise transfer any of such notes, except:
 - to Marfrig Holdings, the Company or any of their subsidiaries;
 - pursuant to a registration statement which has been declared effective under the Securities Act;
 - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
 - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
 - pursuant to another available exemption from the registration requirements of the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Regulation S Global Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED

INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF MARFRIG HOLDINGS AND THE GUARANTORS THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A) (I) TO MARFRIG HOLDINGS OR THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “US PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:

(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND (2) ON WHICH MARFRIG HOLDINGS INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST PARAGRAPH HEREOF) SHALL BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE RELATING TO THIS SECURITY.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, MARFRIG HOLDINGS, THE GUARANTORS AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.*

* This legend (other than the first paragraph hereof) shall be deemed removed from the face of this Security without further action of Marfrig Holdings, the guarantors, the Trustee, or the holders of this Security at such time as Marfrig Holdings and the guarantors to instruct the Trustee to remove such legend pursuant to the Indenture.

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S Global Note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40-day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, and that each Regulation S Global Note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

- (7) It is not, and for so long as it holds the notes or interests in notes will not be, (a) a Plan, an entity whose underlying assets include the assets of any such Plan or a governmental plan, church plan, non-U.S. or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law);
- (8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (9) It acknowledges that the Trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to Marfrig Holdings, the Company and the Trustee that the restrictions set forth herein have been complied with; and
- (10) It acknowledges that Marfrig Holdings, the Company, the Trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Marfrig Holdings, the Company, the Trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC are acting as the initial purchasers for the offering of the notes. Under the terms and subject to the conditions contained in a purchase agreement dated June 10, 2014, Marfrig Holdings and Marfrig have agreed to sell to the initial purchasers the principal amount of the notes set forth opposite its name in the table below:

Initial purchaser	Principal Amount of Notes
	(in U.S.\$)
Banco BTG Pactual S.A. – Cayman Branch	212,500,000
HSBC Securities (USA) Inc.	212,500,000
Itau BBA USA Securities, Inc.	212,500,000
Morgan Stanley & Co. LLC	212,500,000
Total	850,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the notes sold under the purchase agreement if any of these notes are purchased.

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

Banco BTG Pactual S.A. – Cayman Branch is not a broker dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A. – Cayman Branch intends to effect sales of the notes in the United States, it will do so only through BTG Pactual US Capital LLC or one or more U.S. registered broker dealers, or otherwise as permitted by applicable U.S. law.

The initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The initial purchasers may offer and sell notes through certain of their respective affiliates. The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose 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 and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Transfer Restrictions.”

The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and the initial purchasers will have sent to each broker/dealer to which they sell the notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States, or to, or for the account or

benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under “Transfer Restrictions.”

We and the issuer have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make 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 purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The initial purchasers and their respective affiliates have engaged in, and may in the future engage in, investment banking, market making and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of its business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The initial purchasers or their respective affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Affiliates of the initial purchasers are lenders under the Company’s credit facilities and may receive proceeds from this offering to the extent the company decides to use the proceeds to repay such facility. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts.”

HSBC Securities (USA) Inc. is acting as offeror and Banco BTG Pactual S.A. – Cayman Branch, HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Morgan Stanley & Co. LLC are acting as Dealer Managers and Solicitation Agents in the tender offers and consent solicitations in respect of any and all outstanding 2021 Notes and 2017 Notes. See “Summary—Recent Developments” and “Management’s

Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes.”

Notice to Prospective Investors in 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”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) no offer of notes may be made to the public in that Relevant Member State other than:

- (A) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (B) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- (C) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Company or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Company or the initial purchasers to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and 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 the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Republic of Ireland

The notes are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Italy

This offering of notes has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, or the “CONSOB”) pursuant to Italian securities legislation and, accordingly, the notes may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to the notes or the offer be distributed in Italy except:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Consolidated Financial Services Act”) and Article 34-ter, paragraph 1, letter b), of CONSOB Regulation No. 11971 of May 14, 1999 (the “CONSOB Regulation”), all as amended; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation.

Subject to the foregoing, any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes or the offer in Italy under (a) and (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the “Banking Act”), and CONSOB Regulation No. 16190 of October 29, 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations including any limitation or requirement which may be imposed from time to time, inter alia, by the CONSOB or the Bank of Italy.

Any investor purchasing the notes in the offer is solely responsible for ensuring that any offer or resale of notes it purchased in the offer occurs in compliance with applicable laws and regulations.

This offering memorandum, any other document relating to the notes, and the information contained in this offering memorandum are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Spain

Neither the notes nor this offering memorandum have been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the notes may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities

Market Law of 28 July 1988 (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations (“CO”) and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution.

Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). Any public offering or distribution of the notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration under Law No. 6,385, of December 7, 1976, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to an offering of the notes by this offering memorandum, as well as information contained in those documents, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

Neither the issuer nor the notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*, or “SVS”), or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with

the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1 A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors (“Permitted Investors”) consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French *Code Monétaire et Financier* and belonging to a limited circle of investors (*cercle restreint d’investisseurs*) acting for their own account, with “qualified investors” and “limited circle of investors” having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*; none of this offering memorandum or any other materials related to the offer or information contained in this offering memorandum or in the other materials relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Germany

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Acts (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*—BaFin) nor any other German authority has been notified of the intention to distribute the notes in Germany. Consequently, the notes may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this document and any other document relating to the offering, as well as information or statements contained in this document or any other document, may not be supplied to the public in Germany or used in connection with any offer for subscription of the notes to the public in Germany or any other means of public marketing. The notes are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German

Investment Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Dubai

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth in this offering memorandum and has no responsibility for the offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

The Netherlands

This offering of notes is made exclusively to legal entities which are qualified investors (as defined in Directive 2003/71/EC, together with any applicable implementing measures in any member state) in the Netherlands.

Cayman Islands

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the notes unless the issuer is listed on the Cayman Islands Stock Exchange.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and the Initial Purchasers have agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used in this offering memorandum means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. It is not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at its sole discretion.

We expect that delivery of the notes will be made against payment therefor on or about the tenth business day following the date of pricing of the notes (this settlement cycle being referred to as “T+10”). Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date of pricing or the next succeeding business day will be required, by virtue of the fact

that the notes initially will settle in T+10, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next succeeding business day should consult their own advisor.

The initial purchasers (or persons acting on behalf of the initial purchasers) may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than they would otherwise be in the absence of these transactions. However, there is no assurance that the initial purchasers (or persons acting on behalf of the initial purchasers) will undertake any such transactions. Such transactions, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any such transactions must be conducted by the relevant initial purchaser (or persons acting on behalf of any initial purchaser) in accordance with all applicable laws and rules.

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 Linklaters LLP. Certain matters under New York law will be passed upon for the initial purchasers by Simpson, Thacher and Bartlett LLP. Certain matters of Brazilian law relating to the notes will be passed upon for us by Lefosse Advogados and for the initial purchasers by Pinheiro Neto Advogados. Certain matters of Dutch law relating to the notes will be passed upon for us by Jones Day Amsterdam. Certain matters of Cayman Islands law relating to the notes will be passed upon for us by Maples and Calder.

INDEPENDENT AUDITORS

The consolidated and individual financial statements of Marfrig Global Foods S.A. as of and for the year ended December 31, 2013, have been audited by BDO RCS Auditores Independentes S.S., independent auditors of Rua Major Quedinho, 90, Consolação São Paulo, SP – Brasil, 01050-030, as stated in their report appearing in this offering memorandum. The consolidated and individual financial statements of Marfrig Global Foods S.A. as of and for the year ended December 31, 2012, have been audited by BDO RCS Auditores Independentes S.S., independent auditors of Rua Major Quedinho, 90, Consolação São Paulo, SP – Brasil, 01050-030, as stated in their report not appearing in this offering memorandum. BDO RCS Auditores Independentes S.S. is a member of the Brazilian Institute of Accountants (*Instituto dos Auditores Independentes do Brasil*, or the “IBRACON”) and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*, or the “CFC”). The auditors’ reports for both 2013 and 2012 emphasize the matter that the individual financial statements were prepared in accordance with Brazilian GAAP and that these practices differ from IFRS applicable to separate financial statements in relation to the valuation of investment in subsidiaries by the equity method, whereas under IFRS they would be valued by cost or fair value. The auditor’s reports also contain an explanatory paragraph regarding the presentation of the individual and consolidated statements of added value (“DVA”) required by Brazilian Corporate Law for public companies.

With respect to the unaudited consolidated financial information of Marfrig Global Foods S.A., as of March 31, 2014 and for each of the three months ended March 31, 2014 and March 31, 2013 included in this offering memorandum, BDO RCS Auditores Independentes S.S., reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report contains an explanatory paragraph which refers to the presentation of the individual and consolidated statements of value added or DVA, required by Brazilian Corporate Law for public companies, and it also states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Netherlands

We have been advised by our Dutch counsel that, in the absence of an applicable convention between the United States of America and The Netherlands providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards and divorce decrees) in civil and commercial matters, a judgment rendered by a court in the United States will not automatically be recognized by the courts of The Netherlands. In principle, the courts of The Netherlands will be free to decide, at their own discretion, if and to what extent a judgment rendered by a court in the United States should be recognized in The Netherlands. A final judgment obtained in a United States court, which is not subject to appeal or other means of contestation, would generally be upheld by a Dutch court if the following three minimum conditions are all met:

- the judgment was rendered by the United States court that was (based on internationally accepted grounds) competent to take cognizance of the matter;
- the judgment is the outcome of a ‘proper’ judicial procedure (*behoorlijke rechtspleging*); and
- the judgment is not manifestly incompatible with the public policy (*openbare orde*) of The Netherlands.

Without prejudice to the above, in order to obtain enforcement of a judgment rendered by a court in the United States in The Netherlands, a claim against the relevant party on the basis of such judgment should be brought before the competent court of The Netherlands. During the proceedings such court will assess, when requested, whether a foreign judgment meets the above conditions. In the affirmative, the court may order that substantive examination of the matter shall be dispensed with. In such case, the court will confine itself to an order reiterating the foreign judgment against the party against whom it had been obtained. Otherwise, a new substantive examination will take place in the framework of the proceedings. In all of the above situations, when applying the law of any jurisdiction (including The Netherlands), Dutch courts may give effect to the mandatory rules of the laws of another country with which the situation has a close connection, if and insofar as, under the law of the latter country, those rules must be applied regardless of the law applicable to the contract or legal relationship. In considering whether to give effect to these mandatory rules of such third country, regard shall be had to their nature and purpose and the consequences of their application or non-application. Moreover, a Dutch court may give effect to the rules of the laws of The Netherlands in a situation where they are mandatory irrespective of the law otherwise applicable to the documents or legal relationship in question. The application of a rule of the law of any country that otherwise would govern an obligation may be refused by the courts of The Netherlands if such application is manifestly incompatible with the public policy (*openbare orde*) of The Netherlands.

Brazil

We have been advised by our special Brazilian legal counsel, Lefosse Advogados, that a final conclusive judgment for the payment of money rendered by any New York court or federal court sitting in New York City in respect of the guarantee of the notes would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction), and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action *provided that* such judgment has been previously ratified by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), such ratification being available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;

- the judgment 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 final and therefore 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 (as provided in Article 17 of Law number 4,657/42, as amended).

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 foreign judgment with respect to the notes.

We have also been advised that:

- actions may be brought before Brazilian courts in connection with this offering memorandum based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce a judgment 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 claims for collection on a "*título executivo extrajudicial*" (an instrument which may be enforced in Brazilian courts without a review on its merits) to the enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure (*Código de Processo Civil*).

LISTING AND GENERAL INFORMATION

- (1) The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers and the common codes for the notes are as follows:

	<u>Restricted Global Note</u>	<u>Regulation S Global Note</u>
CUSIP.....	56656UAF9	N54468AD0
ISIN	US56656UAF93	USN54468AD05
Common Code	107819789	107812067

Application has been made to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

- (2) For as long as the offered notes are listed on the official list of the Luxembourg Stock Exchange and admitted for trading on the Luxembourg Stock Exchange's Euro MTF Market and the rules and regulations of that exchange require, copies of Marfrig Holdings' and Marfrig Overseas' bylaws and copies of our latest audited annual financial statements, unaudited quarterly financial statements and any other documents or reports to be published by Marfrig Holdings and furnished to holders of the notes may be obtained during normal business hours at our executive offices, the offices of the trustee and the Luxembourg paying agent. Copies of Marfrig's bylaws (*estatuto social*), as well as the indenture (including forms of the notes), will be available during normal business hours for inspection at our executive offices, the offices of the trustee and the Luxembourg paying agent, in each case at the address set out on the back cover of this offering memorandum.

As long as the offered notes are listed on the Official List of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange shall so require, we will maintain a paying and transfer agent in Luxembourg. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg. We have appointed The Bank of New York Mellon (Luxembourg) S.A. as paying agent in Luxembourg to make payments on, and transfers of, the notes.

- (3) Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since March 31, 2014, the date of the latest financial statements included in this offering memorandum.
- (4) Except as disclosed in this offering memorandum, we, the issuer and Marfrig Overseas are not or have not been involved in any governmental, legal or arbitration proceedings during the 12-month period immediately preceding the date of this offering memorandum that had or may reasonably be expected to have any material adverse effect on our financial position and results of operations.
- (5) To the best of the knowledge of the issuer and each of the guarantors (each of which has taken all reasonable care to ensure that such is the case) the information contained in this offering memorandum is in accordance with the facts and contains no omission likely to affect the import of such information.
- (6) Any time limits on the validity of claims of interest in relation to the notes shall be governed by applicable New York law.
- (7) The creation and issuance of the notes were authorized by Marfrig Holdings' shareholder by means of a written resolution on June 6, 2014 and by its board of managing directors on June 6, 2014.
- (8) The approval to guarantee the notes was authorized by the board of directors of Marfrig on June 10, 2014.

- (9) The approval to guarantee the notes was authorized by the board of directors of Marfrig Overseas on June 5, 2014, by means of a written resolution of the board of directors of Marfrig Overseas dated June 5, 2014.

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

MARFRIG GLOBAL FOODS S.A.

Individual and consolidated interim financial statements for the three-month period ended March 31, 2014 and independent auditors' review report on the interim financial statements

MARFRIG GLOBAL FOODS S.A.

Individual and consolidated interim financial statements for the three-month period ended March 31, 2014 and independent auditors' review report on the interim financial statements

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

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

To the Shareholders, Board Members and Management of
MARFRIG GLOBAL FOODS S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial statements of **MARFRIG GLOBAL FOODS S.A.** (the "Company") contained in the quarterly information form for the quarter ended March 31, 2014, which comprises the balance sheet as of March 31, 2014 and the related statements of income, of comprehensive income, of changes in shareholders' equity and cash flows for the three-month period then ended, including a summary of the significant accounting practices and other notes.

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

Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion about the individual interim financial statements

Based on our review, we are not aware of any fact that leads us to believe that the individual interim financial statements referred to above have not been prepared, in all material respects, in accordance with CPC 21 (R1) applicable to Quarterly Information and presented in accordance with the accounting standards adopted in Brazil.

Conclusion about the consolidated interim financial statements

Based on our review, we are not aware of any fact that leads us to believe that the consolidated interim financial statements referred to above have not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of added value for the three-month period ended March 31, 2014, prepared by the Company's Management, which disclosure in the interim financial statements is required in accordance with the standards issued by CVM applicable to the preparation of the Quarterly Information and considered as supplemental information by IFRS, which do not require the disclosure of the statement of value added. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the interim financial statements, individual and consolidated, taken as a whole.

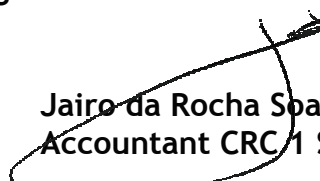
The accompanying individual and consolidated interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, May 9, 2014.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1


Esmir de Oliveira
Accountant CRC 1SP 109628/O-0


Jairo da Rocha Soares
Accountant CRC 1 SP 120458/O-6

MARFRIG GLOBAL FOODS S.A.

Balance sheet
As at March 31, 2014 and December 31, 2013
(In thousands of Brazilian reais - R\$)

Liabilities and Shareholders' Equity					
		Parent		Consolidated	
	Note	03/31/14	12/31/13	03/31/14	12/31/13
Current liabilities					
Trade accounts payable		403,491	295,751	1,600,020	1,596,091
Accrued payroll and related charges	15	58,508	59,431	338,380	337,931
Taxes payable	16	17,839	24,596	117,100	114,651
Loans and financing	17	739,867	562,244	1,262,820	1,096,970
Notes payable	20	112,014	287,474	113,690	272,486
Lease payable	19	1,769	2,466	49,098	49,663
Interest on debentures	18	50,357	96,362	32,503	26,272
Advances from customers		80,300	42,075	98,887	59,186
Other payables		39,358	33,263	144,241	135,316
Total current liabilities		1,503,503	1,403,662	3,756,739	3,688,566
Non-current liabilities					
Loans and financing	17	803,884	890,716	7,960,160	7,816,522
Taxes payable	16	186,078	180,926	186,747	181,989
Deferred income and social contribution taxes	23	100,364	102,087	640,741	646,857
Tax, labor and civil provisions	22	26,634	26,002	27,102	26,462
Lease payable	19	656	1,187	94,925	103,096
Debentures payable	18	569,771	569,756	-	-
Notes payable	20	4,002,341	3,867,259	229,534	4,414
Mandatory deed convertible into shares	21	2,115,654	2,113,113	2,115,654	2,113,113
Other		-	-	127,802	127,523
Total non-current liabilities		7,805,382	7,751,046	11,382,665	11,019,976
Equity					
Share Capital	24.1	5,276,678	5,276,678	5,276,678	5,276,678
(-) Share issue expenses	24.1	(108,210)	(108,210)	(108,210)	(108,210)
Capital reserve		184,800	184,800	184,800	184,800
Issue of common shares		184,800	184,800	184,800	184,800
Profit reserves		35,773	35,773	35,773	35,773
Legal reserve	24.2.1	44,476	44,476	44,476	44,476
Retained earnings		7,348	7,348	7,348	7,348
Treasury shares	24.2.2	(4,361)	(4,361)	(4,361)	(4,361)
Treasury shares canceled		(11,690)	(11,690)	(11,690)	(11,690)
Other comprehensive income	24.3	(106,962)	(100,411)	(106,962)	(100,411)
Asset valuation adjustment	24.3.1	(911,761)	(969,306)	(911,761)	(969,306)
Cumulative translation adjustment	24.3.2	804,799	868,895	804,799	868,895
Accumulated losses		(2,349,366)	(2,259,304)	(2,349,366)	(2,259,304)
Controlling shareholders' equity		2,932,713	3,029,326	2,932,713	3,029,326
Non-controlling interest	24.6	-	-	90,319	89,696
Total shareholders' equity		2,932,713	3,029,326	3,023,032	3,119,022
Total liabilities and shareholders' equity		12,241,598	12,184,034	18,162,436	17,827,564

Assets				
		Consolidated		
	Note	03/31/14	12/31/13	
Current assets				
Cash and cash equivalents	4	71,297	42,393	771,254
Marketable securities	5	200,122	138,216	1,040,282
Trade accounts receivable - domestic	6	308,553	348,081	1,075,602
Trade accounts receivable - foreign	6	287,009	378,620	875,860
Inventories of goods and merchandise	7	607,410	561,462	1,828,552
Biological assets	8	-	-	350,106
Recoverable taxes	9	681,984	658,838	1,144,575
Prepaid expenses		6,931	1,586	81,949
Notes receivable	10	859,245	884,448	119,842
Advances to suppliers		15,282	20,183	84,972
Other receivables		15,544	15,892	66,837
Total current assets		3,053,377	3,049,719	75,580
				7,808,892
				7,493,730
Non-current assets				
Marketable securities	5	-	-	1,015
Court deposits		61,571	59,435	75,231
Notes receivable	10	1,889,995	1,810,132	211,267
Deferred income and social contribution taxes	11	1,117,837	1,063,330	1,495,487
Recoverable taxes	9	942,480	948,627	977,516
Other receivables		240	495	34,394
		4,012,123	3,882,019	33,207
				2,794,910
				2,599,540
Investments				
Property, plant and equipment	12	2,905,224	2,993,582	46,104
Biological assets	13	1,685,360	1,673,074	4,754,752
Intangible assets	8	-	-	111,432
	14	585,514	585,640	2,735,418
		5,176,098	5,252,296	7,558,634
				7,734,294
Total non-current assets				
		9,188,221	9,134,315	10,353,544
				10,333,834
Total assets		12,241,598	12,184,034	18,162,436
				17,827,564

The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.

The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of income for the periods
Ended March 31, 2014 and 2013
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		1st Quarter 2014	Reclassified 1st Quarter 2013	1st Quarter 2014	Reclassified 1st Quarter 2013
Net Sales	25	1,168,503	1,202,710	4,787,546	4,374,550
Cost of Goods Sold	26	(967,366)	(917,695)	(4,168,677)	(3,803,545)
Gross profit		201,137	285,015	618,869	571,005
Operating income (expenses)		(353,781)	(336,356)	(761,683)	(621,271)
Selling expenses	26	(89,083)	(64,248)	(220,673)	(175,288)
General and administrative expenses	26	(14,173)	(38,880)	(136,656)	(146,979)
Equity in earnings (losses) of subsidiaries		11,859	(40,861)	(5,970)	(716)
Other operating income (expenses)		217	12,394	(10,538)	(2,218)
Financial income (expenses)	27	(262,601)	(204,761)	(387,846)	(296,070)
Financial income		4,790	22,281	45,289	67,487
Exchange gain		187,248	113,666	268,991	130,690
Financial expenses		(250,375)	(253,014)	(402,127)	(373,378)
Exchange Loss		(204,264)	(87,694)	(299,999)	(120,869)
Operating income (expenses)		(152,644)	(51,341)	(142,814)	(50,266)
Income (Loss) before tax effects		(152,644)	(51,341)	(142,814)	(50,266)
Provision for income and social contribution taxes		56,229	(8,258)	51,040	(6,496)
Current and deferred income tax	33	41,345	(6,072)	34,922	(4,487)
Current and deferred social contribution	33	14,884	(2,186)	16,118	(2,009)
Net income (loss) in the period from continued operations		(96,415)	(59,599)	(91,774)	(56,762)
Net income (loss) in the period from discontinued operations	35	-	(21,626)	-	(24,253)
Net income (loss) in the period before interest		(96,415)	(81,225)	(91,774)	(81,015)
Attributable to:					
Marfrig Global Foods - controlling interest - continued operations		(96,415)	(59,599)	(96,415)	(59,599)
Marfrig Global Foods - controlling interest - discontinued operations		-	(21,626)	-	(21,626)
Marfrig Global Foods - controlling interest - Total		(96,415)	(81,225)	(96,415)	(81,225)
Non-controlling interest - continued operations		-	-	4,641	2,837
Non-controlling interest - discontinued operations		-	-	-	(2,627)
Non-controlling interest - Total		-	-	4,641	210
Losses basic and diluted per share - common - continued operations	29	(0.1853)	(0.1616)	(0.1853)	(0.1186)
Losses basic and diluted per share - common - discontinued operations	29	-	-	-	(0.0430)
Losses basic and diluted per share - common - Total	29	(0.1853)	(0.1616)	(0.1853)	(0.1616)

The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.

**Statement of changes in shareholders' equity
for the periods ended March 31, 2014 and 2013
(In thousands of Brazilian reais - R\$)**

The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statements of cash flow

Periods ended March 31, 2014 and 2013

(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	1st Quarter 2014	Reclassified 1st Quarter 2013	1st Quarter 2014	Reclassified 1st Quarter 2013
Net income (loss) for the period from continuing operations	(96,415)	(59,599)	(96,415)	(59,599)
Items not affecting cash	103,376	191,944	424,392	378,677
Depreciation	20,317	17,578	93,797	86,892
Amortization	1,968	574	47,950	33,117
Non-controlling interest	-	-	4,641	2,837
Tax, labor and civil provisions	632	-	639	(1,057)
Deferred taxes	(56,229)	8,258	(56,868)	(11,874)
Equity in earnings (losses) of subsidiaries	(11,859)	40,861	5,970	716
Exchange variation on financing	(36,851)	(62,921)	(44,230)	(54,832)
Exchange variation on other assets and liabilities	53,867	36,948	75,238	45,207
Interest expenses on financial debt	49,424	98,888	206,850	216,405
Interest expenses on financial leasing	69	(920)	1,541	665
Interest expenses on debentures	61,953	49,228	41,718	49,228
Cost with issue of financial operations	3,006	-	3,006	-
Leasing adjustment to present value	(181)	(280)	(181)	(280)
Estimated for non - realized inventory	(1)	-	(3,795)	-
Losses with doubtful accounts	4	-	(1,775)	-
Estimated losses with non-realization of recoverable taxes	16,389	-	31,408	-
Write-off of permanent assets	868	3,730	18,483	11,653
Equity changes	180,632	(40,098)	79,539	(748,457)
Trade accounts receivable	123,362	44,091	261,252	(203,616)
Current inventory and biological assets	(45,947)	40,864	(98,967)	(6,684)
Court deposits	(2,136)	(2,713)	(3,729)	(4,348)
Accrued payroll and related charges	(923)	3,744	8,585	27,437
Trade accounts payable	114,432	(52,144)	(33,986)	(21,546)
Current and deferred taxes	(34,992)	(150,001)	(37,954)	(166,179)
Notes receivable and payable	25,488	98,565	3,981	(331,869)
Other assets and liabilities	1,348	(22,504)	(19,643)	(41,652)
Cash flow provided by (used) in operating activities	187,593	92,247	407,516	(429,379)
Investing activities				
Investments	(27,246)	(14,464)	4	(11,021)
Investments in fixed assets and non-current biological assets	(33,320)	(45,119)	(139,049)	(147,592)
Investments in intangible assets	(1,994)	(1,744)	(3,571)	(1,863)
Cash flow used in investing activities	(62,560)	(61,327)	(142,616)	(160,476)
Financing activities				
Debentures	-	(198,910)	-	(198,910)
Interest settled debentures / Bonds	(107,957)	(72,455)	(158,283)	(72,455)
Loans and financing	78,218	(374,875)	538,770	890,564
Loans granted	348,156	335,878	1,408,756	2,945,859
Loans settled	(269,938)	(710,753)	(869,986)	(2,055,295)
Leasing payable	(1,116)	(837)	(5,759)	(11,744)
Leasing granted	-	1,101	11,823	1,102
Leasing settled	(1,116)	(1,938)	(17,582)	(12,846)
Mandatory deed convertible into shares	(450)	-	(450)	-
Treasury shares	-	968	-	968
Cash flow provided by (used) in financing activities	(31,305)	(646,109)	374,278	608,423
Exchange variation on cash and equivalents	(2,918)	-	(57,707)	(27,206)
Discontinued operations net of cash (NE 35)	-	-	-	1,248
Cash flow for the period	90,810	(615,189)	581,471	(7,390)
Cash and cash equivalents				
Balance at end of period	271,419	585,787	2,393,007	3,170,804
Balance at start of period	180,609	1,200,976	1,811,536	3,178,194
Changes in period	90,810	(615,189)	581,471	(7,390)

The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of added value

Periods ended March 31, 2014 and 2013

(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	1st Quarter 2014	Reclassified 1st Quarter 2013	1st Quarter 2014	Reclassified 1st Quarter 2013
Revenue	1,159,687	1,194,928	4,773,672	4,363,851
Sales of goods and services	1,168,503	1,202,710	4,787,546	4,374,550
Other revenues	-	-	12,868	12,618
Estimated losses with doubtful accounts - Recognition	(8,816)	(7,782)	(26,742)	(23,317)
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	915,548	736,991	3,679,835	3,595,695
Cost of goods sold and services rendered	716,798	538,450	2,925,340	2,656,132
Material, energy, outsourced services and other	198,750	198,541	749,437	931,229
Loss / Recovery of assets	-	-	5,058	8,334
Gross value added	244,139	457,937	1,093,837	768,156
Depreciation and amortization	22,285	18,152	141,747	120,009
Net value created by company	221,854	439,785	952,090	648,147
Value added received through transfer	203,897	95,086	308,310	197,461
Equity In Earnings (Losses) of Subsidiaries	11,859	(40,861)	(5,970)	(716)
Financial income and exchange rate gains	192,038	135,947	314,280	198,177
Total value added to be distributed	425,751	534,871	1,260,400	845,608
Value added distribution	425,751	534,871	1,260,400	845,608
Employees	92,556	91,330	629,326	261,774
Direct compensation	74,872	73,228	523,093	193,907
Benefits	12,652	12,562	78,314	73,722
FGTS (severance pay fund)	5,032	5,540	27,919	(5,855)
Taxes payable	(26,674)	25,158	(14,936)	81,454
Federal	(60,422)	21,881	(67,933)	64,240
State	33,736	3,262	49,835	14,539
Municipal	12	15	3,162	2,675
Value distributed to providers of capital	456,284	477,982	737,784	559,142
Interest	454,639	456,679	702,127	530,997
Rentals	1,645	21,303	24,931	28,145
Other	-	-	10,726	-
Value distributed to shareholders	(96,415)	(59,599)	(91,774)	(56,762)
Retained earnings/Loss for the period from continuing operations	(96,415)	(59,599)	(96,415)	(59,599)
Non-controlling interest in retained earnings (losses)	-	-	4,641	2,837

The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.

MARFRIG GLOBAL FOODS S.A.

Statement of comprehensive income Periods ended March 31, 2014 and 2013 (In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	1st Quarter 2014	Reclassified 1st Quarter 2013	1st Quarter 2014	Reclassified 1st Quarter 2013
Net income (loss) for the period	(96,415)	(81,225)	(91,774)	(81,015)
Exchange variation on net investments	64,761	(66,839)	64,761	(66,839)
Exchange variation on balance sheet translation	(64,096)	(127,315)	(64,096)	(127,315)
	665	(194,154)	665	(194,154)
Total comprehensive income (loss) for the period	(95,750)	(275,379)	(91,109)	(275,169)
Attributable to:				
Marfrig Global Foods - controlling interest - continued operations	(95,750)	(253,753)	(95,750)	(253,753)
Marfrig Global Foods - controlling interest - discontinued operations	-	(21,626)	-	(21,626)
Marfrig Global Foods - controlling interest - Total	(95,750)	(275,379)	(95,750)	(275,379)
Non-controlling Interest - continuing operations	-	-	4,641	2,837
Non-controlling Interest - discontinued operations	-	-	-	(2,627)
Non-controlling Interest - Total	-	-	4,641	210
The accompanying notes are an integral part of the parent company and interim individual and consolidated financial statements.				

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes

Periods ended March 31, 2014 and 2013

(In thousands of Brazilian reais)

1. Operations

Marfrig Global Foods S.A. is a publicly traded Company whose purpose is (i) the production of foodstuffs and meatpacking activities, including the slaughter of cattle, lamb and poultry; and (ii) the processing, distribution, importing, exporting and marketing of products and by-products of animal origin, both edible and inedible, at its own or third-party facilities.

Marfrig Global Foods S.A. was incorporated on June 6, 2000 and became a company on March 26, 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20.788 on June 18, 2007 and carried out its initial public offering (IPO) on June 29, 2007. Its shares were listed on the Novo Mercado listing segment of the BM&FBovespa S.A. - Securities, Commodities and Futures Exchange (Brazilian Stock Exchange) under the stock symbol MRFG3. On January 22, 2014, the Annual and Extraordinary Shareholders' Meeting held at the Company's headquarters amended Article 1 of the Company's Bylaws, altering the Company's name to Marfrig Global Foods S.A. (Formerly Marfrig Alimentos S.A.).

On March 31, 2014, its subscribed and paid-in Share Capital was represented by 520,747,405 common shares, of which, as of March 31, 2014, 173,362,696, or 33.29% of the Share Capital, was controlled by MMS Participações S.A. and its partners, individually. On the same date, the free float was 346,557,208 shares, or 66.55% of the Share Capital of the Company. MMS Participações S.A. is controlled by Marcos Antonio Molina dos Santos and Marcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

Because it is listed on the Novo Mercado special corporate governance segment of the Brazilian Stock Exchange, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to the arbitration clause in its by-laws.

The Company's stock is also a component of the main performance indicators of Brazil's Capital Markets, such as the Bovespa Index (Ibovespa, the most important indicator of the average performance of Brazilian stocks). Marfrig stock is also a component of the stock indexes of the Brazilian Stock Exchange: Broad Brazil Index (IBRA); Brazil Index (IBrX); Consumption Sector Index (ICON); Corporate Governance Trade Index (IGCT); Special Corporate Governance Stock Index (IGCX); Novo Mercado Corporate Governance Index (IGNM); Industrial Sector Index (INDX); Special Tag-Along Stock Index (ITAG); BM&FBovespa Value Index (IVBX); Small Cap Index (SMLL).

The Company's financial and equity position should be considered within the context of the integrated activities of the following segments, which are organized and used by the Management to take decisions, each with their own structures and segmented into:

Marfrig Beef

- A pioneer in the Brazilian market in the commercialization and promotion of beef and lamb, Marfrig maintains a strong presence in the food service segment and a significant presence in foreign markets. Its international operations in South America are concentrated in exporting premium beef cuts and leveraging its strategic position in Uruguay, Argentina, Chile, two trading companies in Europe and Peru and a beef jerky processing plant in the United States, with access to the world's main consumer markets.

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes Periods ended March 31, 2014 and 2013 (In thousands of Brazilian reais)

Keystone

- Keystone is a global company focused on producing and developing multi-protein foods to serve major global restaurant chains, with a strong presence in Asia and the United States.

Moy Park

- Moy Park is the United Kingdom's second largest integrated producer of poultry-based prepared products. With a strong presence throughout Europe and in the food service and retail channels, Moy Park produces and distributes prepared and processed food products made from chicken, turkey, beef and pork, as well as products made from vegetables and breads, such as hamburgers, vegetarian snacks and donuts.

Summary of the equity interests held by the Company:

MARFRIG BEEF

Parent Company	Core Activity	Country		
Marfrig Global Foods S.A	Processing and marketing of product (formed by nine cattle slaughter and beef processing facilities, one of which is also used for slaughtering lamb, two tanneries, one plant producing cleaning and hygiene products, located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to two Distribution Centers in the State of São Paulo).	Brazil		
Subsidiaries	Core Activity	Country	Interest %	
			3/31/2014	12/31/2013
MFB Marfrig Frigoríficos do Brasil S.A	Processing and marketing of product (composed of 15 cattle slaughter and beef processing facilities, one of which is also used for slaughtering lamb and three for processing beef), and 3 distribution centers.	Brazil	100%	100%
Masplen Ltd	Holding company	Jersey Island	100%	100%
Pampeano Alimentos S.A	Producer of canned meat and other processed products	Brazil	100%	100%
Marfrig Overseas Ltd	Specific Purpose Entity - SPEs	Cayman Island	100%	100%
Marfood USA Inc	Processing and marketing of products (owner of trademark Pemmican)	USA	100%	100%
MFG Agropecuária Ltda	Agricultural activities (composed of 7 feedlots)	Brazil	99.99%	99.99%
MFG Comercializadora de Energia Ltda	Energy trading and associated services	Brazil	99.99%	99.99%
Marfrig Argentina	Processing and marketing of products	Argentina	99.88%	99.86%
Frigorífico Tacuarembó S.A	Processing and marketing of products	Uruguay	97.82%	97.82%
Inaler S.A	Processing and marketing of products	Uruguay	100%	100%
Marfrig Chile S.A	Processing and marketing of products	Chile	99.47%	99.47%
Frigorífico Patagônia S.A	Processing and marketing of products (lamb meatpacker in from December to May, fish, clam and king crab processing in other months)	Chile	100%	100%
Prescott International S.A	Holding company	Uruguay	100%	100%
Cledinor S.a	Processing and marketing of products: beef and lamb	Uruguay	100%	100%
Establecimientos Colonia S.A	Processing and marketing of products	Uruguay	100%	100%
Weston Importers Ltd	Trading company	United Kingdom	100%	100%
CDB Meats Ltd	Processing of products	United Kingdom	100%	100%
Marfrig Peru S.A.C.	Marketing, poultry, beef, fish and seafood	Peru	100%	100%

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes Periods ended March 31, 2014 and 2013 (In thousands of Brazilian reais)

KEystone

Subsidiaries	Core Activity	Country	Interest %	
			3/31/2014	12/31/2013
Marfrig Holdings (Europe) B.V	Holding	Netherlands	100%	100%
MFG (USA) Holdings Inc	Holding	USA	100%	100%
McKey Luxembourg Holdings S.a.r.l	Holding	Luxembourg	100%	100%

MOY PARK

Marfrig Holdings (Europe) B.V	Holding	Netherlands	100%	100%
Moy Park Holdings (Europe) Limited	Holding	Northern Ireland	100%	100%
Moy Park Group	Processing and marketing of products (composed of 4 poultry slaughter plants, 12 food processing units)	Northern Ireland	100%	100%
Kitchen Range Foods Ltd	Processing and marketing of products	England	100%	100%

Business Segment - Leather - Discontinued Operation

Subsidiaries	Core Activity	Country
Columbus Netherlands B.V	Holding	Netherlands
Gideny S.A	Holding	Uruguay
Grupo Zenda	Processing and marketing finished and cut leather products	Various

Keystone and Moy Park are controlled by Marfrig Holding BV (Europe) directly.
Business Segment - Poultry, Pork and Processed and Elaborated Products - Discontinued Operation

Subsidiaries	Core Activity	Country
Seara Holdings (Europe) B.V	Holding company	Netherlands
Babicora Holding Participações Ltda	Holding company	Brazil
Seara Alimentos S.A	Processing and marketing of products	Brazil
União Frederiquense Participações Ltda and Secculum Participações Ltda	Holding company (jointly holds 100% of Frigorífico Mabella Ltda)	Brazil
Frigorífico Mabella Ltda	Processing and marketing of products	Brazil
Dagranja Agroindustrial Ltda	Processing and marketing of products	Brazil
Braslo Produtos de Carnes Ltda	Processing and marketing of products (including beef)	Brazil
Mas Frangos Participações Ltda	Holding company	Brazil
Agrofrango Ind. e Com. de Alimentos Ltda	Processing and marketing of products	Brazil
Penasul Alimentos S.A	Processing and marketing of products	Brazil
MBL Alimentos S.A	Hog breeding	Brazil
Athena Alimentos S.A	Processing and marketing of products 2 chicken slaughter units, 1 hog slaughter unit, 8 food processing units, 3 feed plants, 6 distribution centers and a margarine production line. Owns the following trademarks: Rezende, Confiança, Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light Elegant, Fiesta, Freski, Doriana and Delicata.	Brazil
Excelsior Alimentos S.A	Processing and marketing of products (including beef)	Brazil
Baumhardt Comércio e Participações Ltda	Holding company	Brazil
Excelsior Alimentos S.A	Processing and marketing of products (including beef)	Brazil
Pine Point Participações Ltda ⁽¹⁾	Holding company	Brazil

⁽¹⁾ Company incorporated for the corporate reorganization, as mentioned in Note 12.3

2. Presentation and preparation of the parent company and consolidated interim financial information

2.1. Statement of compliance

Consolidated interim financial information

The consolidated interim financial information were prepared and are presented in accordance with accounting practices adopted in Brazil, including the statements issued by the Accounting Pronouncements Committee (CPC) [*Comitê de Pronunciamentos Contábeis*]

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes

Periods ended March 31, 2014 and 2013

(In thousands of Brazilian reais)

and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Parent interim financial information

The interim financial information were prepared based on the accounting practices adopted in Brazil and resolutions issued by CFC, observing the accounting guidelines based on Brazilian Company Law (Federal Law 6,404/76), which include the provisions introduced, amended and revoked by Law 11,638 of December 28, 2007 and Law 11,941 of May 27, 2009 (former Provisional Presidential Decree 449 of December 3, 2008). The Brazilian accounting practices applied to the parent company interim financial information differ from the IFRS only for the measurement of investments in subsidiaries and affiliated companies through the equity method of accounting, while these investments would be carried at fair value or historical cost for IFRS purposes.

However, there is no difference between the Group's shareholders' equity and consolidated income (loss) and the parent company's shareholders' equity and income (loss) disclosed in the parent company interim financial information. Thus, the Group's consolidated/individual interim financial information are being presented in the same document.

The Management of the Company approved the issue of these individual and consolidated interim financial information on May 9, 2014.

2.2. Basis of presentation

The parent company and consolidated interim financial information are denominated in Brazilian real, which is the reporting currency, and all amounts are rounded to thousands of Brazilian real, unless otherwise stated.

The consolidated interim financial information were prepared on the historical cost basis, unless otherwise stated, such as certain assets and financial instruments, which may be stated at fair value.

The preparation of parent company and consolidated interim financial information in accordance with IFRS and CPCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated interim financial information are stated in note 3.1.3 of financial statements the fiscal year ended December 31, 2013.

2.3. Foreign currency translation

Functional and reporting currency

The interim financial information of each consolidated subsidiary and those used as a basis for accounting for investments under the equity method are prepared using the functional currency of each entity.

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes

Periods ended March 31, 2014 and 2013

(In thousands of Brazilian reais)

Under CVM Resolution 640/10 (CPC 02 (R2) - effect of changes in exchange rates and translation of interim financial information), functional currency is the currency of the primary economic environment in which the entity operates. To define the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of their goods and services and the currency in which most of their production input costs are paid or incurred. The consolidated interim financial information are expressed in Brazilian real (R\$), which is the functional and reporting currency of Marfrig Global Foods S.A.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rate at the transaction date. Gains and losses resulting from the difference between the monetary asset and liability balance translation at the year-end and the translation of the transaction balances are recognized in the income statement. Non-monetary assets and liabilities in foreign currency measured at fair value are measured at the exchange rate on the date on which their fair value is determined and the differences resulting from such translation will be recognized under other comprehensive income on the closing date of each period or fiscal year.

Group companies

The results of operations and the financial position of all consolidated subsidiaries and investments accounted for under the equity method, whose functional currency differs from the reporting currency, are translated from the reporting currency, as follows:

- i. Asset and liability balances are translated using the exchange rate in effect at the date of the consolidated interim financial information;
- ii. Statement of operation accounts are translated using the monthly average exchange rate; and
- iii. All differences arising from the foreign currency translation are recognized in shareholders' equity and in consolidated comprehensive income (loss) under "Cumulative translation adjustments."

3. Summary of significant accounting practices

3.1. Significant accounting practices

The quarterly financial information was prepared in accordance with CVM Resolution 673/11, which sets forth the minimum interim financial information to be reported and the principles of recognition and measurement for complete or condensed interim statements. Thus, the quarterly financial information presented here was prepared based on the accounting policies and estimate calculation methods used while preparing the annual financial statements for the fiscal year ended December 31, 2013. There has been no change in said policies and estimate calculation methods.

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes

Periods ended March 31, 2014 and 2013

(In thousands of Brazilian reais)

As allowed by CVM Resolution 673/11, and based on the recommendations contained in Official Letter CVM/SNC/SEP/No. 003/2011, management chose to not report once again the details presented in Note 3. "Summary of significant accounting practices", in order to avoid repeating the information already disclosed in its latest annual financial statements. Hence, users must read this quarterly information together with the annual financial statements for the fiscal year ended December 31, 2013, to have a better understanding.

4. COMPANYCASH and cash equivalents

Cash and cash equivalents consist of cash, banks and cash equivalents, as shown below:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Cash and banks	70,764	41,982	611,818	626,693
Cash equivalents	533	411	632,228	144,561
	71,297	42,393	1,244,046	771,254

The subsidiaries' cash and cash equivalents are consolidated as follows:

	Brazil		Abroad	
	3/31/14	12/31/13	3/31/14	12/31/13
Cash and banks	23,430	35,339	517,624	549,372
Cash equivalents	-	193	631,695	143,957
	23,430	35,532	1,149,319	693,329

The Company adopts the policy of presenting the following items within the cash and cash equivalents group:

- Cash on hand;
- Demand deposits.

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4.1 Cash and banks by currency

Cash by currency are as follows:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Cash and banks:				
Brazilian real	61,165	26,610	84,595	61,948
US dollar	4,934	13,745	19,096	60,606
Euro	4,665	1,627	39,962	42,422
Pound sterling	-	-	253,261	229,541
Malaysian ringgit	-	-	9,623	14,548
Chinese Yuan	-	-	134,791	128,506
Australian dollar	-	-	20,885	24,963
Thai Baht (Thailand)	-	-	10,223	12,940
South Korean Won	-	-	21,578	27,157
Honk Kong dollar	-	-	-	2,357
Uruguayan peso	-	-	8,523	21,516
Argentinean peso	-	-	8,404	-
Other	-	-	877	189
	70,764	41,982	611,818	626,693

4.2 Cash equivalents

Cash equivalents by type are as follows:

	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	Parent	
					3/31/14	12/31/13
Automatic savings account (2)	Immediate	-	BRL	6.21	169	266
Other (2)	Immediate	-	BRL	-	364	145
Total					533	411

	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	Consolidated	
					3/31/14	12/31/13
Automatic savings account (2)	Immediate	-	BRL	6.21	169	459
Interest-bearing account (2)	6/30/2014	0.06	USD	0.42	631,695	143,957
Other (2)	Immediate	-	BRL	-	364	145
Total					632,228	144,561

(1) Weighted average maturity in years.

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- (2) Transactions have daily liquidity and can be redeemed at any time. Said maturity refers to the corresponding instrument.

4.2.1 Automatic savings account

The remaining balances in checking accounts, in Brazilian real, are automatically transferred to a savings account, which bears interest at financial market rates.

4.2.2 Interest-bearing account

The interest-bearing account consists of amounts received in U.S. dollar from exports and financial transactions, kept in accounts abroad. It bears interest at a fixed rate.

5. Marketable Securities

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Marketable securities	200,122	138,216	1,149,976	1,041,312
	200,122	138,216	1,149,976	1,041,312

The Company's financial investments by type are as follows:

	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	Parent	
					3/31/14	12/31/13
Held-for-trading:						
Repurchase and reverse repurchase agreements	09/29/2014	0.51	BRL	2.11	124,766	60,217
Brazilian prize-draw investment bonds	04/29/2014	0.08	BRL	2.43	100	95
Credit-linked note - CLN (2)	07/17/2017	3.34	USD	6.89	75,256	77,904
Total					200,122	138,216
Total current					200,122	138,216

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	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	Consolidated	
					3/31/14	12/31/13
Held-for-trading						
Bank deposit certificates - CDB (2)	12/31/2015	1.10	BRL	0.60	47,270	786
Repurchase and reverse repurchase agreements	09/29/2014	0.50	BRL	2.11	124,766	60,217
Interest-bearing deposits	03/30/2019	-	USD	-	288	303
Circular Letter 1456	09/30/2014	0.20	USD	1.03	50,566	40,370
Brazilian prize-draw investment bonds	04/29/2014	0.08	BRL	2.43	100	95
Brazilian prize-draw investment bonds	Immediate	-	USD	-	4,243	-
Credit-linked note - CLN (2)	07/17/2017	0.92	USD	7.42	922,743	939,541
Total					1,149,976	1,041,312
Total current					1,148,961	1,040,282
Total non-current					1,015	1,030

(1) Weighted average maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the operation.

The Company maintains the following types of financial investments:

5.1 Bank Certificate of Deposit (CDB)

Bank certificates of deposit are investments made at prime financial institutions at variable rates and yield on average 99% to 102% of the variation of the Interbank Deposit Rate (CDI).

5.2 Repurchase and reverse repurchase agreements

Transactions based on outstanding daily cash denominated in Brazilian real that bear interest at the CDI (Interbank Deposit Rate), which ranges from 70% to 80%. This operation has immediate liquidity, for it can be early redeemed without yield loss.

5.3 Interest-bearing deposits

The investments of this type are made in Euro and US dollar and bear interest at fixed rates and measured by the amortized cost.

5.4 Circular Letter 1456

The investments of this type consist of exports denominated in U.S. dollar with the Central Bank of Uruguay that bear interest at fixed rates, and are made between 180 and 270 days before the export.

5.5 Brazilian prize-draw investment bonds

The investments of this type are made in Brazilian real and bear interest at the benchmark rate (TR).

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5.6 Credit linked note (CLN)

The Credit Linked Notes “CLN” comprise a financial instrument exclusively used to generate resources among the Group’s companies and correspond to a credit note used to mitigate the Company’s credit risk, as presented in Note 17.2.

The resources applied in these instruments derive from funds raised in the international capital markets issued by Marfrig Group’s foreign subsidiaries, which due to cash management and liquidity strategy are maintained at the issuing foreign subsidiaries. The average yield rate is 7.42% p.a. And they are measured by the amortized cost per annum.

6. Trade accounts receivable - domestic and foreign customers

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Trade accounts receivable - domestic	316,201	355,439	871,684	1,087,456
(-) Discount to present value	(7,648)	(7,358)	(13,959)	(11,854)
	308,553	348,081	857,725	1,075,602
Trade accounts receivable - foreign	618,914	677,915	1,169,812	1,179,696
(-) Advances on export contracts (ACEs)	(318,857)	(284,392)	(318,857)	(284,392)
(-) Discount to present value	(13,048)	(14,903)	(19,208)	(19,444)
	287,009	378,620	831,747	875,860
	595,562	726,701	1,689,472	1,951,462
Amounts not yet due	896,517	1,015,383	1,550,015	1,923,321
Amounts overdue				
From 1 to 30 days	28,778	12,839	315,850	232,087
From 31 to 60 days	7,980	4,362	117,866	77,713
From 61 to 90 days	1,840	770	57,765	34,031
More than 90 days	8,816	8,812	26,741	29,684
(-) Advances on export contracts (ACEs)	(318,857)	(284,392)	(318,857)	(284,392)
(-) Discount to present value	(20,696)	(22,261)	(33,167)	(31,298)
(-) Estimated losses with doubtful accounts	(8,816)	(8,812)	(26,741)	(29,684)
	595,562	726,701	1,689,472	1,951,462

The estimated loss with doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realization of receivables.

Aiming to achieve the best estimate possible, concerning the realization of such credits, and therefore duly set up an allowance for estimated losses with doubtful accounts as at March 31, 2014, the Company’s Management analyzed particular aspects about its customers, such as business activity, general credit situation, the market’s economic situation and notes due for more than 90 days and whose settlement is not considered as possible.

The Company does not have a history of relevant problems with collection, and the Accounts Receivable Department rates each customer upon acceptance and credit granting.

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Parent company and consolidated quarterly financial information notes

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Changes in estimated losses for credit risks are as follows:

	Parent	Consolidated
Balance on December 31, 2013	(8,812)	(29,684)
Estimate accrued in the period	(1,853)	(1,634)
Estimate recovered in the period	1,849	2,860
Written-off credits	-	956
Exchange rate variation	-	761
Balance on March 31, 2014	(8,816)	(26,741)

For sales paid in installments, the Company uses working capital financing lines available in financial markets.

Receivables were discounted to present value in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/08 (CPC 12 - present value adjustment), as described in note 3.1.6 to the interim financial information for the fiscal year ended December 31, 2013.

7. Inventories of products and merchandise

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Finished products	588,370	544,275	1,438,030	1,456,435
Raw materials	506	506	263,792	235,564
Packaging material and storeroom supplies	26,091	24,239	185,727	183,977
(-) Estimated losses	(7,557)	(7,558)	(42,589)	(47,424)
	607,410	561,462	1,844,960	1,828,552

In the periods ended March 31, 2014 and 2013, inventories of finished products were carried at average purchase and/or production cost, as explained in note 3.1.6 to the interim financial information for the fiscal year ended December 31, 2013:

	Parent	Consolidated
Balance on December 31, 2013	(7,558)	(47,424)
Reversal of estimates	1	5,121
Recognition of estimates	-	(1,362)
Translation gains (losses)	-	1,076
Balance on March 31, 2014	(7,557)	(42,589)

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Parent company and consolidated quarterly financial information notes Periods ended March 31, 2014 and 2013 (In thousands of Brazilian reais)

8. Biological assets

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Current				
Biological assets - cattle	-	-	235,947	171,447
Biological assets - poultry	-	-	171,858	103,185
Translation gains (losses)	-	-	(5,339)	75,474
Total current biological assets	-	-	402,466	350,106
Non-current				
Biological assets - cattle	-	-	-	53
Biological assets - poultry	-	-	114,318	82,785
Translation gains (losses)	-	-	(2,886)	30,645
Total non-current biological asse	-	-	111,432	113,483
Total biological assets	-	-	513,898	463,589

The Company's current biological assets are composed of live animals segregated among the categories: poultry and cattle. Animals classified in this group are those intended for slaughtering for production of fresh meat and/or processed products in the next 12 months.

Poultry are considered immature until they reach the appropriate weight for slaughter. The slaughter process occurs sequentially in a short period of time and thus only live animals transferred to slaughter are classified as mature.

Due to the short formation period of poultry, as well as not having a quotation to poultry and pigs market, the Company evaluated these biological assets based on a discounted cash flow model and identified no material adjustments in relation to acquisition cost. In this case, the Company believes that the fair value of biological assets is substantially represented by the formation cost, given the short life cycle of the animals.

With respect to cattle, these are animals kept in feedlot for fattening and slaughter, whose life cycle is an average of 3 years, although the balance at March 31, 2014 is already available for use over the next 12 months. The Company valued these animals at fair value, based on the "Marked to Market - MtM" concept, considering the market prices of the "arroba"¹ of cattle, and recognized the effects of these valuations directly in the statement of operations.

The Company's non-current biological assets are composed of live animals segregated among the categories: poultry and cattle. Animals classified in this group are those intended for reproduction. These assets are amortized on a straight-line basis over the useful life of the animals. Poultry for reproduction have an average useful life of 68 weeks. Cattle for reproduction have a useful life of five years.

The changes in biological assets are as follows:

¹ Arroba = A unit of weight equivalent to 15 Kg.

MARFRIG GLOBAL FOODS S.A.**Parent company and consolidated quarterly financial information notes****Periods ended March 31, 2014 and 2013****(In thousands of Brazilian reais)****Current biological assets:**

	Parent	Consolidated
Balance on December 31, 2013	-	350,106
Increase due to purchases	-	497,316
(-) Write-off for slaughter	-	(659,689)
Costs of input for fattening	-	259,334
(-) Decrease due to sales	-	(63,370)
Net increase (decrease) due to births (deaths)	-	(268)
Change in fair value less estimated sale expenses (*)	-	24,376
Balance sheet translation	-	(5,339)
Balance on March 31, 2014	-	402,466

* Only applicable to cattle

Non-current biological assets:

	Parent	Consolidated
Balance on December 31, 2013	-	113,483
Increase due to purchases	-	36,261
(-) Write-off for slaughter	-	(731)
Costs of input for fattening	-	7,293
(-) Decrease due to sales	-	(243)
Amortization	-	(41,746)
Balance sheet translation	-	(2,885)
Balance on March 31, 2014	-	111,432

MARFRIG GLOBAL FOODS S.A.**Parent company and consolidated quarterly financial information notes****Periods ended March 31, 2014 and 2013****(In thousands of Brazilian reais)****9. Recoverable taxes**

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
ICMS (State VAT)	611,841	591,176	632,630	610,844
PIS (tax on sales) credit	269,159	261,259	384,658	369,681
Cofins (tax on sales) credit	990,436	985,870	1,392,462	1,330,595
Income tax	83,659	84,720	99,165	101,107
Social contribution tax	14,847	14,795	16,531	16,430
IRRF (Withholding Income Tax)	13,526	13,511	13,528	14,324
IVA (value-added tax)	-	-	83,043	98,842
Export certificates	-	-	5,930	5,666
Other	7,317	6,066	30,809	58,366
(-) Estimated losses from non-realization	(366,321)	(349,932)	(536,665)	(505,257)
	1,624,464	1,607,465	2,122,091	2,100,598
Current assets	681,984	658,838	1,144,575	1,110,436
Non-current assets	942,480	948,627	977,516	990,162

9.1 ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging and other materials, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. Credit realization is made through offsetting against debts generated in domestic sales or through transfers to third parties.

9.2 PIS, COFINS and IPI taxes

Pursuant to Laws No. 10.637/02 and 10.833/03, this line item consists of noncumulative PIS and COFINS credits on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets.

9.3 Income and Social Contribution Taxes

This line item consists of income and social contribution taxes prepaid in the period ended March 31, 2014.

9.4 Withholding income tax (IRRF)

Withholding income tax consists of income tax withheld from gains on financial investments made by the Company.

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9.5 IVA - Value Added Tax

This caption refers to balances of recoverable value added tax of foreign subsidiaries resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

9.6 Export certificates

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax paid by exporters.

9.7 Estimated losses from non-realization of tax credits

The estimated losses for non-realization of tax credits were calculated based on the best expectation of realization of the Company's recoverable taxes balances, in which main credits are mainly from PIS/COFINS.

Changes in estimates are as follows:

	Parent	Consolidated
Balance on December 31, 2013	(349,932)	(505,257)
Revision of estimate	-	182
Recognition of estimate	(16,389)	(31,590)
Balance on March 31, 2014	<u>(366,321)</u>	<u>(536,665)</u>

10. Notes receivable

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Related-party transactions	2,629,863	2,559,273	-	-
Derivatives receivable	23,461	39,392	193,797	174,834
Other notes receivable	95,916	95,915	102,442	105,562
Total	<u>2,749,240</u>	<u>2,694,580</u>	<u>296,239</u>	<u>280,396</u>
Current assets	859,245	884,448	84,972	224,739
Non-current assets	1,889,995	1,810,132	211,267	55,657

The Company's notes receivable mostly consist of balances resulting from transactions with its subsidiaries (related parties), as described in Note 10.1.

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10.1 Related-party transactions

The following tables, except for transactions with Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Aparecida Pascoal Marçal dos Santos, sole partners of MMS Participações S.A., show the transactions between the Company and its wholly-owned subsidiaries as at March 31, 2014:

March 31, 2014	Parent					
	3/31/14				2014	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Cledinor S.A.	-	16,053	-	-	2,759	-
Establecimientos Colonia S.A.	-	4,323	-	-	1,589	-
Frigorífico Tacuarembó S.A.	-	8,097	109	8,980	1,052	-
Inaler S.A.	-	6,683	-	-	2,737	-
Marfood USA	-	-	15	-	-	-
Marfrig Argentina S.A	-	2,947	207,667	-	1,594	-
Marfrig Chile S.A.	30,868	-	-	-	619	32,131
Marfrig Holdings BV	249	-	83,192	3,779,794	-	-
Marfrig Overseas	-	-	29,265	17,929	-	-
MFB Marfrig Frigoríficos Brasil S.A	28,501	132,679	1,809,827	-	242,292	77,854
MFG Agropecuária	1,719	36,273	326,672	-	48,168	1,838
MFG Comercializadora de Energia Ltda	-	-	113	2,588	-	-
Pampeano Alimentos S.A.	7,710	-	173,003	-	-	19,196
Weston Importers Ltd.	26,798	-	-	-	-	9,057
Marcos Antonio Molina dos Santos	-	1,618	-	-	-	-
Marcia Aparecida Pascoal Marçal dos Santos	-	-	-	-	1,025	-
	<u>95,845</u>	<u>208,673</u>	<u>2,629,863</u>	<u>3,809,291</u>	<u>301,835</u>	<u>140,076</u>

December 31, 2013	Parent					
	12/31/13				2013	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Cledinor S.A.	-	13,955	-	-	19,116	-
Establecimientos Colonia S.A.	-	2,934	-	-	8,455	-
Frigorífico Tacuarembó S.A.	-	7,022	748	-	13,037	-
Inaler S.A.	-	4,209	-	-	8,035	-
Marfood USA	-	-	-	-	-	3,162
Marfrig Argentina S.A	-	1,791	212,790	-	20,521	-
Marfrig Chile S.A.	31,296	3	-	-	652	192,183
Marfrig Holdings BV	258	1	111,262	3,866,754	-	-
Marfrig Overseas	-	-	30,294	18,410	-	-
MFB Marfrig Frigoríficos Brasil S.A	61,628	42,635	1,728,974	-	574,185	843,985
MFG Agropecuária	57	26,984	303,680	-	226,802	2,948
MFG Comercializadora de Energia Ltda	-	-	111	2,348	-	-
Pampeano Alimentos S.A.	8,861	-	171,414	-	899	101,377
Weston Importers Ltd.	23,299	-	-	-	-	145,088
Marcos Antonio Molina dos Santos	-	1,618	-	-	156	-
Marcia Aparecida Pascoal Marçal dos Santos	-	249	-	-	5,434	-
	<u>125,399</u>	<u>101,401</u>	<u>2,559,273</u>	<u>3,887,512</u>	<u>877,292</u>	<u>1,288,743</u>

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	Consolidated			
	Accounts payable		Total purchases in the period	
	3/31/14	12/31/13	3/31/14	3/31/13
Marcos Antonio Molina dos Santos	2,314	2,053	1,032	33
Marcia Aparecida Pascoal Marçal dos Santos	1,997	249	3,022	2,635
	4,311	2,302	4,054	2,668

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements of the Company. In case of default, creditors can demand payment directly from the controlling shareholder and from its partners and, if they make the payment, they will be entitled to reimbursement from the Company.

The Company did not pay any commissions or other amounts to the appraisers.

In a meeting held on January 23, 2013, the Board of Directors of the Company established new limits of authority for its Management Bodies. The Management Committee is now responsible for authorizing a series of acts, with powers over amounts corresponding between 0.5% and 12% of the Shareholders' Equity of the Company, always based on the most recent interim financial information reported to the market. For acts whose required powers exceed those determined for the Management Committee, approval is required from the Board of Directors of the Company.

No relations are maintained with other officers and shareholders of Marfrig Group.

The nature of related-party transactions between Marfrig Group companies are represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital.

Intercompany loans (instruments receivable and payable) are taken out under long-term contracts. Loan rates vary from 1% p.a. to 3% p.a. and the LIBOR (London Interbank Offered Rate) being applied to transactions with foreign subsidiaries.

Purchases and sales of products are made at market values. No guarantees or estimated losses with doubtful accounts are required. These transactions involve purchase and sale of fresh meat and cattle, poultry and lamb processed products.

Transactions between subsidiaries do not have an impact on consolidated interim financial information, given that they are eliminated in consolidation.

11. Deferred Income and Social Contribution Taxes - Assets

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Income tax	820,683	780,605	1,172,802	1,140,920
Social contribution tax	297,154	282,725	322,685	307,045
Non-current assets	1,117,837	1,063,330	1,495,487	1,447,965

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Tax credits consist of deferred Income and Social Contribution Taxes, calculated on temporary add-backs that were added to the taxable income and the social contribution tax basis in prior and current years and calculated on tax losses, temporary add-backs and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2014 onwards.

Tax credits recognized for income and social contribution tax losses are supported by taxable income projections based on feasibility studies that are annually reviewed by the Company's Management. These studies consider the profitability history of the Company and its subsidiaries and the prospect of maintaining in the future the current profitability, allowing an estimate of recovery of tax credits. Other tax credits, which are based on temporary differences, especially tax provisions and estimated losses, were recognized according to the expected realization.

Below are the changes in deferred taxes in the period ended March 31, 2014:

Description	March 31, 2014			
	Parent		Consolidated	
	Income Tax	Social contribution tax	Income Tax	Social contribution tax
Opening balance on December 31, 2013	780,605	282,725	1,140,920	307,045
(-) Realization of taxes on tax losses	-	-	(234)	-
Deferred taxes on tax losses	746	-	5,260	-
Deferred taxes on social contribution tax loss carryforwards	-	269	-	2,102
(-) Realization of deferred taxes on social contribution tax loss carryforwards	-	-	-	(92)
Deferred taxes on temporary add-backs/deductions	39,666	14,280	45,331	16,319
(-) Realization of deferred taxes on temporary add-backs/deductions	(334)	(120)	(8,016)	(2,689)
Other	-	-	(743)	-
Translation gain or loss	-	-	(9,716)	-
Closing balance on March 31, 2014	<u>820,683</u>	<u>297,154</u>	<u>1,172,802</u>	<u>322,685</u>

The expectation for recoverability of the Company's and its subsidiaries' deferred tax asset balances is based on an appraisal reports and internal analyses prepared by skilled professionals. The value in use for credits is estimated based on the future estimated taxable income, which results of the Company's estimates for future generations of taxable income. The projections considered the changes in the economy involving the Company's business markets, as well as assumptions for expected results and history of profitability for each segment.

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The expected realization of "Deferred Tax Assets", based on a technical feasibility study as per CVM Instruction 371 of June 27, 2002 is as follows:

Year	Parent	Consolidated
2014	-	70,917
2015	14,059	131,511
2016	35,601	152,892
2017	79,120	136,104
2018	102,585	111,993
2019 to 2023	886,472	892,070
	1,117,837	1,495,487

12. Investments

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Ownership interest in subsidiaries	2,905,089	2,993,447	-	-
Other investments	135	135	46,104	54,774
	2,905,224	2,993,582	46,104	54,774

12.1 Investments (Parent)

Investments in subsidiaries on March 31, 2014:

	No. of units of interest/shares	Ownership percentage in voting capital	Trading on the stock exchange	Share capital	Equity	Net income (loss) for the period	Equity value according to % interest
MFB Marfrig Frigoríficos Brasil S.A.	78,573,743	100.00	No	78,574	45,035	(18,254)	44,968
Marfrig Chile S.A.	9,950	99.47	No	56,296	56,233	2,465	55,824
Inaler S.A.	66,247,320	100.00	No	3,320	37,457	1,070	37,437
Frigorífico Tacuarembó S.A.	163,288,440	97.82	No	14,784	155,033	5,802	150,978
Weston Importers Ltd	8,101,296	100.00	No	30,569	(15,058)	(1,336)	(15,111)
Maspfen Limited	1	100.00	No	8,354	36,206	(2,149)	28,695
Prescott International S.A.	79,693,916	100.00	No	6,613	52,660	7,003	52,660
Establecimientos Colonia S.A.	403,237,385	100.00	No	59,407	33,701	261	33,340
Marfood USA, Inc	50,000	100.00	No	55,892	(1,056)	(2,112)	(1,056)
Marfrig Overseas Ltd	1	100.00	No	-	(239,081)	(13,818)	(239,081)
MFG Agropecuária Ltda.	9,999	99.99	No	-	835	10,725	835
Marfrig Argentina Sociedad Anónima	560,151,722	99.88	No	242,348	37,358	6,764	37,181
MFG Comercializadora de Energia Ltda	149,985	99.99	No	-	735	298	735
Marfrig Holdings(Europe) BV	2,403,806	100.00	No	2,189,075	2,717,769	17,741	2,717,769
Marfrig Peru S.A.C.	5,000	100.00	No	4	(85)	(107)	(85)
Total				2,745,236	2,917,742	14,353	2,905,089

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The following table presents a summary of the interim financial information of the subsidiaries:

	Total assets	Total liabilities	Non-controlling interest	Net revenue	Group's profit/loss sharing
MFB Marfrig Frigoríficos Brasil S.A.	2,063,490	2,018,455	-	748,861	(18,254)
Marfrig Chile S.A.	133,243	77,009	298	73,289	2,452
Inaler S.A.	127,754	90,297	-	71,191	1,070
Frigorífico Tacuarembó S.A.	307,386	152,354	3,380	114,339	5,675
Weston Importers Ltd	110,695	125,753	-	59,226	(1,336)
Masplen Limited	328,006	291,800	-	68,795	(2,149)
Prescott International S.A.	141,056	88,396	-	91,434	7,003
Establecimientos Colonia S.A.	234,008	200,308	-	94,383	261
Marfood USA, Inc	114,453	115,509	-	29,818	(2,112)
Marfrig Overseas Ltd	1,977,708	2,216,789	-	-	(13,818)
MFG Agropecuária Ltda.	378,146	377,311	-	47,515	10,724
Marfrig Argentina Sociedad Anónima	360,240	322,878	45	80,669	6,754
MFG Comercializadora de Energia Ltda	2,794	2,059	-	25,482	298
Marfrig Holdings(Europe) BV	11,467,597	8,663,237	-	2,712,305	17,741
Marfrig Peru S.A.C.	24	109	-	-	(107)
Total	17,746,600	14,742,264	3,723	4,217,307	14,202

12.2 Breakdown of investments (parent)

	Book balance on 12/31/2013	Asset valuation adjustment	Capital increase/reduction	Total investment in the period	Equity in earnings (losses) of subsidiaries	Balance sheet translation effect	Book balance on 3/31/2014
MFB Marfrig Frigoríficos Brasil S.A.	63,260	-	-	-	(18,291)	-	44,969
Marfrig Chile S.A.	56,436	293	-	-	2,343	(3,249)	55,823
Inaler S.A.	37,735	(1,654)	-	-	1,051	306	37,438
Frigorífico Tacuarembó S.A.	150,973	(59)	-	-	5,354	(5,291)	150,977
Weston Importers Ltd.	(13,950)	(4,630)	-	-	(1,562)	5,031	(15,111)
Masplen Limited	31,410	-	-	-	(2,715)	-	28,695
Prescott International S.A.	47,619	(1,359)	-	-	7,003	(604)	52,659
Establecimientos Colonia S.A.	34,824	(4,652)	-	-	(303)	3,471	33,340
Marfood USA, Inc	968	(660)	-	-	(2,112)	748	(1,056)
Marfrig Overseas Ltd	(233,826)	(5,813)	-	-	(13,818)	14,376	(239,081)
MFG Brasil	(9,889)	-	-	-	10,724	-	835
Marfrig Argentina S.A.	38,996	(47,399)	27,246	27,246	6,252	12,086	37,181
MFG Comercializadora de Energia Ltda	438	-	-	-	298	-	736
Marfrig Holdings(Europe) BV	2,788,451	2,566	-	-	17,742	(90,989)	2,717,770
Marfrig Peru S.A.C.	2	-	-	-	(107)	19	(86)
Total	2,993,447	(63,367)	27,246	27,246	11,859	(64,096)	2,905,089

12.3 Sale of ownership interests to JBS S.A.

Pursuant to the Material Fact disclosed to the market on June 10, 2013, the Company entered into an Agreement for the Purchase and Sale of Ownership Interests and Other Covenants on June 7, 2013, which laid out the terms and conditions for: (i) the sale, by the Company, of certain ownership interests in companies of the group that owns the Seara Brasil business unit, to JBS; and (ii) the sale, by the Company, of 100% the capital of the company owning the leather business of the Marfrig Group in Uruguay (Zenda), to JBS. The transaction value for the sale of Seara Brasil and Zenda was initially established at R\$5.85 billion and would be paid via the assumption of Marfrig's debt by JBS.

Based on said agreement, on June 30, 2013, the Company concluded the sale of the ownership interest held in Columbus Netherlands BV, which owned the leather business of the Marfrig Group in Uruguay (Zenda) and, as a result, the control over said entity was transferred to JBS on that date. On September 30, 2013, the Company concluded the sale of its equity interest in the following entities: Pine Point Participações Ltda. (a company incorporated for the purposes of conducting a corporate reorganization of the following

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companies: União Frederiquense Participação Ltda, Secculum Participação Ltda, Babicora Holding Participações Ltda., Seara Alimentos S.A., Athena Alimentos S.A., Seara Holding (Europe) BV., Excelsior Alimentos S.A. and Baumhardt Comércio e Participações Ltda.) transferring their control to JBS on this date.

The gains from the sales, amounting to R\$483,018 (Columbus) in June 30, 2013 and R\$336,989 million (Seara Brasil) in September 30, 2013 were recorded in the consolidated income statement for the year under "Net income (expense) from discontinued operations".

Gains and losses in the current period, related to the business sold, were classified as "Net income (loss) from discontinued operations in the period", as were the gains and losses in the comparative period, in accordance with CVM Resolution 598/09 (CPC 31 - non-current assets held for sale and discontinued operation).

In addition, following these divestments, the goodwill generated on the acquisition of Columbus Netherlands, União Frederiquense, Secculum, Seara Holding (Europe) BV. and Athena Alimentos S.A., has been realized as transaction cost.

The table below presents a summary of each sale:

Summary Columbus Netherlands

	RS thousand
Selling price	450,000
(+) Adjustment in selling price (**)	151,903
(-) Expenses with legal advisers and consultants	(200)
(=) Adjusted selling price	601,703
(-) Write-off Columbus investment	(156,002)
(-) Write-off of other comprehensive income	37,340
(=) Gain in the sale transaction	483,041
(-) Write-off of the goodwill (*)	(23)
(=) Net gain in the transaction before taxes	483,018

(*) Goodwill from Columbus Netherlands was recorded in the Parent Company - Marfrig Global Foods S.A.

(**) Price adjustment resulting from the working capital included in the consolidated statements of Columbus Netherlands on March 31, 2013, the latest balance sheet available on the date of establishment of the sale price.

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Summary Seara Brasil

	RS thousand
Selling price	5,400,000
(+) Adjustment in selling price (**)	(2,350,162)
(=) Adjusted selling price	3,049,838
(-) Write-off Seara Brasil investment	(3,090,962)
(-) Write-off of other comprehensive income	622,699
(-) Transfer of other debt (***)	(201,260)
(=) Gain in the sale transaction	380,315
(-) Write-off of the goodwill (*)	(43,326)
(=) Net gain in the transaction before taxes	336,989

- (*) Goodwill from the subsidiaries União Frederiquense, Secculum, Seara Holding Europe BV and Athena Alimentos S.A., previously recorded in the Parent Company - Marfrig Global Foods S.A.
- (**) Price adjustment resulting from transfer of debt existing at the companies being sold, working capital and exchange variation of loans denominated in U.S. dollar and not transferred, which are included in the consolidated statements of Seara Brasil on September 30, 2013, the consolidated statements of Columbus Netherlands BV, on June 30, 2013, the latest balance sheet available on the date of establishment of the sale price.
- (***) This balance refers to the transfer of notes payable to BRF.

13. Property, plant and equipment

The following tables show the weighted average annual depreciation rate determined using the straight-line method and based on the economic useful life of the assets and their balances:

Changes in acquisition cost of the parent company

Description	Average annual depreciation rates	Parent 3/31/14					
		Cost	Additions	Write-offs	Transfers	Accumulated depreciation	Cost
Plots of land	-	47,643	-	-	(17,921)	-	29,722
Constructions and buildings	3.02%	774,828	-	-	21,132	(102,803)	693,157
Machinery and equipment	9.97%	361,768	3,002	(105)	2,117	(140,917)	225,865
Furniture and fixtures	10.05%	13,372	585	(4)	103	(5,285)	8,771
Facilities	4.44%	769,084	-	(2)	21,850	(110,971)	679,961
Vehicles	18.18%	33,484	24	(606)	172	(11,780)	21,294
IT equipment	20.34%	11,770	849	-	(380)	(6,107)	6,132
Aircraft	20.00%	382	-	-	-	(382)	-
Advance for acquisition of property, plant and equipment	-	6,903	-	-	-	-	6,903
Leasehold improvements	4.14%	3,349	-	-	-	(421)	2,928
Lease - vehicles	20.00%	19,231	-	-	-	(18,688)	543
Lease - computer hardware	20.00%	15,127	-	-	-	(12,528)	2,599
Lease - machinery	10.00%	12,880	-	-	(1,882)	(9,490)	1,508
Lease - facilities	-	18,291	-	-	(51)	(18,240)	-
Lease - buildings	-	6,314	-	-	-	(6,314)	-
Construction in progress	-	2,070	28,857	-	(25,140)	-	5,787
Other	-	305	3	-	-	(118)	190
		2,096,801	33,320	(717)	-	(444,044)	1,685,360

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Changes in net balance of the parent company:

Description	Average annual depreciation rates						Parent
		Net	Additions	Write-offs	Transfers	Depreciation	3/31/14
Plots of land	-	47,643	-	-	(17,921)	-	29,722
Constructions and buildings	3.02%	682,702	-	-	21,132	(10,677)	693,157
Machinery and equipment	9.97%	229,169	3,002	(105)	2,117	(8,319)	225,864
Furniture and fixtures	10.05%	8,366	585	(4)	103	(279)	8,771
Facilities	4.44%	665,561	-	(2)	21,850	(7,447)	679,962
Vehicles	18.18%	17,135	24	(606)	172	4,569	21,294
IT equipment	20.34%	4,283	849	-	(380)	1,380	6,132
Aircraft	20.00%	-	-	-	-	-	-
Advance for acquisition of property, plant and equipment	-	6,903	-	-	-	-	6,903
Leasehold improvements	4.14%	2,959	-	-	-	(31)	2,928
Lease - vehicles	20.00%	594	-	-	-	(50)	544
Lease - computer hardware	20.00%	2,867	-	-	-	(268)	2,599
Lease - machinery	10.00%	2,599	-	-	(1,882)	790	1,507
Lease - facilities	0.00%	36	-	-	(51)	15	-
Construction in progress	-	2,070	28,857	-	(25,140)	-	5,787
Other	-	187	3	-	-	-	190
		1,673,074	33,320	(717)	-	(20,317)	1,685,360

Changes in consolidated acquisition cost:

Description	Average annual depreciation rates	Consolidated						Net Cost
		Acquisition Cost	Additions	Write-offs	Transfers	Translation	Accumulated Depreciation	
Plots of land	-	122,368	61	(12,873)	(17,921)	(2,953)	-	88,682
Constructions and buildings	2.70%	2,621,021	2,687	(1,102)	(80,295)	(35,990)	(560,409)	1,945,912
Machinery and equipment	6.82%	2,166,012	21,870	(977)	2,127	(23,692)	(1,123,375)	1,041,965
Furniture and fixtures	9.25%	118,868	3,024	(21)	104	(1,131)	(67,045)	53,799
Facilities	4.51%	1,081,870	89	(2)	(110,243)	(1,196)	(158,828)	811,690
Vehicles	13.38%	87,303	504	(649)	209	(591)	(44,862)	41,914
IT equipment	19.29%	63,910	1,105	(98)	(263)	(334)	(48,448)	15,872
Aircraft	20.00%	382	-	-	-	-	(382)	-
and equipment	-	6,972	-	-	-	-	-	6,972
Leasehold improvements	4.37%	258,730	274	-	253,224	(750)	(47,523)	463,955
Lease - vehicles	20.00%	20,605	-	-	(130)	-	(19,516)	959
Lease - computer hardware	20.00%	15,594	-	-	-	-	(12,994)	2,600
Lease - machinery	0.49%	128,323	-	-	(1,792)	(1,598)	(75,932)	49,001
Lease - facilities	5.00%	19,637	-	-	(51)	-	(18,786)	800
Lease - buildings	-	13,376	-	-	-	(76)	(11,577)	1,723
Construction in progress	-	125,143	65,860	(739)	(44,971)	(6,090)	-	139,203
Other	1.01%	2,408	21	(126)	2	217	(1,889)	633
		6,852,522	95,495	(16,587)	-	(74,184)	(2,191,566)	4,665,680

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Changes in consolidated net balance:

Description	Average annual depreciation rates	12/31/13						Consolidated
		Net	Additions	Write-offs	Transfers	Translation	Depreciation	3/31/14
Plots of land	-	122,368	61	(12,873)	(17,921)	(2,953)	-	88,682
Constructions and buildings	2.70%	2,078,495	2,687	(1,102)	(80,295)	(35,990)	(17,883)	1,945,912
Machinery and equipment	6.82%	1,086,909	21,870	(977)	2,127	(23,692)	(44,383)	1,041,854
Furniture and fixtures	9.25%	55,656	3,024	(21)	104	(1,131)	(3,833)	53,799
Facilities	4.51%	914,961	89	(2)	(110,243)	(1,196)	8,080	811,689
Vehicles	13.38%	39,885	504	(649)	209	(591)	2,671	42,029
IT equipment	19.29%	15,220	1,105	(98)	(263)	(334)	242	15,872
Leasehold improvements	-	6,972	-	-	-	-	-	6,972
Lease - vehicles	4.37%	245,750	274	-	253,224	(750)	(34,542)	463,956
Lease - computer hardware	20.00%	1,183	-	-	(130)	-	(94)	959
Lease - machinery	20.00%	2,868	-	-	-	-	(268)	2,600
Lease - facilities	0.49%	56,161	-	-	(1,792)	(1,598)	(3,770)	49,001
Lease - buildings	5.00%	849	-	-	(51)	-	2	800
Construction in progress	-	1,799	-	-	-	(76)	-	1,723
Other	-	125,142	65,860	(739)	(44,971)	(6,090)	-	139,202
	1.01%	534	21	(126)	2	217	(18)	630
		4,754,752	95,495	(16,587)	-	(74,184)	(93,796)	4,665,680

According to CVM Resolution 645/10 (CPC 6(R1) - lease operations), the assets acquired by the Company under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 19.

Pursuant to CVM Resolution 639/10 (CPC 01 (R1)- reduction to recoverable value of assets), an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

If any indication of impairment is found, recoverability analysis comprises projecting the profitability and future cash of the Company's business units, which are discounted to present value to identify the degree of recoverability of the asset.

During the period ended March 31, 2014, the book values of the Company's assets were not higher than the amounts which could be obtained by use or sale. Our assessment also included temporarily idle assets.

The Company and its subsidiaries recorded property, plant and equipment that are fully depreciated and still in operation, as well as temporarily idle items, as follows:

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Description	Parent	
	3/31/14	
	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation
Constructions and buildings	4,273	580
Machinery and equipment	-	32,722
Furniture and fixtures	-	690
Facilities	6,714	265
Vehicles	-	37,045
IT equipment	-	17,596
Aircraft	-	382
	10,987	89,280

Description	Consolidated	
	3/31/14	
	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation
Constructions and buildings	4,273	31,982
Machinery and equipment	9,997	175,746
Furniture and fixtures	189	3,158
Facilities	6,714	265
Vehicles	554	40,245
IT equipment	55	29,614
Aircraft	-	382
Leasehold improvements	97,595	-
Lease - Machinery	195	-
	119,572	281,392

14. Intangible assets

The Company has the subgroup intangible assets, composed of non-current assets, presented pursuant to CVM Resolution 644/10 (CPC 4 (R1) - intangible assets), as shown in the summary below:

	Amortization rate	Useful life	Parent		Subsidiaries	
			3/31/14	12/31/13	3/31/14	12/31/13
Goodwill	-	-	526,119	526,119	494,264	510,900
Trademark and patents	8.58%	11.7	22,883	22,883	336,276	360,671
Software	19.33%	5.2	36,512	36,638	3,266	2,505
Client relationship	12.11%	8.3	-	-	706,042	720,102
Client relationship	-	Indefinite	-	-	582,803	604,052
Other intangible assets	10.32%	9.7	-	-	27,253	27,415
			585,514	585,640	2,149,904	2,225,645

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Consolidated breakdown of intangible assets

	Parent	Subsidiaries
Balance on December 31, 2013	585,640	2,225,645
(+) Addition	1,994	1,577
(-) Write-off	(152)	(766)
(-) Amortization	(1,968)	(4,238)
(+/-) Exchange variation	-	(72,314)
Balance on March 31, 2014	<u>585,514</u>	<u>2,149,904</u>

Goodwill from the acquisition of businesses by September 30, 2008 (last acquisition previous to transition date as of January 1, 2009, referring to complete adoption of CPCs) was calculated based on the accounting standards previous to CVM Resolution 665/11 (CPC 15 - business combination). According to "IFRS Optional Exemptions", the Company decided to adopt IFRS in all business acquisitions as from September 30, 2008. These goodwill amounts were based on expected future profitability, and supported by valuation reports from experts. The trademarks acquired from third parties, prior to December 31, 2009, were measured at the paid amount, while trademarks and list of clients acquired as part of business combination after September 30, 2008 were calculated at fair value pursuant to CVM Resolution 665/11 (CPC 15 (R1) - business combination).

According to CVM Resolution 639/10 (CPC 1 (R1) - reduction to recoverable value of assets), the impairment test of goodwill and intangible assets with indefinite useful lives is conducted annually, and other intangible assets with finite useful lives are tested whenever there is evidence of non-realization of those items. Intangible assets represented by patents and a list of clients are amortized at their respective useful lives, if applicable. Certain intangible assets of the Company have undefined useful lives, according to the experts' valuation, and are annually tested for impairment.

Such analysis comprised projecting the profitability and future cash of the Company's business units, which are discounted to present value to identify the degree of recoverability of the asset.

Discounted cash flows to assess asset impairment were prepared for a period close to 10 years. This cash flow is in line with the Company's 2014-2018 strategic plan and growth projections based on past information and market projections prepared by non-governmental agencies and entities, such as Brazilian Association of Meat Exporters (Abiec), Brazilian Pork Producers and Exporters Association (ABIEPCS), United States Department of Agriculture (USDA), among others.

In the period ended March 31, 2014, the Company did not identify any indications of asset recorded at an amount higher than that recoverable through use or sale.

14.1 Changes in intangible assets (parent)

Changes in the Intangible assets accounts of parent company and subsidiaries for the period ended March 31, 2014 are as follows

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	Balance on December 31, 2013	Acquisition/ write-off	Held for sale	Reclassification / amortization	Balance on March 31, 2014
Inaler S.A. - Goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - Goodwill	57,824	-	-	-	57,824
Masplen Limited - Goodwill	17,258	-	-	-	17,258
Prescott International S.A. - Goodwill	22,922	-	-	-	22,922
Establecimientos Colonia S.A - Goodwill	114,479	-	-	-	114,479
Marfood USA Inc.	308	-	-	-	308
Keystone International	274,949	-	-	-	274,949
Software and systems	36,638	1,842	-	(1,968)	36,512
Trademarks and patents	22,883	-	-	-	22,883
Total	585,640	1,842	-	(1,968)	585,514

The goodwill generated in the business acquisitions concluded before the adoption of all CPCs is expressed in the Company's functional currency.

14.2 Changes in intangible assets (subsidiaries)

	Book balance on December 31, 2013	Acquisitions	Exchange variation on translation	Amortization	Write-off	Book balance on March 31, 2014
Marfrig Chile S.A.	18,848	-	(636)	(14)	-	18,198
Goodwill	18,618	-	(633)	-	-	17,985
Trademarks and patents/software/other	230	-	(3)	(14)	-	213
Weston Importers Ltd.	13,244	-	(340)	-	-	12,904
Goodwill	13,244	-	(340)	-	-	12,904
Masplen Limited	498	-	-	(8)	-	490
Trademarks and patents/software/other	498	-	-	(8)	-	490
Prescott International S.A	10,703	196	(363)	(15)	-	10,521
Goodwill	10,299	-	(350)	-	-	9,949
Trademarks and patents/software/other	404	196	(13)	(15)	-	572
Marfood USA	65,444	-	(2,215)	(200)	-	63,029
Goodwill	47,485	-	(1,613)	-	-	45,872
Client relationship	3,856	-	(123)	(200)	-	3,533
Trademarks and patents/software/other	14,103	-	(479)	-	-	13,624
Frigoríficos Tacuarembó S.A	467	783	1	(18)	(604)	629
Trademarks and patents/software/other	467	783	1	(18)	(604)	629
Inaler S.A	312	196	(10)	(12)	-	486
Trademarks and patents/software/other	312	196	(10)	(12)	-	486
Establecimientos Colonia S.A	584	196	(19)	(17)	-	744
Trademarks and patents/software/other	584	196	(19)	(17)	-	744
Marfrig Argentina	101,552	50	(7,199)	(6)	-	94,397
Goodwill	101,341	-	(7,179)	-	-	94,162
Trademarks and patents/software/other	211	50	(20)	(6)	-	235
MFB - Marfrig Frig. BR S.A.	520	-	-	(38)	-	482
Trademarks and patents/software/other	520	-	-	(38)	-	482
MFG Agropecuária Ltda	30	-	-	(2)	-	28
Trademarks and patents/software/other	30	-	-	(2)	-	28
Marfrig Holdings (Europe)BV	2,013,443	156	(61,533)	(3,908)	(162)	1,947,996
Goodwill	319,911	-	(6,521)	-	-	313,390
Client relationship	1,320,298	-	(31,039)	(3,949)	-	1,285,310
Trademarks and patents/software/other	373,234	156	(23,973)	41	(162)	349,296
Total	2,225,645	1,577	(72,314)	(4,238)	(766)	2,149,904

MARFRIG GLOBAL FOODS S.A.

Parent company and consolidated quarterly financial information notes Periods ended March 31, 2014 and 2013 (In thousands of Brazilian reais)

15. Accrued payroll and related charges

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
INSS (social security contribution) payable	2,281	2,496	27,794	24,758
Salaries and payroll obligations	51,733	50,003	213,659	210,527
Other social charges and benefits payable	4,494	6,932	96,927	102,646
	<u>58,508</u>	<u>59,431</u>	<u>338,380</u>	<u>337,931</u>

On November 21, 2005, Law No. 11.196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministerial Ordinance No. 23 dated February 2, 2006.

In addition, article 2 of Law 11.457/07 establishes responsibility to the Brazilian Federal Revenue Service concerning the employees' social security contributions levied on their contribution salaries, according to item c, sole paragraph, Article 11 of Law 8.212/91 and Article 104 of Law 11.196/05.

The Company currently has a favorable court decision that determines that the Federal Revenue Service of Brazil should analyze the requests for Reimbursement filed by the company and also establishes the recognition of the possibility to offset credits related to PIS and COFINS taxes with social security contributions, upon use of tax credits to pay the dues.

The Company believes it holds sufficient credits to settle its debts and therefore, based on the opinion of its legal counsel, is carrying out the offset of social security debts with PIS/COFINS tax credits.

An Interlocutory Appeal was filed by the National Treasury against said court decision, which was judged and the decision maintained with regard to the requirement of analysis by the Federal Revenue Service of Brazil of the requests for Reimbursement filed by the company. However, the decision was altered regarding the right to suspend the enforceability of the dues.

As a result, the company requested the court to recognize the possibility of offsetting the PIS and COFINS credits with social security contributions using the tax credits to pay the debts, to be undertaken by the Federal Revenue Service of Brazil.

To formalize said credits, the company filed Requests for Reimbursement with the Federal Revenue Service of Brazil. These requests indicate the existence of sufficient credits to settle the Company's debts, at the occasion of occurrence of the facts and events, using the tax credits to pay such debts.

Thus, based on the opinion of its legal counsel, Marfrig Group has been offsetting social security debts against PIS/COFINS credits.

In the period ended March 31, 2014, the Company does sponsor post-employment benefit plans with actuarial liability characteristics.

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16. Taxes payable

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
ICMS (State VAT) payable	-	-	3,904	4,937
Special tax debt installment payment plan - Law No. 11.941/2009	158,806	156,299	158,806	156,299
Income tax payable	-	-	27,016	26,917
Social contribution tax payable	-	-	3,842	4,469
PIS and COFINS (tax on sales) payable	-	-	26	5
Social contribution payable - PGFN ⁽¹⁾	9,285	9,199	9,285	9,199
Income tax payable - PGFN ⁽¹⁾	25,153	24,919	25,153	24,919
Withholding income tax payable- PGFN ⁽¹⁾	7,123	7,057	7,123	7,057
Other taxes payable	3,550	8,048	68,692	62,838
	203,917	205,522	303,847	296,640
Current liabilities	17,839	24,596	117,100	114,651
Non-current liabilities	186,078	180,926	186,747	181,989

(1) Office of the General Counsel to the National Treasury

Special Tax Debt Installment Payment Plan - Law 11.941/09

On September 30, 2009, the Company joined the Special Tax Debt Installment Payment Plan (New REFIS), established by Law No. 11.941, of May 27, 2009. It provides for the payment in installments of debts due to the Brazilian Federal Revenue Service (SRF), the Office of the National Treasury Attorney-General (PGNF), and the Brazilian Social Security Institute (INSS). The Company declared debts with those agencies and transferred to the plan debts included in other payment plans (Special Tax Debt Installment Payment Plan - Law No. 10.684/03 - PAES and Extraordinary Tax Debt Installment Payment Plan - Executive Act No. 303/06 - PAEX), to be settled within 180 months

During the consolidation process of the abovementioned program, the Company decided not to include the lawsuit 10880.720.016/2008-93, totaling originally R\$29,844, which was reclassified to taxes payable, under non-current liabilities.

In view of the waiver of the installment payment program, debits were adjusted in accordance with law in effect on the date of the taxable event, resulting in additional fine, interest and restatement amounting to R\$11,718 and a total debit of R\$41,561, as presented below:

Debits reclassified to taxes payable

	3/31/14	12/31/13
Social contribution payable- PGFN	9,285	9,199
Income tax payable - PGFN	25,153	24,919
Withholding income tax payable - PGFN	7,123	7,057
	41,561	41,175

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Reopening of the Period for joining the program - Law 12,865/2013

On December 20, 2013, the Company joined the Reopening of Law 11,941 of 2009, which governs the payment in installments of dues with the Federal Revenue Service of Brazil (SRF), the Attorney General of the National Treasury (PGFN) and the National Social Security Institute (INSS), stating its outstanding dues with these institutions, to be settled within 180 months, as shown below:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Opening balance	156,299	60,249	156,299	237,879
(+) Adhesion to installment payment	-	58,390	-	229,423
(+) Interest rates	8,757	7,514	8,757	28,518
(-) Discount to present value	-	50,664	-	31,156
(-) Payments made	(6,250)	(20,518)	(6,250)	(53,387)
(-) Reversal for divestments	-	-	-	(317,290)
Debt balance	158,806	156,299	158,806	156,299
Current liabilities	14,425	16,788	14,425	16,788
Non-current liabilities	144,381	139,511	144,381	139,511

17. Loans and financing

Parent					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/14	Balance on 12/31/13
Local currency					
FINAME	TJLP + Fixed Rate	5.65	2.34	557	645
FINEP	TJLP + 1%	6.00	2.32	11,951	13,681
NCE	Fixed Rate+%CDI	11.56	3.24	186,000	221,995
Working Capital	CDI + Fixed Rate	17.27	1.05	83,270	99,936
Total local currency		13.00		<u>281,778</u>	<u>336,257</u>
Foreign currency:					
Prepayment (US\$)	Libor+Fixed Rate+FX	6.12	2.51	164,154	224,977
NCE (US\$) / ACC	Fixed Rate+ FX (US\$) + Libor	5.49	1.84	1,097,819	891,726
Total foreign currency		5.57		<u>1,261,973</u>	<u>1,116,703</u>
Total indebtedness		6.93		<u>1,543,751</u>	<u>1,452,960</u>
Current liabilities				739,867	562,244
Non-current liabilities				803,884	890,716

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Consolidated					
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/14	Balance on 12/31/13
Local currency					
FINAME	TJLP + Fixed Rate	5.65	2.34	557	645
FINEP	TJLP + 1%	5.25	2.93	47,288	50,509
NCE	Fixed Rate+%CDI	11.56	3.24	186,000	221,995
Working capital (R\$)	Fixed Rate+%CDI	17.27	1.05	83,270	99,936
Total local currency		12.11		317,115	373,085
Foreign currency					
Prepayment (US\$)	Libor+Fixed Rate + FX	6.12	2.51	164,154	224,977
Bonds (US\$)	Fixed Rate + FX	9.54	5.25	6,086,969	5,624,277
NCE (US\$) / ACC	%CDI+Fixed Rate+FX (US\$)+Libor	5.49	1.84	1,099,263	893,170
Working capital (Pesos)	Development Unit	7.20	0.47	2,034	2,266
Bank loan (US\$)	Fixed Rate + FX	3.74	3.86	767,143	921,504
Revolving credit facility	Libor + 2.75	1.06	1.94	711,704	806,528
Financing agreements (US\$)	Fixed Rate + FX	1.01	0.28	33,324	22,071
PAE (US\$)	Fixed Rate + FX	3.02	0.24	14,117	17,036
Tradable liabilities	Fixed Rate	6.50	2.00	27,157	28,578
Total foreign currency		7.75		8,905,865	8,540,407
Total indebtedness		7.90		9,222,980	8,913,492
Current liabilities				1,262,820	1,096,970
Non-current liabilities				7,960,160	7,816,522

The Company's types of loans and financing can be described as follows:

17.1 Senior Notes - BONDS

These are long-term funding operations denominated in U.S. dollar involving the issue of debt securities abroad (Bonds) exclusively to qualified institutional investors (Rule 144A/Reg S), not registered at the Securities and Exchange Commission of Brazil (CVM), in accordance with the Securities Act of 1933, as amended.

The Company has conducted five funding operations of this nature since 2006, which were assigned foreign-currency credit risk ratings of B1 by Moody's and B+ by Standard & Poor's and Fitch, as detailed below:

- The first bond operation was concluded in November 2006, upon the issue by Marfrig Overseas Limited, a wholly-owned subsidiary of the Company, of US\$375 million in Senior Notes, with a 9.625% p.a. coupon, semi-annual interest payment beginning in May 2007 and maturity of principal in 10 years (November 2016). The proceeds from the issue were used for the acquisition by the Company of business units in Argentina and Uruguay.

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In March 2010, Senior Note holders approved the amendment of certain clauses included in the indenture that governs this issue, including the change in and/or omission of restrictions applicable to the guarantees provided by the Company and its subsidiaries. Said amendment did not comprise any change in the financial conditions of this debt, which maintained the same maturity term and interest rate originally established (this addendum, jointly with the indenture, the “First Issue”). The first issue is guaranteed by Marfrig Global Foods S.A. and Marfrig Holdings (Europe) BV.;

- The second operation was conducted in April 2010, upon the issue by Marfrig Overseas Ltd. of US\$500 million in Senior Notes, with a coupon of 9.50% p.a., semiannual interest payments beginning in November 2010 and maturity of principal in 10 years (November 2020). This operation also was guaranteed by Marfrig Global Foods S.A. and Marfrig Holdings (Europe) BV and its proceeds were used to lengthen the debt profile of the Company (“Second Issue”).
- The third operation was concluded in May 2011 and comprised the issue by Marfrig Holdings (Europe) B.V. of US\$750 million in Senior Notes, with a coupon of 8.375% p.a., semiannual interest payment beginning in November 2011 and maturity of principal in 7 years (May 2018). The operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas Limited and the proceeds were used to lengthen the debt profile of the Company and to strengthen its working capital (“Third Issue”).
- The fourth operation was concluded in January 2013 and comprised the issue by Marfrig Holdings (Europe) B.V. of US\$600 million in Senior Notes, with a coupon of 9.875% p.a., semiannual interest payments beginning in July 2013 and maturity of the principal in 4.5 years (July 2017). This operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas Limited and the proceeds were used to lengthen the debt profile of the Company and to strengthen its working capital (“Fourth Issue”).
- The fifth operation was concluded in September 2013 and comprised the issue by Marfrig Holdings (Europe) B.V. of US\$400 million in Senior Notes, with a coupon of 11.25% p.a., semiannual interest payments beginning in March 2014 and maturity of the principal in 8 years (September 2021). This operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas and the proceeds were used to lengthen the debt profile of the Company and to strengthen its working capital (“Fifth Issue”). Also in connection with the Fifth Issue, the Company carried out a tender offer to acquire the Bonds of the First Issue, which mature in 2016. Based on the conclusion of this offering, the Company repurchased Bonds in the amount of US\$191 million, or approximately 50.97% of the outstanding bonds of the First Issue. As a result of the tender offer, the First Issue was amended through a complementary indenture that sets forth, among other things, the elimination of virtually all the restrictive covenants of the Indenture.

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- In March 2014, the Company concluded the re-tap of its Senior Notes linked to the Second Issue in the aggregate amount of US\$275 million ("Additional Notes"). The Additional Notes were consolidated into a single series with the Senior Notes of the Second Issue, with coupon of 9.50% p.a. (yield of 9.43% p.a. for the issue). The issue of Additional Notes is guaranteed by Marfrig Global Foods. S.A. and its subsidiary Marfrig Holdings (Europe) BV.

Considering that the Senior Notes issued in 2006, 2010, 2011 and 2013 represent 65,77% of the Company's consolidated debt as of March 31, 2014 (and represented 63.10% of said debt on December 31, 2013), the obligation of maintaining a ratio of adjusted net debt to EBITDA in the last 12 months serves as a guide for the other outstanding loans and financing of the Company at the end of the period. Regarding the ratio of adjusted net debt to EBITDA, note that the Fifth Issue establishes a maximum ratio of 4.5x, while the Second Issue, Third Issue and Fourth Issue established a maximum ratio of 4.75x.

Furthermore, due to the settlement of the transaction governed by the Agreement for the Purchase and Sale of Ownership Interests and Other Covenants of September 30, 2013, which formalized, among other things, the sale by the Company of certain rights and ownership interests in the companies of its group that owned the business unit Seara Brasil to JBS S.A., the guarantees originally offered by União Frederiquense Participações Ltda. and Seara Alimentos Ltda. in the First Issue, Second Issue, Third Issue and Fourth Issue were released as per the release mechanism provided for in their respective indentures.

17.2 Guarantees for loans and financing:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Balance of financing	1,543,751	1,452,960	9,222,980	8,913,492
Guarantees:				
Promissory notes	362,782	375,559	364,226	377,003
Trade notes	86,755	114,251	128,816	152,004
Bank guarantee	-	-	33,448	42,165
Supply Agreement	-	-	2,034	2,266
Surety	184,755	211,912	184,755	211,912
Leased asset	558	645	13,795	15,819
Export document	-	-	67,792	70,483
Facilities	11,951	13,681	105,404	119,323
Marketable securities	-	-	805,705	758,980
No guarantees	896,950	736,912	7,517,005	7,163,537

17.3 Covenants

The loan agreements are ruled by covenant of 4.5x, in its most restrictive form, in relation to consolidated indebtedness level, as maximum quotient of Net Debt/annualized (last 12 months) EBITDA ratio.

The schedule of maturities is presented in Note 18.

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The penalty for breach of this covenant is the same as generally applied in the financial markets, which is the early maturity of the debt, which is then reclassified as current liabilities.

In accordance with Note 32.6 - Capital Management, the actual quotient on the base date ("Leverage Ratio"), which, on March 31, 2014, was 3.01x (Net Debt/EBITDA in the last 12 months).

18. Debentures payable and interest on debentures

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Debentures payable	570,000	570,000	-	-
(-) Cost with debenture issue	(229)	(244)	-	-
Interest on convertible and non-convertible debent	58,483	102,697	40,629	32,607
(-) Withholding income tax on debenture interest	(8,126)	(6,335)	(8,126)	(6,335)
	<u>620,128</u>	<u>666,118</u>	<u>32,503</u>	<u>26,272</u>
Current Liabilities - Interest on debentures	50,357	96,362	32,503	26,272
Non-Current Liabilities - Debentures payable	569,771	569,756	-	-

The Company, with assistance from its financial advisors, structured during the second quarter of 2013, an issue of non-convertible debentures maturing on January 22, 2019 in the amount of R\$570,000. This operation formalized the process of internalizing a portion of the financial resources derived from the Senior Notes issued by its subsidiary Marfrig Holding Europe BV in January 2013. The operation was structured in such a way as to not affect the Company's consolidated interim financial information.

The Company does not have a renegotiation clause for the debentures, and therefore it does not believe on the need to report the information required under item 18.4.1 of Circular Letter/CVM/SNC/SEP no. 01/07 in the notes to the interim financial information.

Interest due on mandatorily convertible debentures was also accrued as per Note 21.

Debt, debentures and interest on debentures were as follows:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Local currency				
Loans and financing	281,779	336,257	317,116	373,085
Interest on debentures	50,357	96,362	32,503	26,272
Debentures payable	569,771	569,756	-	-
	<u>901,907</u>	<u>1,002,375</u>	<u>349,619</u>	<u>399,357</u>
Foreign currency				
Loans and financing	1,261,972	1,116,703	8,905,864	8,540,407
	<u>1,261,972</u>	<u>1,116,703</u>	<u>8,905,864</u>	<u>8,540,407</u>
	<u>2,163,879</u>	<u>2,119,078</u>	<u>9,255,483</u>	<u>8,939,764</u>

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Loans and financing fall due and pay interest as follows:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Local currency				
1Q14	-	174,015	-	105,416
2Q14	68,021	18,046	69,512	19,537
3Q14	37,255	100,942	20,893	102,433
4Q14	56,517	1,517	58,059	3,060
1Q15	66,501	-	67,992	-
2015	4,414	38,412	4,414	44,375
2016	34,406	34,665	38,877	40,628
2017	32,498	32,498	38,462	38,462
2018	32,498	32,498	38,462	38,462
2019	569,784	569,769	5,977	5,977
2020	12	12	5,976	1,006
2021	1	1	995	1
	901,907	1,002,375	349,619	399,357
	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Foreign currency				
1Q14	-	526	-	398,020
2Q14	16,062	5,725	382,826	105,269
3Q14	109,563	34,078	206,245	52,448
4Q14	309,445	323,757	335,430	337,059
1Q15	126,860	-	154,367	-
2015	465,541	509,837	494,929	640,716
2016	98,721	102,224	531,905	541,355
2017	135,780	140,556	1,494,317	1,539,382
2018	-	-	2,286,817	2,434,983
2019	-	-	-	2,722
2020	-	-	2,155,993	1,595,671
2021	-	-	863,035	892,782
	1,261,972	1,116,703	8,905,864	8,540,407
Total	2,163,879	2,119,078	9,255,483	8,939,764

19. Lease payable

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

19.1 Finance lease

According to CVM Resolution No. 645/10 (CPC 06 (R1) - commercial leasing), finance lease operations are now recognized under the Company's current and non-current liabilities, with an offsetting entry of the leased asset recorded in property, plant and equipment, according to note 13, while financial leasing operations are guaranteed by the leased assets themselves:

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Parent						
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/14	Future payments 3/31/14	Balance on 12/31/13
Domestic currency						
Finance lease of vehicles	CDI + Rate	15.18%	1.9	733	525	721
Finance lease of IT equipment	CDI + Rate	11.41%	0.8	1,583	1,570	2,437
Finance lease of machinery and equipment	CDI + Rate	15.01%	2.0	1,404	1,026	1,697
Finance lease of industrial facilities	CDI + Rate	-	-	-	-	1
Interest payable				(696)	-	(785)
Finance lease - discount to present value				(599)	-	(418)
Total domestic currency				2,425	3,121	3,653
Total Parent Company				2,425	3,121	3,653
Current liabilities				1,769		2,466
Non-current liabilities				656		1,187
Consolidated						
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 3/31/14	Future payments 3/31/14	Balance on 12/31/13
Domestic currency						
Finance lease of vehicles	CDI + Rate	14.71%	1.8	1,230	981	1,310
Finance lease of IT equipment	CDI + Rate	11.41%	0.8	1,583	1,570	2,437
Finance lease of machinery and equipment	CDI + Rate	14.79%	2.0	2,062	1,588	2,427
Finance lease of industrial facilities	CDI + Rate	-	-	-	-	1
Interest payable				(1,056)	-	(1,195)
Finance lease - discount to present value				(599)	-	(418)
Total domestic currency				3,220	4,139	4,562
Foreign currency						
Finance lease of vehicles	Rate	5.55%	4.0	3,484	4,188	3,895
Finance lease of machinery and equipment	Rate	4.22%	2.9	137,319	147,934	144,302
Total foreign currency				140,803	152,122	148,197
Total Consolidated				144,023	156,261	152,759
Current liabilities				49,098		49,663
Non-current liabilities				94,925		103,096

According to CVM Resolution 564/08 (CPC 12 - present value adjustment), finance lease payable was discounted to present value, at the initial recognition date, as described in note 3.1.15 to the interim financial information for the fiscal year ended December 31, 2013.

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Lease contracts fall due as follows:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Domestic currency				
Up to one year	1,769	2,466	2,220	2,919
From one to five years	656	1,187	1,000	1,643
	<u>2,425</u>	<u>3,653</u>	<u>3,220</u>	<u>4,562</u>
Foreign currency				
Up to one year	-	-	46,878	46,745
From one to five years	-	-	93,925	101,233
More than five years	-	-	-	219
Total foreign currency	<u>-</u>	<u>-</u>	<u>140,803</u>	<u>148,197</u>
Total	<u>2,425</u>	<u>3,653</u>	<u>144,023</u>	<u>152,759</u>

The schedule for future payments of the finance lease is as follows:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Domestic currency				
Up to one year	2,108	2,766	2,701	3,360
From one to five years	1,013	1,672	1,438	2,227
	<u>3,121</u>	<u>4,438</u>	<u>4,139</u>	<u>5,587</u>
Foreign currency				
Up to one year	-	-	51,419	50,549
From one to five years	-	-	100,703	108,558
Total foreign currency	<u>-</u>	<u>-</u>	<u>152,122</u>	<u>159,107</u>
Total	<u>3,121</u>	<u>4,438</u>	<u>156,261</u>	<u>164,694</u>

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19.2 Operating lease

Operating lease as at March 31, 2014 is as follows:

Parent						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount financed	Expense at 3/31/14
CSI LATINA A. M. S.A	IT Equip.	01/18/11	8.45%	0.2	3,196	415
HP FIN SER ARREND.	IT Equip.	06/19/12	4.21%	1.2	1,309	109
BANCO IBM S.A	IT Equip.	07/05/12	9.55%	1.2	856	96
BANCO DE LAGE LADEN	IT Equip.	05/25/12	11.46%	1.1	2,610	-
LEASEPLAN ARREND.SA	Vehicles	01/20/12	7.30%	0.8	528	2
	Total Local currency				<u>8,499</u>	<u>622</u>
	Foreign currency					
AVN AIR LLC	Aircraft	12/01/07	3.11%	3.1	24,631	560
	Total Foreign currency				<u>24,631</u>	<u>560</u>
	Total local and foreign currency				<u>33,130</u>	<u>1,182</u>

Consolidated						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount financed	Expense at 3/31/14
	Local currency					
CSI LATINA A. M. S.A	IT Equip.	01/18/11	8.45%	0.2	3,196	415
HP FIN SER ARREND.	IT Equip.	06/19/12	4.21%	1.2	1,309	109
BANCO IBM S.A	IT Equip.	07/05/12	9.55%	1.2	856	96
BANCO DE LAGE LADEN	IT Equip.	05/25/12	11.46%	1.1	2,610	-
LEASEPLAN ARREND.SA	Vehicles	01/20/12	7.30%	0.8	528	2
Frigorífico Mercosul	Meatpacking plant	09/21/09	IGP-M year	0.5	30,000	1,976
Frigorífico Margem	Meatpacking plant	09/21/09	IGP-M year	0.5	57,600	3,692
Frigorífico 4 Rios	Meatpacking plant	09/21/09	IGP-M year	0.5	9,600	845
Leoni empreendimentos imobiliários	Meatpacking plant	09/21/09	IGP-M year	0.5	2,520	70
	Total local currency				<u>108,219</u>	<u>7,205</u>
	Foreign currency					
AVN AIR LLC	Aircraft	12/01/07	3.11%	3.1	24,631	560
Ford Motor Credit CO.	Vehicles	01/29/13	15.93%	0.5	133	92
Sundry leasers	IT Equipment	12/24/02	Fixed Installme.	3.0	2,759	295
Sundry leasers	Property	03/07/03	Fixed Installme.	8.6	42,603	3,377
Sundry leasers	Machinery and Equipment	06/01/07	Fixed Installme.	14.8	98,641	3,081
Sundry leasers	Meatpacking plant	12/01/06	Fixed Installme.	5.3	48,379	3,437
Sundry leasers	Land and Buildings	02/24/03	Fixed Installme.	11.3	12,662	473
Sundry leasers	Vehicles	06/13/02	Fixed Installme.	2.4	9,962	1,445
	Total foreign currency				<u>239,770</u>	<u>12,760</u>
	Total local and foreign currency				<u>347,989</u>	<u>19,965</u>

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The balance of the operating lease payable falls due as follows:

	Parent	Consolidated
	3/31/14	3/31/14
	(at present value)	(at present value)
Domestic currency		
Up to one year	1,463	15,347
From one to five years	560	3,084
Total domestic currency	2,023	18,431
Foreign currency		
Up to one year	1,296	35,516
From one to five years	4,109	139,584
Over 5 years	-	58,724
Total foreign currency	5,405	233,824
Total	7,428	252,255

The operating leases the Company enters into have no restrictions or contingencies, follow market practices and include, in some cases, price adjustment clauses during their effective term.

The value of the leased assets is calculated at total definitive cost, which includes costs of transportation, taxes and documentation. Finance lease obligations are calculated on the total definitive cost, by applying a predefined percentage for each agreement.

In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancelling all rights arising from the lease agreement; (ii) claiming the return of the leased goods; and (iii) accelerating the maturity of the lease agreement. In that case, the lessee undertakes to pay unsettled debts, including installments overdue and falling due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debt balance. The lessee, without prejudice to the lessor, may file a claim for damages.

In relation to the renewal option, the lessee should previously communicate their intention to renew the lease agreement, otherwise the renewal is automatic, the conditions of which should be agreed upon between the parties. In the event the parties do not reach an agreement, the lessee should opt for purchasing the goods at market value or returning them.

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20. Notes payable

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Notes payable for investments in Brazil	3,790	3,790	3,790	3,790
Notes payable - Sponsorships (a)	50,404	31,504	50,404	31,504
Derivatives payable (b)	250,870	231,927	284,989	241,596
Related parties (c)	3,809,291	3,887,512	-	-
Other	-	-	4,041	10
	4,114,355	4,154,733	343,224	276,900
Current liabilities	112,014	287,474	113,690	272,486
Non-current liabilities	4,002,341	3,867,259	229,534	4,414

- (a) On March 8, 2010, the Company signed a sponsorship agreement with the Brazilian Football Confederation (CBF) to sponsor the Brazilian football teams, including men's and women's national association football teams administered by the CBF ("Teams"). The agreement allowed the disclosure of the sponsorship of the "Teams" through display and associations of various brands owned by MARFRIG. Said contract was terminated early and the parties are discussing in court the terms of said termination.

On March 29, 2010, the Company signed a sponsorship agreement with FIFA (*Fédération Internationale de Football Association*) to sponsor the 2010 FIFA World Cup™, FIFA Confederations Cup 2013 and 2014 FIFA World Cup™. The agreement permits the use of Marfrig Group brands, such as: MOY PARK AND PEMMICAN, and also the use of the tournament logo in advertisements and products and its distribution.

- (b) In the Note 32, we break down financial instrument operations practiced by the Company. The Company and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities prices variations. These represent the amount of derivatives payable.
- (c) The breakdown of balance can be seen in Note 10.1.

21. Mandatory deed convertible into shares

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Convertible mandatory deed	2,500,000	2,500,000	2,500,000	2,500,000
Conversion into shares	(350,000)	(350,000)	(350,000)	(350,000)
Cancellation of shares	(450)	-	(450)	-
Issue expenses	(33,896)	(36,887)	(33,896)	(36,887)
	2,115,654	2,113,113	2,115,654	2,113,113

According to the "Indenture for the Second Issue of Debentures Convertible into Shares of (Mandatory Deed) Marfrig Global Foods S.A.", the Company issued two hundred and fifty thousand (250,000) debentures, mainly convertible into shares, with unit par value of R\$10, amounting to R\$2,500,000. The Mandatory Deed was issued on July 15, 2010 through private subscription, with maturity within 60 months, annually restated at the interest rate at 100% of the accumulated variation of average interbank deposit rates of a day, plus spread of one per cent (1%). Remuneration of the Mandatory Deed is recognized as current liabilities and collateralized by a bank guarantee provided by Banco Itaú BBA S.A. All two hundred and fifty thousand (250,000) debentures were subscribed on various dates during, and the main debenture holder is BNDES Participações S.A.

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As defined in said Indenture and except for the cases of voluntary conversion, the conversion price will be lower than the following items: (i) R\$21.50, plus the percentage of interest paid to debenture holders over the par value of the issues, less earnings distributed to each share, both restated at CDI as from the actual payment, in the case of interest on debentures, or the date of debentures less earnings, in the case of earnings, until the conversion date; and (ii) the higher between the market price and R\$24.50, the latter without adjustment for earnings in cash or monetary restatement.

The Company, based on the essence of the operation (equity) and on the characteristics thereof, initially recorded the Mandatory Deed (principal) as Capital Reserve, under Shareholders' Equity. However, the Securities and Exchange Commission of Brazil (CVM), through Official Letter CVM/SEP/GEA-5/no. 329/2012 dated October 10, 2012, stated its opinion of this instrument and ordered: (i) the accounting reclassification of the Mandatory Deed; and (ii) the re-filing of the 2011 interim financial information with comparisons to the 2010 financial instatements.

The Company abided by the order of the CVM, proceeding with the full reclassification of the Mandatory Deed to the specific accounting line non-current liabilities. The previous method of accounting was based on accounting and legal opinions issued specifically regarding this matter.

Said reclassification does not affect any terms and conditions of the Mandatory Deed and there is no effect on the current financial indebtedness of the Company, on the servicing of its debt or on its financial covenants, since, unlike others items under the liabilities of the Company, the Mandatory Deed may not be liquidated into cash or cash equivalents, but only into common shares issued by the Company.

The Company spent R\$12,328 to issue the Mandatory Deed, which was initially recorded as a valuation allowance to the Capital Reserve account. In August 2011, 2012 and 2013, surety was renewed in the amount of R\$8,365, R\$8,387 and R\$7,807, respectively; accordingly, expenses with the issue of the Mandatory Deed amounted to R\$36,887 on December 31, 2013. These expenses were also reclassified under non-current liabilities, as a deduction from the account "Mandatory Deed Convertible into Shares". As determined by the Company, the value started to be amortized on a monthly basis.

As a result of the paying in of such debentures made by BNDES Participações S.A., MMS Participações S.A. and BNDES Participações S.A have entered into a Shareholders' Agreement with the purpose of regulating the relationship between the parties as shareholders of Marfrig Global Foods S.A.

On February 5, 2013 the Company conducted a capital increase, within the authorized limit due to the conversion of thirty-five thousand (35,000) debentures from the 2nd Issue of Convertible Debentures of the Company that were held by BNDES Participações S.A. - BNDESPAR into forty-three million, seven hundred and fifty thousand (43,750) common shares issued by the Company, in accordance with Item III.16.11 of the "Private Deed of the 2nd Issue of Debentures Convertible Into Shares of Marfrig Global Foods S.A." that was entered into by the Company and Planner Trustee DTVM Ltda. on July 22, 2010, and as per the Material Fact published on October 24, 2012.

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The Shares resulting from the conversion have the same characteristics and conditions and enjoy all of the same rights and advantages ascribed by law and by the bylaws that are attributed to the existing common shares issued by the Company.

As a result of the abovementioned conversion of debentures, there was a material increase in the ownership interest held by the shareholder BNDESPAR, which now holds common shares representing 19.63% of the Share Capital of the Company.

On January 6, 2014, the Board of Directors of the Company approved the submission to the Meeting of Shareholders of the proposal for Fifth (5th) Issue of Unsecured Convertible Debentures in a Single Series in the aggregate amount of R\$2,150,000 (5th Issue of Convertible Debentures of the Company).

On January 22, 2014, the shareholders of the Company, assembled in an Extraordinary Shareholders' Meeting, approved said Fifth Issue of Convertible Debentures of the Company in the aggregate amount of R\$2,150,000, in a single series, upon the issue of 215,000, debentures at the unit face value of R\$10, restated by an interest rate corresponding to 100% of the cumulative variation in the average overnight rate for one day, plus a spread of one percent (1%). The interest will be paid annually on the following dates: January 25, 2015, January 25, 2016; with the last payment date coinciding with the maturity date, on January 25, 2017. The Fifth Issue had the objective, within the limits of its indenture, of fully redeeming the debentures of the Second Issue of Convertible Debentures of the Company.

Likewise, the debentures of the Fifth Issue of Convertible Debentures of the Company are mandatorily convertible into shares of the Company on the Maturity Date, with the conversion price corresponding to the lowest of the following amounts: (i) R\$21.50, restated annually by an interest rate corresponding to the overnight rate plus one percent (CDI+1%), less any and all payments received by shareholders (dividends or interest on equity); or (ii) the highest between the market price, as defined in the indenture as the weighted average market price of MRFG3 stock quoted in the spot market of the BM&FBovespa in the sixty (60) trading sessions immediately prior to the conversion date, and R\$21.50 (without adjustment for cash dividends or monetary restatement).

On March 17, 2014, the Company released a Notice to the Market informing the market of the conclusion of its Fifth Issue of Convertible Debentures of the Company, with the subscription of 214,955 Debentures, with unit face value of R\$10, as per the information received from Itaú Unibanco S.A., the agent bank, and that 45 unsubscribed debentures were canceled by the Company.

Lastly, on March 28, 2014, the Company published a Notice to the Market informing that, as decided in the Meeting of Debenture Holders of the Second Issue of Convertible Debentures of the Company, held on January 22, 2014, of a total of 215,000 debentures of the Second Issue: a) 214,900 were used by the respective debenture holders to pay up the debentures of the Fifth Issue of Convertible Debentures of the Company; and b) 100 outstanding debentures were fully redeemed, on the date hereof, which resulted in the cancellation of all 215,000 debentures of the Second Issue of Convertible Debentures of the Company and the consequent conclusion of said Second Issue of Debentures.

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22. Tax, labor and civil contingencies

22.1 The Company and its subsidiaries are involved in several civil, administrative, tax, social security and tax proceedings, in the ordinary course of business, for which provisions based on legal counsel's estimates have been set up. The principal information about these proceedings is presented below:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Labor and social security	10,814	10,557	11,253	10,989
Tax	6,148	6,002	6,148	6,002
Civil	9,672	9,443	9,701	9,471
	<u>26,634</u>	<u>26,002</u>	<u>27,102</u>	<u>26,462</u>

22.1.1 Labor and social security

As at March 31, 2014, the Company and its subsidiaries are parties to various labor claims. Based on the Company's and its subsidiaries' payment history, a provision of R\$11,253 was set up. In the opinion of the Management and legal counsel, this provision is sufficient to face probable losses. Most of the labor claims filed against the Company and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, breaks for personnel who work in refrigerated environments, commuting time and ergonomic risk, among others. The Management of the Company believes no individual labor claim is relevant.

22.1.2 Tax

Tax provisions refer mostly to the following taxes:

State VAT - ICMS

According to the Management and its legal counsel, all provisions for tax contingencies of the Company are rated as a probable unfavorable outcome, totaling R\$1,668. Also, the Company provisioned the amount of R\$4,480 as reserve for non-materialized risk, for a total of provisions for tax contingencies of R\$6,148. They refer to ICMS in the State of Mato Grosso and arise from the issuance of electronic invoices.

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22.1.3 Civil

Based on the opinion of legal advisors, the Management recognized on March 31, 2014 a provision for the amount of shares considered to be of probable risk, totaling R\$9,701.

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities. None of those proceedings is individually material.

22.2 Contingent liabilities, which are not recorded in the books of account, according to prevailing legislation, are shown below:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Labor and social security	123,743	125,151	147,382	144,075
Tax	913,647	698,276	960,604	857,473
Civil	16,003	10,126	16,135	10,254
	<u>1,053,393</u>	<u>833,553</u>	<u>1,124,121</u>	<u>1,011,802</u>

22.2.1 Tax

The main tax matters discussed at court that in the opinion of the Management and legal counsel are rated as possible losses or have material disclosure for the Company and its subsidiaries is presented below.

Federal Taxes and Contributions

As at March 31, 2014, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R\$429,350, claiming:

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(i) differences in payments of PIS and COFINS debts and ancillary obligations, and (ii) fine for release of goods due to formal error in documentation. The total historical amount involved of items i) and ii) totaled R\$1,172, for which no provision was accrued given that legal counsel considers the likelihood of an unfavorable outcome possible; (iii) IPI deemed credit, with a historical cost of R\$171 and an administrative decision recognizing the origin of the Company's credit; (iv) deduction of ICMS from PIS and COFINS tax bases. This last lawsuit refers to a refund request at the historical value of R\$68,552, for which a provision was not accrued, given that according to the opinion of the legal counsel, they are considered only possible losses. The Company has filed administrative defenses that are pending final judgments and allege non-enforceability due to miscalculation of their tax bases, and that inspectors estimated the amounts according to assumptions; v) contributions destined to Social Security (FUNRURAL and GILLRAT), other entities and funds (SENAR), fine for breach of ancillary obligation (submission of GFIP), contributions to SESI, SENAI and SEBRAE, with three deficiency notices filed, the first related to 2006 and 2007, the second related to 2008 and the third related to 2009 and 2010 at the historical amount of R\$251,016, both of which already were the subject of an administrative defense alleging the non-constitutionality of said contribution based on the Federal Supreme Court's decision, the application of which at the administrative level is supported by Article 26 - A of Decree 70,235/72; vi) Income and Social Contribution Taxes due to measurement of profits of foreign subsidiaries at the historical amount of R\$37,279, which is the subject-matter of the administrative defense under the allegation of failure to comply with the accrual basis principle, the non-constitutionality of law provision (Article 74 of Provisional Measure 2158-35/2011) and infringement of dual taxation treaties signed by Brazil, where also no provision was recorded in view of the chances of success; vii) income tax (IRPJ) and social contribution on net profit (CSLL) - Failure to accrue in net income when determining the taxable base, as well as in the CSLL calculation base, the income from branches, subsidiaries or affiliated companies determined for fiscal year 2008 in the historical amount of R\$38,094. An administrative defense was presented. It is important to note that because this does not involve a tax credit, but rather the disallowance of a tax loss and negative calculation base for CSLL, the effect on deferred assets is the amount indicated in the proceeding; viii) disallowance of the negative balance of income tax (IRPJ) for 2008, with partial approval of the offsets made, due to the non-recognition of a portion of the credit a debit was created in the historical amount of R\$24,980, against said disallowance a statement of nonconformance was presented so that the entire credits of the company could be recognized; and ix) disallowance of the negative balance of income tax (IRPJ) for 2007, whose disallowances of offsets make up a debit in the historical amount of R\$8.087, which arose from the supposed utilization of improper credit to settle the monthly estimates of the elements that cause the negative balance.

The Company has tax foreclosure related to CSLL, IRPJ and IE tax claims in the historical amount of R\$16,481. Said foreclosure is currently duly guaranteed and being defended. A motion has been filed for the use of tax credits to pay debits pending analysis for the extinction of the debit.

The Company has a collection suit on the requirement of additional contribution to SENAI in the historical amount of R\$330. Said suit awaits analysis of discussion and report of the expert witness presented by the company.

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The Company has tax foreclosure related to CSLL, IRPJ and IE tax claims in the historical amount of R\$17,276. In response to said foreclosure notice, the company submitted a petition informing that the debt was previously guaranteed in the records of Provisional Remedy no. 0012598-43.2013.413.6100. A motion has been filed for the use of tax credits to pay debits pending analysis for the extinction of the debit.

The company and its subsidiaries MFB and Pampeano have federal tax debts, whose collection suits are individually immaterial, totaling R\$141,080.

The foreclosures presented below amount to R\$605,264 and are not included in note 22.2 - tax liabilities, since their risk of loss is deemed remote. Hence they are presented for informational purposes only. Based on the opinion of its legal counsel, the Company considers as probable a favorable outcome in these proceedings:

The company has three Tax Foreclosure actions claiming the payment of Social Security Contributions in the total amount of R\$317,887. The company informed the existence of a legal measure regarding the right to use of export tax credits to pay such debits and said debt should remain suspended until the final judgment.

The subsidiary MFB has a Tax Foreclosure action claiming the payment of Social Security Contributions in the amount of R\$45,852. The company informed the existence of a legal measure regarding the right to use of export tax credits to pay such debits and said debt should remain suspended until the final judgment.

The subsidiary MFG has a Tax Foreclosure actions claiming the payment of Social Security Contributions in the amount of R\$5,121. The company named the assets to guarantee execution. Once the Records of Levy are drawn up, the motion to stay execution will be filed to demonstrate the unenforceability of the due.

The company and its subsidiary MFB have administrative proceedings associated with federal tax credits offset against social security debts, in the amounts of R\$124,654 and R\$111,750, respectively. The companies are party to a court action discussing their right to the offset.

PIS and COFINS on imports

The Company filed a lawsuit challenging the enforceability of PIS and COFINS on imports and claimed the non-payment of those contributions. A provisional remedy was granted and confirmed in a sentence that is currently in effect, against which the Federal Government has filed an appeal that will be judged at the Federal Court of Appeals - 3rd Region. That action generates favorable effects on cash flows, as it allows the payment of those taxes during the sale of the goods, and not in advance during the import.

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State VAT - ICMS

The discussions on ICMS involving the Company in administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia, Rio Grande do Sul, Rondônia and Ceará that question the credits from the transfer of goods, the allocation of presumed tax credit arising from slaughtering activities, non-fulfillment of ancillary obligations, wrong issuance of invoices, credit granted and non-payment of ICMS ST, which amount to the historical value of R\$58,168. From such amount, the amount of R\$13,226 was the subject matter of a legal claim on the credit granted by the State of São Paulo, with an interim relief that suspended its mandatory payment. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R\$969. In the State of Mato Grosso, the actions refer to the disregard of the tax regimen established with the State, the absence of issuance of electronic invoice, irregular issue of tax document and export evidence corresponding to R\$3,942.

The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branch located in the states of Mato Grosso do Sul and Goiás to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution center and that paid to the State of origin. The total historical amount claimed in these administrative proceedings is R\$292,533. The discussion at the administrative level is in the total amount is R\$123,831. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, totaling R\$98,635. Among these, five are court claims for taxes at the historical amount of R\$97,078.

Subsidiary MFB received Tax Deficiency Notices discussing the collection of ICMS debts filed by the Finance Departments of the states of Rondônia and Goiás related to the disallowance of ICMS credits in view of breach of an ancillary obligation, error in determining the ICMS calculation base, not including freight in the ICMS calculation base the amount paid for transport services, circulation of goods with invoice considered questionable, non-compliance with the minimum price in the state and omission of the ICMS declaration in the Periodic Tax Statement (DIP), all of which led to the tax collection notice for the historical amount of R\$339.

MFG received a Tax Deficiency Notice involving the collection of ICMS debts filed by the Finance Department of the State of São Paulo related to the payment of ICMS, alleging that the company did not record in the specific field of the GIA the tax amount including the rate differential related to the interstate acquisition of material for use and consumption, in the historical amount of R\$58.

Pampeano has a Tax Deficiency Notice involving the collection of ICMS debts filed by the Finance Department the State of Rio Grande do Sul, related to the collection of ICMS debts for the alleged issue of invoice without declaring the ICMS in the outflow of goods from that state, in the historical amount of R\$12.

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Taxes on Services of Any Nature (ISSQN)

The Company has Tax Deficiency Notices for the collection of ISSQN in view of the alleged retention and nonpayment of the respective tax credit levied on the provision of services received in the periods of 10/2005, 04, 06, 10 and 12/2006, 04, 08, 09 and 10/2007, 01 and 04/2008, 04, 09 and 12/2009, 04 and 06/2010, in the historical amount of R\$66.

22.2.2 Civil

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities, which are not individually relevant.

22.3 Changes in provisions

	Parent				Consolidated			
	Labor and social security	Tax	Civil	Total	Labor and social security	Tax	Civil	Total
Balance on December 31, 2013	10,557	6,002	9,443	26,002	10,989	6,002	9,471	26,462
Addition	257	146	229	632	264	146	230	640
Balance on March 31, 2014	10,814	6,148	9,672	26,634	11,253	6,148	9,701	27,102

23. Deferred Income and Social Contribution Taxes - Liabilities

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Income Tax	73,798	75,065	610,082	615,680
Social Contribution	26,566	27,022	30,659	31,177
	100,364	102,087	640,741	646,857

Refer to (i) deferred taxes recorded when property, plant and equipment items adopted deemed cost as of January 1, 2009 in accordance with CVM Resolution 583/09 (CPC 27 - property, plant and equipment) and CVM Resolution 619/09 (ICPC 10), which will be settled as revalue assets are sold, written off, depreciated or amortized, according to their respective useful lives established in the appraisal report, and (ii) the effect of deferred federal taxes calculated on the effects of CVM Resolution 665/11 (CPC 15 (R1) - business combination).

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Below are the changes in deferred taxes in the period ended March 31, 2014:

Description	Parent		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Balance on December 31, 2013	75,065	27,022	615,680	31,177
Realization of revaluation reserve	(414)	(149)	(427)	(154)
Realization of deemed cost	(853)	(307)	(2,033)	(364)
Deferred taxes on temporary differences	-	-	(3)	-
Reversal of deferred taxes on temporary differences	-	-	4,095	-
Other	-	-	9,091	-
Translation gains/losses	-	-	(16,321)	-
Balance on March 31, 2014	<u>73,798</u>	<u>26,566</u>	<u>610,082</u>	<u>30,659</u>

24. Shareholders' equity

24.1 Share capital

Subscribed and paid-in share capital as at March 31, 2014 totals R\$5,276,678 and is represented by 520,747,405 common shares without par value (R\$5,276,678 as of December 31, 2013, represented by 520,747,405 shares). Under the scope of the primary public offering of common shares of the Company in December 2012, a total of 131,250,000 common shares were issued at the aggregate subscription price of R\$1,050,000, as per the minutes of the meeting of the Board of Directors held on December 10 and 21, 2012. As per the Minutes of the Board of Directors' Meeting held on July 30, 2012, a total of 1,236,549 registered common shares, previously held in treasury, were canceled. Based on CVM Resolution 649/10 (CPC 08 (R1) - transaction costs and premium on issue of securities), the Company recorded under shareholders' equity the costs incurred with the processes of funding (R\$108,210) through public share offering and private share issue.

On February 5, 2013, the Company carried out a capital increase, within the authorized limit, in a Meeting of the Board of directors, due to the conversion of thirty-five thousand (35,000) debentures from the 2nd Issue of Convertible Debentures of the Company that were held by BNDES Participações S.A. (BNDESPAR) into 43,750 million common shares ("Shares") issued by the Company, as explained in Note 21.

Pursuant to the Company's by-laws, at the discretion of the Board of Directors, Share Capital can be composed of up to 630 million common shares, including share capital, regardless of amendments to the by-laws.

Also at discretion of the Board of Directors, the Company can issue shares and debentures convertible into shares or subscription warrants without pre-emptive rights or with the period reduction provided for in paragraph 4 of article 171 of Law No. 6.404/76. Their placement should be made through sale on stock exchange or public subscription, or by means of exchange for shares in a public offering for control acquisition, under the terms of the law and within the limit of authorized capital.

The Board of Directors defines issuance conditions (prices and periods).

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The call option of shares, the conditions under which shareholders will have pre-emptive rights to subscription, or the inexistence of such right in relation to Management, employees, or individuals who render services to the Company or other companies under its control are presented in Note 28.5.

24.2 Income reserves

24.2.1 Legal reserve

It is 5% (five per cent) of the Company's net income, as defined in its by-laws and current legislation.

In 2013, the Company did not recognize legal reserve given that it recorded loss. Accordingly, the balance as of March 31, 2014 remained at R\$44,476 (same amount as in 2012).

24.2.2 Treasury shares

Share buyback program

Shares repurchased were held in treasury for exercise of stock options by the beneficiaries of the Company's Stock option Plan and/or subsequent cancellation or sale.

In the period ended March 31, 2014, there was no ongoing share buyback program and Marfrig did not acquire any shares.

Treasury shares

On March 31, 2014, Marfrig held four hundred sixty-one thousand, two hundred twenty-three (461,223) common shares in treasury, representing 0.09% of the Company's total shares, which were booked at the amount of R\$4,361, which corresponds to an average cost of nine reais and forty-five centavos (R\$9.45) per share.

Changes in treasury shares are shown in the table below:

Held in Treasury		
	Number of Shares	Value (R\$ '000)
Balance as at 12/31/2013	461,223	4,361
(-) Disposal - Stock options	-	-
Balance as at 3/31/2014	461,223	4,361

24.3 Other comprehensive income

24.3.1 Asset and liability valuation adjustment

These account records exchange rate gains (losses) on investments in subsidiaries abroad directly and indirectly held by the Company. Such accumulated effect will be transferred to the statement of operations for the year as gain or loss only upon the disposal or write-off of the investment. This account also recognized the effects of adoption of deemed cost.

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24.3.2 Cumulative translation adjustment

This account records exchange rate gains (losses) resulting from the translation of the foreign subsidiaries' interim financial information. The investee's functional currency is different from that of the Company.

24.4 Dividends payable

The Company's mandatory dividend is at least 25% of the adjusted net income determined in the Company's interim financial information, pursuant to Brazilian Corporate Law and the Company's by-laws. The annual statement of dividends, including their payment, in addition to mandatory minimum dividends, are approved at Annual Shareholders' Meeting by majority voting of Marfrig's shareholders and will depend on various factors. Among these factors are the Company's operating results, financial conditions, cash needs, future prospects and others which Marfrig's Board of Directors and shareholders deem relevant.

At a meeting held on March 7, 2014, in view of the net loss recorded in the period, the Board of Directors did not submit to the Extraordinary Shareholders' Meeting the proposal for distribution of dividends for 2013.

24.5 Interest on equity capital

The Company did not recognize interest on shareholders' equity for the fiscal years ended December 31, 2013 and 2012.

24.6 Non-controlling interest

Refers to the interest of non-controlling shareholders in the Company's equity.

25. Net sales

	Parent		Consolidated	
	3/31/14	3/31/13	3/31/14	Reclassified 3/31/13
Revenue from sales of products				
Domestic sales	676,671	761,208	3,690,393	3,425,442
Foreign sales	579,784	456,894	1,279,446	1,036,006
	<u>1,256,455</u>	<u>1,218,102</u>	<u>4,969,839</u>	<u>4,461,448</u>
Deductions from gross sales				
Taxes on sales	(30,710)	26,780	(65,246)	(3,868)
Returns and discounts	(57,242)	(42,172)	(117,047)	(83,030)
	<u>(87,952)</u>	<u>(15,392)</u>	<u>(182,293)</u>	<u>(86,898)</u>
Net sales	<u>1,168,503</u>	<u>1,202,710</u>	<u>4,787,546</u>	<u>4,374,550</u>

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26. Costs and expenses by nature

The Company has decided to present the statements of income by function. The breakdown by nature is below:

	Parent		Consolidated	
	3/31/14	3/31/13	3/31/14	Reclassified 3/13/13
Cost of sales				
Inventory costs	893,782	849,989	3,531,096	3,232,264
Depreciation	18,200	16,423	89,126	83,286
Amortization	1,969	574	44,465	29,723
Employee salaries and benefits	53,415	50,709	503,990	458,272
	967,366	917,695	4,168,677	3,803,545
Administrative expenses				
Depreciation	2,007	974	4,493	3,374
Amortization	-	-	304	856
Employee salaries and benefits	12,741	15,806	70,645	68,372
Other	(575)	22,100	61,214	74,377
	14,173	38,880	136,656	146,979
Selling expenses				
Depreciation	111	181	178	233
Employee salaries and benefits	6,564	4,026	27,428	16,369
Other	82,408	60,041	193,067	158,686
	89,083	64,248	220,673	175,288

27. Net financial result

The Company's net financial income (expenses) is as follows:

	Parent		Consolidated	
	3/31/14	Reclassified 3/31/13	3/31/14	Reclassified 3/31/13
Financial income				
Financial results with derivatives	461	13,250	10,810	16,770
Interest received, earnings from marketable securities	3,107	8,240	28,831	49,701
Discounts, other	1,222	791	5,648	1,016
Total financial income	4,790	22,281	45,289	67,487
Exchange rate gains	187,248	113,666	268,991	130,690
Financial expense ⁽¹⁾				
Provisioned interest, debentures and leasing with financial institutions	(186,437)	(227,741)	(281,695)	(322,777)
Derivatives	(39,889)	(133)	(65,305)	(4,512)
Bank expenses, commissions, fees, other	(24,049)	(25,140)	(55,127)	(46,089)
Total financial expense	(250,375)	(253,014)	(402,127)	(373,378)
Exchange rate losses	(204,264)	(87,694)	(299,999)	(120,869)
Net financial result	(262,601)	(204,761)	(387,846)	(296,070)

⁽¹⁾ The Company adopted criteria for presentation of financial expenses that segregates expenses with financial institutions from other expenses.

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28. Management's compensation

The compensation policy is designed to establish the criteria, responsibilities and directions for the short-term and long-term compensation program of Marfrig Group's Management (Bonus and Stock Option).

The purpose of this policy is to motivate the Company's executive officers to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward pay-out.

The Corporate Governance and Compensation Committee is responsible for evaluating/analyzing Management's compensation. The Committee is made up of a coordinator (Member of the Board of Directors), President and HR Officer. Meetings are held monthly to discuss strategic HR issues.

The parameters used to determine Management's compensation are based on market practices.

28.1 Board of directors

The Board of Directors' compensation consists of a fixed and variable pay.

Fixed pay - An annual amount is set for each member and paid on a monthly basis.

Variable pay - Short-term bonus or stock option-based payment.

The board members' compensation is determined through market research with the major companies in the industry whereby a compensation base is defined and submitted to Marfrig Global Foods's corporate governance and compensation committee for validation.

28.2 Officers appointed as per Bylaws

Fixed pay - An annual amount is set for each member and paid on a monthly basis.

Variable pay - Consists of short-term (bonus) and long-term (stock option) compensation. In general the goals set by the Company for Management evaluation refer to economic objectives and individual goals.

The gain on the Stock Option Plan is tied to the appreciation of the market price of the share, i.e. the value added to the Company by the performance of the individual and the Management as a whole will reflect on the gain on the stock option plan. At the same time the employees' interests are aligned with the Company's interests in the long term.

The exercise price of the stock options is the average of the last 20 trading sessions prior to March 3 of each year and the grant price with a 50% discount starting with the grants in 2010.

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The vesting period follows these criteria:

- 25% after 12 months of the grant;
- 25% after 24 months of the grant;
- 25% after 36 months of the grant;
- 25% after 48 months of the grant.

The officers' compensation is determined through market research with the major companies in the industry whereby measurement criteria are established according to the significance of the position within the organization. The macro policies are approved by the corporate governance and compensation committee.

28.3 Audit committee

The Company's Audit Committee was set up after approval at the Annual Shareholders' Meeting held on April 30, 2010. In the by-laws amended by the Special Shareholders' Meeting held on March 11, 2011, the Audit Committee became a permanent body.

Fixed pay - An annual amount is set for each member and paid on a monthly basis. There is no variable pay.

28.4 Consolidated compensation

Management and Board members compensation is made up of the compensation of six members of the Board of Directors (the other two opted for not receiving compensation as board members), six members of the Audit Committee (there of whom are alternate members) and the officers appointed as per the Company's by-laws.

The added value of the compensation received by the Company's Management and Board members for their services is defined through market practices, with the participation of the Corporate Governance and Compensation Committee, made up of one Member of the Board of Directors (coordinator), the Chief Executive Officer and the Human Resources Officer:

	3/31/14	3/31/13
Short-term benefits to employees and managers	2,052	3,891
Total	<u>2,052</u>	<u>3,891</u>

28.5 Stock option plan

On May 29, 2009, the Annual Shareholders' Meeting approved the amendment and restatement of the Stock Option Plan (Plan), with the purpose of: (i) promoting value generation to the Company's shareholders, through alignment of their interests with those of the Management, employees and outsourced employees of Marfrig or its subsidiaries and (ii) enabling a higher level of attraction, retention and motivation of strategic employees.

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The Plan is managed by the Board of Directors, within the limits established in the general guidelines and applicable legislation. The general guidelines of the plan that are disclosed in details in the Company's Reference Form.

The exercise price of options granted under the Plan terms is determined by the Board of Directors, based on the weighted average price of shares practiced in the last twenty (20) trading sessions of the São Paulo Stock Exchange immediately prior to the option granting date and a discount of up to 50% on the amount calculated.

During the fiscal year ended March 31, 2014, no shares were transferred to the Management of the Company under the stock option plans. The changes in options exercised throughout the period are shown in the tables below:

Total options exercised by month		
	Number of shares exercised	Average Market Price ¹ (R\$ per share)
January/14	-	4.39
February/14	-	3.90
March/14	-	4.03
Options exercised - 2014	-	

¹ Average monthly quote disclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., related to Marfrig's common shares, traded under ticker MRFG3.

Consolidated Changes	2014	2013
(Options)		
Opening balance	1,493,501	764,267
Options granted	-	1,351,733
Options exercised	-	(229,481)
Options canceled and expired	(27,650)	(393,018)
Closing balance	1,465,851	1,493,501

The expected dilution of ownership interest of current shareholders, when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose, is 0.42%, as detailed in the table below:

Percentage of Dilution					
1T14	Plano ESP IV LP 09-10	Plano ESP V LP 10-11	Plano ESP VI LP 11-12	Plano ESP VII LP 12-13	Total
Granting date	07/01/2010	04/20/2011	04/24/2012	04/05/2013	
Unexercised	80,000	284,990	751,341	349,520	1,465,851
Outstanding shares					346,557,208
Percentage of dilution	0.02%	0.08%	0.22%	0.10%	0.42%

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On March 31, 2014, the fair value of options was recorded in Marfrig's shareholders' equity at the amount of R\$4,360 (the same as on December 31, 2013). The Company did not recognize expenses relating to granting of plans in effect for the period ended March 31, 2014, as detailed in the table below:

Effects from the exercise of options (R\$ '000)	2014	2013
Amount received from sale of shares - Exercised options	-	902.2
(-) Cost of treasury shares disposed of	-	(2,169.5)
Effect on disposal of shares	-	(1,267.3)

The fair value of the options was measured on an indirect basis, according to the Black-Scholes pricing method, based on the following assumptions:

- **Standard deviation:** 43.10%. Volatility is measured taking into consideration the daily prices of the Company's shares traded on the Brazilian stock exchange (BM&FBOVESPA) under the ticker MRFG3, from August 30, 2013 to March 31, 2014.
- **Risk-free interest rate:** 5.0% p.a. The Company uses as risk-free interest rate the Long Term Interest Rate (TJLP) annualized on calculation date and available on the federal revenue service website - www.receita.fazenda.gov.br/pessoajuridica/refis/tjlp.htm.

The fair value of options as of March 31, 2014 established and between a minimum of negative R\$6.64 and a maximum of R\$1.28 per share for SPECIAL plans, specific for executive officers.

Options granted are broken down as follows:

Plans	Granting date	Performance (vesting) period	Option expire date	Options granted	Vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price	Value of option in the period (Black Scholes) in BRL
Total in	12/31/2013			3,121,018	1,654,617	4,724	0	1,622,793	1,493,501		
Options exercised/canceled in previous periods				1,654,617	1,654,617	0	27,650	1,626,967	0		
ESP IV LP 09-10	7/1/2010	3/3/2014	9/2/2014	80,000	80,000	0	0	0	80,000	R\$ 11.0261	-6.6361 ¹
				80,000	80,000	0	0	0	80,000		
ESP V LP 10-11	4/20/2011	3/3/2012	9/2/2012	142,770	142,770	0	0	275	142,495	R\$ 7.0251	-2.6351 ¹
ESP V LP 10-11	4/20/2011	3/3/2013	9/2/2013	142,770	0	0	0	275	142,495	R\$ 7.0251	0.1764
				285,540	142,770	0	0	550	284,990		
ESP VI LP 11-12	4/24/2012	3/3/2014	9/2/2014	250,447	250,447	0	0	0	250,447	R\$ 4.7680	-0.3780 ¹
ESP VI LP 11-12	4/24/2012	3/3/2015	9/2/2015	250,447	0	0	0	0	250,447	R\$ 4.7680	0.6548
ESP VI LP 11-12	4/24/2012	3/3/2016	9/2/2016	250,447	0	0	0	0	250,447	R\$ 4.7680	1.0552
				751,341	250,447	0	0	0	751,341		
ESP VII LP 12-13	4/5/2013	3/3/2014	9/2/2014	87,380	87,380	0	0	0	87,380	R\$ 5.0083	-0.6183 ¹
ESP VII LP 12-13	4/5/2013	3/3/2015	9/2/2015	87,380	0	0	0	0	87,380	R\$ 5.0083	0.5719
ESP VII LP 12-13	4/5/2013	3/3/2016	9/2/2016	87,380	0	0	0	0	87,380	R\$ 5.0083	0.9733
ESP VII LP 12-13	4/5/2013	3/3/2017	9/2/2017	87,380	0	0	0	0	87,380	R\$ 5.0083	1.2852
				349,520	87,380	0	0	0	349,520		
Total at	3/31/2014			3,121,018	2,215,214	0	27,650	1,627,517	1,465,851		

¹ Measured by the difference between the closed quote of the stock on March 31, 2014 and the exercised price of the options after the vesting period.

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Plans	Granting date	Market value of unvested options at the end of the period (R\$ thousand)	Market value of outstanding vested options at the end of the period (R\$ thousand)	Effects in the result in case of accounting (R\$ thousand)
Total in	12/31/2013			
Options exercised/canceled in previous periods				
ESP IV LP 09-10	7/1/2010	0.0	-530.9	-125.8
		0.0	-530.9	-125.8
ESP V LP 10-11	4/20/2011	0.0	-375.5	346.1
ESP V LP 10-11	4/20/2011	25.2	0.0	346.1
		25.2	-375.5	692.2
ESP VI LP 11-12	4/24/2012	0.0	-94.7	1,173.6
ESP VI LP 11-12	4/24/2012	164.0	0.0	1,173.6
ESP VI LP 11-12	4/24/2012	264.3	0.0	1,173.6
		428.3	-94.7	3,520.8
ESP VII LP 12-13	4/5/2013	0.0	-54.0	388.5
ESP VII LP 12-13	4/5/2013	50.0	0.0	388.5
ESP VII LP 12-13	4/5/2013	85.0	0.0	388.5
ESP VII LP 12-13	4/5/2013	112.3	0.0	388.5
		247.3	-54.0	1,554.0
Total at	3/31/2014	700.8	-1,055.1	5,641.2

29. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the period ended March 31, 2014 and 2013 (in thousands, unless otherwise stated):

	3/31/14	3/31/13
Loss (profit) attributable to shareholders of continued operations	(96,415)	(59,599)
Loss (profit) attributable to shareholders of discontinued operations	-	(21,626)
Loss (profit) attributable to shareholders of the Company	(96,415)	(81,225)
Weighted average number of shares in the period (units)	520,747,405	503,247,405
Weighted average number of shares, including stock option (units)	(461,223)	(672,993)
Weighted average number of outstanding common shares in the period (units)	520,286,182	502,574,412
Profit (Loss) basic and diluted (in R\$) from continued operations	(0.1853)	(0.1186)
Profit (Loss) basic and diluted (in R\$) from discontinued operations	-	(0.0430)
Profit or loss attributed to shareholders of the Company	(0.1853)	(0.1616)

The Company has debentures mandatorily convertible into common shares, which are not added to the calculation of diluted earnings per share.

30. Segment reporting

Marfrig Global Foods S.A. is a multinational Brazilian-originated company dedicated to the production, processing and sale in domestic and foreign markets of diversified food products, focusing on products of animal protein.

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The Company has built an integrated business model, geographically diverse, consisting of production bases located in places with significant competitive advantages in cost and a distribution network with access to major consumer markets in the world.

The Company is strategically organized into three main presentable areas:

- **Marfrig Beef** - A pioneer in the Brazilian market in the marketing and promotion of beef and lamb, Marfrig maintains a strong presence in the food service segment and a significant presence in export markets. Its international operations in South America are concentrated in exporting premium beef cuts and leveraging its strategic position in Uruguay, Argentina, Chile, two trading companies in Europe and Peru and a beef jerky processing plant in the United States, with access to the world's main consumer markets.
- **Keystone** - A global company focused on producing and developing multi-protein foods to serve major global restaurant chains, with a strong presence in Asia and the United States.
- **Moy Park** - The United Kingdom's second largest integrated producer of poultry-based prepared products. With a strong presence throughout Europe and in the food service and retail channels, Moy Park produces and distributes prepared and processed food products made from chicken, turkey, beef and pork, as well as products made from vegetables and breads, such as hamburgers, vegetarian snacks and donuts.

The group's global platform is present in four continents, with 78 industrial complexes and offices in the Americas, Asia, Europe and Oceania, with a distribution system that allows us to export to over 140 countries.

The Company provides information to the market, combined by segment of activity similar to that considered by its managers when taking strategic decisions.

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The consolidated balance sheet and statement of operations summarized by information segment are as follows:

	3/31/14					12/31/13				
	Marfrig Beef	Holding BV	Moy Park	Keystone	Total	Marfrig Beef	Holding BV	Moy Park	Keystone	Total
Assets										
Current assets	5,217,712	648,832	905,622	1,036,726	7,808,892	5,251,103	283,467	899,984	1,059,176	7,493,730
Long-term receivables	2,444,399	155,147	18,373	176,991	2,794,910	2,403,760	372	18,670	176,738	2,599,540
Investments	164	-	-	45,940	46,104	172	-	-	54,602	54,774
Property, plant and equipment	2,785,839	-	906,475	973,366	4,665,680	2,781,072	-	941,716	1,031,964	4,754,752
Biological assets	-	-	78,059	33,373	111,432	242	-	79,568	33,673	113,483
Intangible assets	787,424	-	951,153	996,841	2,735,418	797,842	-	979,377	1,034,066	2,811,285
	<u>11,235,538</u>	<u>803,979</u>	<u>2,859,682</u>	<u>3,263,237</u>	<u>18,162,436</u>	<u>11,234,191</u>	<u>283,839</u>	<u>2,919,315</u>	<u>3,390,219</u>	<u>17,827,564</u>
Current liabilities	2,036,847	90,133	835,359	794,400	3,756,739	1,952,921	97,118	854,820	783,707	3,688,566
Non-current liabilities	5,680,247	3,672,548	352,429	1,677,441	11,382,665	4,964,387	3,912,060	364,793	1,778,736	11,019,976
	<u>7,717,094</u>	<u>3,762,681</u>	<u>1,187,788</u>	<u>2,471,841</u>	<u>15,139,404</u>	<u>6,917,308</u>	<u>4,009,178</u>	<u>1,219,613</u>	<u>2,562,443</u>	<u>14,708,542</u>
	3/31/14					3/31/13				
	Marfrig Beef	Holding BV	Moy Park	Keystone	Total	Marfrig Beef	Holding BV	Moy Park	Keystone	Discontinued operation
Net Revenue	(1,712,095)	-	(1,051,640)	(1,404,942)	(4,168,677)	(1,737,569)	-	(828,612)	(1,237,364)	-
COGS	-	-	-	(5,970)	(5,970)	-	-	-	(716)	-
Equity income	(283,134)	(103,239)	(2,730)	1,257	(387,846)	(255,639)	(12,758)	(2,027)	(25,646)	-
Financial income (loss)	76,779	-	(9,105)	(16,634)	51,040	3,024	-	(4,954)	(4,566)	-
Income and social contribution taxes	(59,329)	(110,369)	26,352	46,931	(96,415)	(60,359)	(25,258)	14,662	11,356	-
Controlling interest in profits (losses) - continued operations	-	-	-	-	-	3,175	-	-	-	(24,801)
Controlling interest in profits (losses) - discontinued operations	148	-	-	4,493	4,641	(47)	-	(18)	2,902	-
Non-controlling interest - continued operations	-	-	-	-	-	(4,107)	-	-	-	1,480
Non-controlling interest - discontinued operations	-	-	-	-	-	-	-	-	-	(2,627)

- (i) This segment reporting reflects the Company's fiduciary structure, and for managerial purposes, the units Mckey France, Walsh and Holdco are allocated between Keystone and Moy Park;
- (ii) The Company believes that Marfrig Holding (Europe) BV, with its business of raising funds and holding ownership interest in other subsidiaries of the Group, should be segregated from this information in order to better report the Moy Park and Keystone business segments.

31. Insurance coverage

The Company's policy is to insure its property, plant, equipment and inventories subject to risk, at amounts deemed sufficient to cover possible losses, taking into consideration the nature of its activities and the insurance advisors' opinion.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of interim financial information and, accordingly, were not reviewed by the Company's independent auditors.

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Below is a summary of the amounts insured by the Company:

Description	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Buildings and meatpacking plants	2,072,504	2,074,148	7,475,959	7,604,816
Inventories and loss of profit	299,037	299,037	2,459,436	2,516,968
Third-party warehouse	159,974	159,974	193,874	194,047
Vehicles	19,990	17,951	32,875	30,821
Transportation of goods	50,260	51,852	1,293,433	1,573,053
Officers' guarantees	67,890	70,278	124,788	124,390
Civil liability	10,000	10,000	459,325	473,647
Other	559,985	426,590	587,784	454,240
	<u>3,239,640</u>	<u>3,109,830</u>	<u>12,627,474</u>	<u>12,971,982</u>

32. Financial instruments - derivatives and risk management - consolidated

32.1 Overview

The Company and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimize these risks, the Company has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

Among the Company's policies we highlight: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

In a meeting held on January 23, 2013, the Board of Directors of the Company established new limits of authority for the Company's Management Bodies. The Management Committee is now responsible for authorizing a series of acts, with authority for between 0.5% and 12% of the shareholders' equity of the Company, always based on the most recent interim financial information disclosed to the market. For acts whose required authority exceeds that defined for the Management Committee, approval is required from the Company's Board of Directors.

The Company only enters into transactions with derivatives or similar instruments that offer a minimum protection against: foreign currencies, interest rates and commodity prices, and also adopts a conservative policy of not entering into transactions that could affect its financial position. The Company does not enter into leveraged transactions with derivatives or similar instruments

The Company also has a sound financial policy, maintaining a high level of cash balance, cash equivalents and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

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32.2 Financial instruments by category

The Company's financial assets and liabilities are classified as below:

Parent				
Financial assets	Financial assets and receivables		Held for trading	
	3/31/14	12/31/13	3/31/14	12/31/13
Cash and cash equivalents	70,764	41,982	533	411
Marketable Securities	75,256	77,904	124,866	60,312
Trade accounts receivable	595,562	726,701	-	-
Notes receivable - derivatives	-	-	23,461	39,392
Related parties	2,629,863	2,559,273	-	-
Total financial assets	3,371,445	3,405,860	148,860	100,115
Financial liabilities	Financial liabilities at amortized cost		Held for trading	
	3/31/14	12/31/13	3/31/14	12/31/13
Trade accounts payable	403,491	295,751	-	-
Loans, financing and debentures	2,113,522	2,022,716	-	-
Financial lease	2,425	3,653	-	-
Notes payable - derivatives	-	-	250,870	231,927
Notes payable - investments Brazil	3,790	3,790	-	-
Notes payable - sponsorship	50,404	31,505	-	-
Interest on debentures	50,357	96,362	-	-
Related parties	3,809,291	3,887,512	-	-
Total financial liabilities	6,433,280	6,341,289	250,870	231,927
Consolidated				
Financial assets	Financial assets and receivables		Held for trading	
	3/31/14	12/31/13	3/31/14	12/31/13
Cash and cash equivalents	611,818	626,693	632,228	144,561
Marketable Securities	922,743	939,541	227,233	101,771
Trade accounts receivable	1,689,472	1,951,462	-	-
Notes receivable - derivatives	-	-	193,797	174,834
Total financial assets	3,224,033	3,517,696	1,053,258	421,166
Financial liabilities	Financial liabilities at amortized cost		Held for trading	
	3/31/14	12/31/13	3/31/14	12/31/13
Trade accounts payable	1,600,020	1,596,091	-	-
Loans, financing and debentures	9,222,980	8,913,492	-	-
Financial lease	144,023	152,759	-	-
Notes payable - derivatives	-	-	284,989	241,596
Notes payable - investments Brazil	3,790	3,790	-	-
Notes payable - sponsorship	50,404	31,505	-	-
Interest on debentures	32,503	26,272	-	-
Total financial liabilities	11,053,720	10,723,909	284,989	241,596

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Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in Note 3.1.4 to the interim financial information for the fiscal year ended December 31, 2013.

32.3 Comparison of market value and respective fair values

Market values for the financial instruments are shown below:

	Consolidated			
	3/31/14		12/31/13	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	1,244,046	1,244,046	771,254	771,254
Marketable Securities	1,149,976	1,149,976	1,041,312	1,041,312
Trade accounts receivable	1,689,473	1,689,473	1,951,462	1,951,462
Notes receivable - derivatives	193,797	193,797	174,834	72,266
Trade accounts payable	1,600,020	1,600,020	1,596,091	1,596,091
Loans and financing	9,222,980	9,222,980	8,913,492	8,913,492
Financial lease	144,023	144,023	152,759	152,759
Derivatives	284,989	284,989	241,596	241,596
Interest on debentures	32,503	32,503	26,272	26,272

The fair value of financial instruments is similar to the book value and largely reflects the values that would be obtained if they were traded in the market.

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32.4 Breakdown of Derivative Financial Instruments

The breakdown of Marfrig Group's derivative financial instruments follows:

Consolidated						Notional USD	Notional R\$	MTM R\$
Instrument	Hedged Item	Exchange	Maturity	Assets	Liabilities			
Transactions designated as Hedge Accounting								
Swap	Interest Rate	CETIP	2015	LIBOR	USD	20,000	45,260	(1,324)
Swap	Interest Rate	CETIP	2016	LIBOR	USD	100,000	226,300	(2,784)
Swap	Interest Rate	OTC	2018	LIBOR	USD	132,500	299,848	239
Swap	Interest Rate	OTC	2019	LIBOR	USD	187,500	424,313	(6,640)
Transactions not designated as Hedge Accounting								
Swap	Interest Rate	CETIP	2014	LIBOR	USD	22,857	51,725	(420)
Swap	Interest Rate	CETIP	2015	LIBOR	USD	15,000	33,945	(533)
Swap	Interest Rate	CETIP	2016	LIBOR	USD	69,231	156,670	(12,186)
Swap	Interest Rate	CETIP	2017	BRL	USD	288,547	652,981	(133,905)
Swap	Interest Rate	OTC	2017	USD	BRL	288,547	652,981	131,776
Swap	Interest Rate	CETIP	2018	BRL	USD	79,769	180,517	(76,233)
								(102,010)
NDF	Exchange Rate	OTC	2014	USD	EUR	5,611	12,698	(143)
NDF	Exchange Rate	OTC	2014	USD	CLP	14,353	32,481	(821)
NDF	Exchange Rate	OTC	2014	AUD	USD	2,625	5,941	(996)
NDF	Exchange Rate	OTC	2014	USD	MYR	23,785	53,826	3,393
NDF	Exchange Rate	OTC	2014	MYR	SGD	12,781	28,923	(195)
NDF	Exchange Rate	OTC	2014	MYR	USD	40,548	91,759	(2,777)
NDF	Exchange Rate	OTC	2014	USD	KRW	23,903	54,093	(1,025)
NDF	Exchange Rate	OTC	2014	THB	USD	30,489	68,996	(923)
NDF	Exchange Rate	OTC	2014	THB	GBP	18,451	41,754	(903)
NDF	Exchange Rate	OTC	2014	THB	JPY	550	1,244	(2)
NDF	Exchange Rate	OTC	2014	THB	MYR	1,694	3,834	95
								(4,297)
Future	Fuel	CBOT	2014	USD	USD	1,246	2,821	(491)
Options	Soybean	CBOT	2014	USD	USD	298	674	674
Future	Soybean	CBOT	2014	USD	USD	580	1,313	1,313
Future	Soybean	CBOT	2015	USD	USD	90	204	204
Future	Corn	CBOT	2014	USD	USD	3,542	8,016	8,016
Future	Corn	CBOT	2015	USD	USD	337	763	763
Options	Corn	CBOT	2014	USD	USD	1,712	3,875	3,875
Options	Corn	CBOT	2015	USD	USD	353	798	798
Future	Wheat	CBOT	2014	USD	USD	(6)	(14)	(14)
Future	Live cattle	BM&F	2014	BRL	BRL	904	2,045	(23)
								15,115
								(91,192)

In the period ended March 31, 2014, a consolidated net financial loss of R\$54,495 was recorded from derivatives, of which R\$65,305 corresponded to expenses and R\$10,810 to income.

Assets and liabilities presented on the balance sheet under “securities receivable” and “trade accounts payable” regarding derivative transactions, which are intended for equity hedging, are shown below:

	Consolidated	
	3/31/14	12/31/13
Notes receivable - derivatives (note 10)	193,797	174,834
Notes payable - derivatives (note 20)	(284,989)	(241,596)
Total, net	(91,192)	(66,762)

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32.4.1 Derivative Financial Instruments subject to Cash Flow Hedge Accounting

In November 2013, the Marfrig group adopted hedge accounting policies for financial instruments exposed to cash flow changes. As a result, the variations in fair value of derivatives designated as hedge are recognized directly in shareholders' equity, under "other comprehensive income". The amounts booked under other comprehensive income are immediately transferred to the income statement when the transaction underlying the hedge affects profit or loss.

The Company documents, at the start of the operation, the relation between the hedge instruments and the underlying hedged items, as well as the objectives of the risk management and the strategy to carry out various hedge operations. The documentation for operations designated as hedge accounting evidences control of the effectiveness and the operation, and includes:

- Hedged item;
- Financial instrument;
- Strategy for managing the risk to be hedged;
- Effectiveness of the hedge instrument, reliably measured;
- Evaluation of the hedge on an ongoing basis throughout the duration of the contract.

The Company also documents its assessment, both at the start of the hedge as well as periodically, that the derivatives used in the hedge operations are highly effective in offsetting the variations in the fair value of the underlying hedge items. Therefore, all instruments designated as hedge accounting are effective, highly probable and neutralize the exposure to variations in the cash flow that could affect results.

The effectiveness of the operations is periodically controlled in a reliable and documented manner throughout the duration of the contract, through statistical correlation between the fair value or cash flows of the hedged position and the hedging instrument, or by comparing previous changes in the fair value or cash flows of the hedged position attributable to the hedged risk with previous changes in the fair value or in the cash flows of the hedging instrument.

Consolidated							Gain / Loss	
Instrument	Asset (Hedged Item)	Libor (Risk Exposure)	Maturity	Notional USD	Notional R\$	Balance (MTM) R\$	Equity	Result
Swap	Libor	USD	2015	20,000	45,260	(1,324)	(1,324)	-
Swap	Libor	USD	2016	100,000	226,300	(2,784)	(2,784)	(462)
Swap	Libor	USD	2018	132,500	299,848	239	(103)	(2)
Swap	Libor	USD	2019	187,500	424,313	(6,640)	2,813	121
						<u>(10,509)</u>	<u>(1,398)</u>	<u>(343)</u>

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32.5 Market risk

The Company is exposed to market risks arising from commodity prices, interest rates and exchange rates. For each risk, the Company conducts a continuous management and sensitivity studies presented in this note.

32.5.1 Commodity price risk management

During its activities, the Company and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

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

Maize and soya bean meal ("grains") are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others, which is not under Management's control.

So as to reduce the impact over commodities, the Company and its subsidiaries manage inventory levels, keep cattle in feedlots and trade derivative financial instruments in the futures market.

The procedures adopted when managing the risk and coverage include calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company and its subsidiaries purchase financial instruments to reduce the price risk related to the needs for commodities within 12 months.

A substantial part of these hedge instruments come from the futures market, with the Chicago Board of Trade (CBOT) as counterparty.

The position of derivatives related to commodity risks is shown below:

Consolidated							
Exchange	Instrument	Futures contract	Maturity	Notional USD	Notional R\$	MTM R\$	Result on 3/31/2014
CBOT	Future	Fuel	2014	1,246	2,821	(491)	(491)
CBOT	Options	Soybean	2014	298	674	674	674
CBOT	Future	Soybean	2014	580	1,313	1,313	1,313
CBOT	Future	Soybean	2015	90	204	204	204
CBOT	Future	Corn	2014	3,542	8,016	8,016	8,016
CBOT	Future	Corn	2015	337	763	763	763
CBOT	Options	Corn	2014	1,712	3,875	3,875	3,875
CBOT	Options	Corn	2015	353	798	798	798
CBOT	Future	Wheat	2014	(6)	(14)	(14)	(14)
BM&F	Future	Finished cattle	2014	904	2,045	(23)	(23)
				<u>9,056</u>	<u>20,495</u>	<u>15,115</u>	<u>15,115</u>

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32.5.1.1 Sensitivity analysis of commodity price risk

To provide information about the behavior of market risks that the Company and its subsidiaries were exposed to as at March 31, 2014, three scenarios are considered and the probable scenario is the fair value as at March 31, 2014 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The base prices for commodity futures are referenced to the prices quoted on the Chicago Board of Trade (CBOT) for contracts maturing on March 31, 2014.

With regard to commodity risk, following are the sensitivity scenarios:

Stress scenario - Derivatives Commodities Consolidated					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
15,115	15,115	11,070	(4,044)	7,026	(8,088)

Stress scenario - Derivatives Commodities Soybean					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
2,192	2,192	1,644	(548)	1,096	(1,096)

Stress scenario - Derivatives Commodities Corn					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
13,453	13,453	10,090	(3,363)	6,727	(6,727)

Stress scenario - Derivatives Commodities Cattle					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(23)	(23)	(29)	(6)	(34)	(11)

Stress scenario - Derivatives Commodities Fuel					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(491)	(491)	(617)	(123)	(741)	(247)

Stress scenario - Derivatives Commodities Wheat					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(14)	(14)	(17)	(3)	(21)	(7)

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32.5.2 Interest rate risk management

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

In order to reduce debt service costs, the Company and its subsidiaries continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates. The procedures adopted when managing the risk and coverage include calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The risk of exposure to interest rate for the Company and its subsidiaries as at March 31, 2014 and December 31, 2013 is as follows:

Exposure to CDI rate:

	Consolidated	
	3/31/14	12/31/13
NCE (R\$ and US\$) / ACC / Working capital (R\$)	1,368,534	548,353
(-) CDB-DI (R\$)	(47,270)	(786)
Subtotal	<u>1,321,264</u>	<u>547,567</u>

Exposure to LIBOR rate:

Prepayment (US\$)	164,154	891,726
Working capital (US\$)	2,034	2,266
Financing of industrial complex - (US\$) / Revolving credit facility (US\$)	711,704	806,528
Subtotal	<u>877,892</u>	<u>1,700,520</u>

Exposure to TJLP rate:

FINAME / FINEM / FINEP	47,845	51,154
Subtotal	<u>47,845</u>	<u>51,154</u>

TOTAL	<u>2,247,001</u>	<u>2,299,241</u>

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The Company entered into non-speculative swap contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing, as below:

Consolidated							3/31/14	12/31/13
Instrument	Register	Receivable	Payable	Notional US\$	Fair value		MTM	MTM
Interest Rate Swap	CETIP	Libor	USD	227,088	513,900		(17,247)	10,467
Interest Rate Swap	OTC	Libor	USD	320,000	724,160		(6,401)	(2,924)
Interest Rate Swap	CETIP	BRL	USD	368,316	833,499		(210,138)	(224,967)
Interest Rate Swap	OTC	USD	BRL	288,547	652,981		131,776	144,051
				<u>1,203,951</u>	<u>2,724,540</u>		<u>(102,010)</u>	<u>(73,373)</u>

Consolidated							3/31/14	
Instrument	Register	Maturity	Receivable	Payable	Notional US\$	Fair value	MTM	
Interest Rate Swap	CETIP	2014	Libor	USD	22,857	51,725	(420)	
Interest Rate Swap	CETIP	2015	Libor	USD	15,000	33,945	(533)	
Interest Rate Swap	CETIP	2015	Libor	USD	20,000	45,260	(1,324)	
Interest Rate Swap	CETIP	2016	Libor	USD	100,000	226,300	(2,784)	
Interest Rate Swap	CETIP	2016	Libor	USD	69,231	156,670	(12,186)	
Interest Rate Swap	CETIP	2017	R\$	USD	288,547	652,981	(133,905)	
Interest Rate Swap	OTC	2017	USD	R\$	288,547	652,981	131,776	
Interest Rate Swap	OTC	2018	Libor	USD	132,500	299,848	239	
Interest Rate Swap	CETIP	2018	R\$	USD	79,769	180,517	(76,233)	
Interest Rate Swap	OTC	2019	Libor	USD	187,500	424,313	(6,640)	
					<u>1,203,951</u>	<u>2,724,540</u>	<u>(102,010)</u>	

32.5.2.1 Interest rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Company and its subsidiaries are exposed to as at March 31, 2014, three scenarios are considered and the probable scenario is the fair value as at March 31, 2014 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

Sensitivity scenarios for interest rate risk are below:

Stress scenario - Swap Int Rate - Consolidated

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(102,010)	(24,641)	(127,513)	(25,503)	(153,016)	(51,005)

Stress scenario - Swap Int Rate Libor x USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(23,648)	(27,196)	(29,561)	(5,912)	(35,473)	(11,824)

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Stress scenario - Swap Int Rate BRL x USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
(210,138)	14,830	(262,672)	(52,534)	(315,207)	(105,069)

Stress scenario - Swap Int Rate USD x BRL

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
131,776	(12,275)	164,720	32,944	197,664	65,888

32.5.3 Exchange rate risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 80% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural *hedge* against the maturities of future obligations in foreign currency. The procedures adopted when managing the risk and coverage include calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Company's and its subsidiaries' consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

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Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

Parent			Effects of exchange rate gains (losses) 2014
Exposure			
Description	3/31/14	12/31/13	
Operating			
Trade accounts receivable	676,830	677,915	(55,661)
ACE (advance on export contracts)	(318,857)	(284,392)	2,921
Imports payable	(59,943)	(49,041)	1,791
Subtotal	298,030	344,482	(50,949)
Financial			
Loans and financing	(1,261,973)	(1,116,703)	36,851
Notes payable	-	(121,519)	-
Balance of banks and marketable securities (*)	84,856	84,144	(2,918)
Subtotal	(1,177,117)	(1,154,078)	33,933
Total	(879,087)	(809,596)	(17,016)
Exchange rate gains			187,248
Exchange rate losses			(204,264)
Exchange rate gains (losses), net			(17,016)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

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Consolidated			
Exposure			Effects of exchange rate gains (losses) 2014
Description	3/31/14	12/31/13	
Operating			
Trade accounts receivable	1,169,812	1,179,696	(85,425)
ACE (advance on export contracts)	(318,857)	(284,392)	2,921
Imports payable	(98,497)	(82,605)	(11,226)
Other	(19,563)	(14,357)	(276)
Subtotal	732,895	798,342	(94,006)
Financial			
Loans and financing	(8,905,864)	(8,540,407)	42,451
Notes payable	(77,265)	(191,861)	(219)
Balance of banks and marketable securities (*)	693,150	737,530	15,734
Other	42,162	(208,223)	5,032
Subtotal	(8,247,817)	(8,202,961)	62,998
Total	(7,514,922)	(7,404,619)	(31,008)
Exchange rate gains			268,991
Exchange rate losses			(299,999)
Exchange rate gains (losses), net			(31,008)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

At the close of the first quarter of 2014, the Company contracted Options, NDFs and futures contracts, all of them non-speculative in nature, to minimize the effects of the foreign exchange variation on its overseas subsidiaries, as per the breakdown shown in Note 32.4, the results of which are accounted for under the items "Exchange Rate Gains" and "Exchange Rate Losses".

32.5.3.1 Exchange rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Company and its subsidiaries were exposed to as at March 31, 2014, three scenarios are considered and the probable scenario is the fair value as at March 31, 2014 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The market future curve of March 31, 2014 was applied for currencies, with notional value of R\$/US\$2.2630.

As for exchange rate risk, following are the sensitivity scenarios:

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Stress Scenario - balance sheet exposure to foreign exchange			
	Probable	Possible	Remote
3/31/2014	scenario	scenario	scenario
Parent	(17,016)	(220,099)	(439,543)
Subsidiaries	(13,992)	(1,658,959)	(3,317,918)
	(31,008)	(1,879,058)	(3,757,461)

32.6 Liquidity Risk and Capital Management

Liquidity risk arises from the Company's and its subsidiaries' working capital management and the amortization of the principal and finance charges of debt instruments. This is the risk that the Company and its subsidiaries will find to settle its falling due payables.

The Company and its subsidiaries manage their capital based on parameters to optimize the shareholding structure focused on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

The purpose of capital management is to define the best financing structure for the Company and its subsidiaries.

The main indicators for monitoring such management is the modified immediate liquidity ratio, which is the ratio between cash and cash equivalents and the leverage ratio - current indebtedness (short term) and the leverage ratio - monitoring the ratio of net debt (total debt indebtedness less cash and cash equivalents) to EBITDA at levels considered to be manageable for continuity of operations.

	Consolidated	
	3/31/14	12/31/13
Short-term cash, cash equivalents and marketable securities	2,393,007	1,811,536
Short-term loans and financings	1,262,820	1,096,970
Modified liquidity ratio	1.89	1.65
Leverage ratio	3.01x	3.00x

Based on the analysis of these indices, the management of working capital is defined so as to keep Company's and its subsidiaries' natural leverage at levels equal or lower than the leverage ratio deemed adequate.

The following table presents contractual terms (representing undiscounted contractual cash flows) of financial liabilities:

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December 31, 2013	Consolidated					Total
	2014	2015	2016	2017	After	
Trade accounts payable	1,596,091	-	-	-	-	1,596,091
Loans, financing and debentures	1,096,970	685,091	581,983	1,577,844	4,971,604	8,913,492
Interest on debentures	26,272	-	-	-	-	26,272
Derivative financial liabilities	13,965	830	3,246	123,972	99,583	241,596
Total	2,733,298	685,921	585,229	1,701,816	5,071,187	10,777,451
March 31, 2014	Consolidated					Total
	2014	2015	2016	2017	After	
Trade accounts payable	1,600,020	-	-	-	-	1,600,020
Loans, financing and debentures	1,072,965	689,198	570,782	1,532,780	5,357,255	9,222,980
Interest on debentures	-	32,503	-	-	-	32,503
Derivative financial liabilities	7,770	1,858	14,970	133,905	126,486	284,989
Total	2,680,755	723,559	585,752	1,666,685	5,483,741	11,140,492

32.7 Credit risk

The Company and its subsidiaries are subject to credit risk. Credit risk deals with group's financial losses if a client or counterpart in a financial instrument fails to comply with contractual obligations, which arise from most receivables.

The Company and its subsidiaries limit their exposure by analyzing credit and managing client's portfolio, seeking to minimize the economic exposure to a certain client and/or market that may represent significant losses.

The Global Credit Risk Policy determines the guideline for financial credit risk management based on the following:

- Limit of counterparty's credit risk concentration to 15% of total current assets;
- Investments in solid and prime financial institutions, based on their financial rating;
- Balance between assets and liabilities.

Conducted evaluations are based on information flows and follow-up of the volume of purchases in the market. The internal controls cover the assignment of credit limits.

The maximum exposure to credit risk for the Company and its subsidiaries are the trade accounts receivable shown in Note 6, where the value of the effective risk of possible losses is presented as provision for credit risk is also shown.

Values subject to credit risk:

	Parent		Consolidated	
	3/31/14	12/31/13	3/31/14	12/31/13
Cash and cash equivalents	71,297	42,393	1,244,046	771,254
Marketable securities	200,122	138,216	1,149,976	1,040,282
Receivables from Brazilian clients	308,553	348,081	857,725	1,075,602
Receivables from foreign clients	287,009	378,620	831,747	875,860
Other receivables	15,784	15,892	97,155	75,580
Total	882,765	923,202	4,180,649	3,838,578

32.8 Fair value of financial instruments

The method used by the Company to determine market value consists in calculating the future value based on contracted conditions and determining the present value based on market curves obtain from Bloomberg's database, except for futures market derivatives whose fair values are calculated based on the on daily adjustments of variations in market prices of commodities and futures acting as consideration.

According to IFRS 7, the Company and its subsidiaries classify the measurement of fair value according to hierarchical levels which reflect the importance of indices used in such measurement, as follows:

- **Level 1:** Prices quoted in (non-adjusted) active market for identical assets and liabilities;
- **Level 2:** Other available information, except those of Level 1, where quoted prices relate to similar assets and liabilities, whether directly, by obtaining prices in active markets, or indirectly, such as evaluation techniques using active market data.
- **Level 3:** Indices used for the calculation do not derive from an active market. The Company and its subsidiaries do not have instruments at this measurement level.

Currently, the fair value of all the financial instruments of the Marfrig Group is reliably measured and hence are classified as level 1 and 2, as shown below:

	Consolidated		
	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	-	-	-
Marketable securities - held for trading	-	227,232	-
Notes receivable	193,797	-	-
Non-current liabilities			
Notes payable	(284,989)	-	-
Total	(91,192)	227,232	-

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Company and its subsidiaries.

33. Income and social contribution taxes

Income and Social Contribution Taxes were calculated according to prevailing legislation and the Transition Tax System, provided for in Executive Act No. 449/2008, converted into law 11.941/2009.

Income and Social Contribution Tax calculations and returns, when required, are open to review by tax authorities for varying statutory years in relation to the payment or filing date.

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Reconciliation of income and social contribution tax account records with the Taxable Income Computation Book is as follows:

Tax	Parent		Consolidated	
	3/31/14	3/31/13	3/31/14	3/31/13
Income (loss) before tax effects	(152,645)	(51,341)	(142,815)	(50,266)
Add-backs				
Add-backs of corporate income tax (IRPJ)	377,512	182,026	362,090	552,892
Add-backs of social contribution tax (CSLL)	377,512	182,026	398,316	515,800
(-) Deductions				
(-) Deductions from IRPJ	(227,851)	(92,188)	(249,605)	(269,149)
(-) Deductions from CSLL	(227,851)	(92,188)	(263,184)	(269,383)
Tax base				
Income tax base	(2,984)	38,497	(30,330)	233,477
Social contribution tax base	(2,984)	38,497	(7,683)	196,151
Companies with income tax loss	-	-	(10,620)	133,759
Companies with social contribution tax loss carryforwards	-	-	(1,061)	101,369
Calculation base after carry forwards of IRPJ	(2,984)	38,497	(40,950)	367,236
Calculation base after carry forwards of CSLL	(2,984)	38,497	(8,744)	297,520
(-) Tax loss carryforwards	-	-	(484)	-
(-) Social contribution tax loss carryforwards	-	-	(568)	-
Calculation base after carry forwards				
Calculation base after carry forwards of IRPJ	(2,984)	38,497	(41,434)	367,236
Calculation base after carry forwards of CSLL	(2,984)	38,497	(9,312)	297,520
Income tax (15%)	-	-	(44,525)	9,073
Surtax (10%)	-	-	38	5,200
(-) PAT	-	-	-	(263)
Total income tax	-	-	(44,487)	14,010
Social contribution tax (9%)	-	-	40	8,981
	-	-	(44,447)	22,991
Rate difference on foreign results	-	-	50,275	19,340
Total taxes	-	-	5,828	42,331
Effect on Statement of Operations	-	-	5,828	42,331
Tax	Group			
	3/31/14	3/31/13	3/31/14	3/31/13
(-) Income tax - current	-	-	(5,788)	(33,434)
Tax paid abroad	-	-	-	(375)
Deferred income tax - Assets (1)	40,078	(7,213)	42,341	18,811
Deferred income tax - Liabilities (1)	1,267	1,141	(1,631)	10,511
Net	41,345	(6,072)	34,922	(4,487)
(-) Social contribution tax - current	-	-	(40)	(8,981)
Deferred social contribution tax - Assets (1)	14,428	(2,597)	15,640	4,345
Deferred social contribution tax - Liabilities (1)	456	411	518	2,627
Net	14,884	(2,186)	16,118	(2,009)

- (1) Refer to deferred Income and Social Contribution Taxes calculated on: taxes whose payment has been suspended (estimates), and which were added to the calculation of the taxable income and the social contribution tax basis; utilization for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in Notes 11 and 23.

34. Sustainable Development

Sustainability is one of the pillars of Marfrig Global Foods corporate strategy and permeates all of its activities and divisions. The Company is committed to continuing to balance the economic, social and environmental aspects of its business in order to contribute to the development of society and help preserve the planet.

Marfrig is a reference in sustainability in its operating segments. By respecting the cultural aspects and practices of the local business community, it adopts a strategy of continuous improvement and technological innovation, combined with high levels of transparency and robust corporate governance practices.

Promoting sustainable activities and engaging the entire supply chain is essential to the success of our strategy. Such effort helped Marfrig Global Foods rank as the Leading Company for Packaged Food and Meat Products for its commitment to the best environmental risk practices disclosed in the 2012 Annual Report of the Forest Footprint Disclosure (FFD), deemed the most complete global study on the impacts of production activities for tropical forests.

The Company's efforts also include promoting sustainable agricultural and cattle raising practices. Through programs like the Marfrig Club, the Company acknowledges and awards conscientious producers, instructing them on how to achieve the most modern property certifications for food production and also awarding animals from farms with good agricultural and management practices. Through a professional relationship with suppliers, Marfrig is able to track animal origins, which guarantees, for example, that there are no further deforestations and invasions of indigenous land in its supply chain.

As result of such efforts, in June 2012, Marfrig Global Foods became the world's first food company in the animal protein segment to track its complete beef production cycle in accordance with the standards developed by the Agriculture and Forest Management and Certification Institute (Imaflora), which entitled the Company to use the Rainforest Alliance seal. This seal authorizes four units of Marfrig Beef (Tangará da Serra - MT; Pampeano - Hulha Negra, RS and Promissão I and II - SP) to produce and sell products with the "green cattle farm seal" in the international market.

The Company also entered into, in 2013, a partnership with The Nature Conservancy (TNC), one of the world's largest environmental organizations, and Walmart, the world's leading retailer, to foster sustainable cattle production in the southeastern region of the state of Pará, which will help preserve the Amazon biome and promote the adoption of good social and environmental practices.

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In December 2013, Marfrig, in partnership with Greenpeace, signed a Technical Reference Agreement (TdR) to improve the audit processes for assessing the public commitments undertaken to purchase environmentally responsible cattle originating from the Amazon biome. The first audit under the TdR model, which was published in March 2014, verified the good sustainability practices employed by Marfrig when purchasing cattle from the Amazon region. It ensured that all cattle purchase transactions complied with the public commitment assumed in 2009 by leading animal protein producers in Brazil with the non-governmental organization Greenpeace, which is known as the “Minimum Criteria for Beef Cattle and Product Operations on an Industrial Scale in the Brazilian Amazon Biome.” Marfrig Global Foods is one of the world’s seven best companies in terms of animal welfare practices, according to “The Business Benchmark on Farm Animal Welfare” (BBFAW), a leading global report on the subject, prepared by the World Society for the Protection of Animals (WSPA) and by Compassion in World Farming. In 2013, for the second consecutive year, Marfrig Global Foods was the only Brazilian company to be cited in the report, reaching the status “Integral” and being classified as “Integrated to the Business”.

To create opportunities for educational development and recreation for children, adolescents and the elderly in socially and economically vulnerable communities in the cities where the Company’s industrial plants are located, Marfrig create the Marfrig Institute *Fazer e Ser Feliz*. The Institute currently offers after-school activities in the fields of education, sports, culture, health and food, benefiting some 100 children in its units located in the cities of Promissão (SP) and Bataguassu (MS).

More information on the Marfrig Global Foods’s sustainability strategy and its results can be found at www.marfrig.com.br/sustentabilidade.

35. Result from discontinued operations

Pursuant to the Material Fact disclosed to the market on June 10, 2013, the Company entered into an Agreement for the Purchase and Sale of Ownership Interest and Other Covenants on June 7, 2013, which laid out the terms and conditions for: (i) the sale, by the Company, of certain ownership interests in companies of the group that owns the Seara Brasil business unit, to JBS; and (ii) the sale, by the Company, of 100% the capital of the company owning the leather business of the Marfrig Group in Uruguay (Zenda), to JBS, concluded on September 30, 2013 and June 30, 2013, respectively.

Following the sale of these operations, and under CVM Resolution 598/09 (CPC 31 - non-current assets held for sale and discontinued operations), the results from discontinued operations and the cash flow for the periods ended March 31, 2013 are summarized below:

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Result from discontinued operations	
	3/31/2013 (*)
Net Revenue	2,048,379
Cost of goods sold	(1,600,372)
Gross Income	448,007
Operating income (expenses)	(486,997)
Operating profit (loss)	(38,990)
Provision for income and social contribution taxes	14,737
Net income (loss) from discontinued operations	(24,253)
Non-controlling interest	2,627
Net income (loss) from discontinued operation	(21,626)
Cash flow from Discontinued Operations	
	3/31/2013 (*)
From operating activities	258,811
Used in investing activities	(88,026)
Used in financing activities	(168,946)
Exchange variation on cash and cash equivalents	(591)
Write-off of cash from discontinued operations	-
Net income (loss) from discontinued operations	1,248

(*) Includes the operations of Seara Brasil and Columbus Netherlands BV;

(**) Includes the operations of Seara Brasil and Columbus Netherlands BV that were reclassified and the result of Keystone's logistics operations;

36. Additional information

Provisional Presidential Decree (MP) 627/13 and Normative Instruction RFB (IN RFB) 1,397/13

As of the publication of IN RFB 1,397/13 on September 16, 2013, and MP 627 on November 11, 2013, the Company deemed it healthy to conduct a diagnosis of possible impacts of said laws.

On April 15, 2014, a plenary session of Brazil's Senate approved, in a symbolic vote, the conversion bill (PLV 2/2014) arising from Provisional Presidential Decree (*Medida Provisória*) 627/2013. The project now goes to the president for sanctioning. As a result, until the date of approval of these interim financial information, the project had not been sanctioned by the president, i.e. our diagnosis considered the provisions published and valid until the base date for approval of the interim financial information.

Interest on Equity

In the fiscal years ended December 31, 2010 and 2009, the Company calculated and distributed interest on equity in accordance with article 9 of Law 9,249/95.

The shareholders' equity considered as the basis for calculating Interest on Equity - as adjusted for Laws 11,638/07 and 11,914/09 was lower than if it had been calculated in accordance with Law 6,404/76, disregarding later amendments. As a result, the remuneration paid as Interest on Equity is in accordance with the rules determined by IN RFB 1,397/13.

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(In thousands of Brazilian reais)

Dividends

In the fiscal years ended December 31, 2010 and 2009, the Company also remunerated its shareholders through dividends. These dividends were approved and paid within the minimum mandatory amount of 25% of net income adjusted in accordance with article 202, paragraph 2 of Law 6,404/76, and based on the Company's Bylaws.

The remuneration paid as dividends, based on the criteria valid until December 31, 2007, was lower than what would have been paid if it were calculated based on the accounting criteria after the amendments to the Brazilian Company Law introduced by Laws 11,638/07 and 11,941/09. As such, there is no difference in relation to the provisions in Article 26, sole paragraph, and hence Article 28 of IN RFB 1,397/13 does not apply.

Conclusion of the diagnosis

Considering the above, both payments of dividends and interest on equity, in said years, do not create any tax impact for the Company even if it does not exercise the option envisaged in article 75 of MP 627/13 (advancing to calendar year 2014 the application of articles 1 and 2, and 4 through 70).

Based on the aforementioned paragraph and also on the fact that conversion project PLV 2/2014, arising from Provisional Decree 627/2013 has not yet been sanctioned, the Company decided to not advance the adoption of the Provisional Decree (Articles 1 and 2, and 4 through 70) for calendar year 2014.

37. Events after the reporting period

On April 17, 2014, the Annual Shareholders' Meeting nominated and elected the following members to the Audit Board of the Company: Eduardo Augusto Rocha Pocetti and Roberto Lamb. The following were elected as alternate members: Peter Vaz da Fonseca and Carlos Roberto de Albuquerque Sá. As member, Axel Erhard Brod, and as his alternate, Christiano Ernesto Burmeister.

* * *

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

MARFRIG GLOBAL FOODS S.A.

Independent Auditors' Report

**Individual and consolidated financial statements
as of December 31, 2013**

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

INDEPENDENT AUDITORS' REPORT ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, Board Members and Management of
MARFRIG GLOBAL FOODS S.A.
São Paulo - SP

We have audited the individual and consolidated financial statements of **Marfrig Global Foods S.A.** ("the Company"), identified as individual and consolidated, which include the balance sheet as of December 31, 2013 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of the main accounting practices and related notes.

Management's responsibility for the financial statements

The Company's management is responsible for the fair presentation and preparation of the individual financial statements in accordance with Brazilian accounting practices and of the consolidated financial statements according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and according to Brazilian accounting practices, as well as for the internal controls it considered necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of **Marfrig Global Foods S.A.** as of December 31, 2013 and the results of its operations and its cash flows for the year then ended, in conformity with Brazilian accounting practices.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Marfrig Global Foods S.A.** as of December 31, 2013 and the consolidated results of its operations and its cash flows for the year then ended, according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Brazilian accounting practices.

Emphasis

Valuation of investments in controlled, affiliate and jointly-controlled entities

As mentioned in Note 2.1, the individual financial statements were prepared in accordance with Brazilian accounting practices. Regarding the parent company, such practices are different from IFRS, which are applicable to the separate financial statements only for the valuation of investments in controlled, affiliate and jointly-controlled entities using the equity method of accounting, while for IFRS purposes they would be stated at cost or fair value. Our opinion is not qualified due to this matter.



Other matters

Statements of value added

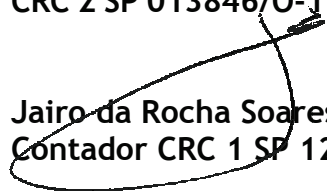
We have also examined the individual and consolidated statements of value added for the year ended December 31, 2013, prepared under the responsibility of the Company's management, whose reporting is required by Brazilian legislation for public companies and is considered supplementary information by the International Financial Reporting Standards (IFRS), which do not require the presentation of the statement of value added. These statements were subjected to the same auditing procedures previously described and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying individual and consolidated interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 7, 2014.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1


Jairo da Rocha Soares
Contador CRC 1 SP 120458/O-6


Esmir de Oliveira
Accountant CRC 1SP 109628/O-0

MARFRIG GLOBAL FOODS S.A.

Balance sheet

As at December 31, 2013 and December 31, 2012

(In thousands of Brazilian reais - R\$)

Liabilities and Shareholders' Equity				
	Note	Parent		Consolidated
		12/31/2013	12/31/2012	12/31/2013
Current liabilities				
Trade accounts payable		295,751	355,511	1,596,091
Accrued payroll and related charges	15	59,431	53,368	506,969
Taxes payable	16	24,596	22,592	114,651
Loans and financing	17	562,244	1,310,592	1,096,970
Notes payable	20	287,474	492,167	352,852
Lease payable	19	2,466	1,809	49,663
Debentures payable	18	-	199,400	-
Interest on debentures	18	96,362	144,445	26,272
Advances from customers		42,075	59,186	90,553
Other payables		33,263	11,018	135,316
Total current liabilities		1,403,662	2,639,749	3,688,566
Non-current liabilities				
Loans and financing	17	890,716	3,479,003	7,816,522
Taxes payable	16	180,926	85,063	181,989
Deferred income and social contribution taxes	23	102,087	108,422	646,857
Tax, labor and civil provisions	22	26,002	12,052	26,462
Lease payable	19	1,187	2,803	103,096
Debentures payable	18	569,756	396,676	396,676
Notes payable	20	3,867,259	1,698,969	-
Mandatory deed convertible into shares	21	2,113,113	2,470,920	2,113,113
Other		-	-	127,523
Total non-current liabilities		7,751,046	8,253,911	11,019,976
Equity				
Share Capital	24.1	5,276,678	4,926,678	5,276,678
(-) Share issue expenses	24.1	(108,210)	(108,210)	(108,210)
Capital reserve		184,800	184,800	184,800
Issue of common shares		184,800	184,800	184,800
Profit reserves		35,773	33,604	33,604
Legal reserve	24.2.1	44,476	44,476	44,476
Retained earnings		7,348	7,348	7,348
Treasury shares	24.2.2	(4,361)	(6,530)	(4,361)
Treasury shares canceled	24.2.2	(11,690)	(11,690)	(11,690)
Other comprehensive income	24.3	(100,411)	514,371	(100,411)
Asset valuation adjustment	24.3.1	(969,306)	(969,306)	(969,306)
Cumulative translation adjustment	24.3.2	868,895	683,176	868,895
Accumulated losses		(2,259,304)	(1,395,005)	(2,259,304)
Controlling shareholders' equity		3,029,326	4,156,238	3,029,326
Non-controlling interest	24.6	-	-	89,696
Total shareholders' equity		3,029,326	4,156,238	3,119,022
Total liabilities and shareholders' equity		12,184,034	15,049,898	17,827,564

Assets				
	Note	Parent		Consolidated
		12/31/2013	12/31/2012	12/31/2013
Current assets				
Cash and cash equivalents	4	42,393	296,837	771,254
Marketable securities	5	138,216	904,139	1,040,282
Trade accounts receivable - domestic	6	348,081	354,232	1,075,602
Trade accounts receivable - foreign	6	378,620	132,051	875,860
Inventories of goods and merchandise	7	561,462	521,510	1,828,552
Biological assets	8	-	18,414	350,106
Recoverable taxes	9	658,838	539,513	943,832
Prepaid expenses	9	1,586	2,477	1,110,436
Notes receivable	10	884,448	961,415	81,949
Advances to suppliers		20,183	19,632	224,739
Other receivables		15,892	17,996	59,370
Total current assets		3,049,719	3,768,216	7,493,730
Non-current liabilities				
Marketable securities	5	-	100	1,030
Court deposits		59,435	38,936	71,519
Notes receivable	10	1,810,132	1,982,399	55,657
Deferred income and social contribution taxes	11	1,063,330	926,727	1,447,965
Recoverable taxes	9	948,627	676,735	990,162
Other receivables		495	3,778	33,207
Total non-current liabilities		3,882,019	3,628,675	2,599,340
Investments				
Property, plant and equipment	12	2,993,582	5,472,366	54,774
Biological assets	13	1,673,074	1,553,606	4,754,752
Intangible assets	14	585,640	627,035	113,483
Total non-current assets		5,252,296	7,653,007	2,811,285
Total assets				
		9,134,315	11,281,682	7,734,294
				10,333,834
				15,354,802
				17,827,564
				25,589,454

The accompanying notes are an integral part of the parent company and consolidated financial statements

The accompanying notes are an integral part of the parent company and consolidated financial statements

MARFRIG GLOBAL FOODS S.A.

Statement of income for the fiscal years
ended December 31, 2013 and 2012
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		Cumulative 2013	Reclassified Cumulative 2012	Cumulative 2013	Reclassified Cumulative 2012
Net Sales	25	4,626,881	4,540,864	18,752,376	16,516,366
Cost of Goods Sold	26	(3,587,441)	(3,301,827)	(16,442,702)	(14,154,405)
Gross profit		<u>1,039,440</u>	<u>1,239,037</u>	<u>2,309,674</u>	<u>2,361,961</u>
Operating income (expenses)		(2,245,544)	(1,200,921)	(3,473,914)	(2,350,712)
Selling expenses	26	(291,851)	(291,008)	(805,303)	(698,962)
General and administrative expenses	26	(137,336)	(212,423)	(563,524)	(606,226)
Equity in earnings (losses) of subsidiaries		(99,647)	291,120	(9,109)	-
Other operating income (expenses)		39,812	188,256	(64,984)	372,813
Financial income (expenses)	27	(1,756,522)	(1,176,866)	(2,030,994)	(1,418,337)
Financial income		57,102	167,032	364,955	338,931
Exchange gain		583,377	238,161	778,261	311,249
Financial expenses		(1,315,181)	(1,001,140)	(1,806,023)	(1,407,318)
Exchange Loss		(1,081,820)	(580,919)	(1,368,187)	(661,199)
Operating income (expenses)		<u>(1,206,104)</u>	<u>38,116</u>	<u>(1,164,240)</u>	<u>11,249</u>
Income (Loss) before tax effects		(1,206,104)	38,116	(1,164,240)	11,249
Provision for income and social contribution taxes		390,336	225,493	361,330	266,221
Current and deferred income tax	33	287,012	165,804	267,470	206,138
Current and deferred social contribution	33	103,324	59,689	93,860	60,083
Net income in the fiscal year from continued operations		<u>(815,768)</u>	<u>263,609</u>	<u>(802,910)</u>	<u>277,470</u>
Net income in the fiscal year from discontinued operations	35	<u>(97,825)</u>	<u>(487,511)</u>	<u>(94,178)</u>	<u>(510,701)</u>
Net income in the fiscal year before interest		<u>(913,593)</u>	<u>(223,902)</u>	<u>(897,088)</u>	<u>(233,231)</u>
Attributable to:					
Marfrig Global Foods - controlling interest - continued operations		(815,768)	263,609	(815,768)	263,609
Marfrig Global Foods - controlling interest - discontinued operations		(97,825)	(487,511)	(97,825)	(487,511)
Marfrig Global Foods - controlling interest - Total		<u>(913,593)</u>	<u>(223,902)</u>	<u>(913,593)</u>	<u>(223,902)</u>
Non-controlling interest - continued operations		-	-	12,858	13,861
Non-controlling interest - discontinued operations		-	-	3,647	(23,190)
Non-controlling interest - Total		-	-	16,505	(9,329)
		<u>(913,593)</u>	<u>(223,902)</u>	<u>(897,088)</u>	<u>(233,231)</u>
Basic and diluted earnings (losses) per share - common - continued operations	29	(1,7559)	(0.6359)	(1,5679)	0.7488
Basic and diluted earnings (losses) per share - common - discontinued operations	29	-	-	(0.1880)	(1.3847)
Basic and diluted earnings (losses) per share - common - Total	29	<u>(1,7559)</u>	<u>(0.6359)</u>	<u>(1,7559)</u>	<u>(0.6359)</u>
The accompanying notes are an integral part of the parent company and consolidated financial statements					

**Statement of changes in shareholders' equity
for the fiscal years ended December 31, 2013 and 2012
(In thousands of Brazilian reais - R\$)**

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MARFRIG GLOBAL FOODS S.A.

Statements of cash flow

Fiscal years ended December 31, 2013 and 2012

(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	Cumulative 2013	Reclassified Cumulative 2012	Cumulative 2013	Reclassified Cumulative 2012
Net income (loss) for the fiscal year from continued operations	(815,768)	263,609	(815,768)	263,609
Items not affecting cash	920,903	603,004	1,901,587	1,197,491
Depreciation	74,245	71,223	352,584	330,453
Amortization	2,268	2,079	152,785	127,589
Non-controlling interest	-	-	12,857	13,860
Tax, labor and civil provisions	13,948	-	8,725	5,296
Deferred taxes	(390,336)	(225,493)	(431,140)	(420,872)
Equity in earnings (losses) of subsidiaries	99,647	(291,120)	9,109	-
Exchange variation on financing	403,550	286,418	382,564	407,062
Exchange variation on other assets and liabilities	85,638	56,340	198,109	(62,082)
Interest expenses on financial debt	327,609	437,697	886,682	782,794
Interest expenses on financial leasing	(155)	9,921	5,662	17,957
Interest expenses on debentures	293,515	329,877	223,425	329,877
Leasing adjustment to present value	197	5,609	197	5,609
Write-off of permanent assets - asset exchange	-	(195,087)	-	(195,087)
Gain or loss from divestment of business	-	113,494	-	(193,756)
Write-off of permanent assets	10,777	2,046	100,028	48,791
Equity changes	299,729	(181,226)	(888,522)	(1,313,672)
Trade accounts receivable	(247,191)	(140,564)	(478,165)	(132,062)
Current inventory and biological assets	(21,538)	19,197	153,128	30,752
Court deposits	(20,498)	(15,561)	(27,865)	(19,568)
Accrued payroll and related charges	6,063	(15,849)	(5,328)	(36,999)
Trade accounts payable	(60,511)	8,574	(240,806)	(569,649)
Current and deferred taxes	(293,348)	(125,181)	(346,643)	(206,999)
Notes receivable and payable	1,003,027	204,868	28,902	(102,023)
Other assets and liabilities	(66,275)	(116,710)	28,255	(277,124)
Cash flow provided by operating activities	404,864	685,387	197,297	147,428
Investing activities				
Investments	(143,152)	(225,297)	(78,249)	(157,174)
Adjustment to IFRS 11 / CPC 19 R2	-	-	(45,837)	-
Investments in fixed and non-current biological assets	(200,464)	(178,638)	(723,523)	(588,790)
Investments in intangible assets	(8,248)	(9,307)	(8,801)	(9,031)
Cash flow used in investing activities	(351,864)	(413,242)	(856,410)	(754,995)
Financing activities				
Dividends / Interest on equity paid in fiscal year	-	(14,877)	-	(14,877)
Debentures	(24,418)	2,125	(594,174)	2,125
Interest settled debentures / Bonds	(343,500)	(301,204)	(567,884)	(615,020)
Loans and financing	(698,813)	(1,040,846)	585,548	129,107
Loans granted	3,127,690	1,203,155	8,591,615	3,949,523
Loans settled	(3,826,503)	(2,244,001)	(8,006,067)	(3,820,416)
Leasing payable	(1,000)	(19,644)	(19,175)	(207,481)
Leasing granted	4,104	6,200	33,466	22,104
Leasing settled	(5,104)	(25,844)	(52,641)	(229,585)
Mandatory deed convertible into shares	(7,806)	(8,387)	(7,806)	(8,387)
Treasury shares	2,170	(4,518)	2,170	(4,518)
Capital increase	-	1,016,750	-	1,016,750
Cash flow provided by (used in) financing activities	(1,073,367)	(370,601)	(601,321)	297,699
Exchange changes over cash and equivalents	-	-	223,528	149,607
Discontinued operations net of cash (NE 35)	-	-	(329,752)	(138,505)
Cash flow for the fiscal year	(1,020,367)	(98,456)	(1,366,658)	(298,766)
Cash and cash equivalents				
Balance at end of fiscal year	180,609	1,200,976	1,811,536	3,178,194
Balance at start of fiscal year	1,200,976	1,299,432	3,178,194	3,476,960
Changes in fiscal year	(1,020,367)	(98,456)	(1,366,658)	(298,766)

The accompanying notes are an integral part of the parent company and consolidated financial statements

MARFRIG GLOBAL FOODS S.A.

Statement of added value

Fiscal years ended December 31, 2013 and 2012

(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	Cumulative 2013	Reclassified Cumulative 2012	Cumulative 2013	Reclassified Cumulative 2012
Revenue	4,618,069	4,533,683	18,757,765	16,962,245
Sales of goods and services	4,626,881	4,540,864	18,752,376	16,516,366
Other revenues	-	-	35,073	513,327
Estimated losses with doubtful accounts - Reversal / (recognition)	(8,812)	(7,181)	(29,684)	(67,448)
Inputs purchased from other firms (including taxes - ICMS, IPI, PIS and Cofins)	2,742,759	1,834,665	14,632,942	11,070,826
Cost of goods sold and services rendered	1,982,114	1,026,301	11,020,510	5,914,259
Material, energy, outsourced services and other	760,645	150,368	3,572,204	4,255,501
Loss / Recovery of assets	-	657,996	40,228	901,066
Gross value added	1,875,310	2,699,018	4,124,823	5,891,419
Depreciation and amortization	76,513	73,302	505,369	458,042
Net value created by company	1,798,797	2,625,716	3,619,454	5,433,377
Value added received through transfer	540,832	696,313	1,134,107	650,180
Equity In Earnings (Losses) of Subsidiaries	(99,647)	291,120	(9,109)	-
Financial income and exchange rate gains	640,479	405,193	1,143,216	650,180
Total value added to be distributed	2,339,629	3,322,029	4,753,561	6,083,557
Value added distribution	2,339,629	3,322,029	4,753,561	6,083,557
Employees	390,521	334,692	1,439,054	2,263,984
Direct compensation	317,153	271,466	1,143,062	1,741,638
Benefits	49,125	42,412	182,119	483,188
FGTS (severance pay fund)	24,243	20,814	113,873	39,158
Taxes payable	318,006	516,714	812,063	688,747
Federal	251,562	384,373	688,461	261,654
State	66,418	132,316	112,160	409,527
Municipal	26	25	11,442	17,566
Value distributed to providers of capital	2,446,870	2,207,014	3,305,354	2,853,356
Interest	2,397,001	1,582,059	3,174,210	2,068,517
Rentals	49,869	624,955	131,144	784,839
Value distributed to shareholders	(815,768)	263,609	(802,910)	277,470
Retained earnings/Loss for the fiscal year from continued operations	(815,768)	263,609	(815,768)	263,609
Non-controlling interest in retained earnings (losses)	-	-	12,858	13,861

The accompanying notes are an integral part of the parent company and consolidated financial statements

MARFRIG GLOBAL FOODS S.A.

Statement of comprehensive income Fiscal years ended December 31, 2013 and 2012 (In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	Cumulative 2013	Reclassified Cumulative 2012	Cumulative 2013	Reclassified Cumulative 2012
Net income (loss) for the fiscal year	(913,593)	(223,902)	(897,088)	(233,231)
Exchange variation on net investments	(300,677)	(28,688)	(300,677)	(28,688)
Exchange variation on balance sheet translation	182,855	122,973	182,855	122,973
Realization of Deemed Cost reflected on sales of subsidiaries	(447,284)	-	(447,284)	-
	(565,106)	94,285	(565,106)	94,285
Total comprehensive income (loss) for the fiscal year	(1,478,699)	(129,617)	(1,462,194)	(138,946)
Attributable to:				
Marfrig Global Foods - controlling interest - continued operations	(1,380,874)	357,894	(1,380,874)	357,894
Marfrig Global Foods - controlling interest - discontinued operations	(97,825)	(487,511)	(97,825)	(487,511)
Marfrig Global Foods - controlling interest - Total	(1,478,699)	(129,617)	(1,478,699)	(129,617)
Non-controlling Interest - continued operations	-	-	12,858	13,861
Non-controlling Interest - discontinued operations	-	-	3,647	(23,190)
Non-controlling Interest - Total	-	-	16,505	(9,329)
The accompanying notes are an integral part of the parent company and consolidated financial statements				

MARFRIG GLOBAL FOODS S.A.

Notes to the parent company and consolidated financial statements as at December 31, 2013 and 2012

(In thousands of Brazilian reais)

1. Operations

Marfrig Global Foods S.A. is a publicly traded Company whose purpose is (i) the production of foodstuffs and meatpacking activities, including the slaughter of cattle, lamb and poultry; and (ii) the processing, distribution, importing, exporting and marketing of products and by-products of animal origin, both edible and inedible, at its own or third-party facilities.

Marfrig Global Foods S.A. was incorporated on June 6, 2000 and became a corporation on March 26, 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20,788 on June 18, 2007 and carried out its initial public offering (IPO) on June 29, 2007. Its shares were listed on the Novo Mercado listing segment of the BM&FBovespa S.A. - Securities, Commodities and Futures Exchange (Brazilian Stock Exchange) under the stock symbol MRFG3. On January 22, 2014, the Annual and Extraordinary Shareholders' Meeting held at the Company's headquarters amended Article 1 of the Company's By-laws, altering the Company's name to MARFRIG GLOBAL FOODS (Formerly Marfrig Alimentos S.A.).

On December 31, 2013, its subscribed and paid-in Share Capital was represented by 520,747,405 common shares, of which, as of December 31, 2013, 176,898,423, or 33.97% of the Share Capital, was controlled by MMS Participações S.A. and its partners, individually. On the same date, the free float was 343,122,876 shares, or 65.89% of the Share Capital of the Company. MMS Participações S.A. is controlled by Marcos Antonio Molina dos Santos and Marcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

Because it is listed on the Novo Mercado special corporate governance segment of the Brazilian Stock Exchange, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to the arbitration clause in its by-laws.

The Company's stock is also a component of the main performance indicators of Brazil's Capital Markets, such as the Bovespa Index (Ibovespa, the most important indicator of the average performance of Brazilian stocks). Marfrig stock is also a component of the stock indexes of the Brazilian Stock Exchange: Broad Brazil Index (IBRA); Brazil Index (IBrX); Consumption Sector Index (ICON); Corporate Governance Trade Index (IGCT); Special Corporate Governance Stock Index (IGCX); Novo Mercado Corporate Governance Index (IGNM); Industrial Sector Index (INDX); Special Tag-Along Stock Index (ITAG); BM&FBovespa Value Index (IVBX); Small Cap Index (SMLL).

The Company's financial and equity position should be considered within the context of the integrated activities of the following segments, which are organized in accordance with the animal protein from which the revenue is derived, each with their own structures and segmented into:

- Business segment Beef, Lamb and Leather, with slaughter operations located in South America (Brazil, Argentina, Uruguay and Chile), two trading companies located in Europe and Peru, and a beef jerky processing unit in the United States;
- Business segment Poultry, Pork and Processed and Prepared Products, with operations in Europe, the United States, Middle East and Asia.

MARFRIG GLOBAL FOODS S.A.

Notes to the parent company and consolidated financial statements as at December 31, 2013 and 2012 (In thousands of Brazilian reais)

Summary of the equity interests held by the Company:

Equity interests

Business Segment -Beef, Lamb and Leather

Parent Company	Core Activity	Country	Interest %	
Marfrig Global Foods S.A	Processing and marketing of product (formed by nine cattle slaughter and beef processing facilities, one of which is also used for slaughtering lamb, two tanneries, one plant producing cleaning and hygiene products, located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to two Distribution Centers in the State of São Paulo).	Brazil		
Subsidiaries	Core Activity	Country	12/31/2013	12/31/2012
MFB Marfrig Frigoríficos do Brasil S.A	Processing and marketing of product (composed of 15 cattle slaughter and beef processing facilities, one of which is also used for slaughtering lamb and three for processing beef), and 3 distribution centers.	Brazil	100%	100%
Masplen Ltd	Holding company	Jersey Island	100%	100%
Pampeano Alimentos S.A	Producer of canned meat and other processed products	Brazil	100%	100%
Marfrig Overseas Ltd	Specific Purpose Entity - SPEs	Cayman Island	100%	100%
Marfood USA Inc	Processing and marketing of products (owner of trademark Pemmican)	USA	100%	100%
MFG Agropecuária Ltda	Agricultural activities (composed of 7 feedlots)	Brazil	99.99%	99.99%
MFG Comercializadora de Energia Ltda	Energy trading and associated services	Brazil	99.99%	99.99%
Marfrig Argentina	Processing and marketing of products	Argentina	99.86%	99.78%
Frigorífico Tacuarembó S.A	Processing and marketing of products	Uruguay	97.82%	93.72%
Inaler S.A	Processing and marketing of products	Uruguay	100%	100%
Marfrig Chile S.A	Processing and marketing of products	Chile	99.47%	99.47%
Frigorífico Patagônia S.A	Processing and marketing of products (lamb meatpacker in from December to May, fish, clam and king crab processing in other months)	Chile	100%	100%
Prescott International S.A	Holding company	Uruguay	100%	100%
Cledinor S.a	Processing and marketing of products: beef and lamb	Uruguay	100%	100%
Establecimientos Colonia S.A	Processing and marketing of products	Uruguay	100%	100%
Weston Importers Ltd	Trading company	United Kingdom	100%	100%
CDB Meats Ltd	Processing of products	United Kingdom	100%	100%
Marfrig Peru S.A.C.	Marketing, poultry, beef, fish and seafood	Peru	100%	-

Business Segment - Poultry, Processed and Elaborated Products

Subsidiaries	Core Activity	Country	Interest %	
			12/31/2013	12/31/2012
Marfrig Holdings (Europe) B.V	Holding	Netherland	100%	100%
MFG (USA) Holdings Inc ⁽¹⁾	Holding	USA	100%	100%
McKey Luxembourg Holdings S.a.r.l ⁽¹⁾	Holding	Louxeembourg	100%	100%
Moy Park Holdings (Europe) Limited	Holding	Northern Ireland	100%	100%
Moy Park Group	Processing and marketng of products (composed of 4 poultry slaughter plants, 12 food processing units)	Northern Ireland	100%	100%
Kitchen Range Foods Ltd	Processing and marketng of products	England	100%	100%

⁽¹⁾ The Keystone business unit is integral part of subsidiaries MFG (USA) Holdings Inc and McKey Luxembourg Holdings S.a.r.l.

MARFRIG GLOBAL FOODS S.A.

Notes to the parent company and consolidated financial statements as at December 31, 2013 and 2012 (In thousands of Brazilian reais)

Business Segment - Leather - Discontinued Operation

Subsidiaries	Core Activity	Country	Interest %	
			12/31/2013	12/31/2012
Columbus Netherlands B.V.	Holding	Netherland	-	100%
Gideny S.A	Holding	Uruguay	-	59.17%
Grupo Zenda	Processing and marketing finished and cut leather products	Various	-	100%

Business Segment - Poultry, Pork and Processed and Elaborated Products - Discontinued Operation

Subsidiaries	Core Activity	Country	Interest %	
			12/31/2013	12/31/2012
Seara Holdings (Europe) B.V	Holding company	Netherland	-	100%
Babiora Holding Participações Ltda	Holding company	Brazil	-	99.90%
Seara Alimentos S.A	Processing and marketing of products	Brazil	-	99.90%
União Frederiquense Participações Ltda and Secculum Participações Ltda	Holding company (jointly holds 100% of Frigorifico Mabella Ltda)	Brazil	-	99.99%
Frigorifico Mabella Ltda	Processing and marketing of products	Brazil	-	100%
Dagranja Agroindustrial Ltda	Processing and marketing of products	Brazil	-	94.00%
Braslo Produtos de Carnes Ltda	Processing and marketing of products (including beef)	Brazil	-	94.25%
Mas Frangos Participações Ltda	Holding company	Brazil	-	99.99%
Agrofrango Ind. e Com. de Alimentos Ltda	Processing and marketing of products	Brazil	-	99.99%
Penasul Alimentos S.A	Processing and marketing of products	Brazil	-	99.99%
MBL Alimentos S.A	Hog breeding	Brazil	-	100%
Athena Alimentos S.A	Processing and marketing of products	Brazil	-	100%
	2 chicken slaughter units, 1 hog slaughter unit, 8 food processing units, 3 feed plants, 6 distribution centers and a margarine production line. Owns the following trademarks: Rezende, Confiança, Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light Elegant, Fiesta, Freski, Doriana and Delicata.			
Excelsior Alimentos S.A	Processing and marketing of products (including beef)	Brazil	-	64.57%
Baumhardt Comércio e Participações Ltda	Holding company	Brazil	-	73.94%
Excelsior Alimentos S.A	Processing and marketing of products (including beef)	Brazil	-	25.10%
Pine Point Participações Ltda ⁽¹⁾	Holding company	Brazil	-	-

⁽¹⁾ Company incorporated for the corporate reorganization, as mentioned in Note 12.4

2. Presentation and preparation of the parent company and consolidated financial statements

2.1. Statement of compliance

Consolidated financial statements

The consolidated financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, including the statements issued by the Accounting Pronouncements Committee (CPC) [*Comitê de Pronunciamentos Contábeis*] and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Parent company financial statements

The financial statements were prepared based on the accounting practices adopted in Brazil and resolutions issued by CFC, observing the accounting guidelines based on Brazilian Corporation Law (Federal Law 6,404/76), which include the provisions introduced, amended and revoked by Law 11,638 of December 28, 2007 and Law 11,941 of May 27, 2009 (former Provisional Presidential Decree 449 of December 3, 2008). The Brazilian accounting practices applied to the parent company financial statements differ from the IFRS only for the measurement of investments in subsidiaries and affiliated companies through the

equity method of accounting, while these investments would be carried at fair value or historical cost for IFRS purposes.

However, there is no difference between the Group's shareholders' equity and consolidated income (loss) and the parent company's shareholders' equity and income (loss) disclosed in the parent company financial statements. Thus, the Group's consolidated/individual financial statements are being presented in the same document.

The Management of the Company approved the issue of these individual and consolidated financial statements on March 7, 2014.

2.2. Basis of presentation

The parent company and consolidated financial statements are denominated in Brazilian real, which is the reporting currency, and all amounts are rounded to thousands of Brazilian real, unless otherwise stated.

The consolidated financial statements were prepared on the historical cost basis, unless otherwise stated, such as certain assets and financial instruments, which may be stated at fair value.

The preparation of parent company and consolidated financial statements in accordance with IFRS and CPCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated financial statements are stated in note 3.1.3.

2.3. Foreign currency translation

Functional and reporting currency

The financial statements of each consolidated subsidiary and those used as a basis for accounting for investments under the equity method are prepared using the functional currency of each entity.

Under CVM Resolution 640/10 (CPC 02 (R2) - effect of changes in exchange rates and translation of financial statements), functional currency is the currency of the primary economic environment in which the entity operates. To define the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of their goods and services and the currency in which most of their production input costs are paid or incurred. The consolidated financial statements are expressed in Brazilian real (R\$), which is the functional and reporting currency of Marfrig Global Foods S.A.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rate at the transaction date. Gains and losses resulting from the difference between the monetary asset and liability balance translation at the year-end and the translation of the transaction balances are recognized in the income statement. Non-monetary assets and liabilities in foreign currency measured at fair value are translated at the exchange rate on the date on which their fair value is determined and the differences resulting from such translation will be recognized under other comprehensive income on the closing date of each period or fiscal year.

Group companies

The results of operations and the financial position of all consolidated subsidiaries and investments accounted for under the equity method, whose functional currency differs from the reporting currency, are translated from the reporting currency, as follows:

- i. Asset and liability balances are translated using the exchange rate in effect at the date of the consolidated financial statements;
- ii. Statement of operation accounts are translated using the monthly average exchange rate; and
- iii. All differences arising from the foreign currency translation are recognized in Shareholders' Equity and in Consolidated Comprehensive loss under "cumulative translation adjustments."

3. Summary of significant accounting practices

3.1. Significant accounting practices

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

3.1.1 Results of operations

Results of operations are recorded on the accrual basis.

- **Revenue**

Revenue derived from the sale of goods is recognized when the Group transfers all risks and benefits of ownership of the asset to the buyer and it is probable that the Group will receive the agreed payment. The property of risks and benefits is transferred when the products are shipped with the corresponding sales invoice, taking into account the incoterms. These conditions are met when the goods are delivered to the buyer, complying with main freights modalities used by the Company.

Revenue is shown net of taxes on returns, rebates and discounts and the consolidated financial statements are also net of intercompany sales eliminations and unrealized profits on inventories.

- **Financial revenue and expenses**

Revenue comprises gains on changes in the value of financial assets and liabilities measured at fair value through profit or loss, as well as interest income obtained with the effective interest method.

They include interest income on invested amounts (including financial assets/liabilities available for sale), gains on the disposal of financial assets available for sale and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in the income statement using the effective interest method.

Financial expenses basically comprise interest on loans. Loan costs directly attributable to acquisition, construction or manufacture of a qualified asset are capitalized jointly with the investment.

3.1.2 Segment reporting

The information by operating segment is based on internal reporting to the chief operating decision maker, according to CVM Resolution 582/09 (CPC 22 - Information by segment). The chief operating decision maker is the chief executive officer, the chief operating officers of each segment (Beef, Lamb and Leather and poultry, processed and elaborated products) and the group's chief financial officer.

This Board identified the two main reportable segments that are strategically organized according to animal protein, namely (i) beef, sheep and leather; and (ii) poultry and manufactured and processed products, which meet the quantitative and qualitative thresholds for reportable segments, as per note 30. Starting from 2014, the Company will report as a business segment what Management considers its business units, i.e. will provide a breakdown in the report by the segments Marfrig Beef, Keystone and Moy Park.

3.1.3 Accounting estimates

The preparation of the parent company and consolidated financial statements in accordance with Brazilian accounting practices and IFRS 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, when applicable, the determination of the residual value of property, plant and equipment, allowance for estimated doubtful accounts, estimated inventory losses, deferred Income and Social Contribution tax assets and provisions for tax, labor and civil contingencies. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its subsidiaries review estimates and assumptions at least quarterly.

The issues requiring Company's estimates are as follows:

- Useful life of property, plant and equipment and intangible assets with finite useful lives;
- Measurement of the fair value of biological assets;

- Impairment of taxes;
- Loss on impairment of intangible assets with undefined life, including goodwill;
- Measurement of items from business combinations at fair value;
- Fair value of financial instruments and derivatives;
- Losses on doubtful accounts;
- Estimated losses with inventory obsolescence;
- Deferred Income and Social Contribution tax assets;
- Provisions (legal, tax, labor and civil proceedings);
- Stock option plan;
- Present Value Adjustment (PVA).

3.1.4 Financial instruments

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

Non-derivative financial instruments are initially recognized at their fair values plus, for instruments which are not recognized at fair value through profit or loss, any directly attributable transaction costs. Regarding financial investments and instruments classified as cash and cash equivalents, after initial recognition, non-derivative financial instruments are measured according to their respective classification, as follows:

- **Measured at fair value through profit or loss**

An instrument is measured at fair value through profit or loss if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages these investments and makes decisions to buy and sell the investments based on the investment's fair value according to the Company's investment and risk Management strategy. After initial recognition, transaction costs that are attributable to the acquisition of the investment are recognized in the statement of operations when incurred. Financial instruments stated at fair value through profit or loss are measured at fair value and changes in fair value are recognized in the statement of operations. The Company's instruments recorded in this category are described in note 5.

- **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, initially recognized at fair value plus any associated transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, excluding any impairment loss.

- **Financial liabilities**

Financial liabilities are measured at amortized cost using the effective interest method, adjusted for any reductions in the settlement value.

- **Derivative financial instruments and hedge accounting**

Derivative financial instruments designed in hedge operations are initially recognized at their fair value on the date of the derivative contract, and subsequently revaluated also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive, and as financial liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives during the year are recorded directly in the income statement, except for the effective portion of the cash flow hedges, which are recognized directly in shareholders' equity as other comprehensive income. The amounts booked under other comprehensive income are immediately transferred to the income statement when the transaction underlying the hedge affects profit or loss.

3.1.5 Foreign currency

Management defined the Brazilian real as the Company's and its Brazilian subsidiaries' functional currency, according to the provisions of CVM Resolution 640/10 (CPC 02 (R2) - effects on changes in foreign exchange rates and translation of financial statements, approved by CVM Resolution No. 640/10. The functional currency of foreign companies is the legal tender of the country in which they operate, except for companies located in the Netherlands and in Uruguay, whose functional currency is the US dollar. Translations into the reporting currency are also in accordance with CVM Resolution 640/10 (CPC 02 (R2) - effects on changes in foreign exchange rates and translation of financial statements).

Foreign currency transactions, i.e., all transactions not made in the functional currency, are translated using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. Non-monetary assets and liabilities acquired or entered into in foreign currency are translated using the exchange rates on the transaction dates or the dates at which they are stated at fair value when fair value is used. Exchange rate variation gains or losses on monetary and non-monetary assets and liabilities are recognized in the statement of income.

3.1.6 Current and non-current assets

- **Cash and cash equivalents**

Consist of cash, banks and short-term highly liquid financial investments that are readily converted to known amounts of cash and that are subject to an insignificant risk of changes in value.

- **Marketable Securities**

These include virtually all investments of the following types: Repurchase agreements and Credit Link Note (CLN), these investments may be readily redeemed and have an insignificant risk of change in value.

- **Trade accounts receivable**

Trade accounts receivable are recorded at the fair value and when applicable, discounted to present value, according to CVM Resolution 564/08 (CPC 12 - Present value adjustment).

The estimated loss with doubtful accounts is set up in an amount deemed sufficient by Management to cover possible losses on the realization of receivables, calculated on an individual basis.

- **Inventories**

Inventories are stated at the average acquisition or production cost, adjusted at net realizable value, if lower than the average cost.

- **Investments**

Company's investments in subsidiaries and affiliates are accounted for using the equity method in the parent company financial statements.

- **Property, plant and equipment**

Property, plant and equipment are stated at acquisition or construction cost, less depreciation calculated using the straight-line method at the rates mentioned in note 14 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements incurred when property, plant and equipment items are being built are capitalized until the asset begins its operations.

Other expenditures are capitalized only if the economic benefits associated with the property, plant and equipment item increase. Another type of cost is recognized as an expense when incurred.

Pursuant to CVM Resolution 639/10 (CPC 01 (R1) - reduction to recoverable value of assets), an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

- **Lease**

- **Finance lease**

Certain lease agreements transfer substantially all risks and benefits of ownership of an asset to the Company. These agreements are finance leases and are initially recognized as property, plant and equipment with an offsetting entry to liabilities at the lowest of present or fair values, according to CVM Resolution 645/10 (CPC 06 (R1) - commercial leasing operations).

The Company's leasing operations are described in Note 19.1.

- **Operating lease**

Certain agreements are classified as operating leases when its substance does not meet the finance lease requirements. Payments of these agreements are recognized as expenses in the statement of operations on a straight-line basis over the period the agreements are effective and the asset is used.

The Company's lease transactions are described in Note 19.2.

- **Intangible assets**

Intangible assets consist of assets acquired from third parties, including through business combinations, and those generated internally by the Company. They are stated at acquisition or formation cost, less amortization calculated using the straight-line method, and based on the recovery estimated periods.

Intangible assets with indefinite useful lives and goodwill resulting from expected future profitability are not amortized and are tested annually for impairment.

The goodwill represents the excess of total consideration paid over the difference between the fair value of acquired assets and liabilities assumed on the takeover date of the acquired company.

Goodwill is capitalized as an intangible asset and any impairment is recognized in the statement of operations. Whenever the fair value of the acquired assets and assumed liabilities exceeds total consideration paid, the full difference will be recognized in the consolidated comprehensive loss on the acquisition date.

The Company's intangible assets are described in Note 14.

3.1.7 Biological assets

According to CVM Resolution 596/09 (CPC 29 - biological assets and agricultural products), agricultural activity is the management of the biological transformation of assets (living animals and/or plants) for sale, into agricultural products or into additional biological assets. The Company classifies living cattle and poultry as biological assets.

The Company recognizes biological assets when it controls these assets as a result of past events and it is probable that future economic benefits will flow to the Company and the fair value of the asset can be reliably measured.

Under CVM Resolution 596/09 (CPC 29 - biological assets and agricultural products), biological assets should be measured on initial recognition and at the end of each reporting period at fair value less costs to sell, unless fair value cannot be reliably measured.

The Company values cattle at its fair value based on market prices, while poultry is valued at the acquisition cost since there is no market for poultry.

3.1.8 Impairment

Impairment tests on goodwill and other intangible assets with indefinite economic useful life are annually conducted at the end of the year. Other non-financial assets, such as property, plant and equipment and intangible assets, are submitted to impairment tests whenever events or changes in circumstances indicate that its book value may not be recoverable. Once the book value of an asset exceeds its recoverable value (i.e., the highest between the use and fair value minus selling costs), a loss is recognized to bring the book value to its recoverable value.

When it is not possible to estimate the impairment of an individual asset, the impairment test is conducted in its cash generating unit (CGU): the smallest group of assets to which the asset belongs and for which there are cash flows separately identifiable.

Goodwill is allocated in the initial recording of each CGU of the group that expects to benefit from combination synergies that originated the goodwill.

Impairment losses are included in the statement of operations. An impairment loss recorded as goodwill is not reversed.

3.1.9 Current and non-current liabilities

Current and non-current liabilities are stated at known or estimated amounts, plus the related charges, exchange rate gains (losses) and/or monetary changes incurred through the balance sheet date, when applicable.

3.1.10 Provisions

Provisions are recorded in case of probable exit of future economic benefits resulting from past events and these can be safely estimated.

3.1.11 Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognized in the balance sheet and the statement of operations as contract conditions are met and as commented in note 28.5.

3.1.12 Income and Social Contribution taxes

Income Tax is calculated on taxable income. Income and Social Contribution taxes are paid monthly on estimated calculation bases, at the rates and in the manners provided for in prevailing legislation.

Deferred tax assets recognized for Income and Social Contribution tax losses and temporary differences are recognized pursuant to tax legislation and CVM Resolution No. 599/09 (CPC 32 - income taxes). They take into consideration the Company's history of profitability and the expected future generation of taxable income supported by an annually reviewed technical feasibility study.

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

Deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability differs from their tax base, except for the differences that arise from:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither book income or taxable income; and
- The investments in subsidiaries and joint ventures where the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax asset is recognized only if it is probable that taxable income will be available against which the difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the following cases:

- For the same entity of the taxable group;

- For different entities of the group that intend to settle on a net basis or realize the asset and settle the liability at the same time, in each future year in which significant amounts of deferred tax assets and deferred tax liabilities are to be realized or settled.

3.1.13 Dividends and Interest on Equity

Management's proposal for distribution of dividends and interest on equity within the mandatory minimum dividend amount is recorded as current liabilities since it is considered a legal obligation set forth in the bylaws. The amount that exceeds mandatory minimum dividend, which is declared by Management before the end of the reporting period and has not yet been approved by the shareholders, is recorded as proposed additional dividend in shareholders' equity.

3.1.14 Earnings per share

Basic

Basic earnings/losses per share is calculated by dividing the earnings attributable to the Company's controlling and non-controlling shareholders by the weighted average number of common shares outstanding during the period, pursuant to CVM Resolution No. 636/10 (CPC 41 - earnings/losses per share), excluding the common shares held as treasury shares.

Diluted

Diluted earnings/losses per share is calculated by dividing the earnings/losses attributed to the Company's common shareholders by the weighted average number of common shares, which would be issued in the conversion of all diluted potential common shares into common shares. The effect of dilution of earnings (loss) per share does not generate significant difference between basic and diluted earnings (loss). The dilution percentage is shown in Note 29.

3.1.15 Present Value Adjustment (PVA)

In accordance with CVM Resolution 564/08 (CPC 12 - present value adjustment), non-current assets and liabilities, as well as current assets and liabilities, when material, are recorded at present value, on the respective transaction date, according to interest rates that reflect each transaction's term, currency and risk. The offsetting entry to Present Value Adjustment is made to the accounts that originated the asset or the liability. The difference between the present value of a transaction and the face value of an asset or liability is recorded in the statement of operations during the assets or liabilities' life according to the amortized cost and effective interest method.

Present Value Adjustment were determined using the average between Selic (Central Bank overnight rate) and the average rate at which funds are raised in financial markets (rate established as that of return on debt capital), thus reaching the average rate of 9.82% p.y., as at December 31, 2013 (7.48% p.y. as at December 31, 2012).

The terms adopted for determining Present Value Adjustment (PVA) vary according to the operating activity and correspond to the average expected period to settle it, for example: average sales collection term, average payment term and others deemed necessary.

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

3.1.16 Share issuance expenses

In accordance with CVM Resolution 649/10 (CPC 08 (R1) - transaction costs and premium on issue of securities), transaction costs incurred with the raising of funds through the issuance of equity securities should be separately recorded in a valuation allowance which reduces shareholders' equity, less possible tax effects.

3.1.17 Treasury shares

Treasury shares are Company shares acquired by the Company itself and kept in the treasury with the specific purpose of carrying out the Company's stock option plan, as per note 24.2.2. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

3.1.18 Business combination

Business combinations are recognized using the acquisition method. Cost of an acquisition is the sum of the consideration transferred, measured at fair value on the acquisition date, and any non-controlling interest in the acquiree. For each business combination, the acquirer should measure the non-controlling interest in the acquiree at the fair value or based on the acquirer's share in fair value of the acquiree's identifiable net assets. Costs that are directly attributable to the acquisition should be recorded as an expense when incurred.

In a business acquisition, Management assesses the assets acquired and the liabilities assumed with the objective of classifying and allocating them according to contractual provisions, economic circumstances and relevant conditions on the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred in the business combination over the fair value of the net assets acquired (identifiable assets and liabilities assumed, net). If the consideration is less than the fair value of the net assets acquired, the difference should be recognized as a gain in the statement of operations.

3.1.19 Consolidation

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

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of subsidiaries;
- Elimination of the balances of intercompany revenues and expenses and unrealized profits resulting from intercompany transactions.

3.1.20 Discontinued operations and assets held for sale

An operation is classified as discontinued operation when it is sold or it complies with criteria for classification as held-for-sale, if it occurs first. When an operation is classified as a discontinued operation, the statements of income and cash flows are presented as if the operation was discontinued since the beginning of comparative period, for which reason the note “reclassified” was included in the statements as at December 31, 2012.

These assets are measured by the lower between the book value and the fair value less selling expenses.

Once they are classified as held-for-sale, intangible and fixed assets can no longer be amortized or depreciated.

The result from discontinued operations is presented as a single amount in the statement of income, and includes the total result after these operations’ Income Tax and Social Contribution less any impairment loss, and is presented in Notes 3.3 and 35.

3.1.21 Statement of value added

The Company prepared the parent company and consolidated statement of value added in accordance with CVM Resolution 557/08 (CPC 09 - statement of value added), which is an integral part of the financial statements under BRGAAP applicable to publicly-held companies, while it represents additional information for IFRS standards.

3.1.22 Standards effective as of 2013

The Company’s management duly evaluated the standards, amendments and interpretations of standards issued by IASB and which are in force since January 1, 2013, and did not identify significant effects on the Company’s financial statements. The standards that were altered are: IAS 19 - Employee Benefits; IFRS 10 - Interim consolidated financial statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of interests in other entities; IFRS 13 - Fair value measurement; IAS 27 - Interim separate financial statements; IAS 28 - Investments in associates and joint ventures.

The Company maintains the same accounting practices and procedures applied to previous financial statements, in relation to the standards in force.

In relation to the changes introduced by CVM Resolution 694/12 (CPC 19 (R2) - joint arrangements), which does not allow the proportional consolidation of entities classified as joint ventures, the Company did not identify significant effects on its financial statements, but replaced the proportional consolidation, opting for equity accounting when recognizing the Company’s investment in Shandong Mckey Chinwhiz Foods Co. Ltd., held through its subsidiary Keystone Foods, in China.

3.1.23 Standards not yet in force

IFRS 9 - Financial instruments

This standard addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010, and replaces parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 requires the classification of financial assets into two categories: measured at fair value and measured at amortized cost. The classification is determined at the time of initial recognition. The basis for classification depends on the business model of the entity and the contractual characteristics of the cash flow from the financial instruments. With regard to financial liabilities, the standard maintains the majority of the requirements established by IAS 39. The main change is that in cases where the fair value option is adopted for financial liabilities, the part of the change in the fair value due to the credit risk of the entity is registered in other comprehensive income and not in the income statement, except when it results in an accounting mismatch.

The standard will be applicable as of January 1, 2015.

IAS 32 - Financial Instruments: Presentation

This standard provides additional clarifications to the guidance on application contained in IAS 32 regarding the requirements for offsetting financial assets and liabilities in the balance sheet. The standard will be applicable as of January 1, 2014.

IAS 1 - Presentation of Financial Statements

The main change was the requirement that entities group the items shown in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently (adjustments/reclassifications). However, these changes do not establish which items should be shown under other comprehensive income. The standard has been applied since July 1, 2013.

CPC has not yet issued pronouncements equivalent to the IAS and IFRS rules mentioned above, but it is expected to before the date they come into force. Early adoption of IFRS is subject to previous approval disclosed in a CVM Normative Act.

3.2. Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its subsidiaries, as per the table summarizing the equity interests of the Company in Note 1 - operations.

The financial statements of subsidiaries located abroad were originally prepared in domestic currency, according to the applicable laws of each country where the companies are located. They were converted into the International Financial Reporting Standards (IFRS) at their relating functional currencies. Later, those financial statements were translated into Brazilian reais, using the exchange rate prevailing on the balance sheet date.

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(In thousands of Brazilian reais)

3.3. Reclassification of statement of income and statement of cash flow for the fiscal year ended December 31, 2012

On June 10, 2013, the Company disclosed through a Material Fact notice the Agreement for the Purchase and Sale of Ownership Interest and Other Covenants with JBS S/A, which laid out the terms and conditions for: (i) the sale by Marfrig of certain ownership interests it holds in companies pertaining to its group that owns the business unit Seara Brasil, to JBS (respectively "Seara Brasil"); and (ii) the sale of 100% of the ownership interest it holds in the group's leather business in Uruguay to JBS (respectively, "Zenda").

Therefore, in order to meet the requirements of CVM Resolution 598/09 (CPC 31 - non-current assets held for sale and discontinued operations) and to ensure comparability, the Company and its subsidiaries are restating the statements of income, cash flow, comprehensive income and notes to the financial statements for the fiscal year ended December 31, 2012.

4. Cash and cash equivalents

Cash and cash equivalents consist of cash, banks and cash equivalents, as shown below:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Cash and banks	41,982	211,130	626,693	832,586
Cash equivalents	411	85,707	144,561	87,322
	42,393	296,837	771,254	919,908

The subsidiaries' cash and cash equivalents are consolidated as follows:

	Brazil		Abroad	
	12/31/13	12/31/12	12/31/13	12/31/12
Cash and banks	35,339	183,455	549,372	438,001
Cash equivalents	193	1,615	143,957	-
	35,532	185,070	693,329	438,001

The Company adopts the policy of presenting the following items within the cash and cash equivalents group:

- Cash on hand;
- Demand deposits.

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4.1 Cash and banks by currency

Cash by currency are as follows:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Cash and banks:				
Brazilian real	26,610	149,493	61,948	200,215
US dollar	13,745	61,637	60,606	257,369
Euro	1,627	-	42,422	21,499
Pound sterling	-	-	229,541	610
Singapore dollar	-	-	-	8,437
Malaysian ringgit	-	-	14,548	5,984
Chinese Yuan	-	-	128,506	208,813
Australian dollar	-	-	24,963	17,912
Thai Baht (Thailand)	-	-	12,940	28,366
South Korean Won	-	-	27,157	69,153
Honk Kong dollar	-	-	2,357	890
Uruguayan peso	-	-	21,516	385
Other	-	-	189	12,953
	41,982	211,130	626,693	832,586

4.2 Cash equivalents

Cash equivalents by type are as follows:

	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.y.%	Parent	
					12/31/13	12/31/12
Automatic savings account (2)	Immediate	-	Real	6.42	266	32,072
Interest-bearing account (2)	Immediate	-	USD	-	-	40,930
Other (2)	Immediate	-	Real	-	145	12,705
Total					411	85,707

	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.y.%	Consolidated	
					12/31/13	12/31/12
Automatic savings account (2)	Immediate	-	Real	6.42	459	32,072
Interest-bearing account (2)	Immediate	-	USD	0.20	143,957	40,930
Other (2)	Immediate	-	Real	-	145	14,320
Total					144,561	87,322

(1) Weighted average maturity in years.

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- (2) Transactions have daily liquidity and can be redeemed at any time. Said maturity refers to the corresponding instrument.

4.2.1 Automatic savings account

The remaining balances in checking accounts, in Brazilian real, are automatically transferred to a savings account, which bears interest at financial market rates.

4.2.2 Interest-bearing account

The interest-bearing account consists of amounts received in U.S. dollar from exports and financial transactions, kept in accounts abroad. It bears interest at a fixed rate.

5. Marketable Securities

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Marketable securities	138,216	904,239	1,041,312	2,259,172
	138,216	904,239	1,041,312	2,259,172

The Company's financial investments by type are as follows:

	Maturities	WAM ⁽¹⁾	Currency	Average interest rate p.y.%	Parent	
					12/31/13	12/31/12
Held-for-trading:						
Bank deposit certificates - CDB (2)	-	-	Real	-	-	157,108
Repurchase and reverse repurchase agreements	06/30/2014	0.50	Real	9.77	60,217	670,899
Interest-bearing deposits	-	-	Euro	-	-	8,163
Brazilian prize-draw investment bonds	04/29/2014	0.33	Real	2.43	95	100
Credit-linked note - CLN (2)	07/17/2017	3.59	USD	6.89	77,904	67,969
Total					138,216	904,239
Total current					138,216	904,139
Total non-current					-	100

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	Maturities	WAM ⁽¹⁾	Currency	Average interest rate p.y.%	Consolidated	
					12/31/13	12/31/12
Held-for-trading						
Bank deposit certificates - CDB (2)	06/30/2015	1.10	Real	0.60	786	275,987
Repurchase and reverse repurchase agreements	06/30/2014	0.50	Real	9.77	60,217	670,900
Bonds and shares	-	-	-	-	-	2,842
Fixed-term investment	-	-	-	-	-	22,070
Interest-bearing deposits	03/30/2019	-	USD	-	303	8,163
Circular Letter 1456	06/30/2014	0.22	USD	1.74	40,370	72,078
Brazilian prize-draw investment bonds	04/29/2014	0.33	Real	2.43	95	100
Credit-linked note - CLN (2)	07/17/2017	1.22	USD	7.41	939,541	1,207,032
					<u>1,041,312</u>	<u>2,259,172</u>
Total current					1,040,282	2,258,286
Total non-current					1,030	886

(1) Weighted average maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the collateral.

The Company maintains the following types of financial investments:

5.1 Bank Deposit Certificate (CDB)

Bank deposit certificates are investments made at first-tier financial institutions, at variable rates and yield on average 99% to 102% of the variation of the CDI (Interbank Deposit Rate).

5.2 Repurchase and reverse repurchase agreements

Transactions based on outstanding daily cash denominated in Brazilian real that bear interest at the CDI (Interbank Deposit Rate), which ranges from 70% to 80%. This operation has immediate liquidity, for it can be early redeemed without yield loss.

5.3 Fixed-income investment

This investment is made in U.S. dollar and does not bear interest. This is a specific transaction made in Uruguay.

5.4 Interest-bearing deposits

The investments of this type are made in Euro and US dollar and bear interest at fixed rates and measured by the amortized cost.

5.5 Circular Letter no. 1456

The investments of this type consist of exports denominated in U.S. dollar with the Central Bank of Uruguay that bear interest at fixed rates, and are made between 180 and 270 days before the export.

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5.6 Brazilian prize-draw investment bonds

The investments of this type are made in Brazilian real and bear interest at the benchmark rate (TR).

5.7 Securities and stock

Financial investments in U.S. dollar of immediate liquidity with Banco Galícia, with annual yields of 6.50%.

5.8 Credit linked note (CLN)

The Credit Linked Notes "CLN" comprise a financial instrument exclusively used to generate resources among the Group's companies and correspond to notes comprising the Company's risk, as presented in Note 17.2.

The resources applied in these instruments derive from funds raised in the international capital markets issued by Marfrig Group's foreign subsidiaries, which due to cash management and liquidity strategy are maintained at the issuing foreign subsidiaries. The average yield rate is 7.41% p.y. And they are measured by the amortized cost per annum.

6. Trade accounts receivable - Domestic and foreign customers

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Trade accounts receivable - domestic	355,439	358,335	1,087,456	1,397,726
(-) Present Value Adjustment	(7,358)	(4,103)	(11,854)	(5,974)
	348,081	354,232	1,075,602	1,391,752
Trade accounts receivable - foreign	677,915	356,149	1,179,696	797,409
(-) Advances on export contracts (ACEs)	(284,392)	(219,007)	(284,392)	(389,426)
(-) Present Value Adjustment	(14,903)	(5,091)	(19,444)	(6,420)
	378,620	132,051	875,860	401,563
	726,701	486,283	1,951,462	1,793,315
Amounts not yet due	1,015,383	694,485	1,923,321	1,783,002
Amounts overdue				
From 1 to 30 days	12,839	17,501	232,087	259,919
From 31 to 60 days	4,362	1,896	77,713	64,969
From 61 to 90 days	770	602	34,031	87,245
More than 90 days	8,812	7,181	29,684	67,448
(-) Advances on export contracts (ACEs)	(284,392)	(219,007)	(284,392)	(389,426)
(-) Present Value Adjustment	(22,261)	(9,194)	(31,298)	(12,394)
(-) Estimated losses with doubtful accounts	(8,812)	(7,181)	(29,684)	(67,448)
	726,701	486,283	1,951,462	1,793,315

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The estimated loss with doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realization of receivables.

Aiming to achieve the best estimate possible, concerning the realization of such credits, and therefore duly set up an allowance for estimated losses with doubtful accounts as at December 31, 2013, the Company's Management analyzed particular aspects about its customers, such as business activity, general credit situation, the market's economic situation and notes due for more than 90 days and whose settlement is not considered as possible.

The Company does not have a history of relevant problems with collection, and the Accounts Receivable Department rates each customer upon acceptance and credit granting.

Changes in estimated losses for credit are as follows:

	Parent	Consolidated
Balance on December 31, 2012	(7,181)	(67,448)
Estimates constituted in the year	(4,039)	(193,229)
Estimates recovered in the year	2,408	47,006
Written-off credits	-	155,323
Exchange rate variation	-	(2,690)
Reversal for divestments	-	31,354
Balance on December 31, 2013	(8,812)	(29,684)

For sales paid in installments, the Company uses working capital financing lines available in financial markets.

Receivables were discounted to present value in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/08 (CPC 12 - present value adjustment), as described in note 3.1.6.

7. Inventories of products and merchandise

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Finished products	544,275	499,623	1,456,435	2,046,296
Raw materials	506	-	235,564	357,967
Packaging material and storeroom supplies	24,239	29,447	183,977	328,858
(-) Estimated losses	(7,558)	(7,560)	(47,424)	(29,389)
	561,462	521,510	1,828,552	2,703,732

In the fiscal years ended December 31, 2013 and 2012, inventories of finished products were carried at average purchase and/or production cost, as explained in note 3.1.6:

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	Parent	Consolidated
Balance on December 31, 2012	(7,560)	(29,389)
Reversal of estimates	7,560	10,183
Recognition of estimates	(7,558)	(25,201)
Translation gains (losses)	-	(5,755)
Reversal for divestments	-	2,738
Balance on December 31, 2013	(7,558)	(47,424)

8. Biological assets

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Current				
Biological assets - cattle	-	18,414	171,447	373,892
Biological assets - poultry	-	-	103,185	187,619
Biological assets - pigs	-	-	-	336,954
Translation gains (losses)	-	-	75,474	45,367
	-	18,414	350,106	943,832
Non-current				
Biological assets - cattle	-	-	53	12,644
Biological assets - poultry	-	-	82,785	185,893
Biological assets - pigs	-	-	-	34,188
Translation gains (losses)	-	-	30,645	20,636
	-	-	113,483	253,361
	-	18,414	463,589	1,197,193

The Company's current biological assets are composed of live animals segregated among the categories: poultry and cattle. Animals classified in this group are those intended for slaughtering for production of fresh meat and/or processed products in the next 12 months.

Poultry are considered immature until they reach the appropriate weight for slaughter. The slaughter process occurs sequentially in a short period of time and thus only live animals transferred to slaughter are classified as mature.

Due to the short formation period of poultry, as well as not having a quotation to poultry and pigs market, the Company evaluated these biological assets based on a discounted cash flow model and identified no material adjustments in relation to acquisition cost. In this case, the Company believes that the fair value of biological assets is substantially represented by the formation cost, given the short life cycle of the animals.

With respect to cattle, these are animals kept in feedlot for fattening and slaughter, whose life cycle is an average of 3 years, although the balance at December 31, 2013 is already available for use over the next 12 months. The Company valued these animals at fair value, based on the "Marked to Market - MtM" concept, considering the market prices of the

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“arroba”¹ of cattle, and recognized the effects of these valuations directly in the statement of operations.

The Company’s non-current biological assets are composed of live animals segregated among the categories: poultry and cattle. Animals classified in this group are those intended for reproduction. These assets are amortized on a straight-line basis over the useful life of the animals. Poultry for reproduction have an average useful life of 36 weeks. Cattle for reproduction have a useful life of five years.

The changes in biological assets are as follows:

Current biological assets:

	<u>Parent</u>	<u>Consolidated</u>
Balance on December 31, 2012	18,414	943,832
Increase due to purchases	-	1,723,815
(-) Write-off for slaughter	-	(5,328,995)
Costs of input for fattening	-	3,923,821
(-) Decrease due to sales	-	(931,516)
Net increase (decrease) due to births (deaths)	-	(7,062)
Change in fair value less estimated sale expenses (*)	1,602	39,766
Transfer to inventory	(20,016)	(31,262)
Balance sheet translation	-	30,106
Reversal for divestments	-	(12,399)
Balance on December 31, 2013	<u>-</u>	<u>350,106</u>

Non-current biological assets:

	<u>Parent</u>	<u>Consolidated</u>
Balance on December 31, 2012	-	253,361
Increase due to purchases	-	319,911
(-) Write-off for slaughter	-	(20,649)
Costs of input for fattening	-	116,016
(-) Decrease due to sales	-	(164,620)
Net increase (decrease) due to births (deaths)	-	87
Amortization	-	(262,974)
Balance sheet translation	-	16,198
Reversal for divestments	-	(143,847)
Balance on December 31, 2013	<u>-</u>	<u>113,483</u>

¹ Arroba = A unit of weight equivalent to 15 Kg.

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9. Recoverable taxes

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
ICMS (State VAT)	591,176	446,167	610,844	840,773
PIS (tax on sales) credit	261,259	203,050	369,681	392,345
Cofins (tax on sales) credit	985,870	849,976	1,330,595	1,542,040
Income tax	84,720	51,848	101,107	114,157
Social contribution tax	14,795	14,625	16,430	24,657
IRRF (Withholding Income Tax)	13,511	9,881	14,324	10,791
IVA (value-added tax)	-	-	98,842	79,392
Export certificates	-	-	5,666	18,410
Other	6,066	1,232	58,366	43,789
(-) Estimated losses from non-realization	(349,932)	(360,531)	(505,257)	(593,257)
	<u>1,607,465</u>	<u>1,216,248</u>	<u>2,100,598</u>	<u>2,473,097</u>
Current assets	658,838	539,513	1,110,436	1,240,457
Non-current assets	948,627	676,735	990,162	1,232,640

9.1 ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging and other materials, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. Credit realization is made through offsetting against debts generated in domestic sales or through transfers to third parties.

9.2 PIS, COFINS and IPI taxes

Pursuant to Laws No. 10,637/02 and 10,833/03, this line item consists of noncumulative PIS and COFINS credits on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets. For better presentation of the breakdown of credits in this item, the Presumed IPI Tax Credits were reclassified.

9.3 Income and Social Contribution Taxes

This line item consists of income and social contribution taxes prepaid in the fiscal year ended December 31, 2013.

9.4 Withholding income tax (IRRF)

Withholding income tax consists of income tax withheld from gains on financial investments made by the Company.

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9.5 IVA - Value Added Tax

This caption refers to balances of recoverable value added tax of foreign subsidiaries resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

9.6 Export certificates

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax paid by exporters.

9.7 Estimated losses from non-realization of tax credits

The estimated losses for non-realization of tax credits were calculated based on the best expectation of realization of the Company's recoverable taxes balances, in which main credits are mainly from PIS/COFINS.

Changes in estimates are as follows:

	Parent	Consolidated
Balance on December 31, 2012	(360,531)	(593,257)
Revision of estimate	85,827	26,355
Recognition of estimate	(75,228)	(138,965)
Reversal for divestments	-	200,610
Balance on December 31, 2013	(349,932)	(505,257)

10. Notes receivable

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Related-party transactions	2,559,273	2,838,257	-	-
Derivatives receivable	39,392	53,201	174,834	72,266
Other notes receivable	95,915	52,356	105,562	58,810
Total	2,694,580	2,943,814	280,396	131,076
Current assets	884,448	961,415	224,739	77,372
Non-current assets	1,810,132	1,982,399	55,657	53,704

The Company's notes receivable mostly consist of balances resulting from transactions with its subsidiaries (related parties), as described in note 10.1.

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10.1 Related-party transactions

The following tables, except for transactions with Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Aparecida Pascoal Marçal dos Santos, sole partners of MMS Participações S.A., show the transactions between the Company and its wholly-owned subsidiaries as at December 31, 2013:

December 31, 2013	Parent					
	12/31/2013				2013	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Cledinor S.A.	-	13,955	-	-	19,116	-
Establecimientos Colonia S.A.	-	2,934	-	-	8,455	-
Frigorífico Tacuarembó S.A.	-	7,022	748	-	13,037	-
Inaler S.A.	-	4,209	-	-	8,035	-
Marfood USA	-	-	-	-	-	3,162
Marfrig Argentina S.A.	-	1,791	212,790	-	20,521	-
Marfrig Chile S.A.	31,296	3	-	-	652	192,183
Marfrig Holdings BV	258	1	111,262	3,866,754	-	-
Marfrig Overseas	-	-	30,294	18,410	-	-
MFB Marfrig Frigoríficos Brasil S.A.	61,628	42,635	1,728,974	-	574,185	843,985
MFG Agropecuária	57	26,984	303,680	-	226,802	2,948
MFG Comercializadora de Energia Ltda	-	-	111	2,348	-	-
Pampeano Alimentos S.A.	8,861	-	171,414	-	899	101,377
Weston Importers Ltd.	23,299	-	-	-	-	145,088
Marcos Antonio Molina dos Santos	-	1,618	-	-	156	-
Marcia Aparecida Pascoal Marçal dos Santos	-	249	-	-	5,434	-
	<u>125,399</u>	<u>101,401</u>	<u>2,559,273</u>	<u>3,887,512</u>	<u>877,292</u>	<u>1,288,743</u>

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December 31, 2012	Parent					
	12/31/12				2012	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Agrofrango Ind. Com. Alim. Ltda.	-	-	3,325	-	-	-
Braslo Produtos de Carne Ltda	8,632	1,163	28,218	469	7,331	148,246
Cledinor S.A.	-	6,098	-	-	18,668	-
Dagranja Agroindustrial Ltda	-	-	229,957	-	-	-
Establecimientos Colonia S.A.	-	2,542	-	-	4,604	115
Frigorífico Tacuarembó S.A.	-	9,577	7,359	-	19,438	-
Grupo Mabella	-	-	21,581	-	-	-
Inaler S.A.	-	4,238	-	-	10,608	-
Keystone USA	-	2	-	-	-	231
Marfood USA	-	-	111,720	-	-	1,392
Marfrig Argentina S.A	-	1,952	175,675	-	17,921	-
Marfrig Chile S.A.	5,933	-	-	-	-	137,894
Marfrig Holdings BV	-	-	129,468	953,463	-	-
Marfrig Overseas	-	-	62,399	9,401	-	-
MBL Alimentos Ltda	17	-	212	275	-	72
MFB Marfrig Frigoríficos Brasil S.A	36,906	53,423	1,339,945	-	914,281	488,937
MFG (USA) Holdings.	-	-	15,940	6,080	-	-
MFG Agropecuária	3	25,832	214,523	-	176,119	36,565
Moy Park Limited	-	-	1,948	-	-	-
Pampeano Alimentos S.A.	9,406	-	172,645	-	1,801	100,639
Penasul Alimentos Ltda	-	-	5,582	400	-	-
Penasul UK	-	-	44	-	-	-
Quickfood S.A.	-	-	-	-	16,149	-
Seara Holding BV	1,466	6,590	283,844	716,591	9,702	10,402
Weston Importers Ltd.	58,282	-	-	-	-	228,508
Zendaleather S.A. (ZENDA)	-	12	33,872	-	5	3,909
Marcos Antonio Molina dos Santos	-	1,618	-	-	2,501	-
Marcia Aparecida Pascoal Marçal dos Santos	-	3,303	-	-	14,843	-
	120,645	116,350	2,838,257	1,686,679	1,213,971	1,156,910

	Consolidated			
	Accounts payable		Total purchases in the period	
	12/31/13	12/31/12	12/31/13	12/31/12
Marcos Antonio Molina dos Santos	2,053	1,618	1,738	3,136
Marcia Aparecida Pascoal Marçal dos Santos	249	3,303	10,618	46,370
	2,302	4,921	12,356	49,506

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements of the Company. In case of default, creditors can demand payment directly from the controlling shareholder and from its partners and, if they make the payment, they will be entitled to reimbursement from the Company.

The Company did not pay any commissions or other amounts to the appraisers.

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In a meeting held on January 23, 2013, the Board of Directors of the Company established new limits of authority for the Company's Management Bodies. The Management Committee is now responsible for authorizing a series of acts, with authority for between 0.5% and 12% of the Shareholders' Equity of the Company, always based on the most recent financial statements disclosed to the market. For acts whose required authority exceeds that defined for the Management Committee, approval is required from the Company's Board of Directors.

No relations are maintained with other officers and shareholders of Marfrig Group.

The nature of related-party transactions between Marfrig Group companies are represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital.

Intercompany loans (instruments receivable and payable) are taken out under long-term contracts. Loan rates vary from 1% p.y. to 3% p.y., the LIBOR (London Interbank Offered Rate) being applied to transactions with foreign subsidiaries.

Purchases and sales of products are made at market values. No guarantees or estimated losses with doubtful accounts are required. These transactions involve purchase and sale of fresh meat and cattle, poultry and lamb processed products.

Transactions between subsidiaries do not have an impact on consolidated financial statements, given that they are eliminated in consolidation.

11. Deferred Income and Social Contribution Taxes - Assets

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Income tax	780,605	680,162	1,140,920	1,416,046
Social contribution tax	282,725	246,565	307,045	435,701
Non-current assets	<u>1,063,330</u>	<u>926,727</u>	<u>1,447,965</u>	<u>1,851,747</u>

Tax credits consist of deferred Income and Social Contribution Taxes, calculated on temporary add-backs that were added to the taxable income and the social contribution tax basis in prior and current years and calculated on tax losses, temporary add-backs and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2014 onwards.

Tax credits recognized for income and social contribution tax losses are supported by taxable income projections based on feasibility studies that are annually reviewed by the Company's Management. These studies consider the profitability history of the Company and its subsidiaries and the prospect of maintaining in the future the current profitability, allowing an estimate of recovery of tax credits. Other tax credits, which are based on temporary differences, especially tax provisions and estimated losses, were recognized according to the expected realization.

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Below are the changes in deferred taxes in the fiscal year ended December 31, 2013:

Description	December 31, 2013			
	Parent		Consolidated	
	Income Tax	Social contribution tax	Income Tax	Social contribution tax
Opening balance on December 31, 2012	680,162	246,565	1,416,046	435,701
(-) Realization of taxes on tax losses	-	-	(141,338)	-
Deferred taxes on tax losses	101,661	-	320,036	-
Deferred taxes on social contribution tax loss carryforwards	-	36,598	-	104,744
(-) Realization of deferred taxes on social contribution tax loss carryforwards	-	-	-	(55,759)
Deferred taxes on temporary add-backs/deductions	36,079	12,988	120,664	44,058
(-) Realization of deferred taxes on temporary add-backs/deductions	(37,297)	(13,426)	(25,876)	(9,299)
Other	-	-	29,388	11,308
Translation gain or loss	-	-	30,466	-
Reversal for divestments	-	-	(608,466)	(223,708)
Closing balance on December 31, 2013	<u>780,605</u>	<u>282,725</u>	<u>1,140,920</u>	<u>307,045</u>

The expectation for recoverability of the Company's and its subsidiaries' deferred tax asset balances is based on an appraisal reports and internal analyses prepared by skilled professionals. The value in use for credits is estimated based on the future estimated taxable income, which results of the Company's estimates for future generations of taxable income. The projections considered the changes in the economy involving the Company's business markets, as well as assumptions for expected results and history of profitability for each segment.

The expected realization of "Deferred Tax Assets", based on a technical feasibility study as per CVM Instruction 371 of June 27, 2002 is as follows:

Year	Parent	Consolidated
2014	-	70,917
2015	14,059	131,511
2016	35,601	152,892
2017	79,120	136,104
2018	102,585	111,993
2019 to 2023	831,965	844,548
	<u>1,063,330</u>	<u>1,447,965</u>

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12. Investments

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Ownership interest in subsidiaries	2,993,447	5,472,231	-	-
Other investments	135	135	54,774	11,107
	2,993,582	5,472,366	54,774	11,107

12.1 Investments (Parent)

Investments in subsidiaries on December 31, 2013:

	No. of units of interest/shares	Ownership percentage in voting capital	Trading on the stock exchange	Share capital	Equity	Net income (loss) for the period	Equity value according to % interest
MFB Marfrig Frigoríficos Brasil S.A.	78,573,743	100.00	No	78,574	63,289	66,747	63,299
Marfrig Chile S.A.	9,950	99.47	No	58,276	56,740	1,583	56,436
Inaler S.A.	66,247,320	100.00	No	3,437	37,735	(12,239)	37,735
Frigorífico Tacuarembó S.A.	163,288,440	97.82	No	15,304	154,700	3,709	150,974
Weston Importers Ltd	8,101,296	100.00	No	31,375	(14,123)	(39,441)	(13,950)
Masplen Limited	1	100.00	No	8,648	38,354	1,507	31,410
Prescott International S.A.	79,693,916	100.00	No	6,845	47,620	(10,771)	47,620
Establecimientos Colonia S.A.	403,237,385	100.00	No	61,496	34,621	(41,556)	34,824
Marfood USA, Inc	50,000	100.00	No	57,858	968	(5,961)	968
Marfrig Overseas Ltd	1	100.00	No	-	(233,826)	(80,210)	(233,826)
MFG Agropecuária Ltda.	9,999	99.99	No	-	(9,890)	(6,750)	(9,889)
Marfrig Argentina Sociedad Anónima	474,743,976	99.86	No	225,688	38,679	(65,439)	38,996
MFG Comercializadora de Energia Ltda	149,985	99.99	No	-	437	405	437
Marfrig Holdings(Europe) BV	2,403,806	100.00	No	2,266,075	2,788,450	88,503	2,788,450
Marfrig Peru S.A.C.	5,000	100.00	No	4	3	(2)	3
Total				2,813,580	3,003,757	(99,915)	2,993,447

The following table presents a summary of the financial statements of the subsidiaries:

	Total assets	Total liabilities	Non-controlling interest	Net revenue	Group's profit/loss sharing
MFB Marfrig Frigoríficos Brasil S.A.	2,032,410	1,969,121	-	3,264,376	66,747
Marfrig Chile S.A.	154,768	98,027	301	365,813	1,574
Inaler S.A.	148,534	110,799	-	314,556	(12,239)
Frigorífico Tacuarembó S.A.	305,886	151,186	3,372	409,009	3,628
Weston Importers Ltd	145,017	159,140	-	470,027	(39,441)
Masplen Limited	330,377	292,022	-	296,462	1,507
Prescott International S.A.	130,305	82,685	-	319,836	(10,771)
Establecimientos Colonia S.A.	203,943	169,322	-	312,838	(41,556)
Marfood USA, Inc	117,946	116,978	-	112,657	(5,961)
Marfrig Overseas Ltd	1,357,016	1,590,842	-	-	(80,210)
MFG Agropecuária Ltda.	318,185	328,075	(1)	250,664	(6,749)
Marfrig Argentina Sociedad Anónima	396,811	358,124	54	696,275	(65,347)
MFG Comercializadora de Energia Ltda	2,735	2,298	-	87,529	405
Marfrig Holdings(Europe) BV	11,300,169	8,425,757	-	10,095,132	88,503
Marfrig Peru S.A.C.	84	81	-	-	(2)
Total	16,944,186	13,854,457	3,726	16,995,174	(99,912)

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12.2 Changes of investments (Parent)

	Book balance on 12/31/2012	Asset valuation adjustment (1)	Acquisition/ write- off	Capital increase/ reduction	Total investment in the period	Discontinued Operation	Equity in earnings (losses) of subsidiaries	Balance sheet translation effect	Book balance on 12/31/2013
MFB Marfrig Frigoríficos Brasil S.A	(3,587)	-	-	-	-	-	66,847	-	63,260
Marfrig Chile S.A.	49,511	5,195	-	-	-	-	1,571	159	56,436
Inaler S.A.	44,966	4,919	-	-	-	-	(12,218)	68	37,735
Frigorífico Tacuarembó S.A.	121,297	17,956	-	-	-	-	5,467	6,253	150,973
Weston Importers Ltd.	25,550	(465)	-	-	-	-	(39,174)	139	(13,950)
Masplen Limited	32,538	(2)	-	-	-	-	(1,126)	-	31,410
Prescott International S.A.	52,044	6,307	-	-	-	-	(10,735)	3	47,619
Establecimientos Colonia S.A	70,259	6,211	-	-	-	-	(41,242)	(404)	34,824
Marfood USA, Inc	(36,596)	(5,458)	-	49,783	49,783	-	(5,961)	(800)	968
Marfrig Overseas Ltd	(129,106)	(22,653)	-	-	-	-	(80,211)	(1,856)	(233,826)
MFG Brasil	(3,139)	-	-	-	-	-	(6,750)	-	(9,889)
Marfrig Argentina S.A.	72,703	631	-	40,781	40,781	-	(65,021)	(10,098)	38,996
MFG Comercializadora de Energia Ltda	33	-	-	-	-	-	405	-	438
Marfrig Holdings(Europe) BV	2,394,383	352,135	-	-	-	-	88,503	(46,570)	2,788,451
Marfrig Peru S.A.C.	-	-	-	-	-	-	(2)	4	2
Columbus Netherlands	80,069	11,192	(156,002)	-	(156,002)	66,186	-	(1,445)	-
Secculum Participações Ltda.	8,199	1,050	(8,427)	-	(8,427)	(639)	-	(183)	-
União Frederiquense Partic. Ltda.	765,434	98,072	(786,913)	-	(786,913)	(59,428)	-	(17,165)	-
Seara Holding BV	1,106,124	5,335	(640,235)	-	(640,235)	(463,815)	-	(7,409)	-
Athena Alimentos S.A.	796,428	-	(790,528)	-	(790,528)	(5,900)	-	-	-
Excelsior Alimentos S.A.	18,260	-	(21,199)	-	(21,199)	2,939	-	-	-
Baumhardt Comércio e Partic. Ltda.	6,861	-	(8,006)	-	(8,006)	1,145	-	-	-
Pine Point Participações Ltda	-	(26,008)	148,103	-	148,103	(118,553)	-	(3,542)	-
Total	5,472,231	454,417	(2,263,207)	90,564	(2,172,643)	(578,065)	(99,647)	(82,846)	2,993,447

12.3 Sale of ownership interests in 2012

The explanations of sales of ownership interests in 2012 are duly provided in Note 12.4 to the consolidated financial statements for the fiscal year ended December 31, 2012.

12.4 Sale of ownership interests to JBS S.A.

Pursuant to the Material Fact disclosed to the market on June 10, 2013, the Company entered into an Agreement for the Purchase and Sale of Ownership Interests and Other Covenants on June 7, 2013, which laid out the terms and conditions for: (i) the sale, by the Company, of certain ownership interests in companies of the group that owns the Seara Brasil business unit, to JBS; and (ii) the sale, by the Company, of 100% the capital of the company owning the leather business of the Marfrig Group in Uruguay (Zenda), to JBS. The transaction value for the sale of Seara Brasil and Zenda was initially established at R\$5.85 billion and would be paid via the assumption of Marfrig's debt by JBS.

Based on said agreement, on June 30, 2013, the Company concluded the sale of the ownership interest held in Columbus Netherlands BV owning the leather business of the Marfrig Group in Uruguay (Zenda) and, as a result, the control over said entity was transferred to JBS on that date. On September 30, 2013, the Corporation concluded the sale of its equity interest in the following entities: Pine Point Participações Ltda. (a company incorporated for the purposes of conducting a corporate reorganization of the following companies: União Frederiquense Participação Ltda, Secculum Participação Ltda, Babicora Holding Participações Ltda., Seara Alimentos S.A., Athena Alimentos S.A, Seara Holding (Europe) BV., Excelsior Alimentos S.A. and Baumhardt Comércio e Participações Ltda.) transferring their control to JBS on this date.

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The gains from the sales, amounting to R\$483,018 (Columbus) and R\$336,989 million (Seara Brasil) are recorded in the consolidated income statement for the year under “Net income (expense) from discontinued operations”.

Gains and losses in the current period, related to the business sold, were classified as “Net income (loss) from discontinued operations in the period”, as were the gains and losses in the comparative period, in accordance with CVM Resolution 598/09 (CPC 31 - non-current assets held for sale and discontinued operation).

In addition, following these divestments, the goodwill generated on the acquisition of Columbus Netherlands, União Frederiquense, Secculum, Seara Holding (Europe) BV. and Athena Alimentos S.A., has been realized as transaction cost.

The table below presents a summary of each sale:

Summary Columbus Netherlands

	RS thousand
Selling price	450,000
(+) Adjustment in selling price (**)	151,903
(-) Expenses with legal advisers and consultants	(200)
(=) Adjusted selling price	601,703
(-) Write-off Columbus investment	(156,002)
(-) Write-off of other comprehensive income	37,340
(=) Gain in the sale transaction	483,041
(-) Write-off of the goodwill (*)	(23)
(=) Net gain in the transaction before taxes	483,018

(*) Goodwill from Columbus Netherlands was recorded in the Parent Company - Marfrig Global Foods S.A.

(**) Price adjustment resulting from the working capital included in the consolidated statements of Columbus Netherlands on March 31, 2013, the latest balance sheet available on the date of establishment of the sale price.

Summary Seara Brasil

	RS thousand
Selling price	5,400,000
(+) Adjustment in selling price (**)	(2,350,162)
(=) Adjusted selling price	3,049,838
(-) Write-off Seara Brasil investment	(3,090,962)
(-) Write-off of other comprehensive income	622,699
(-) Transfer of other debt (***)	(201,260)
(=) Gain in the sale transaction	380,315
(-) Write-off of the goodwill (*)	(43,326)
(=) Net gain in the transaction before taxes	336,989

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- (*) Goodwill from the subsidiaries União Frederiquense, Secculum, Seara Holding Europe BV and Athena Alimentos S.A., previously recorded in the Parent Company - Marfrig Global Foods S.A.
- (**) Price adjustment resulting from transfer of debt existing at the companies being sold, working capital and exchange variation of loans denominated in U.S. dollar and not transferred, which are included in the consolidated statements of Seara Brasil on September 30, 2013, the consolidated statements of Columbus Netherlands BV, on June 30, 2013, the latest balance sheet available on the date of establishment of the sale price.
- (***) This balance refers to the transfer of notes payable to BRF, as described in note 20(a).

13. Property, plant and equipment

The following tables show the weighted average annual depreciation rate determined using the straight-line method and based on the economic useful life of the assets and their balances:

Changes in acquisition cost of the Parent Company

							Parent
							12/31/13
	Average annual depreciation rates	Acquisition cost	Additions	Write-offs	Transfers	Accumulated depreciation	Net Cost
Description							
Plots of land	-	47,643	-	-	-	-	47,643
Constructions and buildings	3.01%	678,831	-	-	95,997	(92,126)	682,702
Machinery and equipment	9.90%	318,231	27,725	(2,515)	18,326	(132,598)	229,169
Furniture and fixtures	10.04%	12,456	934	(93)	75	(5,006)	8,366
Facilities	4.50%	634,306	145	(36)	134,669	(103,523)	665,561
Vehicles	11.96%	23,935	302	(57)	9,304	(16,349)	17,135
IT equipment	21.86%	10,085	251	(62)	1,495	(7,486)	4,283
Aircraft	20.00%	382	-	-	-	(382)	-
Advance for acquisition of property, plant and equipment	-	7,012	-	-	(109)	-	6,903
Leasehold improvements	4.20%	2,978	-	-	371	(390)	2,959
Lease - vehicles	20.00%	29,731	160	(395)	(10,264)	(18,638)	594
Lease - computer hardware	20.00%	17,909	4,329	(3,537)	(3,574)	(12,260)	2,867
Lease - machinery	9.70%	33,464	687	-	(21,272)	(10,280)	2,599
Lease - facilities	5.00%	18,475	-	-	(185)	(18,254)	36
Lease - buildings	-	6,314	-	-	-	(6,314)	-
Construction in progress	-	61,039	165,915	(56)	(224,828)	-	2,070
Other	-	295	15	-	(5)	(118)	187
		1,903,086	200,463	(6,751)	-	(423,724)	1,673,074

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Changes in net balance of the Parent Company:

Description	Average annual depreciation rates	Parent					
		12/31/12	12/31/13				
		Net balance	Additions	Write-offs	Transfers	Depreciation	Net balance
Plots of land	-	47,643	-	-	-	-	47,643
Constructions and buildings	3.01%	605,366	-	-	95,997	(18,661)	682,702
Machinery and equipment	9.90%	206,763	27,725	(2,515)	18,326	(21,130)	229,169
Furniture and fixtures	10.04%	8,445	934	(93)	75	(995)	8,366
Facilities	4.50%	559,562	145	(36)	134,669	(28,779)	665,561
Vehicles	11.96%	9,093	302	(57)	9,304	(1,507)	17,135
IT equipment	21.86%	3,551	251	(62)	1,495	(952)	4,283
Aircraft	20.00%	1	-	-	-	(1)	-
Advance for acquisition of property, plant and equipment	-	7,012	-	-	(109)	-	6,903
Leasehold improvements	4.20%	2,709	-	-	371	(121)	2,959
Lease - vehicles	20.00%	11,594	160	(395)	(10,264)	(501)	594
Lease - computer hardware	20.00%	6,132	4,329	(3,537)	(3,574)	(483)	2,867
Lease - machinery	9.70%	24,287	687	-	(21,272)	(1,103)	2,599
Lease - facilities	5.00%	232	-	-	(185)	(11)	36
Construction in progress	-	61,039	165,915	(56)	(224,828)	-	2,070
Other	-	177	15	-	(5)	-	187
		<u>1,553,606</u>	<u>200,463</u>	<u>(6,751)</u>	<u>-</u>	<u>(74,244)</u>	<u>1,673,074</u>

Changes in Consolidated acquisition cost:

Description	Average annual depreciation rates	Consolidated							
		12/31/13							
		Acquisition Cost	Additions	Write-offs	Discontinued operation	Adjustment to IFRS 11 (CPC 19 (R2))	Transfers	Translation	Accumulated Depreciation
Plots of land	-	386,692	2,020	(5,703)	(424,701)	-	-	164,060	-
Constructions and buildings	2.71%	4,270,771	17,033	(29,564)	(2,559,559)	(32,122)	129,291	1,144,240	(861,595)
Machinery and equipment	6.40%	3,475,641	198,755	(26,993)	(1,627,391)	(8,149)	28,289	751,015	(1,704,258)
Furniture and fixtures	7.88%	136,553	19,602	(845)	(24,338)	(81)	33	16,413	(91,681)
Facilities	4.58%	1,339,770	18,518	(220)	(532,924)	-	178,272	184,247	(272,702)
Vehicles	9.06%	76,289	22,649	(15,095)	(3,573)	(77)	10,507	2,695	(53,510)
IT equipment	18.66%	86,152	9,280	(884)	(4,844)	-	1,489	1,145	(77,118)
Aircraft	20.00%	382	-	-	-	-	-	-	(382)
and equipment	-	18,477	-	-	(3,643)	-	(109)	(7,753)	-
Leasehold improvements	4.05%	107,107	3,765	-	(396)	-	146,560	1,759	(13,045)
Lease - vehicles	11.63%	32,343	195	(395)	(191)	-	(11,289)	3	(19,483)
Lease - computer hardware	20.00%	18,376	4,329	(3,537)	-	-	(3,574)	-	(12,726)
Lease - machinery	0.51%	144,396	687	(255)	-	-	(24,218)	7,713	(72,162)
Lease - facilities	5.00%	22,016	-	-	-	-	(2,704)	325	(18,788)
Lease - buildings	-	13,027	-	-	-	-	-	349	(11,577)
Construction in progress	-	273,695	342,488	(30,956)	(27,311)	(732)	(452,625)	20,583	-
Other	0.07%	26,728	58	(5,685)	(17,935)	-	78	7,980	(10,690)
		<u>10,428,415</u>	<u>639,379</u>	<u>(120,132)</u>	<u>(5,226,806)</u>	<u>(41,161)</u>	<u>-</u>	<u>2,294,774</u>	<u>(3,219,717)</u>
									<u>4,754,752</u>

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Changes in Consolidated net balance:

Description	Average annual depreciation rates	12/31/2012					Consolidated			
		Net balance	Additions	Write-offs	Discontinued operation	Adjustment to IFRS 11 (CPC 19 (R2))	Transfers	Translation	Depreciation	Net Balance
Plots of land	-	386,692	2,020	(5,703)	(424,701)	-	-	164,060	-	122,368
Constructions and buildings	2.71%	3,551,680	17,033	(29,564)	(2,559,559)	(32,122)	129,291	1,144,240	(142,504)	2,078,495
Machinery and equipment	6.40%	2,044,690	198,755	(26,993)	(1,627,391)	(8,149)	28,289	751,015	(273,307)	1,086,909
Furniture and fixtures	7.88%	60,320	19,602	(845)	(24,338)	(81)	33	16,413	(15,448)	55,656
Facilities	4.58%	1,140,484	18,518	(220)	(532,924)	-	178,272	184,247	(73,416)	914,961
Vehicles	9.06%	33,091	22,649	(15,095)	(3,573)	(77)	10,507	2,695	(10,312)	39,885
IT equipment	18.66%	17,022	9,280	(884)	(4,844)	-	1,489	1,145	(7,988)	15,220
Aircraft equipment	20.00%	1	-	-	-	-	-	-	(1)	-
Leasehold improvements	4.05%	18,477	-	-	(3,643)	-	(109)	(7,753)	-	6,972
Lease - vehicles	11.63%	101,104	3,765	-	(396)	-	146,560	1,759	(7,042)	245,750
Lease - computer hardware	20.00%	13,686	195	(395)	(191)	-	(11,289)	3	(826)	1,183
Lease - machinery	0.51%	6,132	4,329	(3,537)	-	-	(3,574)	-	(482)	2,868
Lease - facilities	0.51%	88,775	687	(255)	-	-	(24,218)	7,713	(16,541)	56,161
Lease - buildings	5.00%	3,372	-	-	-	-	(2,704)	325	(144)	849
Construction in progress	-	1,455	-	-	-	-	-	349	(5)	1,799
Other	0.07%	273,694	342,488	(30,956)	(27,310)	(732)	(452,625)	20,583	-	125,142
		16,584	58	(5,685)	(17,935)	-	78	7,980	(546)	534
		<u>7,757,259</u>	<u>639,379</u>	<u>(120,132)</u>	<u>(5,226,805)</u>	<u>(41,161)</u>	<u>-</u>	<u>2,294,774</u>	<u>(548,562)</u>	<u>4,754,752</u>

According to CVM Resolution 645/10 (CPC 6(R1) - lease operations), the assets acquired by the Company under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 19.

Pursuant to CVM Resolution 639/10 (CPC 01 (R1)- reduction to recoverable value of assets), an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

If any indication of impairment is found, recoverability analysis comprises projecting the profitability and future cash of the Company's business units, which are discounted to present value to identify the degree of recoverability of the asset.

During the fiscal year ended December 31, 2013, the book values of the Company's assets were not higher than the amounts which could be obtained by use or sale. Our assessment also included temporarily idle assets.

The Company and its subsidiaries recorded property, plant and equipment that are fully depreciated and still in operation, as well as temporarily idle items, as follows:

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Parent		
12/31/13		
Description	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation
Constructions and buildings	4,273	5,113
Machinery and equipment	2,563	33,066
Furniture and fixtures	104	664
Facilities	6,743	265
Vehicles	-	37,273
IT equipment	93	18,759
Aircraft	-	382
Lease - IT	325	-
	<u>14,101</u>	<u>95,522</u>

Consolidated			
12/31/13			
Description	Temporarily idle property, plant and equipment	Property, plant and equipment fully depreciated and still in operation	Property, plant and equipment removed from use and not classified as held for sale
Constructions and buildings	33,471	470,689	72
Machinery and equipment	52,751	2,135,477	477
Furniture and fixtures	380	34,532	-
Facilities	44,192	2,054	-
Vehicles	554	81,979	-
IT equipment	382	186,585	46
Aircraft	-	382	-
Leasehold improvements	31,314	-	-
Lease - IT	325	-	-
Lease - Machinery	260	-	-
	<u>163,629</u>	<u>2,911,698</u>	<u>595</u>

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14. Intangible assets

The Company has the subgroup intangible assets, composed of non-current assets, presented pursuant to CVM Resolution 644/10 (CPC 4 (R1) - intangible assets), as shown in the summary below:

	Amortization rate	Useful life	Parent		Subsidiaries	
			12/31/13	12/31/12	12/31/13	12/31/12
Goodwill	-	-	526,119	566,643	510,900	1,037,382
Trademark and patents	8.16%	8.2	22,883	22,884	360,671	1,093,251
Software	10.97%	9.4	36,638	37,508	2,505	10,509
Client relationship	6.91%	7.4	-	-	720,102	667,417
Client relationship	-	Indefinite	-	-	604,052	566,465
Right of use	-	-	-	-	-	43,333
Other intangible assets	0.19%	-	-	-	27,415	26,533
			<u>585,640</u>	<u>627,035</u>	<u>2,225,645</u>	<u>3,444,890</u>

Consolidated breakdown of intangible assets

	Parent	Subsidiaries
Balance on December 31, 2012	<u>627,035</u>	<u>3,444,890</u>
(+) Addition	8,247	1,487,157
(-) Write-off	(4,026)	(674,726)
(-) Amortization	(2,269)	(29,478)
(+/-) Exchange variation	-	426,209
(-) Reversal for divestments	(43,347)	(2,428,407)
Balance on December 31, 2013	<u>585,640</u>	<u>2,225,645</u>

Goodwill from the acquisition of businesses by September 30, 2008 (last acquisition previous to transition date as of January 1, 2009, referring to complete adoption of CPCs) was calculated based on the accounting standards previous to CVM Resolution 665/11 (CPC 15 - business combination). According to "IFRS Optional Exemptions", the Company decided to adopt IFRS in all business acquisitions as from September 30, 2008. These goodwill amounts were based on expected future profitability, and supported by valuation reports from experts. The trademarks acquired from third parties, prior to December 31, 2009, were measured at the paid amount, while trademarks and list of clients acquired as part of business combination after September 30, 2008 were calculated at fair value pursuant to CVM Resolution 665/11 (CPC 15 (R1) - business combination).

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According to CVM Resolution 639/10 (CPC 1 (R1) - reduction to recoverable value of assets), the impairment test of goodwill and intangible assets with indefinite useful lives is conducted annually, and other intangible assets with finite useful lives are tested whenever there is evidence of non-realization of those items. Intangible assets represented by patents and a list of clients are amortized at their respective useful lives, if applicable. Certain intangible assets of the Company have undefined useful lives, according to the experts' valuation, and are annually tested for impairment.

Such analysis comprised projecting the profitability and future cash of the Company's business units, which are discounted to present value to identify the degree of recoverability of the asset.

Discounted cash flows to assess asset impairment were prepared for a period close to 10 years. This cash flow is in line with the Company's 2014-2018 strategic plan and growth projections based on past information and market projections prepared by non-governmental agencies and entities, such as Brazilian Association of Meat Exporters (Abiec), Brazilian Pork Producers and Exporters Association (ABIEPCS), United States Department of Agriculture (USDA), among others.

In the fiscal year ended December 31, 2013, the Company did not identify any indications of asset recorded at an amount higher than that recoverable through use or sale.

14.1 Changes in intangible assets (parent)

Changes in the Intangible assets accounts of parent company and subsidiaries for the fiscal year ended December 31, 2013 are as follows

	Balance on December 31, 2012	Acquisition/ write-off	Held for sale	Reclassification / amortization	Balance on December 31, 2013
Inaler S.A. - Goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - Goodwill	57,824	-	-	-	57,824
Masplen Limited - Goodwill	17,258	-	-	-	17,258
Prescott International S.A. - Goodwill	22,922	-	-	-	22,922
Secculum Participações Ltda. - Goodwill	16,188	-	(16,188)	-	-
União Frederiquense Partic. Ltda. - Goodwill	11,683	-	(11,683)	-	-
Establecimientos Colonia S.A. - Goodwill	114,479	-	-	-	114,479
Seara Holding (Europe) BV	21	-	(21)	-	-
Columbus Netherlands BV	22	-	(22)	-	-
Marfood USA Inc.	308	-	-	-	308
Keystone International	274,949	-	-	-	274,949
Athena Alimentos S.A. - Goodwill	12,610	2,823	(15,433)	-	-
Software and systems	37,508	1,398	-	(2,268)	36,638
Trademarks and patents	22,884	-	-	(1)	22,883
Total	627,035	4,221	(43,347)	(2,269)	585,640

The goodwill generated in the business acquisitions concluded before the adoption of all CPCs is expressed in the Company's functional currency.

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14.2 Changes in intangible assets (subsidiaries)

	Book balance on December 31, 2012	Reclassification	Acquisitions	Exchange variation on translation	Amortization	Write-off	Discontinued operation	Book balance on December 31, 2013
Marfrig Chile S.A.	16,492	-	-	2,409	(53)	-	-	18,848
Goodwill	16,241	-	-	2,377	-	-	-	18,618
Trademarks and patents/software/Other	251	-	-	32	(53)	-	-	230
Weston Importers Ltd.	11,296	-	-	1,948	-	-	-	13,244
Goodwill	11,296	-	-	1,948	-	-	-	13,244
Masplen Limited	453	-	78	-	(33)	-	-	498
Trademarks and patents/software/Other	453	-	78	-	(33)	-	-	498
Prescott International S.A	9,389	-	-	1,369	(55)	-	-	10,703
Goodwill	8,984	-	-	1,315	-	-	-	10,299
Trademarks and patents/software/Other	405	-	-	54	(55)	-	-	404
Columbus Netherlands BV	51,031	-	52	1,590	(103)	(16)	(52,554)	-
Goodwill	50,976	-	-	1,614	-	-	(52,590)	-
Trademarks and patents/software/Other	55	-	52	(24)	(103)	(16)	36	-
Marfood USA	57,778	-	-	8,395	(729)	-	-	65,444
Goodwill	41,422	-	-	6,063	-	-	-	47,485
Client relationship	4,054	-	-	531	(729)	-	-	3,856
Trademarks and patents/software/Other	12,302	-	-	1,801	-	-	-	14,103
Frigoríficos Tacuarembó S.A	474	-	-	64	(71)	-	-	467
Trademarks and patents/software/Other	474	-	-	64	(71)	-	-	467
Inaler S.A	313	-	-	42	(43)	-	-	312
Trademarks and patents/software/Other	313	-	-	42	(43)	-	-	312
Establecimientos Colonia S.A	744	-	21	102	(60)	(223)	-	584
Trademarks and patents/software/Other	744	-	21	102	(60)	(223)	-	584
Marfrig Argentina	93,106	-	100	8,365	(19)	-	-	101,552
Goodwill	92,984	-	-	8,357	-	-	-	101,341
Trademarks and patents/software/Other	122	-	100	8	(19)	-	-	211
MFB - Marfrig Frig. BR S.A.	614	-	362	-	(165)	(291)	-	520
Trademarks and patents/software/Other	614	-	362	-	(165)	(291)	-	520
MFG Agropecuária Ltda	46	-	-	-	(6)	(10)	-	30
Trademarks and patents/software/Other	46	-	-	-	(6)	(10)	-	30
Marfrig Holdings (Europe)BV	1,777,472	-	-	271,499	(13,765)	(21,763)	-	2,013,443
Goodwill	282,563	-	-	37,348	-	-	-	319,911
Client relationship	1,229,827	-	-	112,601	(13,918)	(8,212)	-	1,320,298
Trademarks and patents/software/Other	265,082	-	-	121,550	153	(13,551)	-	373,234
Athena	189,084	-	-	-	-	-	(189,084)	-
Trademarks and patents/software/Other	189,084	-	-	-	-	-	(189,084)	-
Excelsior	37,608	-	37	-	(3)	-	(37,642)	-
Trademarks and patents/software/Other	37,608	-	37	-	(3)	-	(37,642)	-
União Frederiquense Partic. Ltda.	530,704	5,685	130	127,465	(1,542)	9,772	(672,214)	-
Goodwill	516,274	5,532	-	127,465	-	-	(649,271)	-
Trademarks and patents/software/Other	14,430	153	130	-	(1,542)	9,772	(22,943)	-
Secculum Participações Ltda.	5,685	(5,685)	-	-	-	-	-	-
Goodwill	5,531	(5,531)	-	-	-	-	-	-
Trademarks and patents/software/Other	154	(154)	-	-	-	-	-	-
Seara Holdings (Europe) BV	662,601	-	1,948	-	(11,160)	(653,389)	-	-
Goodwill	11,111	-	-	-	-	(11,111)	-	-
Trademarks and patents/software/Other	608,043	(1)	1,948	-	(2,714)	(607,276)	-	-
Right of use	43,335	-	-	-	(8,333)	(35,002)	-	-
Port license	112	1	-	-	(113)	-	-	-
Pine Point Participações Ltda	-	-	1,484,429	2,961	(1,671)	(8,806)	(1,476,913)	-
Goodwill	-	-	628,121	2,961	-	-	(631,082)	-
Trademarks and patents/software/Other	-	-	856,308	-	(1,671)	(8,806)	(845,831)	-
Total	3,444,890	-	1,487,157	426,209	(29,478)	(674,726)	(2,428,407)	2,225,645

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15. Accrued payroll and related charges

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
INSS (social security contribution) payable	2,496	3,797	24,758	66,073
Salaries and payroll obligations	50,003	46,589	210,527	319,097
Other social charges and benefits payable	6,932	2,982	102,646	121,799
	<u>59,431</u>	<u>53,368</u>	<u>337,931</u>	<u>506,969</u>

On November 21, 2005, Law No. 11,196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministerial Ordinance No. 23 dated February 2, 2006.

In addition, article 2 of Law 11,457/07 establishes responsibility to the Brazilian Federal Revenue Service concerning the employees' social security contributions levied on their contribution salaries, according to item c, sole paragraph, Article 11 of Law 8,212/91 and Article 104 of Law 11,196/05.

The Company currently has a favorable court decision that determines that the Federal Revenue Service of Brazil should analyze the requests for Reimbursement filed by the company and also establishes the recognition of the possibility to offset credits related to PIS and COFINS taxes with social security contributions, upon use of tax credits to pay the dues.

The Company believes it holds sufficient credits to settle its debts and therefore, based on the opinion of its legal counsel, is carrying out the offset of social security debts with PIS/COFINS tax credits.

An Interlocutory Appeal was filed by the National Treasury against said court decision, which was judged and the decision maintained with regard to the requirement of analysis by the Federal Revenue Service of Brazil of the requests for Reimbursement filed by the company. However, the decision was altered regarding the right to suspend the enforceability of the dues.

As a result, the company requested the court to recognize the possibility of offsetting the PIS and COFINS credits with social security contributions using the tax credits to pay the debts, to be undertaken by the Federal Revenue Service of Brazil.

To formalize said credits, the company filed Requests for Reimbursement with the Federal Revenue Service of Brazil. These requests indicate the existence of sufficient credits to settle the company's debts, at the occasion of occurrence of the facts and events, using the tax credits to pay such debts.

Thus, based on the opinion of its legal counsel, Marfrig Group has been offsetting social security debts against PIS/COFINS credits.

In the fiscal year ended December 31, 2013, the Company does sponsor post-employment benefit plans with actuarial liability characteristics.

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16. Taxes payable

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
ICMS (State VAT) payable	-	-	4,937	21,502
Special tax debt installment payment plan - Law No. 11,941/2009	156,299	60,249	156,299	237,879
Income tax payable	-	-	26,917	41,017
Social contribution tax payable	-	-	4,469	9,317
PIS and COFINS (tax on sales) payable	-	-	5	4,073
Social contribution payable - PGFN ⁽¹⁾	9,199	8,708	9,199	8,708
Income tax payable - PGFN ⁽¹⁾	24,919	23,590	24,919	23,590
Withholding income tax payable- PGFN ⁽¹⁾	7,057	6,680	7,057	6,680
Other taxes payable	8,048	8,428	62,838	87,474
	<u>205,522</u>	<u>107,655</u>	<u>296,640</u>	<u>440,240</u>
Current liabilities	24,596	22,592	114,651	187,503
Non-current liabilities	180,926	85,063	181,989	252,737

(1) Office of the General Counsel to the National Treasury

Special Tax Debt Installment Payment Plan - Law 11,941/09

On September 30, 2009, the Company joined the Special Tax Debt Installment Payment Plan (New REFIS), established by Law No. 11,941, of May 27, 2009. It provides for the payment in installments of debts due to the Brazilian Federal Revenue Service (SRF), the Office of the National Treasury Attorney-General (PGNF), and the Brazilian Social Security Institute (INSS). The Company declared debts with those agencies and transferred to the plan debts included in other payment plans (Special Tax Debt Installment Payment Plan - Law No. 10,684/03 - PAES and Extraordinary Tax Debt Installment Payment Plan - Executive Act No. 303/06 - PAEX), to be settled within 180 months.

During the consolidation process of the abovementioned program, the Company decided not to include the lawsuit 10880.720.016/2008-93, totaling originally R\$29,844, which was reclassified to taxes payable, under non-current liabilities.

In view of the waiver of the installment payment program, debits were adjusted in accordance with law in effect on the date of the taxable event, resulting in additional fine, interest and restatement amounting to R\$11,331 and a total debit of R\$41,175, as presented below:

Debits reclassified to taxes payable

	12/31/13	12/31/12
Social contribution payable- PGFN	9,199	8,708
Income tax payable - PGFN	24,919	23,590
Withholding income tax payable - PGFN	7,057	6,680
	<u>41,175</u>	<u>38,978</u>

Reopening of the Period for joining the program - Law 12,865/2013

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On December 20, 2013, the Company joined the Reopening of Law 11,941 of 2009, which governs the payment in installments of dues with the Federal Revenue Service of Brazil (SRF), the Attorney General of the National Treasury (PGFN) and the National Social Security Institute (INSS), stating its outstanding dues with these organs, to be settled within 180 months, as shown below:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Opening balance	60,249	55,894	237,879	232,239
(+) Adhesion to installment payment	58,390	-	229,423	7,088
(+) Interest rates	7,514	8,581	28,518	18,676
(-) Present Value Adjustment	50,664	14,886	31,156	14,886
(-) Payments made	(20,518)	(19,112)	(53,387)	(35,010)
(-) Reversal for divestments	-	-	(317,290)	-
Debt balance	156,299	60,249	156,299	237,879
Current liabilities	16,788	14,764	16,788	30,993
Non-current liabilities	139,511	45,485	139,511	206,886

17. Loans and financing

Parent					
Credit facility	Charges (% p.y.)	Weighted average interest rate (p.y.)	Weighted average maturity (years)	Balance on 12/31/13	Balance on 12/31/12
Local currency					
FINAME	TJLP + Fixed Rate	5.03	2.34	645	996
BNDES Finem	TJLP + 1.80%	-	-	-	1,273
FINEP	TJLP + 1%	6.50	2.32	13,681	22,563
NCE	Fixed Rate+%CDI	10.01	3.24	221,995	522,379
Working Capital	CDI + Fixed Rate	12.02	1.05	99,936	960,334
BNDES Revitaliza	Fixed Rate	-	-	-	25,020
Total local currency		10.46		336,257	1,532,565
Foreign currency:					
Prepayment (US\$)	Libor+Fixed Rate+FX	6.43	2.51	224,977	2,106,113
BNDES Finem	Currency Basket + 1.30%	-	-	-	220
NCE (US\$) / ACC	Fixed Rate+ FX (US\$) + Libor	7.82	1.84	891,726	1,150,697
Total foreign currency		7.54		1,116,703	3,257,030
Total indebtedness		8.21		1,452,960	4,789,595
Current liabilities				562,244	1,310,592
Non-current liabilities				890,716	3,479,003

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Consolidated					
Credit facility	Charges (% p.y.)	Weighted average interest rate (p.y.)	Weighted average maturity (years)	Balance on 12/31/13	Balance on 12/31/12
Local currency					
FINAME	TJLP + Fixed Rate	5.03	2.34	645	2,320
BNDES Finem	TJLP + 1.80	-	-	-	3,747
FINEP	TJLP + 1%	5.41	2.94	50,509	79,453
NCE	Fixed Rate+%CDI	10.01	3.24	221,995	823,811
Working capital (R\$)	Fixed Rate+%CDI	12.02	1.05	99,936	1,038,384
Rural credit note (R\$)	Fixed Rate	-	-	-	387,849
FCO - Mid-West Region Fund	Fixed Rate	-	-	-	12,693
BNDES Revitaliza	Fixed Rate	-	-	-	25,020
Total local currency		9.92		373,085	2,373,277
Foreign currency					
Financing of industrial complex (US\$)	Libor+Fixed Rate + FX	-	-	-	5,230
Prepayment (US\$)	Libor+Fixed Rate + FX	6.43	2.51	224,977	2,485,905
Bonds (US\$)	Fixed Rate + FX	9.56	5.35	5,624,277	3,226,378
BNDES Finem	Currency Basket + 1.30	-	-	-	220
	%CDI+Fixed Rate+FX				
NCE (US\$) / ACC	(US\$)+Libor	7.82	1.84	893,170	1,797,240
Working capital (US\$)	Fixed Rate + Libor	-	-	-	215,279
Working capital (Pesos)	Development Unit	7.19	0.32	2,266	2,121
Bank loan (US\$)	Fixed Rate + FX	3.78	3.43	921,504	540,181
Revolving credit facility	Libor + 2.75	2.16	4.05	806,528	941,069
Financing agreements (US\$)	Fixed Rate + FX	1.00	0.32	22,071	-
PAE (US\$)	Fixed Rate + FX	3.53	0.21	17,036	21,259
Tradable liabilities	Fixed Rate	6.50	2.00	28,578	33,239
Total foreign currency		7.93		8,540,407	9,268,121
Total indebtedness		8.01		8,913,492	11,641,398
Current liabilities				1,096,970	3,359,130
Non-current liabilities				7,816,522	8,282,268

The Company's types of loans and financing can be described as follows:

17.1 Senior Notes - BONDS

These are long-term funding operations denominated in U.S. dollar involving the issue of debt securities abroad (Bonds) exclusively to qualified institutional investors (Rule 144A/Reg S), not registered at the Securities and Exchange Commission of Brazil (CVM), in accordance with the Securities Act of 1933, as amended.

The Corporation has conducted five funding operations of this nature since 2006, which were assigned foreign-currency credit risk ratings of B1 by Moody's and B+ by Standard & Poor's and Fitch, as detailed below:

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- The first bond operation was concluded in November 2006, upon the issue by Marfrig Overseas Limited, a wholly-owned subsidiary of the Corporation, of US\$375 million in Senior Notes, with a 9.625% p.y. coupon, semi-annual interest payment beginning in May 2007 and maturity of principal in 10 years (November 2016). The proceeds from the issue were used for the acquisition by the Corporation of business units in Argentina and Uruguay.

In March 2010, Senior Note holders approved the amendment of certain clauses included in the indenture that governs this issue, including the change in and/or omission of restrictions applicable to the guarantees provided by the Corporation and its subsidiaries, as well as the inclusion of a surety granted by Marfrig Global Foods S.A. and its subsidiaries União Frederiquense Participações Ltda., Marfrig Holdings (Europe) B.V. and Seara Alimentos Ltda. to guarantee the issuer's obligations to holders of outstanding Bonds. Said amendment did not comprise any change in the financial conditions of this debt, which maintained the same maturity term and interest rate originally established (this addendum, jointly with the indenture, the "First Issue").

- The second operation was conducted in April 2010, upon the issue by Marfrig Overseas Ltd. of US\$500 million in Senior Notes, with a coupon of 9.50% p.y., semiannual interest payments beginning in November 2010 and maturity of principal in 10 years (May 2020). This operation also was guaranteed by Marfrig Global Foods S.A., União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos Ltda. and its proceeds were used to lengthen the debt profile of the Corporation ("Second Issue").
- The third operation was concluded in May 2011 and comprised the issue by Marfrig Holdings (Europe) B.V. of US\$750 million in Senior Notes, with a coupon of 8.375% p.y., semiannual interest payment beginning in November 2011 and maturity of principal in 7 years (November 2018). The operation was guaranteed by Marfrig Global Foods S.A., União Frederiquense Participações Ltda., Marfrig Overseas Limited and Seara Alimentos Ltda. and the proceeds were used to lengthen the debt profile of the Corporation and to strengthen its working capital ("Third Issue").
- The fourth operation was concluded in January 2013 and comprised the issue by Marfrig Holdings (Europe) B.V. of US\$600 million in Senior Notes, with a coupon of 9.875% p.y., semiannual interest payments beginning in July 2013 and maturity of the principal in 4.5 years (July 2017). This operation was guaranteed by Marfrig Global Foods S.A., União Frederiquense Participações Ltda., Marfrig Overseas Limited and Seara Alimentos Ltda. and the proceeds were used to lengthen the debt profile of the Corporation and to strengthen its working capital ("Fourth Issue").

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- The fifth operation was concluded in January 2013 and comprised the issue by Marfrig Holdings (Europe) B.V. of US\$400 million in Senior Notes, with a coupon of 11.25% p.y., semiannual interest payments beginning in March 2014 and maturity of the principal in 8 years (September 2021). This operation was guaranteed by Marfrig Global Foods S.A. and Marfrig Overseas and the proceeds were used to lengthen the debt profile of the Corporation and to strengthen its working capital ("Fifth Issue"). Also in connection with the Fifth Issue, the Corporation carried out a tender offer to acquire the Bonds of the First Issue, which mature in 2016. Based on the conclusion of this offering, the Corporation repurchased Bonds in the amount of US\$191,124, or approximately 50.97% of the outstanding bonds of the First Issue. As a result of the tender offer, the First Issue was amended through a complementary indenture that sets forth, among other things, the elimination of virtually all the restrictive covenants of the Indenture.

Considering that the Senior Notes issued in 2006, 2010, 2011 and 2013 represent 63.10% of the Corporation's consolidated debt as of December 31, 2013 (and represented 27.71% of said debt on December 31, 2012), the obligation of maintaining a ratio of adjusted net debt to EBITDA in the last 12 months serves as a guide for the other outstanding loans and financing of the Corporation at the end of the period. Regarding the ratio of adjusted net debt to EBITDA, note that the Fifth Issue establishes a maximum ratio of 4.5x, while the Second Issue, Third Issue and Fourth Issue establish a maximum ratio of 4.75x.

Furthermore, due to the settlement of the transaction governed by the Agreement for the Purchase and Sale of Ownership Interests and Other Covenants of September 30, 2013, which formalized, among other things, the sale by the Corporation of certain rights and ownership interests in the companies of its group that owned the business unit Seara Brasil to JBS S.A., the guarantees provided by União Frederiquense Participações Ltda. and Seara Alimentos Ltda. in the First Issue, Second Issue, Third Issue and Fourth Issue were released as per the release mechanism provided for in their respective indentures.

17.2 Guarantees for loans and financing:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Balance of financing	1,452,960	4,789,595	8,913,492	11,641,398
Guarantees:				
Promissory notes	375,559	1,787,422	377,003	1,979,125
Trade notes	114,251	190,976	152,004	206,561
Bank guarantee	-	1,524	42,165	34,763
Supply Agreement	-	-	2,266	2,121
Surety	211,912	1,950,432	211,912	3,742,579
Leased asset	645	996	15,819	4,795
Export document	-	-	70,483	62,447
Facilities	13,681	22,564	119,323	22,564
Mortgage	-	-	-	69,879
Marketable securities	-	54,400	758,980	54,400
Export Credit	-	-	-	19,815
No guarantees	736,912	781,281	7,163,537	5,442,349

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17.3 Covenants

The loan agreements are ruled by covenant of 4.5x, in its most restrictive form, in relation to consolidated indebtedness level, as maximum quotient of Net Debt/annualized (last 12 months) EBITDA ratio.

The schedule of maturities is presented in Note 18.

The penalty for breach of this covenant is the same as generally applied in the financial markets, which is the early maturity of the debt, which is then reclassified as current liabilities.

In Note 32.6 - Capital Management, the actual quotient on the base date ("Leverage Ratio"), on December 31, 2013, was 3.00x (Net Debt/EBITDA in the last 12 months).

18. Debentures payable and interest on debentures

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Debentures payable	570,000	598,200	-	598,200
(-) Cost with debenture issue	(244)	(2,125)	-	(2,125)
Interest on convertible and non-convertible debentures	102,697	181,041	32,607	181,041
(-) Withholding income tax on debenture interest	(6,335)	(36,595)	(6,335)	(36,595)
	<u>666,118</u>	<u>740,521</u>	<u>26,272</u>	<u>740,521</u>
Current Liabilities - Interest on debentures	96,362	144,445	26,272	144,445
Current Liabilities - Debentures payable	-	199,400	-	199,400
Non-Current Liabilities - Debentures payable	569,756	396,676	-	396,676

After approval at the Company's Board of Directors' meeting held on January 14, 2011, the parent company carried out its 3rd issue of non-convertible unsecured debentures, with security interest and personal guarantee, as well as restricted efforts, pursuant to CVM Resolution No. 476/2009, with the following characteristics: par value of R\$598,200, divided into 598,200 debentures, at the unit par value of one thousand Brazilian reais (R\$1,000), issue date of January 18, 2011, with maturity on January 18, 2018, divided into two series, (i) the First Series, by issuing 360,000 debentures, remunerated by par value as of the issue of 127.6% of DI rate p.y., basis of 252 days, without monetary restatement and (ii) the Second Series, by issuing 238,200 debentures, remunerated by par value as of the issue date adjusted by IPCA - Extended Consumer Price Index, published by the Brazilian Institute of Geography and Statistics, calculated by Getúlio Vargas Foundation, plus 9.5% p.y., basis of 252 days; secured by the fiduciary assignment of the Company's receivables flow, corresponding to 20% of the balance of debentures issued and personal guarantee (surety) of the subsidiary Marfrig Holdings (Europe) B.V. The abovementioned operations had their flows translated into U.S. dollar exchange variation, plus annual rates of 6.75% for the entire period of the operation.

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These debentures, along with the derivative instrument related to the operation informed in Note 20 (c) were transferred to JBS S.A. as part of the debt assumption, pursuant to the Agreement for Purchase and Sale of Ownership Interest and Other Covenants, entered into on June 7, 2013.

Mandatorily convertible debentures interest rates were accrued as per Note 21.

The Company, with assistance from its financial advisors, structured during the second quarter of 2013, an issue of non-convertible debentures maturing on January 22, 2019 in the amount of R\$570,000. This operation formalized the process of internalizing a portion of the financial resources derived from the Senior Notes issued by its subsidiary Marfrig Holding Europe BV in January 2013. The operation was structured in such a way as to not affect the Company's consolidated financial statements.

The Company does not have a renegotiation clause for the debentures, and therefore it does not believe on the need to report the information required under item 18.4.1 of Circular Letter/CVM/SNC/SEP no. 01/07 in the notes to the Financial statements.

Debt, debentures and interest on debentures were as follows:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Local currency				
Loans and financing	336,257	1,532,565	373,085	2,373,277
Interest on debentures	96,362	144,445	26,272	144,445
Debentures payable	569,756	596,076	-	596,076
	<u>1,002,375</u>	<u>2,273,086</u>	<u>399,357</u>	<u>3,113,798</u>
Foreign currency				
Loans and financing	1,116,703	3,257,030	8,540,407	9,268,121
	<u>1,116,703</u>	<u>3,257,030</u>	<u>8,540,407</u>	<u>9,268,121</u>
	<u>2,119,078</u>	<u>5,530,116</u>	<u>8,939,764</u>	<u>12,381,919</u>

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Loans and financing fall due and pay interest as follows:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Local currency				
1Q13	-	383,815	-	516,899
2Q13	-	25,581	-	348,850
3Q13	-	399,322	-	599,125
4Q13	-	61,782	-	142,687
1Q14	174,015	-	105,416	-
2Q14	18,046	-	19,537	-
3Q14	100,942	-	102,433	-
4Q14	1,517	-	3,060	-
2014	-	594,309	-	627,534
2015	38,412	572,943	44,375	582,949
2016	34,665	170,312	40,628	180,318
2017	32,498	32,498	38,462	42,504
2018	32,498	32,498	38,462	42,372
2019	569,769	13	5,977	29,798
2020	12	12	1,006	761
2021	1	1	1	1
	1,002,375	2,273,086	399,357	3,113,798

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Foreign currency				
1Q13	-	199,591	-	1,094,509
2Q13	-	133,000	-	373,051
3Q13	-	95,116	-	153,267
4Q13	-	356,230	-	474,587
1Q14	526	-	398,020	-
2Q14	5,725	-	105,269	-
3Q14	34,078	-	52,448	-
4Q14	323,757	-	337,059	-
2014	-	1,117,012	-	2,463,558
2015	509,837	1,010,504	640,716	1,126,442
2016	102,224	224,156	541,355	1,008,757
2017	140,556	121,421	1,539,382	131,432
2018	-	-	2,434,983	1,459,837
2019	-	-	2,722	-
2020	-	-	1,595,671	982,681
2021	-	-	892,782	-
	1,116,703	3,257,030	8,540,407	9,268,121
Total	2,119,078	5,530,116	8,939,764	12,381,919

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19. Lease payable

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

19.1 Finance lease

According to CVM Resolution No. 645/10 (CPC 06 (R1) - commercial leasing), finance lease operations are now recognized under the Company's current and non-current liabilities, with an offsetting entry of the leased asset recorded in property, plant and equipment, according to note 13, while financial leasing operations are guaranteed by the leased assets themselves.

Parent						
Credit facility	Charges (% p.y.)	Weighted average interest rate (p.y.)	Weighted average maturity (years)	Balance on 12/31/13	Future payments 12/31/13	Balance on 12/31/12
Domestic currency						
Finance lease of vehicles	CDI + Rate	14.21%	2.1	721	646	1,002
Finance lease of IT equipment	CDI + Rate	12.06%	1.1	2,437	2,430	2,220
Finance lease of machinery and equipment	CDI + Rate	14.97%	2.8	1,697	1,361	5,155
Finance lease of industrial facilities	CDI + Rate	18.48%	0.1	1	1	54
Interest to incur				(785)	-	(2,745)
Finance lease - Present Value Adjustment				(418)	-	(1,074)
Total domestic currency				3,653	4,438	4,612
Total Parent Company				3,653	4,438	4,612
Current liabilities				2,466		1,809
Non-current liabilities				1,187		2,803
Consolidated						
Credit facility	Charges (% p.y.)	Weighted average interest rate (p.y.)	Weighted average maturity (years)	Balance on 12/31/13	Future payments 12/31/13	Balance on 12/31/12
Domestic currency						
Finance lease of vehicles	CDI + Rate	12.44%	2.0	1,310	1,169	2,207
Finance lease of IT equipment	CDI + Rate	12.06%	1.1	2,437	2,430	2,220
Finance lease of machinery and equipment	CDI + Rate	13.68%	2.7	2,427	1,987	6,700
Finance lease of industrial facilities	CDI + Rate	18.48%	0.1	1	1	232
Interest to incur				(1,195)	-	(3,881)
Finance lease - Present Value Adjustment				(418)	-	(1,074)
Total domestic currency				4,562	5,587	6,404
Foreign currency						
Finance lease of vehicles	Rate	5.46%	4.2	3,895	4,668	2,225
Finance lease of machinery and equipment	Rate	4.26%	3.0	144,302	154,439	136,800
Finance lease of industrial facilities	Rate	0.00%	0.0	-	-	899
Total foreign currency				148,197	159,107	139,924
Total Consolidated				152,759	164,694	146,328
Current liabilities				49,663		38,805
Non-current liabilities				103,096		107,523

According to CVM Resolution 564/08 (CPC 12 - present value adjustment), finance lease payable was discounted to present value, at the initial recognition date, as described in note 3.1.15.

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Lease contracts fall due as follows:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Domestic currency				
Up to one year	2,466	1,809	2,919	2,549
From one to five years	1,187	2,803	1,643	3,855
	<u>3,653</u>	<u>4,612</u>	<u>4,562</u>	<u>6,404</u>
Foreign currency				
Up to one year	-	-	46,745	36,256
From one to five years	-	-	101,233	102,861
More than five years	-	-	219	807
Total foreign currency	<u>-</u>	<u>-</u>	<u>148,197</u>	<u>139,924</u>
Total	<u>3,653</u>	<u>4,612</u>	<u>152,759</u>	<u>146,328</u>

The schedule for future payments of the finance lease is as follows:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Domestic currency				
Up to one year	2,766	3,191	3,360	14,399
From one to five years	1,672	4,945	2,227	21,777
	<u>4,438</u>	<u>8,136</u>	<u>5,587</u>	<u>36,176</u>
Foreign currency				
Up to one year	-	-	50,549	40,366
From one to five years	-	-	108,558	114,523
More than five years	-	-	-	898
Total foreign currency	<u>-</u>	<u>-</u>	<u>159,107</u>	<u>155,787</u>
Total	<u>4,438</u>	<u>8,136</u>	<u>164,694</u>	<u>191,963</u>

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19.2 Operating lease

Operating lease as at December 31, 2013 is as follows:

Parent						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.y)	Weighted average maturity (years)	Total amount financed	Expense at 12/31/13
Local currency						
CSI LATINA A. M. S.A	IT Equip.	01/18/11	6.18%	0.3	3,967	1,844
HP FIN SER ARREND.	IT Equip.	06/19/12	4.21%	1.4	1,309	436
BANCO IBM S.A	IT Equip.	07/05/12	8.56%	1.5	856	489
BANCO DE LAGE LADEN	IT Equip.	05/25/12	11.46%	1.3	2,610	1,450
LEASEPLAN ARREND.SA	Vehicles	01/20/12	5.53%	1.0	528	459
Total Local currency					9,270	4,678
Foreign currency						
AVN AIR LLC	Aircraft	12/01/07	3.11%	3.7	24,631	1,514
Total Foreign currency					24,631	1,514
Total local and foreign currency					33,901	6,192
Consolidated						
Financial institution	Leased asset	Start date	Weighted average interest rate (p.y)	Weighted average maturity (years)	Total amount financed	Expense at 12/31/13
Local currency						
CSI LATINA A. M. S.A	IT Equip.	01/18/11	6.18%	0.3	3,967	1,844
HP FIN SER ARREND.	IT Equip.	06/19/12	4.21%	1.4	1,309	436
BANCO IBM S.A	IT Equip.	07/05/12	8.56%	1.5	856	489
BANCO DE LAGE LADEN	IT Equip.	05/25/12	11.46%	1.3	2,610	1,450
LEASEPLAN ARREND.SA	Vehicles	01/20/12	5.53%	1.0	528	459
Frigorifico Mercosul	Meatpacking plant	09/21/09	IGP-M year	0.8	30,000	7,567
Frigorifico Margem	Meatpacking plant	10/09/09	IGP-M year	1.1	57,600	12,346
Frigorifico 4 Rios	Meatpacking plant	12/01/09	IGP-M year	1.0	9,600	2,410
Total local currency					106,470	27,001
Foreign currency						
AVN AIR LLC	Aircraft	12/01/07	3.11%	3.7	24,631	1,514
Ford Motor Credit CO.	Vehicles	04/08/13	5.62%	2.0	74	60
Sundry leasers	IT Equipment	2010/2013	Fixed Installme.	3.2	3,151	1,132
Sundry leasers	Property	1994/2013	Fixed Installme.	14.9	97,963	19,665
Sundry leasers	Machinery and Equipment	2007/2013	Fixed Installme.	6.0	44,355	6,014
Sundry leasers	Meatpacking plant	1992/2013	Fixed Installme.	13.9	112,405	17,148
Sundry leasers	Land and Buildings	1992/2013	Fixed Installme.	11.4	13,003	1,597
Sundry leasers	Vehicles	2009/2013	Fixed Installme.	2.6	11,485	5,500
Total foreign currency					307,067	52,630
Total local and foreign currency					413,537	79,631

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The balance of the operating lease payable falls due as follows:

	Parent	Consolidated
	12/31/13	12/31/13
	(at present value)	(at present value)
Domestic currency		
Up to one year	3,360	18,933
From one to five years	5,944	10,034
Total domestic currency	9,304	28,967
Foreign currency		
Up to one year	-	39,422
From one to five years	-	147,160
Over 5 years	-	79,894
Total foreign currency	-	266,476
Total	9,304	295,443

The operating lease contracts into have no restrictions or contingencies, follow market practices and include, in some cases, price adjustment clauses during their effective term.

The value of the leased assets is calculated at total definitive cost, which includes costs of transportation, taxes and documentation. Finance lease obligations are calculated on the total definitive cost, by applying a predefined percentage for each agreement.

In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancelling all rights from the lease agreement; (ii) claiming the return of the leased goods; and (iii) accelerating the maturity of the lease agreement. In that case, the lessee undertakes to pay unsettled debts, including installments overdue and falling due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debt balance. The lessee, without prejudice to the lessor, may file a claim for damages.

In relation to the renewal option, the lessee should previously communicate their intention to renew the lease agreement, otherwise the renewal is automatic, the conditions of which should be agreed upon between the parties. In the event the parties do not reach an agreement, the lessee should opt for purchasing the goods at market value or returning them.

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20. Notes payable

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Notes payable for investments in Brazil (a)	3,790	243,793	3,790	243,793
Notes payable - Sponsorships (b)	31,504	-	31,504	13,120
Derivatives payable (c)	231,927	260,891	241,596	304,569
Related parties (d)	3,887,512	1,686,679	-	-
Other	-	-	10	89
Present Value Adjustment	-	(227)	-	(227)
	<u>4,154,733</u>	<u>2,191,136</u>	<u>276,900</u>	<u>561,344</u>
Current liabilities	287,474	492,167	272,486	352,852
Non-current liabilities	3,867,259	1,698,969	4,414	208,492

(a) In September 2013, due to the corporate reorganization mentioned in Note 12.4, the obligations under the Asset Exchange Agreement and Other Covenants entered into on June 11, 2012 between the Corporation and BRF - Brasil Foods S.A. were absorbed by the acquirer of Seara Alimentos S.A., as of the transfer of the investment Athena Alimentos S.A.

(b) On March 8, 2010, the Company signed a sponsorship agreement with the Brazilian Soccer Confederation (CBF) to sponsor the Brazilian football teams, including men's and women's national association football teams administered by the CBF ("Teams"). The agreement allowed the disclosure of the sponsorship of the "Teams" through display and associations of various brands owned by MARFRIG. Said contract was terminated early and the parties are discussing in court the terms of said termination.

On March 29, 2010, the Company signed a sponsorship agreement with FIFA (*Fédération Internationale de Football Association*) to sponsor the 2010 FIFA World Cup™, FIFA Confederations Cup 2013 and 2014 FIFA World Cup™. The agreement permits the use of Marfrig Group brands, such as: MOY PARK AND PEMMICAN, and also the use of the tournament logo in advertisements and products and its distribution.

(c) In the note 32, we break down financial instrument operations practiced by the Company. The Company and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities prices variations. These represent the amount of derivatives payable. The derivative instrument related to the debenture operation was transferred to JBS S.A. as part of the debt assumption, pursuant to the Agreement for Purchase and Sale of Ownership Interest and Other Covenants.

(d) The breakdown of balance can be seen in note 10.1.

21. Mandatory deed convertible into shares

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Convertible mandatory deed	2,500,000	2,500,000	2,500,000	2,500,000
Conversion into shares	(350,000)	-	(350,000)	-
Issue expenses	(36,887)	(29,080)	(36,887)	(29,080)
	<u>2,113,113</u>	<u>2,470,920</u>	<u>2,113,113</u>	<u>2,470,920</u>

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According to the “Indenture for the Second Issue of Debentures Convertible into Shares of (Mandatory Deed) Marfrig Global Foods S/A”, the Company issued two hundred and fifty thousand (250,000) debentures, mainly convertible into shares, with unit par value of R\$10, amounting to R\$2,500,000. The Mandatory Deed was issued on July 15, 2010 through private subscription, with maturity within 60 months, annually restated at the interest rate at 100% of the accumulated variation of average interbank deposit rates of a day, plus spread of one per cent (1%). Remuneration of the Mandatory Deed is recognized as current liabilities and collateralized by a bank guarantee provided by Banco Itaú BBA S/A. All two hundred and fifty thousand (250,000) debentures were subscribed on various dates during, and the main debenture holder is BNDES Participações S/A.

As defined in said Indenture and except for the cases of voluntary conversion, the conversion price will be lower than the following items: (i) R\$21.50, plus the percentage of interest paid to debenture holders over the par value of the issues, less earnings distributed to each share, both restated at CDI as from the actual payment, in the case of interest on debentures, or the date of debentures less earnings, in the case of earnings, until the conversion date; and (ii) the higher between the market price and R\$24.50, the latter without adjustment for earnings in cash or monetary restatement.

The Company, based on the essence of the operation (equity) and on the characteristics thereof, initially recorded the Mandatory Deed (principal) as Capital Reserve, under Shareholders' Equity. However, the Securities and Exchange Commission of Brazil (CVM), through Official Letter CVM/SEP/GEA-5/no. 329/2012 dated October 10, 2012, stated its opinion of this instrument and ordered: (i) the accounting reclassification of the Mandatory Deed; and (ii) the re-filing of the 2011 financial statements with comparisons to the 2010 financial instatements.

The Company abided by the order of the CVM, proceeding with the full reclassification of the Mandatory Deed to the specific accounting line non-current liabilities. The previous method of accounting was based on accounting and legal opinions issued specifically regarding this matter.

Said reclassification does not affect any terms and conditions of the Mandatory Deed and there is no effect on the current financial indebtedness of the Company, on the servicing of its debt or on its financial covenants, since, unlike others items under the liabilities of the Company, the Mandatory Deed may not be liquidated into cash or cash equivalents, but only into common shares issued by the Company.

The Company spent R\$12,328 to issue the Mandatory Deed, which was initially recorded as a valuation allowance to the Capital Reserve account. In August 2011, 2012 and 2013, surety was renewed in the amount of R\$8,365, R\$8,387 and R\$ 7,807, respectively; accordingly, expenses with the issue of the Mandatory Deed amounted to R\$36,887. These expenses were also reclassified under non-current liabilities, as a deduction from the account “Mandatory Deed Convertible into Shares”, and will remain in said account until the effective conversion of the Mandatory Deed into shares.

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Because of the paying in of such debentures made by BNDES Participações S/A, MMS Participações S/A and BNDES Participações S/A have entered into a Shareholders' Agreement with the purpose of regulating the relationship between the parties as shareholders of Marfrig Global Foods S.A.

On February 5, 2013 the Company conducted a capital increase, within the authorized limit due to the conversion of thirty-five thousand (35,000) debentures from the 2nd Issue of Convertible Debentures of the Company that were held by BNDES Participações S.A. - BNDESPAR into forty-three million, seven hundred and fifty thousand (43,750) common shares issued by the Company, in accordance with Item III.16.11 of the "Private Deed of the 2nd Issue of Debentures Convertible Into Shares of Marfrig Global Foods S.A." that was entered into by the Company and Planner Trustee DTVM Ltda. on July 22, 2010, and as per the Material Fact published on October 24, 2012.

The Shares resulting from the conversion have the same characteristics and conditions and enjoy all of the same rights and advantages ascribed by law and by the bylaws that are attributed to the existing common shares issued by the Company.

As a result of the abovementioned conversion of debentures, there was a material increase in the ownership interest held by the shareholder BNDESPAR, which now holds common shares representing 19.63% of the Share Capital of the Company.

22. Tax, labor and civil contingencies

22.1 The Company and its subsidiaries are involved in several civil, administrative, tax, social security and tax proceedings, in the ordinary course of business, for which provisions based on legal counsel's estimates have been set up. The principal information about these proceedings is presented below:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Labor and social security	10,557	4,475	10,989	53,974
Tax	6,002	3,577	6,002	156,537
Civil	9,443	4,003	9,471	27,378
	<u>26,002</u>	<u>12,055</u>	<u>26,462</u>	<u>237,889</u>

22.1.1 Labor and social security

As at December 31, 2013, the Company and its subsidiaries are parties to various labor claims. Based on the Company's and its subsidiaries' payment history, a provision of R\$10,989 was set up. In the opinion of the Management and legal counsel, this provision is sufficient to face probable losses. Most of the labor claims filed against the Company and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, breaks for personnel who work in refrigerated environments, commuting time and ergonomic risk, among others. The Management of the Company believes no individual labor claim is relevant.

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22.1.2 Tax

Tax provisions refer mostly to the following taxes:

State VAT - ICMS

According to the Management and its legal counsel, the provisions for tax contingencies of the Company are rated as a probable unfavorable outcome, totaling R\$1,647. Also, the Company provisioned the amount of R\$4,355 as reserve for non-materialized risk, for a total of provisions for tax contingencies of R\$6,002. They refer to ICMS in the State of Mato Grosso and from the issuance of electronic invoices.

22.1.3 Civil

Based on the opinion of legal advisors, the Management recognized on December 31, 2013 a provision for the amount of shares considered to be of probable risk, totaling R\$9,471.

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities. None of those proceedings is individually material.

22.2 Contingent liabilities, which are not recorded in the books of account, according to prevailing legislation, are shown below:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Labor and social security	125,151	81,892	144,075	197,171
Tax	698,276	489,570	857,473	965,746
Civil	10,126	8,224	10,254	137,427
	<u>833,553</u>	<u>579,686</u>	<u>1,011,802</u>	<u>1,300,344</u>

22.2.1 Tax

The main tax matters discussed at court that in the opinion of the Management and legal counsel are rated as possible losses or have material disclosure for the Company and its subsidiaries is presented below.

Federal Taxes and Contributions

As at December 31, 2013, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R\$325,435, claiming:

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(i) differences in payments of PIS and COFINS debts and ancillary obligations, and (ii) fine for release of goods due to formal error in documentation. The total historical amount involved of items i) and ii) totaled R\$1,172, for which no provision was accrued given that legal counsel considers the likelihood of an unfavorable outcome possible; (iii) IPI deemed credit, with a historical cost of R\$171 and an administrative decision recognizing the origin of the company's credit; (iv) deduction of ICMS from PIS and COFINS tax bases. This last lawsuit refers to a refund request at the historical value of R\$68,552, for which a provision was not accrued, given that according to the opinion of the legal counsel, they are considered only possible losses. The Company has filed administrative defenses that are pending final judgments and allege non-enforceability due to miscalculation of their tax bases, and that inspectors estimated the amounts according to assumptions; v) contributions destined to Social Security (FUNRURAL and GILLRAT), other entities and funds (SENAR), fine for breach of ancillary obligation (submission of GFIP), contributions to SESI, SENAI and SEBRAE, with two deficiency notices filed, the first related to 2006 and 2007 and the second related to 2008 at the historical amount of R\$147,100, both of which already were the subject of an administrative defense alleging the non-constitutionality of said contribution based on the Federal Supreme Court's decision, the application of which at the administrative level is supported by Article 26 - A of Decree 70,235/72; vi) Income and Social Contribution Taxes due to measurement of profits of foreign subsidiaries at the historical amount of R\$37,279, which is the subject-matter of the administrative defense under the allegation of failure to comply with the accrual basis principle, the non-constitutionality of law provision (Article 74 of Provisional Measure 2158-35/2011) and infringement of dual taxation treaties signed by Brazil, where also no provision was recorded in view of the chances of success; vii) income tax (IRPJ) and social contribution on net profit (CSLL) - Failure to accrue in net income when determining the taxable base, as well as in the CSLL calculation base, the income from branches, subsidiaries or affiliated companies determined for fiscal year 2008 in the historical amount of R\$38,094. An administrative defense was presented. It is important to note that because this does not involve a tax credit, but rather the disallowance of a tax loss and negative calculation base for CSLL, the effect on deferred assets is the amount indicated in the proceeding; viii) disallowance of the negative balance of income tax (IRPJ) for 2008, with partial approval of the offsets made, due to the non-recognition of a portion of the credit a debit was created in the historical amount of R\$24,980, against said disallowance a statement of nonconformance was presented so that the entire credits of the Company could be recognized; and ix) disallowance of the negative balance of income tax (IRPJ) for 2007, whose disallowances of offsets make up a debit in the historical amount of R\$ 8.087, which arose from the supposed utilization of improper credit to settle the monthly estimates of the elements that cause the negative balance.

The Company has tax foreclosure related to CSLL, IRPJ and IE tax claims in the historical amount of R\$16,481. Said foreclosure is currently duly guaranteed and being defended. A motion has been filed for the use of tax credits to pay debits pending analysis for the extinction of the debit.

The Company has a collection suit on the requirement of additional contribution to SENAI in the historical amount of R\$330. Said suit awaits analysis of discussion and report of the expert witness presented by the company.

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The Company has tax foreclosure related to CSLL, IRPJ and IE tax claims in the historical amount of R\$17,276. In response to said foreclosure notice, the company submitted a petition informing that the debt was previously guaranteed in the records of Provisional Remedy no. 0012598-43.2013.413.6100. A motion has been filed for the use of tax credits to pay debits pending analysis for the extinction of the debit.

The company and its subsidiaries MFB and Pampeano have federal tax debts, whose collection suits are individually immaterial, totaling R\$141,080.

The foreclosures presented below amount to R\$429,342 and are not included in note 22.2 - tax liabilities, since their risk of loss is deemed remote. Hence they are presented for informational purposes only. Based on the opinion of its legal counsel, the Company considers as probable a favorable outcome in these proceedings:

The Company has three Tax Foreclosure actions claiming the payment of Social Security Contributions in the total amount of R\$317,887. The company informed the existence of a legal measure regarding the right to use of export tax credits to pay such debits and said debt should remain suspended until the final judgment.

The subsidiary MFB has a Tax Foreclosure action claiming the payment of Social Security Contributions in the amount of R\$45,852. The company informed the existence of a legal measure regarding the right to use of export tax credits to pay such debits and said debt should remain suspended until the final judgment.

The subsidiary MFG Agropecuária has a Tax Foreclosure actions claiming the payment of Social Security Contributions in the amount of R\$4,874. The company named the assets to guarantee execution. Once the Records of Levy are drawn up, the motion to stay execution will be filed to demonstrate the unenforceability of the due.

The subsidiaries MFB and Pampeano have administrative proceedings associated with federal tax credits offset against social security debts, in the amounts of R\$60,721 and R\$8, respectively. The companies are party to a court action discussing their right to the offset.

PIS and COFINS on imports

The Company filed a lawsuit challenging the enforceability of PIS and COFINS on imports and claimed the non-payment of those contributions. A provisional remedy was granted and confirmed in a sentence that is currently in effect, against which the Federal Government has filed an appeal that will be judged at the Federal Court of Appeals - 3rd Region. That action generates favorable effects on cash flows, as it allows the payment of those taxes during the sale of the goods, and not in advance during the import.

State VAT - ICMS

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The discussions on ICMS involving the Company in administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia, Rio Grande do Sul, Rondônia and Ceará that question the credits from the transfer of goods, the allocation of presumed tax credit arising from slaughtering activities, non-fulfillment of ancillary obligations, wrong issuance of invoices, credit granted and non-payment of ICMS ST, which amount to the historical value of R\$58,168. From such amount, the amount of R\$13,226 was the subject matter of a legal claim on the credit granted by the State of São Paulo, with an interim relief that suspended its mandatory payment. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R\$969. In the State of Mato Grosso, the actions refer to the disregard of the tax regimen established with the State, the absence of issuance of electronic invoice, irregular issue of tax document and export evidence corresponding to R\$3,942.

The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branch located in the states of Mato Grosso do Sul and Goiás to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution center and that paid to the State of origin. The total historical amount claimed in these administrative proceedings is R\$292,533. The discussion at the administrative level is in the total amount is R\$123,831. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, totaling R\$98,635. Among these, five are court claims for taxes at the historical amount of R\$97,078.

MFB received Tax Deficiency Notices discussing the collection of ICMS debts filed by the Finance Departments of the states of Rondônia and Goiás related to the disallowance of ICMS credits in view of breach of an ancillary obligation, error in determining the ICMS calculation base, not including freight in the ICMS calculation base the amount paid for transport services, circulation of goods with invoice considered questionable, non-compliance with the minimum price in the state and omission of the ICMS declaration in the Periodic Tax Statement (DIP), all of which led to the tax collection notice for the historical amount of R\$1,123.

MFG received a Tax Deficiency Notice involving the collection of ICMS debts filed by the Finance Department of the State of São Paulo related to the payment of ICMS, alleging that the company did not record in the specific field of the GIA the tax amount including the rate differential related to the interstate acquisition of material for use and consumption, in the historical amount of R\$58.

Pampeano has a Tax Deficiency Notice involving the collection of ICMS debts filed by the Finance Department the State of Rio Grande do Sul, related to the collection of ICMS debts for the alleged issue of invoice without declaring the ICMS in the outflow of goods from that state, in the historical amount of R\$12.

Taxes on Services of Any Nature (ISSQN)

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The Company has Tax Deficiency Notices for the collection of ISSQN in view of the alleged retention and nonpayment of the respective tax credit levied on the provision of services received in the periods of 10/2005, 04, 06, 10 and 12/2006, 04, 08, 09 and 10/2007, 01 and 04/2008, 04, 09 and 12/2009, 04 and 06/2010, in the historical amount of R\$66.

22.2.2 Civil

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities, which are not individually relevant.

22.3 Changes in provisions

	Parent				Consolidated			
	Labor and social security	Tax	Civil	Total	Labor and social security	Tax	Civil	Total
Balance on December 31, 2012	4,475	3,577	4,003	12,055	53,974	156,537	27,378	237,889
Addition	6,082	2,425	5,440	13,947	25,799	33,157	9,321	68,277
Reversal	-	-	-	-	(38,411)	(14,981)	(6,235)	(59,627)
Reclassification	-	-	-	-	19,251	(3,026)	3,592	19,817
Translation gains/losses	-	-	-	-	(31)	66	-	35
Reversal for divestments	-	-	-	-	(49,593)	(165,751)	(24,585)	(239,929)
Balance on December 31, 2013	10,557	6,002	9,443	26,002	10,989	6,002	9,471	26,462

23. Deferred Income and Social Contribution Taxes - Liabilities

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Income Tax	75,065	79,723	615,680	1,131,575
Social Contribution	27,022	28,699	31,177	343,085
	102,087	108,422	646,857	1,474,660

Refer to (i) deferred taxes recorded when property, plant and equipment items adopted deemed cost as of January 1, 2009 in accordance with CVM Resolution 583/09 (CPC 27 - property, plant and equipment) and CVM Resolution 619/09 (ICPC 10), which will be settled as revalue assets are sold, written off, depreciated or amortized, according to their respective useful lives established in the appraisal report, and (ii) the effect of deferred federal taxes calculated on the effects of CVM Resolution 665/11 (CPC 15 (R1) - business combination).

Below are the changes in deferred taxes in the fiscal year ended December 31, 2013:

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Description	Parent		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Balance on December 31, 2012	79,723	28,699	1,131,575	343,085
Accrual	-	-	1,082	390
Realization of revaluation reserve	(1,754)	(631)	(15,954)	(5,744)
Realization of deemed cost	(2,904)	(1,046)	(16,975)	(4,630)
Deferred taxes on temporary differences	-	-	20,792	108
Reversal of deferred taxes on temporary differences	-	-	(2,921)	(447)
Other	-	-	(4,541)	747
Translation gains/losses	-	-	72,182	-
Reversal for divestments	-	-	(569,560)	(302,332)
Balance on December 31, 2013	75,065	27,022	615,680	31,177

24. Shareholders' equity

24.1 Share capital

Subscribed and paid-in Share Capital as at December 31, 2013 totals R\$5,276,678 and is represented by 520,747,405 common shares without par value (R\$4,926,678 as of December 31, 2012, represented by 476,997,405 shares). Under the scope of the primary public offering of common shares of the Company in December 2012, a total of 131,250,000 common shares were issued at the aggregate subscription price of R\$1,050,000, as per the minutes of the meeting of the Board of Directors held on December 10 and 21, 2012. As per the Minutes of the Board of Directors' Meeting held on July 30, 2012, a total of 1,236,549 registered common shares, previously held in treasury, were canceled. Based on CVM Resolution 649/10 (CPC 08 (R1) - transaction costs and premium on issue of securities), the Company recorded under shareholders' equity the costs incurred with the processes of funding (R\$108,210) through public share offering and private share issue.

On February 5, 2013, the Corporation carried out a capital increase, within the authorized limit, in a Meeting of the Board of directors, due to the conversion of thirty-five thousand (35,000) debentures from the 2nd Issue of Convertible Debentures of the Corporation that were held by BNDES Participações S.A. (BNDESPAR) into 43,750 millions common shares ("Shares") issued by the Corporation, as explained in note 21.

Pursuant to the Company's by-laws, at the discretion of the Board of Directors, Share Capital can be composed of up to 630 million common shares, including share capital, regardless of amendments to the by-laws.

Also at discretion of the Board of Directors, the Company can issue shares and debentures convertible into shares or subscription warrants without pre-emptive rights or with the period reduction provided for in paragraph 4 of article 171 of Law No. 6,404/76. Their placement should be made through sale on stock exchange or public subscription, or by means of exchange for shares in a public offering for control acquisition, under the terms of the law and within the limit of authorized capital.

The Board of Directors defines issuance conditions (prices and periods).

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The call option of shares, the conditions under which shareholders will have pre-emptive rights to subscription, or the inexistence of such right in relation to Management, employees, or individuals who render services to the Company or other companies under its control are presented in note 28.5.

24.2 Income reserves

24.2.1 Legal reserve

It is 5% (five per cent) of the Company's net income, as defined in its by-laws and current legislation.

In 2013, the Company did not recognize legal reserve given that it recorded loss. Accordingly, the balance as of December 31, 2013 remained at R\$44,476 (same amount as in 2012).

24.2.2 Treasury shares

Share buyback program

Shares repurchased were held in treasury for exercise of stock options by the beneficiaries of the Company's Stock option Plan and/or subsequent cancellation or sale.

In the fiscal year ended December 31, 2013, there was no ongoing share buyback program and Marfrig did not acquire any shares.

Treasury shares

On December 31, 2013, Marfrig held four hundred sixty-one thousand, two hundred twenty-three (461,223) common shares in treasury, representing 0.09% of the Company's total shares, which were booked at the amount of R\$4,361, which corresponds to an average cost of nine reais and forty-five centavos (R\$9.45) per share.

Changes in treasury shares are shown in the table below:

Held in Treasury		
	Number of Shares	Value (R\$ '000)
Balance as at 12/31/2012:	690,704	6,530
(-) Disposal - Stock options	(229,481)	(2,169)
Balance as at 12/31/2013	461,223	4,361

24.3 Other comprehensive income

24.3.1 Asset and liability valuation adjustment

These account records exchange rate gains (losses) on investments in subsidiaries abroad directly and indirectly held by the Company. Such accumulated effect will be transferred to the statement of operations for the year as gain or loss only upon the disposal or write-off of the investment. This account also recognized the effects of adoption of deemed cost.

24.3.2 Cumulative translation adjustment

This account records exchange rate gains (losses) resulting from the translation of the foreign subsidiaries' financial statements. The investee's functional currency is different from that of the Company.

24.4 Dividends payable

The Company's mandatory dividend is at least 25% of the adjusted net income determined in the Company's financial statements, pursuant to Brazilian Corporate Law and the Company's by-laws. The annual statement of dividends, including their payment, in addition to mandatory minimum dividends, are approved at an Annual Shareholders' Meeting by majority voting of Marfrig's shareholders and will depend on various factors. Among these factors are the Company's operating results, financial conditions, cash needs, future prospects and others which Marfrig's Board of Directors and shareholders deem relevant.

At a meeting held on March 7, 2014, in view of the net loss recorded in the period, the Board of Directors did not submit to the Extraordinary Shareholders' Meeting the proposal for distribution of dividends for 2013.

24.5 Interest on equity capital

The Company did not recognize interest on shareholders' equity for the fiscal years ended December 31, 2013 and 2012.

24.6 Non-controlling interest

Refers to the interest of non-controlling shareholders in the Company's equity.

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25. Net sales

	Parent		Consolidated	
	12/31/13	Reclassified 12/31/12	12/31/13	Reclassified 12/31/12
Revenue from sales of products				
Domestic sales	2,672,318	3,043,489	14,631,255	13,178,766
Foreign sales	2,125,594	1,742,923	4,689,523	3,854,601
	<u>4,797,912</u>	<u>4,786,412</u>	<u>19,320,778</u>	<u>17,033,367</u>
Deductions from gross sales				
Taxes on sales	(28,759)	(94,157)	(187,954)	(217,392)
Returns and discounts	(142,272)	(151,391)	(380,448)	(299,609)
	<u>(171,031)</u>	<u>(245,548)</u>	<u>(568,402)</u>	<u>(517,001)</u>
Net sales	<u>4,626,881</u>	<u>4,540,864</u>	<u>18,752,376</u>	<u>16,516,366</u>

26. Costs and expenses by nature

The Company has decided to present the statements of income by function. The breakdown by nature is below:

	Parent		Consolidated	
	12/31/13	Reclassified 12/31/12	12/31/13	Reclassified 12/31/12
Cost of sales				
Inventory costs	3,299,732	3,048,541	14,053,926	11,782,247
Depreciation	70,872	65,433	338,099	321,591
Amortization	2,268	2,079	140,568	101,260
Employee salaries and benefits	214,569	185,774	1,910,109	1,949,307
	<u>3,587,441</u>	<u>3,301,827</u>	<u>16,442,702</u>	<u>14,154,405</u>
Administrative expenses				
Depreciation	2,792	5,385	13,672	14,596
Amortization	-	-	1,114	10,322
Employee salaries and benefits	69,537	59,405	292,280	292,407
Other	65,007	147,633	256,458	288,901
	<u>137,336</u>	<u>212,423</u>	<u>563,524</u>	<u>606,226</u>
Selling expenses				
Depreciation	581	406	810	640
Amortization	-	-	-	41
Employee salaries and benefits	21,165	15,275	86,745	67,625
Other	270,105	275,327	717,748	630,656
	<u>291,851</u>	<u>291,008</u>	<u>805,303</u>	<u>698,962</u>

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27. Net financial result

The Company's net financial income (expenses) is as follows:

	Parent		Consolidated	
	12/31/13	Reclassified 12/31/12	12/31/13	Reclassified 12/31/12
Financial income				
Financial results with derivatives	21,657	95,159	178,788	107,584
Interest received, earnings from marketable securities	30,391	57,159	179,433	213,545
Discounts, other	5,054	14,714	6,734	17,802
Total financial income	<u>57,102</u>	<u>167,032</u>	<u>364,955</u>	<u>338,931</u>
Exchange rate gains	583,377	238,161	778,261	311,249
Financial expense ⁽¹⁾				
Provisioned interest, debentures and leasing with financial institutions	(932,890)	(859,812)	(1,271,960)	(1,166,031)
Derivatives	(254,328)	(79,450)	(301,607)	(108,486)
Bank expenses, commissions, fees, other	(127,963)	(61,878)	(232,456)	(132,801)
Total financial expense	<u>(1,315,181)</u>	<u>(1,001,140)</u>	<u>(1,806,023)</u>	<u>(1,407,318)</u>
Exchange rate losses	(1,081,820)	(580,919)	(1,368,187)	(661,199)
Net financial result	<u>(1,756,522)</u>	<u>(1,176,866)</u>	<u>(2,030,994)</u>	<u>(1,418,337)</u>

⁽¹⁾ The Company adopted criteria for presentation of financial expenses that segregates expenses with financial institutions from other expenses.

28. Management's compensation

The compensation policy is designed to establish the criteria, responsibilities and directions for the short- and long-term compensation program of Marfrig Group's Management (Bonus and Stock Option).

The purpose of this policy is to motivate the Company's executive officers to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward pay-out.

The Corporate Governance and Compensation Committee is responsible for evaluating/analyzing Management's compensation. The Committee is made up of a coordinator (Member of the Board of Directors), President and HR Officer. Meetings are held monthly to discuss strategic HR issues.

The parameters used to determine Management's compensation are based on market practices.

28.1 Board of directors

The Board of Directors' compensation consists of a fixed and variable pay.

Fixed pay - An annual amount is set for each member and paid on a monthly basis.

Variable pay - Short-term bonus or stock option-based payment. An annual amount convertible into stock is set for each member (Stock Option) - only long-term. The price of the share is based on the average of the last 20 trading sessions prior to March 3 of each year. There is no subsidy by the Company.

The option exercise is in 4 years (25% per year), in the same way as for officers appointed as per by-laws.

The board members' compensation is determined through market research with the major companies in the industry whereby a compensation base is defined and submitted to Marfrig Global Foods's corporate governance and compensation committee for validation.

28.2 Officers appointed as per Bylaws

Fixed pay - An annual amount is set for each member and paid on a monthly basis.

Variable pay - Consists of short-term (bonus) and long-term (stock option) compensation. In general the goals set by the Company for Management evaluation refer to economic objectives (Division's EBITDA and Marfrig Group's net income) and individual goals.

The gain on the Stock Option Plan is tied to the appreciation of the market price of the share, i.e. the value added to the Company by the performance of the individual and the Management as a whole will reflect on the gain on the stock option plan. At the same time the employees' interests are aligned with the Company's interests in the long term.

The exercise price of the stock options is the average of the last 20 trading sessions prior to March 3 of each year and the grant price with a 50% discount starting with the grants in 2010.

The vesting period follows these criteria:

- 25% after 12 months of the grant;
- 25% after 24 months of the grant;
- 25% after 36 months of the grant;
- 25% after 48 months of the grant.

The officers' compensation is determined through market research with the major companies in the industry whereby measurement criteria are established according to the significance of the position within the organization. The macro policies are approved by the corporate governance and compensation committee.

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28.3 Fiscal Council

The Company's Fiscal Council was set up after approval at the Annual Shareholders' Meeting held on April 30, 2010. In the by-laws amended by the Special Shareholders' Meeting held on March 11, 2011, the Fiscal Council became a permanent body.

Fixed pay - An annual amount is set for each member and paid on a monthly basis. There is no variable pay.

28.4 Consolidated compensation

Management and Board members compensation is made up of the compensation of three members of the Board of Directors (the other five opted for not receiving compensation as board members), six members of the Audit Committee (three alternate members) and the officers appointed as per the Company's by-laws.

The added value of the compensation received by the Company's Management and Board members for their services is defined through market practices, with the participation of the Corporate Governance and Compensation Committee, made up of one Member of the Board of Directors (coordinator), the Chief Executive Officer and the Human Resources Officer.

Key management compensation	12/31/13	12/31/12
Short-term benefits to employees and managers	18,412	14,437
Total	18,412	14,437

28.5 Stock option plan

On May 29, 2009, the Annual Shareholders' Meeting approved the amendment and restatement of the Stock Option Plan (Plan), with the purpose of: (i) promoting value generation to the Company's shareholders, through alignment of their interests with those of the Management, employees and outsourced employees of Marfrig or its subsidiaries and (ii) enabling a higher level of attraction, retention and motivation of strategic employees.

The Plan is managed by the Board of Directors, within the limits established in the general guidelines and applicable legislation. The general guidelines of the plan that are disclosed in details in the Company's Reference Form.

The exercise price of options granted under the Plan terms is determined by the Board of Directors, based on the weighted average price of shares practiced in the last twenty (20) trading sessions of the São Paulo Stock Exchange immediately prior to the option granting date and a discount of up to 50% on the amount calculated.

During the fiscal year ended December 31, 2013, 229,481 shares were transferred to the Management of the Company under the stock option plans. The changes in options exercised throughout the year are shown in the tables below:

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Total options exercised by month		
	Number of shares exercised	Average Market Price ¹ (R\$ per share)
January / 13	-	9.48
February / 13	-	10.07
March / 13	102,399	9.01
April / 13	6,065	6.93
May / 13	18,739	7.27
June / 13	19,826	7.45
July / 13	4,596	7.36
August / 13	9,275	6.14
September / 13	63,857	6.42
October / 13	4,724	5.29
November / 13	-	4.31
December / 13	-	3.98
Options exercised - 2013	229,481	

¹ Average monthly quote disclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., related to Marfrig's common shares, traded under ticker MRFG3.

Consolidated Changes	2013	2012
(Shares)		
Opening balance	764,267	637,064
Options granted	1,351,733	571,105
Options exercised	(229,481)	(270,345)
Options canceled and expired	(393,018)	(173,557)
Closing balance	<u>1,493,501</u>	<u>764,267</u>

The expected dilution of ownership interest of current shareholders, when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose, is 0.44%, as detailed in the table below:

Percentage of Dilution										
4Q13	Plan Master 07-08	Plan Master 08-09	Plan ESP I LP 07-08	Plan ESP II CP 08-09	Plan ESP III LP 08-09	Plan ESP IV LP 09-10	Plan ESP V LP 10-11	Plan ESP V LP 11-12	Plan ESP VII LP 12-13	Total
Granting date	03/03/2008	07/28/2009	07/28/2009	07/28/2009	07/28/2009	07/01/2010	04/20/2011	04/24/2012	04/05/2013	
Unexercised	-	27,650	-	-	-	80,000	284,990	751,341	349,520	1,493,501
Outstanding shares										343,122,876
Percentage of dilution	0.00%	0.01%	0.00%	0.00%	0.00%	0.02%	0.08%	0.22%	0.10%	0.44%

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On December 31, 2013, the fair value of options was recorded in Marfrig's shareholders' equity at the amount of R\$4,360 (R\$6,530 on December 31, 2012). The Company recognized expenses relating to granting of plans in effect at the net amount of R\$1,267.3, as detailed in the table below:

Effects from the exercise of options (R\$ '000)	2013	2012
Amount received from sale of shares - Exercised options	902.2	3.3
(-) Cost of treasury shares disposed of	(2,169.5)	(3.8)
Effect on disposal of shares	<u>(1,267.3)</u>	<u>(0.5)</u>

The fair value of the options was measured on an indirect basis, according to the Black-Scholes pricing method, based on the following assumptions:

- **Beta:** 86%. Volatility is measured using the adjusted historical beta, taking into consideration the daily prices of the Company's shares traded on the Brazilian stock exchange (BM&FBOVESPA) under the ticker MRFG3, from December 31, 2012 to December 31, 2013, in comparison with the IBOVESPA Index that represents the Brazilian stock market.
- **Risk-free interest rate:** 5.0% p.y. The Company uses as risk-free interest rate the Long Term Interest Rate (TJLP) annualized on calculation date and available on the federal revenue service website - www.receita.fazenda.gov.br/pessoajuridica/refis/tjlp.htm.

The fair value of options as of December 31, 2013 in the different programs and maturities was negative R\$2.77 for MASTER plans, specific for board members, and between a minimum of R\$0.01 and a maximum of R\$2.17 per share for SPECIAL plans, specific for executive officers.

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Options granted are broken down as follows:

Plans	Granting Date	Performance (vesting) period	Option expiration date	Options granted	Vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price	Value of option in the period (Black Scholes) in R\$
Total at	12/31/2012			1,769,710	1,046,493	270,345	173,157	561,516	764,692		
MASTER 07-08	03/03/2008	03/04/2009	03/03/2010	13,800	13,800	0	0	13,800	0	R\$ 13.5870	n/a
MASTER 07-08	03/03/2008	03/04/2010	03/03/2011	13,800	13,800	0	0	13,800	0	R\$ 13.5870	n/a
MASTER 07-08	03/03/2008	03/04/2011	03/03/2012	13,800	13,800	0	0	13,800	0	R\$ 13.5870	n/a
MASTER 07-08	03/03/2008	03/04/2012	03/03/2013	13,800	13,800	0	13,800	0	0	R\$ 13.5870	n/a
				55,200	55,200	0	13,800	41,400	0		
MASTER 08-09	07/28/2009	03/04/2010	03/03/2011	27,900	27,900	0	0	27,900	0	R\$ 6.7783	n/a
MASTER 08-09	07/28/2009	03/04/2011	03/03/2012	27,675	27,675	0	0	27,675	0	R\$ 6.7783	n/a
MASTER 08-09	07/28/2009	03/04/2012	03/03/2013	27,675	27,675	27,675	0	0	0	R\$ 6.7783	n/a
MASTER 08-09	07/28/2009	03/04/2013	03/03/2014	27,650	27,650	0	0	0	27,650	R\$ 6.7783	-2,7783 ¹
				110,900	110,900	27,675	0	55,575	27,650		
ESP I LP 07-08	07/28/2009	07/28/2009	11/30/2009	50,000	50,000	0	0	50,000	0	R\$ 0.7549	n/a
ESP I LP 07-08	07/28/2009	03/03/2010	09/02/2010	50,000	50,000	0	0	50,000	0	R\$ 0.7549	n/a
ESP I LP 07-08	07/28/2009	03/03/2011	09/02/2011	50,000	50,000	0	0	50,000	0	R\$ 0.7549	n/a
ESP I LP 07-08	07/28/2009	03/03/2012	09/02/2012	50,000	50,000	0	0	50,000	0	R\$ 0.7549	n/a
				200,000	200,000	0	0	200,000	0		
ESP II CP 08-09	07/28/2009	07/28/2009	11/30/2009	80,200	80,200	0	0	80,200	0	R\$ 1.0382	n/a
				80,200	80,200	0	0	80,200	0		
ESP III LP 08-09	07/28/2009	03/03/2010	09/02/2010	108,083	108,083	0	0	108,083	0	R\$ 0.6778	n/a
ESP III LP 08-09	07/28/2009	03/03/2011	09/02/2011	108,083	108,083	0	0	108,083	0	R\$ 0.6778	n/a
ESP III LP 08-09	07/28/2009	03/03/2012	09/02/2012	108,082	108,082	0	0	108,082	0	R\$ 0.6778	n/a
ESP III LP 08-09	07/28/2009	03/03/2013	09/02/2013	108,082	108,082	71,900	36,182	0	0	R\$ 0.6778	n/a
				432,330	432,330	71,900	36,182	324,248	0		
ESP IV LP 09-10	07/01/2010	03/03/2011	09/02/2011	80,000	80,000	0	0	80,000	0	R\$ 11.0261	n/a
ESP IV LP 09-10	07/01/2010	03/03/2012	09/02/2012	80,000	80,000	0	0	80,000	0	R\$ 11.0261	n/a
ESP IV LP 09-10	07/01/2010	03/03/2013	09/02/2013	80,000	80,000	3,225	76,775	0	0	R\$ 11.0261	n/a
ESP IV LP 09-10	07/01/2010	03/03/2014	09/02/2014	80,000	0	0	0	0	80,000	R\$ 11.0261	R\$ 0.0016
				320,000	240,000	3,225	76,775	160,000	80,000		
ESP V LP 10-11	04/20/2011	03/03/2012	09/02/2012	142,770	142,770	0	0	142,770	0	R\$ 7.0251	n/a
ESP V LP 10-11	04/20/2011	03/03/2013	09/02/2013	142,770	142,770	11,650	130,845	275	0	R\$ 7.0251	n/a
ESP V LP 10-11	04/20/2011	03/03/2014	09/02/2014	142,770	0	0	0	275	142,495	R\$ 7.0251	R\$ 0.0467
ESP V LP 10-11	04/20/2011	03/03/2015	09/02/2015	142,770	0	0	0	275	142,495	R\$ 7.0251	R\$ 0.8375
				571,080	285,540	11,650	130,845	143,595	284,990		
ESP VI LP 11-12	04/24/2012	03/03/2013	09/02/2013	250,447	250,447	115,031	135,416	0	0	R\$ 4.7680	n/a
ESP VI LP 11-12	04/24/2012	03/03/2014	09/02/2014	250,447	0	0	0	0	250,447	R\$ 4.7680	R\$ 0.3161
ESP VI LP 11-12	04/24/2012	03/03/2015	09/02/2015	250,447	0	0	0	0	250,447	R\$ 4.7680	R\$ 1.2842
ESP VI LP 11-12	04/24/2012	03/03/2016	09/02/2016	250,447	0	0	0	0	250,447	R\$ 4.7680	R\$ 1.8246
				1,001,788	250,447	115,031	135,416	0	751,341		
ESP VII LP 12-13	04/05/2012	03/03/2013	09/02/2014	87,380	0	0	0	0	87,380	R\$ 5.0083	R\$ 0.2598
ESP VII LP 12-13	04/05/2012	03/03/2014	09/02/2015	87,380	0	0	0	0	87,380	R\$ 5.0083	R\$ 1.2233
ESP VII LP 12-13	04/05/2012	03/03/2015	09/02/2016	87,380	0	0	0	0	87,380	R\$ 5.0083	R\$ 1.7729
ESP VII LP 12-13	04/05/2012	03/03/2016	09/02/2017	87,380	0	0	0	0	87,380	R\$ 5.0083	R\$ 2.1661
				349,520	0	0	0	0	349,520		
Total at	12/31/2013			3,121,018	1,654,617	229,481	393,018	1,005,018	1,493,501		

1 Measured by the difference between the closing stock fair value of 12/31/2013 and options exercise price with performance period closed.

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Plans	Granting Date	Market value of unvested options at the end of the period (R\$ thousand)	Market value of outstanding vested options at the end of the period (R\$ thousand)	Effects in the result in case of accounting (R\$ thousand)	Share Closing Price in the Period	Days to Vesting	Treasury Return TJLP (p.y.)	Volatility (Std Dev) Adj Beta	D1	D2	Average cost of treasury shares at the end of the period (R\$/share)	Amount received from sale of exercised options (R\$ thousand)
Total at	12/31/2012	3,102.0	-23.4	1,826.3	R\$ 8.48		5.50%	99.1%			R\$ 9.45	3.3
MASTER 07-08	03/03/2008	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
MASTER 07-08	03/03/2008	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
MASTER 07-08	03/03/2008	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
MASTER 07-08	03/03/2008	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
		0.0	0.0	0.0								0.0
MASTER 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
MASTER 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
MASTER 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	187.6
MASTER 08-09	07/28/2009	0.0	-76.8	74.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
		0.0	-76.8	74.0								187.6
ESP I LP 07-08	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP I LP 07-08	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP I LP 07-08	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP I LP 07-08	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
		0.0	0.0	0.0								0.0
ESP II CP 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
		0.0	0.0	0.0								0.0
ESP III LP 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP III LP 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP III LP 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP III LP 08-09	07/28/2009	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	48.7
		0.0	0.0	0.0								48.7
ESP IV LP 09-10	07/01/2010	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP IV LP 09-10	07/01/2010	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP IV LP 09-10	07/01/2010	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	35.6
ESP IV LP 09-10	07/01/2010	0.1	0.0	-125.8	R\$ 4.00	62	5.00%	86.0%	-2.6595	-3.0140	R\$ 9.45	0.0
		0.1	0.0	-125.8								35.6
ESP V LP 10-11	04/20/2011	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP V LP 10-11	04/20/2011	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	81.8
ESP V LP 10-11	04/20/2011	6.7	0.0	346.1	R\$ 4.00	62	5.00%	86.0%	-1.3878	-1.7422	R\$ 9.45	0.0
ESP V LP 10-11	04/20/2011	119.6	-0.2	346.1	R\$ 4.00	427	5.00%	86.0%	-0.0775	-1.0077	R\$ 9.45	0.0
		126.3	-0.2	692.2								81.8
ESP VI LP 11-12	04/24/2012	n/a	n/a	0.0	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	548.5
ESP VI LP 11-12	04/24/2012	79.2	0.0	1,173.6	R\$ 4.00	62	5.00%	86.0%	-0.2943	-0.6487	R\$ 9.45	0.0
ESP VI LP 11-12	04/24/2012	321.6	0.0	1,173.6	R\$ 4.00	427	5.00%	86.0%	0.3392	-0.5910	R\$ 9.45	0.0
ESP VI LP 11-12	04/24/2012	457.0	0.0	1,173.6	R\$ 4.00	793	5.00%	86.0%	0.5810	-0.6867	R\$ 9.45	0.0
		857.8	0.0	3,520.8								548.5
ESP VII LP 12-13	04/05/2012	22.7	n/a	388.5	R\$ 4.00	0	5.00%	86.0%	0.0000	0.0000	R\$ 9.45	0.0
ESP VII LP 12-13	04/05/2012	106.9	0.0	388.5	R\$ 4.00	62	5.00%	86.0%	-0.2943	-0.6487	R\$ 9.45	0.0
ESP VII LP 12-13	04/05/2012	154.9	0.0	388.5	R\$ 4.00	427	5.00%	86.0%	0.3392	-0.5910	R\$ 9.45	0.0
ESP VII LP 12-13	04/05/2012	189.3	0.0	388.5	R\$ 4.00	793	5.00%	86.0%	0.5810	-0.6867	R\$ 9.45	0.0
		473.8	0.0	1,554.0								0.0
Total at	12/31/2013	1,457.9	-77.0	5,715.1	R\$ 4.00		5.00%	86.0%			R\$ 9.45	902.2

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29. Earnings (loss) per share

The following table shows the calculation of earnings (loss) per share for the fiscal years ended December 31, 2013 and 2012 (in thousands, unless otherwise stated):

	12/31/13	12/31/12
Loss (profit) attributable to shareholders of continued operations	(815,768)	263,609
Loss (profit) attributable to shareholders of discontinued operations	(97,825)	(487,511)
Loss (profit) attributable to shareholders of the Company	(913,593)	(223,902)
Weighted average number of shares in the period (units)	520,747,405	352,728,068
Weighted average number of shares, including stock option (units)	(461,396)	(648,622)
Weighted average number of outstanding common shares in the period (units)	520,286,009	352,079,446
Profit (Loss) basic and diluted (in R\$) from continued operations	(1.5679)	0.7488
Profit (Loss) basic and diluted (in R\$) from discontinued operations	(0.1880)	(1.3847)
Profit or loss attributed to shareholders of the Company	(1.7559)	(0.6359)

The Company has debentures mandatorily convertible into common shares, which are not added to the calculation of diluted earnings per share.

30. Segment reporting

Marfrig Global Foods S.A. is a multinational Brazilian-originated company dedicated to the production, processing and sale in domestic and foreign markets of diversified food products, focusing on products of animal protein.

The Company has built an integrated business model, geographically diverse, consisting of production bases located in places with significant competitive advantages in cost and a distribution network with access to major consumer markets in the world.

The Company is strategically organized into two main presentable areas, organized according to the animal protein that gives rise to revenue, with their own structures and professionalized and segmented into:

- Cattle, sheep and leather, with slaughter operations of animals found in South America (Brazil, Argentina, Uruguay, Chile and Peru) and Europe; and
- Poultry and prepared & processed food products, with operations in Brazil, Europe, USA and Asia.

The group's global platform is present in four continents, with 78 industrial complexes and offices in the Americas, Asia, Europe and Oceania, with a distribution system that allows us to export to over 140 countries.

The Company provides information to the market, combined by segment of activity similar to that considered by its managers when taking strategic decisions.

The consolidated balance sheet and statement of operations summarized by information segment are as follows:

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	12/31/13			12/31/12		
	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total
Assets						
Current assets	5,251,102	2,242,628	7,493,730	6,074,988	4,159,664	10,234,652
Long-term receivables	2,403,760	195,780	2,599,540	1,916,181	1,344,969	3,261,150
Investments	172	54,602	54,774	178	10,929	11,107
Property, plant and equipment	2,781,073	1,973,679	4,754,752	2,688,616	5,068,643	7,757,259
Biological assets	242	113,241	113,483	17,597	235,764	253,361
Intangible assets	797,842	2,013,443	2,811,285	868,771	3,203,154	4,071,925
	11,234,191	6,593,373	17,827,564	11,566,331	14,023,123	25,589,454
Current liabilities	1,952,920	1,735,646	3,688,566	3,297,971	4,389,349	7,687,320
Non-current liabilities	4,964,388	6,055,588	11,019,976	8,696,451	4,900,591	13,597,042
	6,917,308	7,791,234	14,708,542	11,994,422	9,289,940	21,284,362

	12/31/13			12/31/12		
	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total	Reclassified	Reclassified	Total
Net Revenue	8,657,244	10,095,132	18,752,376	7,627,346	8,889,020	16,516,366
COGS	(7,180,471)	(9,262,231)	(16,442,702)	(5,968,907)	(8,185,498)	(14,154,405)
Equity income	-	(9,109)	(9,109)	-	-	-
Financial income (loss)	(1,769,305)	(261,689)	(2,030,994)	(1,334,690)	(83,647)	(1,418,337)
Income and social contribution taxes	413,048	(51,718)	361,330	277,431	(11,210)	266,221
Controlling interest in profits (losses) - continued operations	(737,818)	(77,950)	(815,768)	350	263,259	263,609
Controlling interest in profits (losses) - discontinued operations	546,428	(644,253)	(97,825)	(145,981)	(341,530)	(487,511)
Non-controlling interest - continued operations	(7)	12,865	12,858	1,418	12,443	13,861
Non-controlling interest - discontinued operations	438	3,209	3,647	(22,515)	(675)	(23,190)

31. Insurance coverage

The Company's policy is to insure its property, plant and equipment and inventories subject to risk, at amounts deemed sufficient to cover possible losses, taking into consideration the nature of its activities and the insurance advisors' opinion.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not reviewed by the Company's independent auditors.

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Below is a summary of the amounts insured by the Company:

Description	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Buildings and meatpacking plants	2,074,148	1,232,103	7,604,816	5,996,794
Inventories and loss of profit	299,037	310,081	2,516,968	2,141,668
Third-party warehouse	159,974	120,218	194,047	170,776
Vehicles	17,951	19,420	30,821	34,093
Transportation of goods	51,852	45,870	1,573,053	1,960,998
Officers' guarantees	70,278	61,305	124,390	114,947
Civil liability	10,000	10,000	473,647	347,670
Other	426,590	1,299,846	454,240	1,366,121
	<u>3,109,830</u>	<u>3,098,843</u>	<u>12,971,982</u>	<u>12,133,067</u>

32. Financial instruments - derivatives and risk management - consolidated

32.1 Overview

The Company and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimize these risks, the Company has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

Among the Company's policies we highlight: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

In a meeting held on January 23, 2013, the Board of Directors of the Company established new limits of authority for the Company's Management Bodies. The Management Committee is now responsible for authorizing a series of acts, with authority for between 0.5% and 12% of the Shareholders' Equity of the Company, always based on the most recent financial statements disclosed to the market. For acts whose required authority exceeds that defined for the Management Committee, approval is required from the Company's Board of Directors.

The Company only enters into transactions with derivatives or similar instruments that offer a minimum protection against: foreign currencies, interest rates and commodity prices, and also adopts a conservative policy of not entering into transactions that could affect its financial position. The Company does not enter into leveraged transactions with derivatives or similar instruments

The Company also has a sound financial policy, maintaining a high level of cash balance, cash equivalents and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

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32.2 Financial instruments by category

The Company's financial assets and liabilities are classified as below:

Parent				
Financial assets	Financial assets and receivables		Held for trading	
	12/31/13	12/31/12	12/31/13	12/31/12
Cash and cash equivalents	41,982	211,130	411	85,707
Marketable Securities	77,904	-	60,312	904,239
Trade accounts receivable	726,701	486,283	-	-
Notes receivable - derivatives	-	-	39,392	53,201
Related parties	2,559,273	2,838,257	-	-
Total financial assets	3,405,860	3,535,670	100,115	1,043,147
Financial liabilities	Financial liabilities at amortized cost		Held for trading	
	12/31/13	12/31/12	12/31/13	12/31/12
Trade accounts payable	295,751	355,511	-	-
Loans, financing and debentures	2,022,716	5,385,671	-	-
Financial lease	3,653	4,612	-	-
Notes payable - derivatives	-	-	231,927	260,891
Notes payable - investments Brazil	3,790	243,793	-	-
Notes payable - sponsorship	31,505	-	-	-
Interest on debentures	96,362	144,445	-	-
Related parties	3,887,512	1,686,679	-	-
Total financial liabilities	6,341,289	7,820,711	231,927	260,891
Consolidated				
Financial assets	Financial assets and receivables		Held for trading	
	12/31/13	12/31/12	12/31/13	12/31/12
Cash and cash equivalents	626,693	832,586	144,561	87,322
Marketable Securities	939,541	-	101,771	2,259,172
Trade accounts receivable	1,951,462	1,793,315	-	-
Notes receivable - derivatives	-	-	174,834	72,266
Total financial assets	3,517,696	2,625,901	421,166	2,418,760
Financial liabilities	Financial liabilities at amortized cost		Held for trading	
	12/31/13	12/31/12	12/31/13	12/31/12
Trade accounts payable	1,596,091	2,580,227	-	-
Loans, financing and debentures	8,913,492	12,237,474	-	-
Financial lease	152,759	146,328	-	-
Notes payable - derivatives	-	-	241,596	304,569
Notes payable - investments Brazil	3,790	243,793	-	-
Notes payable - sponsorship	31,505	13,120	-	-
Interest on debentures	26,272	144,445	-	-
Total financial liabilities	10,723,909	15,365,387	241,596	304,569

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Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in Note 3.1.4.

32.3 Comparison of market value and respective fair values

Market values for the financial instruments are shown below:

	Consolidated			
	12/31/13		12/31/12	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	771,254	771,254	919,908	919,908
Marketable Securities	1,041,312	1,041,312	2,259,172	2,259,172
Trade accounts receivable	1,951,462	1,951,462	1,793,315	1,793,315
Notes receivable - derivatives	174,834	174,834	72,266	72,266
Trade accounts payable	1,596,091	1,596,091	2,580,227	2,580,227
Loans and financing	8,913,492	8,913,492	11,641,398	11,641,398
Financial lease	152,759	152,759	146,328	146,328
Derivatives	241,596	241,596	304,569	304,569
Interest on debentures	26,272	26,272	144,445	144,445
Debentures	-	-	596,076	596,076

The fair value of financial instruments is similar to the book value and largely reflects the values that would be obtained if they were traded in the market.

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32.4 Breakdown of Derivative Financial Instruments

The breakdown of Marfrig Group's derivative financial instruments follows:

Instrument	Hedged Item	Register	Maturity	Assets	Liabilities	Notional USD	Notional R\$	MTM R\$
Transactions designated as Hedge Accounting								
Swap	Interest Rate	OTC	2016	LIBOR	USD	100,000	234,260	(3,246)
Swap	Interest Rate	OTC	2018	LIBOR	USD	132,500	310,395	355
Swap	Interest Rate	CETIP	2019	LIBOR	USD	187,500	439,238	(3,279)
Transactions not designated as Hedge Accounting								
Swap	Interest Rate	CETIP	2014	LIBOR	USD	45,714	107,090	(928)
Swap	Interest Rate	CETIP	2016	LIBOR	USD	95,673	224,124	14,642
Swap	Exchange Rate	OTC	2017	USD	BRL	385,952	904,131	144,051
Swap	Exchange Rate	CETIP	2017	BRL	USD	288,547	675,950	(123,972)
Swap	Interest Rate	CETIP	2018	BRL	USD	99,711	233,584	(100,996)
								(73,373)
Options	Exchange Rate	OTC	2014	USD	GBP	4,640	10,870	(364)
NDF	Exchange Rate	OTC	2014	USD	GBP	2,386	5,590	(36)
NDF	Exchange Rate	OTC	2014	USD	EUR	6,886	16,130	(436)
NDF	Exchange Rate	OTC	2014	USD	CLP	12,472	29,217	(297)
NDF	Exchange Rate	OTC	2014	AUD	USD	6,355	14,887	459
NDF	Exchange Rate	OTC	2014	USD	MYR	35,313	82,725	4,340
NDF	Exchange Rate	OTC	2014	MYR	SGD	16,499	38,650	(562)
NDF	Exchange Rate	OTC	2014	MYR	US\$	51,600	120,878	(3,011)
NDF	Exchange Rate	OTC	2014	USD	KRW	20,996	49,185	(1,866)
NDF	Exchange Rate	OTC	2014	THB	USD	39,365	92,217	(2,269)
NDF	Exchange Rate	OTC	2014	THB	GBP	17,555	41,123	(2,197)
NDF	Exchange Rate	OTC	2014	THB	JPY	346	811	14
								(6,225)
Future	Fuel	CBOT	2014	USD	USD	3,100	7,263	258
Future	Soybean	CBOT	2014	USD	USD	6,112	14,317	2,495
Future	Soybean	CBOT	2015	USD	USD	1,016	2,381	113
Future	Corn	CBOT	2014	USD	USD	18,685	43,772	9,449
Future	Corn	CBOT	2015	USD	USD	2,605	6,102	439
Future	Wheat	CBOT	2014	USD	USD	62	144	27
Future	Live cattle	BM&F	2014	BRL	BRL	2,376	5,566	55
								12,836
								(66,762)

In the fiscal year ended December 31, 2013, the consolidated net financial loss of R\$122,819 was recorded from derivatives, of which R\$301,607 corresponded to expenses and R\$178,788 to income.

Assets and liabilities presented on the balance sheet under "securities receivable" and "trade accounts payable" regarding derivative transactions, which are intended for equity hedging, are shown below:

	Consolidated	
	12/31/13	12/31/12
Notes receivable - derivatives (note 10)	174,834	72,266
Notes payable - derivatives (note 20)	(241,596)	(304,569)
Total, net	(66,762)	(232,303)

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32.4.1 Derivative Financial Instruments subject to Cash Flow Hedge Accounting

In November 2013, the Marfrig group adopted hedge accounting policies for financial instruments exposed to cash flow changes. As a result, the variations in fair value of derivatives designated as hedge are recognized directly in shareholders' equity, under "other comprehensive income". The amounts booked under other comprehensive income are immediately transferred to the income statement when the transaction underlying the hedge affects profit or loss.

The Company documents, at the start of the operation, the relation between the hedge instruments and the underlying hedged items, as well as the objectives of the risk management and the strategy to carry out various hedge operations. The documentation for operations designated as hedge accounting evidences control of the effectiveness and the operation, and includes:

- Hedged item;
- Financial instrument;
- Strategy for managing the risk to be hedged;
- Effectiveness of the hedge instrument, reliably measured;
- Evaluation of the hedge on an ongoing basis throughout the duration of the contract.

The Company also documents its assessment, both at the start of the hedge as well as periodically, that the derivatives used in the hedge operations are highly effective in offsetting the variations in the fair value of the underlying hedge items. Therefore, all instruments designated as hedge accounting are effective, highly probable and neutralize the exposure to variations in the cash flow that could affect results.

The effectiveness of the operations is periodically controlled in a reliable and documented manner throughout the duration of the contract, through statistical correlation between the fair value or cash flows of the hedged position and the hedging instrument, or by comparing previous changes in the fair value or cash flows of the hedged position attributable to the hedged risk with previous changes in the fair value or in the cash flows of the hedging instrument.

Consolidated						
Instrument	Asset (Hedged Item)	Libor (Risk Exposure)	Maturity	Notional	Balance (MTM)	Gain / Loss
						Equity Result
Swap	Libor	USD	2016	234,260	(3,246)	(3,246) 0
Swap	Libor	USD	2018	310,395	355	(350) 931
Swap	Libor	USD	2019	439,238	(3,279)	3,214 1,477
				<u>983,892</u>	<u>(6,170)</u>	<u>(382)</u> <u>2,408</u>

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32.5 Market Risk

The Corporation is exposed to market risks from commodity prices, interest rates and exchange rates. For each risk, the Corporation conducts a continuous management and sensitivity studies presented in this note.

32.5.1 Commodity price risk management

During its activities, the Company and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

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

Maize and soya bean meal ("grains") are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others, which is not under Management's control.

So as to reduce the impact over commodities, the Company and its subsidiaries manage inventory levels, keep cattle in feedlots and trade derivative financial instruments in the futures market.

The procedures adopted when managing the risk and coverage include calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company and its subsidiaries purchase financial instruments to reduce the price risk related to the needs for commodities within 12 months.

A substantial part of these hedge instruments come from the futures market, with the Chicago Board of Trade (CBOT) as counterparty.

The position of derivatives related to commodity risks is shown below:

Exchange	Futures contract	Maturity	Notional USD	Notional BRL	MTM BRL	Result on 12/31/2013
CBOT	Fuel	2014	3,100	7,263	258	258
CBOT	Soybean	2014	6,112	14,317	2,495	2,495
CBOT	Soybean	2015	1,016	2,381	113	113
CBOT	Corn	2014	18,685	43,772	9,449	9,449
CBOT	Corn	2015	2,605	6,102	439	439
CBOT	Wheat	2014	62	144	27	27
BM&F	Live cattle	2014	2,376	5,566	55	55
			<u>33,956</u>	<u>79,545</u>	<u>12,836</u>	<u>12,836</u>

32.5.1.1 Sensitivity analysis of commodity price risk

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To provide information about the behavior of market risks that the Company and its subsidiaries were exposed to as at December 31, 2013, three scenarios are considered and the probable scenario is the fair value as at December 31, 2013 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The base prices for commodity futures are referenced to the prices quoted on the Chicago Board of Trade (CBOT) for contracts maturing on December 31, 2013.

With regard to commodity risk, following are the sensitivity scenarios:

Stress scenario - Derivatives Commodities Consolidated					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
12,836	12,836	9,627	(3,209)	6,418	(6,418)

Stress scenario - Derivatives Commodities Soybean					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
2,608	2,608	1,956	(652)	1,304	(1,304)

Stress scenario - Derivatives Commodities Corn					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
9,887	9,887	7,415	(2,472)	4,944	(4,944)

Stress scenario - Derivatives Commodities Cattle					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
55	55	42	(14)	28	(28)

Stress scenario - Derivatives Commodities Fuel					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
258	258	193	(64)	129	(129)

Stress scenario - Derivatives Commodities Wheat					
Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
27	27	20	(7)	14	(14)

32.5.2 Interest rate risk management

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

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In order to reduce debt service costs, the Company and its subsidiaries continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates. The procedures adopted when managing the risk and coverage include calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The risk of exposure to interest rate for the Company and its subsidiaries as at December 31, 2013 and December 31, 2012 is as follows:

Exposure to CDI rate:

	Consolidated	
	12/31/13	12/31/12
NCE (R\$ and US\$) / ACC / Working capital (R\$)	548,353	3,612,004
(-) CDB-DI (R\$)	(786)	(275,987)
Subtotal	<u>547,567</u>	<u>3,336,017</u>

Exposure to LIBOR rate:

Prepayment (US\$)	891,726	2,485,905
Working capital (US\$)	2,266	215,279
Financing of industrial complex - (US\$) / Revolving credit facility (US\$)	806,528	946,299
Subtotal	<u>1,700,520</u>	<u>3,647,483</u>

Exposure to TJLP rate:

FINAME / FINEM / FINEP	51,154	85,520
Subtotal	<u>51,154</u>	<u>85,520</u>

TOTAL	<u>2,299,241</u>	<u>7,069,020</u>

The Company entered into non-speculative swap contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing, as below:

Consolidated							
Instrument	Register	Receivable	Payable	Notional US\$	Notional R\$	12/31/13 MTM	12/31/12 MTM
Interest Rate Swap	CETIP	USD	CDI	-	-	-	(1,069)
Interest Rate Swap	CETIP	CDI	USD	-	-	-	(211,727)
Interest Rate Swap	CETIP	USD	Libor	-	-	-	(8,480)
Interest Rate Swap	CETIP	Libor	USD	241,387	565,474	10,467	(15,043)
Interest Rate Swap	OTC	Libor	USD	320,000	749,632	(2,924)	-
Interest Rate Swap	CETIP	BRL	USD	388,258	909,534	(224,967)	-
Interest Rate Swap	OTC	USD	BRL	364,538	853,968	144,051	-
				<u>1,314,183</u>	<u>3,078,608</u>	<u>(73,373)</u>	<u>(236,319)</u>

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Consolidated							12/31/13
Instrument	Register	Maturity	Receivable	Payable	Notional US\$	Notional R\$	MTM
Interest Rate Swap	CETIP	2014	Libor	USD	45,714	107,090	(928)
Interest Rate Swap	CETIP	2016	Libor	USD	95,673	224,124	14,642
Interest Rate Swap	CETIP	2016	Libor	USD	100,000	234,260	(3,246)
Interest Rate Swap	CETIP	2017	R\$	USD	288,547	675,950	(123,972)
Interest Rate Swap	OTC	2017	USD	R\$	364,538	853,968	144,051
Interest Rate Swap	CETIP	2018	R\$	USD	99,711	233,584	(100,996)
Interest Rate Swap	OTC	2018	Libor	USD	132,500	310,395	355
Interest Rate Swap	OTC	2019	Libor	USD	187,500	439,238	(3,279)
					<u>1,314,183</u>	<u>3,078,608</u>	<u>(73,373)</u>

32.4.2.1 Interest rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Company and its subsidiaries are exposed to as at December 31, 2013, three scenarios are considered and the probable scenario is the fair value as at December 31, 2013 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

Sensitivity scenarios for interest rate risk are below:

Stress scenario - Swap Int Rate - Consolidated

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
<u>(73,373)</u>	<u>(23,366)</u>	<u>(91,717)</u>	<u>(18,343)</u>	<u>(110,060)</u>	<u>(36,687)</u>

Stress scenario - Swap Int Rate Libor x USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
<u>7,543</u>	<u>5,827</u>	<u>9,429</u>	<u>1,886</u>	<u>11,315</u>	<u>3,772</u>

Stress scenario - Swap Int Rate BRL x USD

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
<u>(224,967)</u>	<u>(149,008)</u>	<u>(281,209)</u>	<u>(56,242)</u>	<u>(337,451)</u>	<u>(112,484)</u>

Stress scenario - Swap Int Rate USD x BRL

Probable Scenario		Possible Scenario		Remote Scenario	
MTM	Result	MTM	Result	MTM	Result
<u>144,051</u>	<u>119,815</u>	<u>180,063</u>	<u>36,013</u>	<u>216,076</u>	<u>72,025</u>

32.5.3 Exchange rate risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 78.5% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural *hedge* against the maturities of future obligations in foreign currency. The procedures adopted when managing the risk and coverage include calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Company's and its subsidiaries' consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

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Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

Parent		Effects of exchange rate gains (losses) 2013
Exposure		
Description	12/31/13	12/31/12
Operating		
Trade accounts receivable	677,915	356,149
ACE (advance on export contracts)	(284,392)	(219,007)
Imports payable	(49,041)	(27,392)
Subtotal	344,482	109,750
Financial		
Loans and financing	(1,116,703)	(3,257,030)
Notes payable	(121,519)	(3,790)
Balance of banks and marketable securities (*)	84,144	178,701
Subtotal	(1,154,078)	(3,082,119)
Total	(809,596)	(2,972,369)
Exchange rate gains		583,377
Exchange rate losses		(1,081,820)
Exchange rate gains (losses), net		(498,443)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

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Consolidated			Effects of exchange rate gains (losses) 2013
Exposure			
Description	12/31/13	12/31/12	
Operating			
Trade accounts receivable	1,179,696	797,409	(141,331)
ACE (advance on export contracts)	(284,392)	(389,426)	28,931
Imports payable	(82,605)	(95,457)	(43,708)
Other	(14,357)	(33,216)	(3,322)
Subtotal	798,342	279,310	(159,430)
Financial			
Loans and financing	(8,540,407)	(9,268,121)	(385,241)
Notes payable	(191,861)	(8,013)	31,162
Balance of banks and marketable securities (*)	737,530	323,759	(84,555)
Other	(208,223)	1,616	8,138
Subtotal	(8,202,961)	(8,950,759)	(430,496)
Total	(7,404,619)	(8,671,449)	(589,926)
Exchange rate gains			778,261
Exchange rate losses			(1,368,187)
Exchange rate gains (losses), net			(589,926)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

At the close of fiscal year 2013, the Company contracted Options, NDFs and futures contracts, all of them non-speculative in nature, to minimize the effects of the foreign exchange variation on its overseas subsidiaries, as per the breakdown shown in Note 32.4, the results of which are accounted for under the items "Exchange Rate Gains" and "Exchange Rate Losses".

32.5.3.1 Exchange rate risk sensitivity Analysis

To provide information about the behavior of market risks that the Company and its subsidiaries were exposed to as at December 31, 2013, three scenarios are considered and the probable scenario is the fair value as at December 31, 2013 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively.

The market future curve of December 31, 2013 was applied for currencies, with notional value of R\$/US\$2.3426.

As for exchange rate risk, following are the sensitivity scenarios:

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Stress Scenario - balance sheet exposure to foreign exchange			
12/31/2013	Probable scenario	Possible scenario	Remote scenario
Parent	(498,443)	(202,399)	(404,798)
Subsidiaries	(91,483)	(1,682,811)	(3,365,621)
	(589,926)	(1,885,210)	(3,770,419)

32.6 Liquidity Risk and Capital Management

Liquidity risk arises from the Company's and its subsidiaries' working capital management and the amortization of the principal and finance charges of debt instruments. This is the risk that the Company and its subsidiaries will find to settle its falling due payables.

The Company and its subsidiaries manage their capital based on parameters to optimize the shareholding structure focused on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

The purpose of capital management is to define the best financing structure for the Company and its subsidiaries.

The main indicators for monitoring such management is the modified immediate liquidity ratio, which is the ratio between cash and cash equivalents and the leverage ratio - current indebtedness (short term) and the leverage ratio - monitoring the ratio of net debt (total debt indebtedness less cash and cash equivalents) to EBITDA at levels considered to be manageable for continuity of operations.

	Consolidated	
	12/31/13	12/31/12
Short-term cash, cash equivalents and marketable securities	1,811,536	3,178,194
Short-term loans and financings	1,096,970	3,359,130
Modified liquidity ratio	1.65	0.95
Leverage ratio	3.00x	4.28x

Based on the analysis of these ratios, the management of working capital is defined so as to keep Company's and its subsidiaries' natural leverage at levels equal or lower than the leverage ratio deemed adequate.

The following table presents contractual terms (representing undiscounted contractual cash flows) of financial liabilities:

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December 31, 2012	Consolidated					Total
	2013	2014	2015	2016	After	
Trade accounts payable	2,580,227	-	-	-	-	2,580,227
Loans, financing and debentures	3,558,530	3,091,092	1,709,391	1,189,075	2,689,386	12,237,474
Interest on debentures	144,445	-	-	-	-	144,445
Derivative financial liabilities	44,560	7,601	163,292	-	89,116	304,569
Total	6,327,762	3,098,693	1,872,683	1,189,075	2,778,502	15,266,715

December 31, 2013	Consolidated					Total
	2013	2014	2015	2016	After	
Trade accounts payable	1,596,091	-	-	-	-	1,596,091
Loans, financing and debentures	1,096,970	685,091	581,983	1,577,844	4,971,604	8,913,492
Interest on debentures	26,272	-	-	-	-	26,272
Derivative financial liabilities	13,965	830	3,246	123,972	99,583	241,596
Total	2,733,298	685,921	585,229	1,701,816	5,071,187	10,777,451

32.7 Credit risk

The Company and its subsidiaries are subject to credit risk. Credit risk deals with group's financial losses if a client or counterpart in a financial instrument fails to comply with contractual obligations, which arise from most receivables.

The Company and its subsidiaries limit their exposure by analyzing credit and managing client's portfolio, seeking to minimize the economic exposure to a certain client and/or market that may represent significant losses.

The Global Credit Risk Policy determines the guideline for financial credit risk management based on the following:

- Limit of counterparty's credit risk concentration to 15% of total current assets;
- Investments in solid and prime financial institutions, based on their financial rating;
- Balance between assets and liabilities.

Conducted evaluations are based on information flows and follow-up of the volume of purchases in the market. The internal controls cover the assignment of credit limits.

The maximum exposure to credit risk for the Company and its subsidiaries are the trade accounts receivable shown in note 6, where the value of the effective risk of possible losses is presented as provision for credit risk is also shown.

Values subject to credit risk:

	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Cash and cash equivalents	42,393	296,837	771,254	919,908
Marketable securities	138,216	904,139	1,040,282	2,258,286
Receivables from Brazilian clients	348,081	354,232	1,075,602	1,391,752
Receivables from foreign clients	378,620	132,051	875,860	401,563
Other receivables	15,892	17,996	75,580	155,079
Total	923,202	1,705,255	3,838,578	5,126,588

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32.8 Fair value of financial instruments

The method used by the Company to determine market value consists in calculating the future value based on contracted conditions and determining the present value based on market curves obtain from Bloomberg's database, except for futures market derivatives whose fair values are calculated based on the on daily adjustments of variations in market prices of commodities and futures acting as consideration.

According to IFRS 7, the Company and its subsidiaries classify the measurement of fair value according to hierarchical levels which reflect the importance of indices used in such measurement, as follows:

- **Level 1:** Prices quoted in (non-adjusted) active market for identical assets and liabilities;
- **Level 2:** Other available information, except those of Level 1, where quoted prices relate to similar assets and liabilities, whether directly, by obtaining prices in active markets, or indirectly, such as evaluation techniques using active market data.
- **Level 3:** Ratios used for the calculation do not derive from an active market. The Company and its subsidiaries do not have instruments at this measurement level.

Currently, the fair value of all the financial instruments of the Marfrig Group is reliably measured and hence are classified as level 1 and 2, as shown below:

	Consolidated	
	Level 1	Level 2
Current assets		
Cash and cash equivalents	-	-
Marketable securities - held for trading	-	101,771
Notes receivable	174,834	
Non-current liabilities		
Notes receivable	(241,596)	-
Total	(66,762)	101,771

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Company and its subsidiaries.

33. Income and social contribution taxes

Income and Social Contribution Taxes were calculated according to prevailing legislation and the Transition Tax System, provided for in Executive Act No. 449/2008, converted into law 11,941/2009.

Income and Social Contribution Tax calculations and returns, when required, are open to review by tax authorities for varying statutory years in relation to the payment or filing date.

Reconciliation of income and social contribution tax account records with the Taxable Income Computation Book is as follows:

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Tax	Parent		Consolidated	
	12/31/13	12/31/12	12/31/13	12/31/12
Income (loss) before tax effects	(1,206,104)	38,116	(1,164,240)	11,249
Add-backs				
Add-backs of corporate income tax (IRPJ)	698,102	647,354	1,079,109	573,870
Add-backs of social contribution tax (CSLL)	698,102	647,354	962,822	316,141
(-) Deductions				
(-) Deductions from IRPJ	(651,644)	(702,533)	(726,397)	(285,893)
(-) Deductions from CSLL	(651,644)	(702,533)	(724,429)	(294,035)
Tax base				
Income tax base	(1,159,646)	(17,063)	(811,528)	299,226
Social contribution tax base	(1,159,646)	(17,063)	(925,847)	33,355
Companies with income tax loss carryforwards	-	-	66,193	442,077
	-	-	(25,768)	444,532
Calculation base after carry forwards of IRPJ	(1,159,646)	(17,063)	(745,335)	741,303
Calculation base after carry forwards of CSLL	(1,159,646)	(17,063)	(951,615)	477,887
(-) Tax loss carryforwards	-	-	2,654	(36,466)
(-) Social contribution tax loss carryforwards	-	-	8,418	(36,426)
Calculation base after carry forwards				
Calculation base after carry forwards of IRPJ	(1,159,646)	(17,063)	(742,681)	704,837
Calculation base after carry forwards of CSLL	(1,159,646)	(17,063)	(943,197)	441,461
Income tax (15%)	(181,910)	-	(68,587)	280,817
Surtax (10%)	-	-	21,403	5,925
(-) PAT	-	-	(1,266)	305
Total income tax	(181,910)	-	(48,450)	287,047
Social contribution tax (9%)	(65,487)	-	2,345	48,919
	(247,397)	-	(46,105)	335,966
Rate difference on foreign results	-	-	66,304	(6,336)
Total taxes	(247,397)	-	20,199	329,630
Effect on Statement of Operations	(247,397)	-	20,199	329,630

Tax	Group	12/31/13	12/31/12	12/31/13	12/31/12
(-) Income tax - current	Current liabilities	181,910	-	(19,992)	(280,714)
Tax paid abroad	Current liabilities	-	-	-	11,468
Deferred income tax - Assets (1)	Non-current assets	100,444	150,867	273,486	341,304
Deferred income tax - Liabilities (1)	Non-current liabilities	4,658	14,937	13,976	134,080
Net	Income (loss)	287,012	165,804	267,470	206,138
(-) Social contribution tax - current	Current liabilities	65,487	-	(207)	(48,919)
Deferred social contribution tax - Assets (1)	Non-current assets	36,160	54,312	83,744	101,538
Deferred social contribution tax - Liabilities (1)	Non-current liabilities	1,677	5,377	10,323	7,464
Net	Income (loss)	103,324	59,689	93,860	60,083

- (1) Refer to deferred Income and Social Contribution Taxes calculated on: taxes whose payment has been suspended (estimates), and which were added to the calculation of the taxable income and the social contribution tax basis; utilization for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in notes 11 and 23.

34. Sustainable Development

Sustainability is one of the pillars of Marfrig Global Foods corporate strategy and permeates all of its activities and divisions. The Company is committed to continuing to balance the economic, social and environmental aspects of its business in order to contribute to the development of society and help preserve the planet.

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Marfrig is a reference in sustainability in its operating segments. By respecting the cultural aspects and practices of the local business community, it adopts a strategy of continuous improvement and technological innovation, combined with high levels of transparency and robust corporate governance practices.

The Company's sustainability strategy is based on six dimensions:

- Social: conducting actions that benefit the societies in which the Company operates, encouraging diversity in the organization and promoting health and safety in the workplace.
- Supply Chain: fostering sustainable cattle raising practices, maintaining healthy relationships with suppliers and ensuring the well-being of the animals.
- Environmental: managing the use of natural resources, the energy matrix and the disposal of waste and protecting biodiversity, while minimizing the impacts of its activities that contribute to climate change.
- Technology: investing in research and development, in innovation and new engineering processes, while contributing to the industry's development.
- Economic: manage risks, opportunities and costs while maintaining a long-term vision.
- Product: developing superior-quality products that contain high nutritional value, while ensuring food safety.

These six dimensions involve the Company's stakeholders: suppliers, partners, clients, employees, shareholders and society. They were created to generate synergies among them, to generate value and to ensure the best results for the Company.

To measure its environmental footprint, the Company has conducted an Inventory of Greenhouse Gas Emissions (GHG) since 2010. The inventory is currently detailed up to scope 3, which includes sources of emissions not directly controlled by the Company. For the second consecutive year, Marfrig was awarded the Gold Seal of the Brazil GHG Protocol Program for its Greenhouse Gas Emissions Report for 2012. The recognition is granted to companies that not only accounted all emissions in their inventories, but also submitted the inventory to independent audit. The Company's units already adopt bio-digesters, effluent treatment and waste recycling practices, reducing disposals to landfills.

Promoting sustainable activities and engaging the entire supply chain is essential to the success of our strategy. Such effort helped Marfrig rank as the Leading Company for Packaged Food and Meat Products for its commitment to the best environmental risk practices disclosed in the 2012 Annual Report of the Forest Footprint Disclosure (FFD), deemed the most complete global study on the impacts of production activities for tropical forests.

The company's efforts also include promoting sustainable agricultural and cattle raising practices. Through programs like the Marfrig Club, the Company acknowledges and awards conscientious producers, instructing them on how to achieve the most modern property certifications for food production and also awarding animals from farms with good agricultural and management practices. Through a professional relationship with suppliers, Marfrig is able to track animal origins, which guarantees, for example, that there are no further deforestations and invasions of indigenous land in its supply chain.

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As result of such efforts, in June 2012, Marfrig Global Foods became the world's first food company in the animal protein segment to track its complete beef production cycle in accordance with the standards developed by the Agriculture and Forest Management and Certification Institute (Imaflora), which entitled the Company to use the Rainforest Alliance seal. This seal authorizes four units of Marfrig Beef (Tangará da Serra - MT; Pampeano - Hulha Negra - RS and Promissão I and II - SP) to produce and sell products with the "green cattle farm seal" in the international market.

The Company also entered in 2013, into a partnership with The Nature Conservancy (TNC), one of the world's largest environmental organizations, and Walmart, the world's leading retailer, to foster sustainable cattle production in the southeastern region of the state of Pará, which will help preserve the Amazon biome and promote the adoption of good social and environmental practices.

In December 2013, Marfrig, in partnership with Greenpeace, signed a Technical Reference Agreement (TdR) to improve the audit processes for assessing the public commitments undertaken to purchase environmentally responsible cattle originating from the Amazon biome. The first audit under the TdR model will be published by March 2014.

Marfrig Global Foods is one of the world's seven best companies in terms of animal welfare practices, according to "The Business Benchmark on Farm Animal Welfare" (BBFAW), a leading global report on the subject, prepared by the World Society for the Protection of Animals (WSPA) and by Compassion in World Farming. In 2013, for the second consecutive year, Marfrig Global Foods was the only Brazilian company to be cited in the report, reaching the status "Integral" and being classified as "Integrated to the Business".

In June 2013, Marfrig Global Foods became the first company in the animal protein-based food segment to sign an individual commitment with the State of São Paulo Environment Department to create a reverse logistics system for recycling, as well as promoting the adequate disposal, of the packaging of products sold in the state. The document envisages that the company will implement recycling projects in the cities in São Paulo where it operates and which require it to expand selective waste collection, provide training for waste collector cooperatives and work in partnership with municipalities.

To create opportunities for educational development and recreation for children, adolescents and the elderly in socially and economically vulnerable communities in the cities where the Company's industrial plants are located, Marfrig create the Marfrig Institute *Fazer e Ser Feliz*. The Institute currently offers after-school activities in the fields of education, sports, culture, health and food, benefiting some 100 children in its units located in the cities of Promissão (SP) and Bataguassu (MS).

More information on the Marfrig Global Foods's sustainability strategy and its results can be found at www.marfrig.com.br/sustentabilidade.

35. Result from discontinued operations

On April 30, 2012, the Company completed the sale of Keystone's logistics assets to The Martin-Brower Company, LLC.

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Pursuant to the Material Fact disclosed to the market on June 10, 2013, the Company entered into an Agreement for the Purchase and Sale of Ownership Interest and Other Covenants on June 7, 2013, which laid out the terms and conditions for: (i) the sale, by the Company, of certain ownership interests in companies of the group that owns the Seara Brasil business unit, to JBS; and (ii) the sale, by the Company, of 100% the capital of the company owning the leather business of the Marfrig Group in Uruguay (Zenda), to JBS, concluded on September 30, 2013 and June 30, 2013, respectively.

Following the sale of these operations, and under CVM Resolution 598/09 (CPC 31 - non-current assets held for sale and discontinued operations), the results from discontinued operations and the cash flow for the fiscal years ended December 31, 2013 and 2012 are summarized below:

Result from discontinued operations

	12/31/2013 (*)	12/31/2012 (**)
Net Revenue	6,132,855	7,549,044
Cost of goods sold	(5,064,323)	(6,289,071)
Gross Income	1,068,532	1,259,973
Operating income (expenses)	(1,915,484)	(2,028,213)
Gain from divestments	820,007	-
Operating profit (loss)	(26,945)	(768,240)
Provision for income and social contribution taxes	(67,233)	257,539
Net income (loss) from discontinued operations	(94,178)	(510,701)
Non-controlling interest	(3,647)	23,190
Net income (loss) from discontinued operation	(97,825)	(487,511)

Cash flow from Discontinued Operations

	12/31/2013 (*)	12/31/2012 (**)
From operating activities	230,817	(442,874)
Used in investing activities	(207,578)	196,459
Used in financing activities	(129,831)	514,044
Exchange variation on cash and cash equivalents	3,458	3,988
Write-off of cash from discontinued operations	(226,618)	(410,122)
Net income (loss) from discontinued operations	(329,752)	(138,505)

(*) Includes the operations of Seara Brasil and Columbus Netherlands BV;

(**) Includes the operations of Seara Brasil and Columbus Netherlands BV that were reclassified and the result of Keystone's logistics operations;

36. Additional information

Provisional Presidential Decree (MP) 627/13 and Normative Instruction RFB (IN RFB) 1,397/13

In view of the publication of IN RFB 1,397/13 on September 16, 2013, and MP 627 on November 11, 2013, the Company deemed it healthy to conduct a diagnosis of possible impacts of said laws. Note that until the date of approval of these financial statements, MP 627/13 had not been made into law, i.e. our diagnosis considered the provisions published and valid until the base date for approval of the financial statements.

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Interest on Equity

In the fiscal years ended December 31, 2010 and 2009, the Company calculated and distributed interest on equity in accordance with article 9 of Law 9,249/95.

The shareholders' equity considered as the basis for calculating Interest on Equity - as adjusted for Laws 11,638/07 and 11,914/09 was lower than if it had been calculated in accordance with Law 6,404/76, disregarding later amendments. As a result, the remuneration paid as Interest on Equity is in accordance with the rules determined by IN RFB 1,397/13.

Dividends

In the fiscal years ended December 31, 2010 and 2009, the Company also remunerated its shareholders through dividends. These dividends were approved and paid within the minimum mandatory amount of 25% of net income adjusted in accordance with article 202, paragraph 2 of Law 6,404/76, and based on the Company's Bylaws.

The remuneration paid as dividends, based on the criteria valid until December 31, 2007, was lower than what would have been paid if it were calculated based on the accounting criteria after the amendments to the Brazilian Corporation Law introduced by Laws 11,638/07 and 11,941/09. As such, there is no difference in relation to the provisions in Article 26, sole paragraph, and hence Article 28 of IN RFB 1,397/13 does not apply.

Conclusion of the diagnosis

Considering the above, both payments of dividends and interest on equity, in said years, do not create any tax impact for the Company even if it does not exercise the option envisaged in article 71 of MP 627/13 (advancing to calendar year 2014 the application of articles 1 through 66).

Based on the aforementioned paragraph and also on the fact that MP 627/13 has not yet been made into law, the Company decided to not advance the adoption of the provisional presidential decree (Articles 1 through 66) for calendar year 2014.

37. Events after the reporting period

On January 7, 2014, Marfrig Global Foods S.A., in compliance with Article 157, paragraph 4, of Law 6,404 of December 15, 1976 and Instruction 358 issued by the Securities and Exchange Commission of Brazil on January 3, 2002, as amended, and in line with corporate governance best practices, informed its investors and the market in general that, continuing the process of transition announced through the Material Fact notice of November 7, 2012, the Board of Directors of the Company decided, in a meeting held on that date, to elect Mr. Sérgio Rial for the position of Chief Executive Officer of the Company.

The election came into effect with the approval of the amendment to the By-laws, which altered the rules of the Company Management, as per the Extraordinary Shareholders' Meeting held for this matter on January 22, 2014.

On January 22, 2014, in an Extraordinary Shareholders' Meeting, Marfrig Global Foods S.A. approved the 5th Issue of Unsecured Convertible Debentures, in a single series, by the

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Company, in the total amount of two billion, one hundred fifty million reais (R\$2,150,000,000.00), for private placement with no efforts to sell to investors, subject to the preemptive rights of current shareholders, with the respective proceeds used to redeem the debentures of the 2nd issue.

Two hundred fifteen thousand (215,000) debentures ("Debentures") will be issued at a nominal unit value of ten thousand reais (R\$ 10,000.00) ("Nominal Unit Value"). The Debentures will have a term of thirty-six (36) months from the issue date ("Maturity Date"), maturing on January 25, 2017.

The Debentures will be mandatorily convertible into shares of the Company on the Maturity Date, with the conversion price corresponding to the lowest of the following amounts: (i) R\$ 21.50, restated annually by an interest rate corresponding to the overnight rate plus one percent (CDI+1%), less any and all payments received by shareholders (dividends or interest on equity); or (ii) the weighted average market price of MRFG3 shares on the spot market of the BM&FBovespa in the sixty (60) trading sessions immediately prior to the conversion date, at a minimum price of R\$ 21.50. The interest will be paid annually on the following dates: January 25, 2015, January 25, 2016; with the last payment date coinciding with the maturity date, on January 25, 2017.

All other terms and conditions stipulated in the Indenture of the 2nd Issue of Convertible Debentures, including the conditions for early maturity, are being preserved in this proposal for the 5th Issue of Debentures of the Company.

The discussion for the 5th Issue of Debentures, whose main purpose is the redemption of the 2nd Issue of mandatorily convertible debentures, held between the Company and BNDES Participações S.A. - BNDESPAR, the latter as the holder of more than 99% of said debentures of the 2nd Issue, had its final terms agreed upon through the execution of the Debenture Subscription Commitment Agreement and was initiated under the scope of the divestment, by the Company, of the Seara business unit ("Seara Divestment").

The Seara Divestment led to a significant reduction in the debt of the group, enabling it to devise a short- and medium-term strategy that incorporates lower execution risk and very positive growth levels over the long term.

Subsequent to this transaction, BNDESPAR committed to migrate all the debentures of the 2nd Issue it currently holds to the Debentures of the 5th Issue. This new debenture comes with a new interest payment schedule for debenture holders, with the next maturity in 2015, enabling the Company to align the maturity profile with its plans for growth and strengthening the capital structure.

Marfrig's new strategic plan "FOCUS TO WIN", with its growth, profitability and deleverage premises for the coming years, is in line with this new issue, which maintains the mandatory conversion of debentures into shares issued by the Company.

Further details will be provided together with the instructions contained in the call notice for the Extraordinary Shareholders' Meeting in accordance with CVM Instruction 481.

* * *

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