

MARFRIG GROUP

MANAGEMENT REPORT 2012



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1. Message from Management

In 2012, the Marfrig group achieved major advances in the process to professionalize its management and consolidate its strategy to be recognized as a global food company with a focus on higher value products. However, the year also proved extremely challenging for the animal protein industry, especially for poultry and pork, given the deceleration in world economic growth and the inflationary pressures on production costs, which had a negative impact on the industry as a whole.

Despite the unfavorable scenario, Marfrig's results in 2012 proved relatively resilient and, thanks to its diversification strategy, the Corporation registered growth in consolidated net revenue of 12.9% to R$23.73 billion, compared to R$21.01 billion in 2011. EBITDA in the year grew 20.3% to R$2.13 billion, compared to R$1.77 billion in 2011. The net loss for the year decreased 70.5% to R$223.9 million, from R$746.0 million in 2011, driven by the better operating result.

Significant progress was also made to strengthen the Corporation's capital structure, with the conclusion of the Primary Share Offer in December 2012 and the subsequent issue of Senior Notes (Bonds) in January 2013. Together the two operations raised proceeds of approximately R$2.2 billion, which will be used to lengthen the debt profile.

On the operational front, 2012 was an especially challenging year for Seara Brasil. The Corporation's management continues to work diligently to make it the second-largest Brazilian company in the processed food sector, supported by an efficient distribution platform in the domestic and exports markets, while pursuing higher profitability and consistent cash generation.

As part of this effort, over the course of the year a strategic effort was made to expand considerably the client base at Seara Brasil by focusing on selling products directly to small and midsized retailers. This initiative strengthened the brand and improved negotiating conditions over the course of the year, which partially mitigated the adverse effects on the division from the sharp increase in grain costs. The client base of Seara Brasil grew from 36,000 clients in January 2012 to more than 70,000 clients by year-end.

The year 2012 was also marked by the transfer to Seara Brasil of production units, brands and distribution centers under the Performance Commitment Agreement (*Termo de Compromisso de Desempenho* - TCD) and by the temporary suspension of various product categories imposed by Brazil's antitrust agency CADE on Seara's main competitor in Brazil, which substantially increased the demand for its products in various regions of the country. The process to implement, adapt and adjust the new production lines and distribution platforms extended over the second half of the year and should persist over the next 18 months, when they should be fully integrated and capable of achieving optimal capacity utilization and productivity levels to allow them to fully contribute to generating value for the division.

The international operations of Seara Foods also posted a solid performance in 2012, with growth at both Moy Park and Keystone Foods. In Europe, Moy Park continued to benefit from its strategic and leadership position in healthy, low-cost proteins, such as chicken and turkey, and from its strong presence in major retail chains in the United Kingdom. Despite the region's weak economic performance, Moy Park continued to post growth in sales of fresh chicken to Europe's domestic market and consistent market share gains over some of its local competitors due to the financial difficulties they face. The division also expanded its portfolio of higher value products with the launch of exclusive processed products under the Seara brand and new lines of ready-to-eat meals made from organic chicken signed by renowned British chef Jamie Oliver.

Keystone Foods registered a solid performance driven primarily by stronger sales of processed food products to the food service segment in Asia (mainly in China), where it serves major global fast-food chains. The partnerships forged in the country in 2011 in the areas of production integration and distribution contributed significantly to strengthening Keystone's presence in China. The two joint ventures allowed the

Corporation to increase its local client base to over 2,600 restaurants in the Asian market, which is considered one of the main drivers of global demand for protein.

Marfrig Beef, which accounted for 33% of the Group's net revenue, benefitted from a very favorable scenario in 2012, with strong demand from Brazil's domestic market driven by higher income levels and the positive phase of the country's cattle cycle, with a higher supply of cattle and lower cattle acquisition costs than in 2011. In export markets, the reopening of important destinations, such as Chile and the Middle East, and the growth in exports to Asia also contributed to the optimization of capacity utilization levels and the resumption of operations at three units during the year. All these factors enabled the Marfrig Beef operations to register EBITDA margin expansion of 440 bps compared to the prior year.

Over the coming years, the gradual integration of the distribution centers of Marfrig Beef and Seara Foods and of the new units from the asset swap transaction will grow the distribution platform by expanding the customer service network in the food service segment and acting as a catalyst to leverage the Corporation's sales in Brazil's local market.

Aiming to strengthen its management and corporate governance, the Corporation hired the executives David Palfenier to serve as CEO of the Seara Brasil Division and Sérgio Rial to serve as CEO of the Seara Foods segment. Mr. Rial will also be involved in the gradual transition process in which he will become CEO of the Marfrig Group by January 1, 2014, replacing Marcos Antonio Molina dos Santos, who will continue serving as Chairman of the Board. Both have vast experience in the food industry and will help lead the Corporation on a new phase of its development strategy grounded in sustainable growth in both the domestic and international markets.

Subsequently, in early 2013, the executive Frank Ravndal Jr. was also hired to serve as CEO of the Keystone Foods division. Also in 2013, in March, the Corporation announced the hiring of executive Jaime Singer to serve in the recently created position of Vice-President of Strategic Planning.

The focus of the Marfrig Group for the next two years will be to implement the measures required to achieve its three main strategic objectives: (i) consolidating the operations of its divisions to obtain higher profitability and consistent cash generation at all units; (ii) continuing to deleverage its capital structure by reducing debt levels and improving the debt profile; and (iii) advancing the process to strengthen its management and corporate governance.

Management of the Marfrig Group is certain that the commitment, ethics, efforts and dedication of its team, which is formed by over 90,000 employees, will promote the longevity and success of its strategy while contributing to higher profitability, positive cash generation and the resulting creation of value and returns for its shareholders.

Marcos Molina **Sergio Rial**

2. Overview of the Corporation

Marfrig is a Brazilian multinational corporation with operations in the food and food service industries in Brazil and another 17 countries. It is engaged in the production, processing, marketing and distribution of food made from animal proteins (beef, pork, lamb, poultry and processed products) and in the distribution of other food products (frozen foods, cold cuts and sausages, fish, ready-to-eat meals, pastas, confectionary, margarines) and of semi-finished or finished leather products.

Since its initial public offering in 2007, the Corporation has developed a strategy for the strong and consistent growth of its operations based on a global and diversified business model. From 2007 to 2012, the volume of products sold every year grew approximately 370%, from 951,000 tons to 4.4 million tons per year. In the same period, acquisitions and organic growth supported compound annual growth in net revenue of approximately 48%.

Marfrig has built an integrated and geographically diversified business model and a distribution network that encompasses 150 countries in which our products are distributed, with access to the world's main markets and consumer channels. The Corporation consolidated its vertically oriented business model in the poultry and pork segments in Brazil (Seara Alimentos), Europe (Moy Park) and the United States and China (Keystone), while continuing to acquire raw materials (birds, hogs and most of the cattle) from third parties in other regions of operations, ensuring a broad and diversified portfolio of proteins and products. Marfrig enjoys a strong and growing presence in the processed food segment, which will be one of the main drivers of growth in business volumes and margins in the coming years.

The Corporation ended 2012 with 138 production units, distribution centers and offices in Brazil as well as 17 other countries in South America, North America, Europe, Asia, Oceania and Africa. Annual production capacity totals 4.8 million units of cattle, 1.1 billion units of chicken, 4.3 million units of hogs, 3.9 million units of turkey and 3.0 million units of sheep, as well as 1.9 million tons of processed food. The production platform as a whole provides the capacity for significant growth while protecting against the various risks inherent to the industry.

On the corporate front, seeking to continually refine its business model, improve its operational structure, ensure quicker decision making and capture synergies across the business units, in February 2012, the Corporation's organizational structure was reorganized into two major segments:

- **Marfrig Beef**, which consists of the beef, lamb and leather operations in Brazil, Argentina, Uruguay and Chile; and
- **Seara Foods**, which develops and produces chicken and pork products and prepared and processed food products in Brazil (Seara Brasil), Europe (Moy Park) and other regions around the world (Keystone).

At the end of 2012, this structure served approximately 100,000 regional and global clients, including the food service market and the major retail chains located in these regions.

Marfrig has a portfolio of strong, well regarded and well-known brands that are symbols of high-quality food products. The main brands include: Seara, which was strategically positioned as the Group's global brand, with products renowned for their high quality in the Brazilian and international markets, as well as other brands, such as Bassi, Doriana, Resende, Confiança, Tacuarembó and Moy Park.

3. Strategy

The strategy of the Marfrig Group is based on further developing its vast product portfolio, which, supported by highly recognized brands, an extensive distribution channel and an efficient industrial platform, gives the Corporation a solid competitive advantage.

As part of its strategy, the Management of the Marfrig Group has outlined for 2013 and 2014 the following goals: (i) consolidating the operations of its divisions to launch a new cycle of cash generation; (ii) continuing to deleverage its operations; and (iii) continuing to strengthen its management and corporate governance.

The measures being implemented to achieve the objectives set for 2013 and 2014 include:

Focus on organic growth. The Management of the Corporation believes that its product portfolio gives it important competitive advantages and it has been adopting measures to intensify cross-selling across its divisions and sales team, which should support continued growth in sales volumes. It will also continue to invest in the distribution and logistics segments, particularly in Brazil and China, in order to better serve clients' needs and reduce freight costs.

Strengthen the capital structure. At the end of 2012, consolidated debt stood at R$12.4 billion, of which 29.9% was short-term. The Corporation has been pursuing long-term funding alternatives in the domestic and international markets to reduce interest rates paid by the group and lengthen its debt maturity terms. Both the Primary Share Offer in December 2012 and the Senior Notes (Bonds) issue concluded in January 2013 are part of this effort to strengthen the capital structure.

Development of Seara Foods. In 2012, Seara Foods accounted for 67.3% (30.1% from Seara Brasil, 14.5% from Moy Park and 22.8% from Keystone Foods) of the Corporation's consolidated net revenue and 51.2% of its EBITDA, while also offering excellent potential for growth, especially at Seara Brasil, after the organizational restructuring announced in February 2012 and the asset swap transaction with BRF begun in June 2012, and at Keystone Foods (United States and Asia).

On this front, Marfrig will concentrate its efforts on:

Higher value products and food service activities. Marfrig will continue to increase the share of processed products in its sales, namely: special beef cuts, cold cuts and sausages, frozen meals, canned foods, hamburgers, pasta, etc.

New opportunities by region and business division will continue to be pursued, exploring markets previously not served while consolidating the Corporation's presence in the domestic markets where it operates.

Seara Brasil will focus on increasing its penetration in the domestic market by expanding its client base with more prepared and processed products, as well as by increasing its exposure at the national level. Meanwhile, Seara Brasil will concentrate its efforts on:

- increasing the capacity and efficiency in tapping new clients and consumer markets by improving our logistics efficiency (OTIF rate and Fill Rate);
- making disciplined and targeted investments in marketing that always focus on reinforcing the perceived value of brands, especially Seara;
- increasing the number of points of sale and investing in product quality to obtain the best prices and further increase consumer confidence;
- investing in innovation to ensure the long-term success of the Seara brand, including by taking advantage of existing brands, creating new brands or product categories or developing sub-brands.

We must also include here that a significant portion of the revenues from this operation will continue to come from exports, which, starting in 2013, will focus only on countries and products that are more profitable.

Moy Park, which focuses on Europe's domestic market, mainly the United Kingdom, will continue to expand its market share among major supermarket chains in Europe, gradually increasing the volume of branded and processed products in these chains as well as our presence in the Food Service segment

Keystone will continue to focus on the Global Food Service industry. The operation will continue to capitalize on the global trend of growing consumption of food outside the home. Our main client continues to be the fast food chain McDonalds, which accounts for approximately 70% of the operation in the United States. We will continue to accompany and support the growth of McDonalds, but while also growing through other clients, such as YUM Brands, KFC, Campbell's, Subway, Chipotle, Wendy's, Burger King, etc. We have been enjoying good results in Asia, particularly in China, and we believe this region will offer enormous growth potential for the operations of Keystone Foods. In China alone, we registered sales of almost US$400 million in 2012.

4. Industry Overview

Macroeconomic and Industry Scenario

The year 2012 was a very challenging one for the global meat industry. Despite the growing demand for food driven by the continuous growth in household income in most developing countries, the operating performance of companies in the industry was adversely affected by the sharp hikes in corn and soy meal prices, which are key production inputs.

According to IMF estimates (January 2013), the global economy grew by 3.2% in 2012, compared to 3.9% in 2011. The factors that led to this slowdown included: (i) the reduction in private investment due to the uncertainties regarding the pace of recovery in the global economy, (ii) the fiscal-adjustment measures adopted by developed countries, and (iii) the deceleration in foreign trade.

The Management of the Marfrig Group believes that 2013 will be another challenging year, although more favorable for the global meat industry than 2012 was, due to the gradual recovery in economic growth worldwide, with a positive impact on demand for meat and processed products; more stable input prices; and an exchange rate that makes Brazilian products more competitive in export markets.

BRAZIL

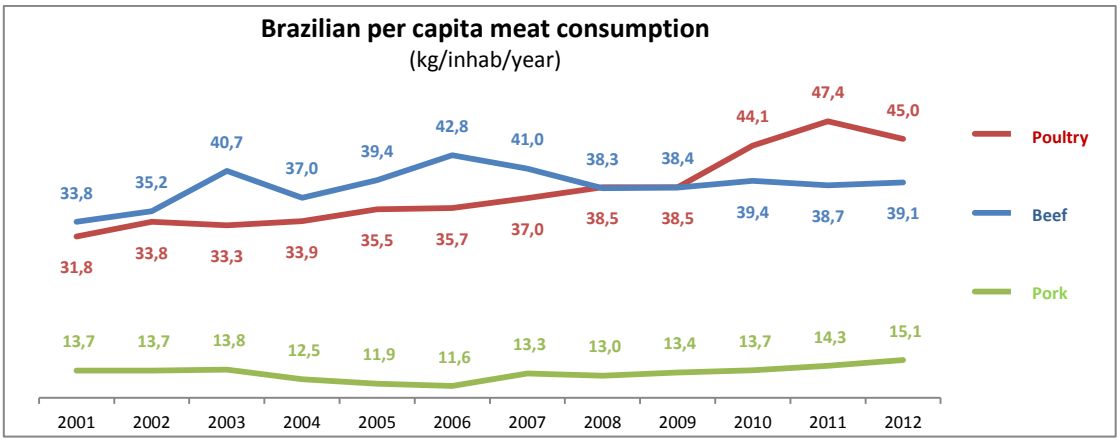
Brazil's central bank estimates the country's economy grew by 1.0% in 2012, which is well below the initial forecast of the Ministry of Finance of 4.5% and also below the growth in 2011 of 2.7%.

Average monthly income grew by 4.1% in 2012 and the Brazilian Institute of Geography and Statistics (IBGE) estimates that the wage bill grew by 6.2% in the year, which has helped keep consumer confidence at high levels, with a positive impact on retail sales. According to the Brazilian Supermarkets Association (ABRAS), real sales in the supermarket sector increased by 5.3% in 2012 compared to 2011.

Proteins: Per-capita poultry consumption was 45.0 kilograms in 2012, down 5.2% from 2011, mainly due to the 17% increase in grain prices in the domestic market, which led to an 8% increase in the retail price of fresh poultry. Despite the higher prices, we expect poultry consumption to recover in Brazil as from 2013, given the growth in household income and the growing demand for so-called healthier proteins.

Per-capita beef consumption was 39.1 kilograms in 2012, up 1.0% from 2011, driven by the continued expansion in average income levels.

Per-capita pork consumption in 2012 was 15.1 kilograms, increasing 5.6% from 2011, driven by the continued expansion in income levels, which also helped drive consumption of higher value prepared products.



Source: Abiec, Abipecs, Ubabef.

Processed/prepared foods: The frozen products segment registered slower growth than in previous years, especially given the weaker pace of economic growth. According to Nielsen, sales in the segment expanded by only 2% in the first nine months of 2012 compared to the prior-year period, down from the growth of 15% registered in 2011.

However, the growing demand for products that make meals more convenient and practical, such as ready-to-eat meals, pizzas, sandwiches, frozen pastas, etc., should support stronger sales in this category over the coming years, sustained by the continued growth of the Brazilian economy and the increase in purchasing power.

Food Service: According to the Brazilian Association of Food Companies (ABIA), food industry sales to the food service sector totaled approximately R$100 billion in 2012, which would represent growth on the previous year of 14% (compared to growth of 17% in 2011) and reinforces the change in the behavior patterns of Brazilian consumers, which have increasingly sought convenience in meals outside the home.

We expect this accelerated growth to persist for some years, given the change in habits mentioned above and the low penetration of food service sales in Brazil's food industry. According to the ABIA, more than 30% of food industry sales in Brazil are directed to the food service segment (bars, restaurants, bakeries, etc.), while in Europe and the United States, the food service segment accounts for 50% to 60% of food consumption.

Poultry Exports: The year 2012 posed a challenging environment for the poultry industry due to the shortfalls in the U.S. corn crop. The spike in grain prices and resulting increase in production costs required the passthrough of substantial price increases during the second half of 2012, which took place gradually. This factor was partially offset by the 14.3% depreciation in the Brazilian real against the U.S. dollar in the year. Although the weaker Brazilian real did not fully offset the impact from grain prices in 2012, it structurally changed the competitiveness of Brazilian products, which could potentially translate into market share gains in the future.

Global poultry consumption increased 1.9% (USDA) from 2011, due to the continued growth in income levels and demand from developing countries, particularly in Asia and the Middle East. In 2012, Brazilian poultry exporters' share of world poultry trade contracted by 0.9 p.p. to 35.3%, from 36.2% in 2011, due to the sharp contraction in imports by countries in the Far East, a region where Brazil enjoys significant competitive advantages and has higher market share. As a result, Brazil's poultry exports totaled 3.9 million tons in 2012 (Secex), which corresponds to 25% of the country's entire production.

Beef Exports: In 2012, Brazil's beef industry enjoyed a favorable environment marked by a higher supply of cattle compared to 2011, strong demand from the domestic market and the recovery in demand in export markets (Chile, gradual return of Middle East and Europe and gradual growth in exports to Asia as well) driven by the depreciation in the Brazilian real against the U.S. dollar. Note that the price of beef became more competitive in relation to the other proteins that were subjected to hikes in grain prices, which helped support stronger demand. In this scenario, cattle slaughter rates in Brazil in 2012 grew by 8.4%, while the average cattle price fell by 4% from 2011, precisely due to the higher supply of finished cattle.

We expect the supply of cattle in 2013 to be better than in 2012, which should support increases in capacity utilization rates at the production units. This favorable moment in the cycle for the supply of finished animals began in mid-2011 and was the result of retaining animals during the period from 2007 to 2009, and, as was the case in previous cycles, we expect the ample supply of cattle to last for several years.

Global beef consumption increased slightly by 0.2% in 2012, according to data from the USDA. Although there is a growing trend in developed countries to substitute beef with white meat, world consumption is being driven by growing demand from developing countries. According to preliminary estimates from the USDA, in 2012, Brazilian exporters increased their market share by 0.2 p.p. to account for 17% of world trade. In Brazil, cattle is raised extensively and suffers little impact from higher grain costs, while the United States, Europe and other producing regions suffered heavy impacts on their production costs from the hikes in grain prices. As such, Brazilian beef exports totaled 1.2 million tons in 2012 (Secex), growing 13% from the prior year.

Pork Exports: Pork is the most produced and consumed meat in the world. China leads the ranking of producers and consumers, followed by the European Union and the United States. Brazil ranks fourth among global pork producers and exporters. Annual per-capita pork consumption in Brazil is still low, at around 15 kilograms, but has increased in recent years driven by strong domestic demand spurred by higher income levels.

In 2012, the Japanese government acknowledged the state of Santa Catarina as being free from foot-and-mouth disease through vaccination, which marked the first step towards lifting the ban on Brazil's pork exports to that country. Japan is the world's largest pork importer and the opening up of this market represents major export potential for Brazilian producers.

ARGENTINA AND URUGUAY:

Beef production in Argentina increased in 2012, due to the rebuilding of herds, a process that has taken place since 2010, after consecutive years of contraction. In 2013, the number of animals available for slaughter is expected to remain high, increasing meat production. However, it is important to that that, despite the increased supply, Argentinean exports will still be limited by the growth in domestic demand after years of decline in per-capita consumption and by the government's restrictions on exports.

Uruguay has the world's highest annual per-capita beef consumption, at 60.5 kilograms, according to the National Meat Institute (Inac). In addition to the strong domestic consumption, the country is the world's seventh largest beef exporter, shipping higher quality products to over 40 markets. For 2013, exports should exceed 375,000 tons, the highest volume since 2009. Beef production in 2013 is also estimated to exceed previous years, driven by the increased supply of animals for slaughter.

EUROPE:

The higher production costs, especially for grains, the reduction in subsidies from European Agricultural Policy and droughts in certain countries should lead meat production in the European Union to contract in 2013 (estimates: chicken: -0.4%; beef: -5%; and pork: -0.5%).

On the other hand, the poultry industry in the United Kingdom has managed to overcome the difficulties caused by the crisis that affected the European Union and to face the higher grain costs with greater ease than other important producing countries. While poultry production in the European Union is expected to contract in 2013, production in the United Kingdom, which accounts for 14.2% of the region's production, should grow 2.3%.

Poultry consumption in the United Kingdom has grown, driven by consumers' increased concerns with consuming healthier foods, since it has less fat than red meat. The popularity of more convenient products and ready-to-eat meals is also rising, jointly accounting for more than 30% of all poultry products in the United Kingdom, according to estimates by the Department for Environment, Food & Rural Affairs (Defra).

The ability of the poultry industry to offer healthy and convenient meals and maintain discipline in its offering in order to keep adequate margins in view of higher grain prices are key factors in the industry's development in 2013.

UNITED STATES:

The United States is one of Marfrig's main markets, where it operates in the food service business through its subsidiary Keystone Foods.

The U.S. economy continues to show signs of gradual recovery. According to IMF estimates (World Economic Outlook, January 2013), U.S. GDP growth in 2012 should be 2.3%. As a result, unemployment showed signs of recovery over the course of 2012 and reached 7.8% in December 2012.

According to the U.S. National Restaurant Association, sales in the food service sector should reach US$631.8 billion in 2012, up 3.5% from 2011, for the third consecutive annual increase since the 2008-09 crisis that hit the United States. For 2013, estimates indicate sales growth of 4.5% to US$660.5 billion.

Figures show that, despite the negative impact of the current economic environment on consumer confidence in the United States, the food service industry is clearly recovering after the severe crisis in 2008-09 that led its sales to contract.

ASIA:

The economic crisis affecting certain developed countries caused a slowdown in the Chinese economy. According to the IMF, Chinese GDP is expected to grow 7.8% in 2012, compared to 9.3% in 2011. Strong GDP growth combined with urbanization and the growing middle class have promoted changes in the food habits of the Chinese, with positive impacts on sales in the food service industry.

The country has seen a rapid increase in the number of stores and the expansion of chains to cities in the interior of the country. Total and per-store revenue of large international chains such as Yum Brands and McDonalds have been growing at strong rates. These chains have been investing in diversifying their menus and preparing products adapted for the various meals of the day in order to increase their product offerings while offering greater convenience and practical solutions to this new consumer class.

There is still great potential for the expansion of these chains in China. While in the United States, Yum has 58 restaurants per million people, in China the figure is less than two. Keystone has been investing in the country in partnership with local players (COFCO and Chinwhiz) in order to accompany the growth of this market and meet the demands of these important clients.

GLOBAL SCENARIO FOR GRAINS:

The year 2012 was marked by severe weather in the world's main soybean and corn production regions, which led to declines in yields and consequently in the supply of these products, causing a record spike in prices in international markets.

Soybean

Soybean production in Brazil and Argentina in 2012 was severely affected by the droughts that hit key producing regions as from December 2011 (period when crops are in full development phase) and decreased by 11.9% and 18.2%, respectively.

In the United States, 2012 was marked by the most severe drought of the last 30 years, which caused major losses in yields and a 2.5% reduction in production that followed the already-low production of the previous year, leading to sharp price increases on the Chicago Board of Trade.

On the Chicago Board of Trade, the average quote for soy meal in 2012 was 24.7% higher than in 2011. In Brazil, the scenario was also marked by price increases, with an average increase of 60.5%. In the Brazilian market, prices followed Chicago and surpassed all-time highs, sustained by low inventory levels, the depreciation in the Brazilian real and strong global demand.

Prices of oilseeds only began to fall in September 2012, thanks to the seasonal effects of the U.S. harvest.

With the expectation of a recovery in production in Brazil (+26%) and Argentina (+28%) in 2013, oilseed prices should continue to fall from their levels in 2012, though without returning to historical levels, given the low level of stocks in international markets and the growing demand, especially in China.

Corn

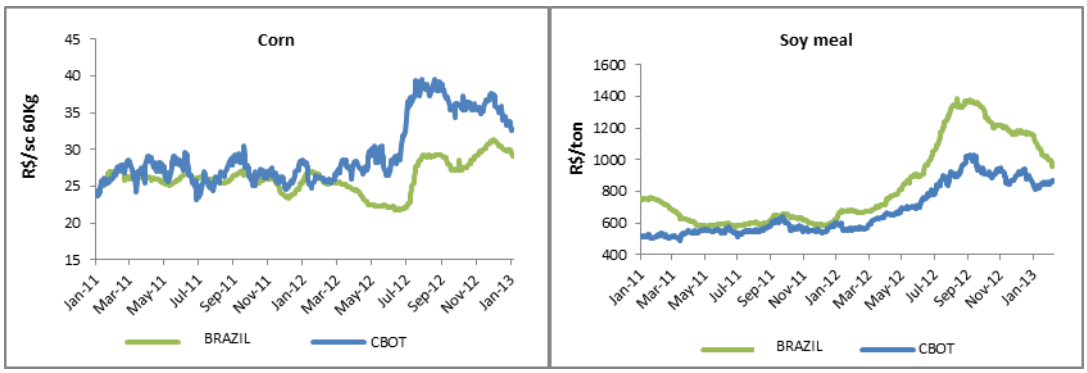
Driven by the shortfall in U.S. production in 2012 (12.8%)and the higher demand for use in animal feed and ethanol production, corn prices in Chicago (CBOT) rose to record highs

In Brazil, despite the record harvest of 72.9 million tons in 2012, the higher demand from export markets for Brazilian corn led to record-high prices in all markets.

The average corn price in Brazil in 2012 (R$26.42/60-kg bag) and on the Chicago Board of Trade (R$32.14/60-kg bag) were 2.1% higher than in 2011 (variation in local currency), but peaked at levels above R$35/bag in Brazil and R$39/bag in the United States.

For 2013, we expect Brazilian corn production, considering the winter and summer crops, to reach 76 million tonnes, or 4.2% higher than in the previous year, which would represent a new record. The ample supply of corn and the logistics difficulties in distributing production for export should lead to lower prices in the domestic market. However, tight global inventories and strong demand from international markets should prevent a sharper drop in grain prices in the Brazilian market. We expect corn prices to remain at high levels in 2013, though below the peaks seen in 2012.

Corn and soy meal quotes on the CME/CBOT and the average quote in regions surveyed by CEPEA/BRAZIL



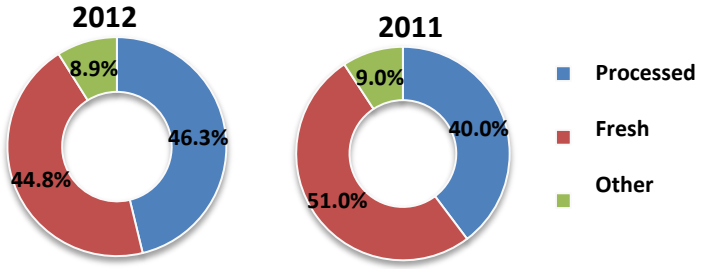
Source: Bloomberg.

5. Consolidated Economic and Financial Performance

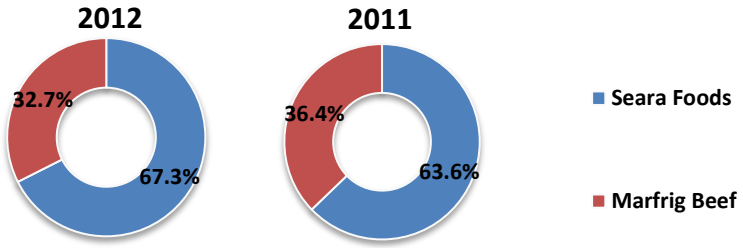
NET REVENUE

Net operating revenue increased 12.9% in 2012 to R$23,726.4 million, from R$21,014.1 million in 2011. The Management of the Corporation notes that this increase was mainly driven by (i) the increase of 14.8% in the average sales price, which is explained by the better product mix at Seara Foods (with the share of higher value products increasing from 54.7% in 2011 to 58.6% in 2012; (ii) the start of operations at new assets received from BRF, which only partially impacted the results of the third and fourth quarters, since they are currently in a ramp-up period; (iii) the new food service clients with higher volumes and average prices at Keystone Foods; (iv) the higher volumes sold to retail chains in Europe through Moy Park, which also benefited from the difficulties faced by other companies in the industry in the region; (v) the higher average prices at Marfrig Beef; and (vi) the depreciation in the Brazilian real against the U.S. dollar in the year of 14.3%.

Revenue by product:



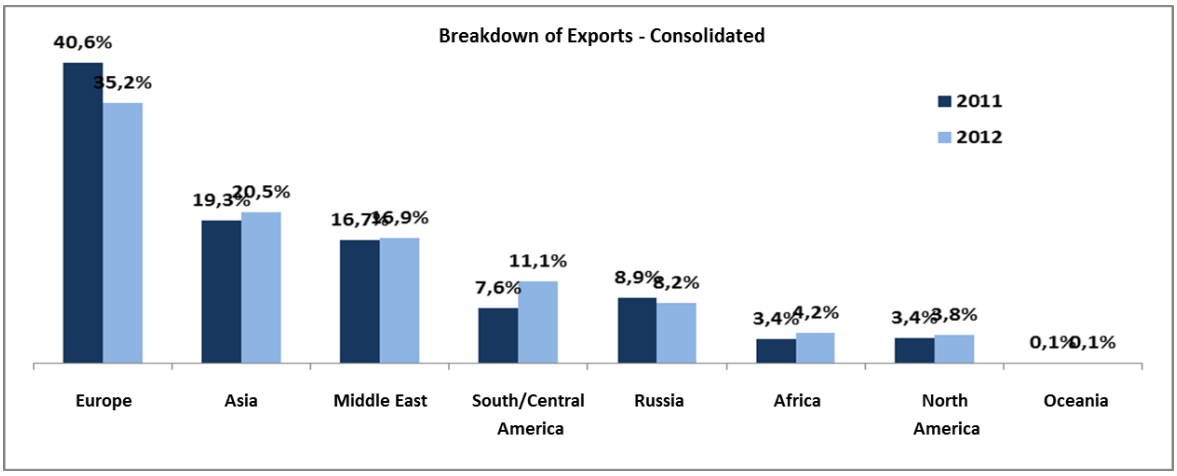
Revenue by Segment:



EXPORTS

In 2012, the Corporation's consolidated exports contracted 3.0% in Brazilian real to account for 33.5% of the group's total consolidated revenue, compared to 37.0% in 2011. In2012, the appreciation in the U.S. dollar against the Brazilian real and the gradual recovery in beef sales to important consumer markets supported stronger exports by the beef division. However, the adverse scenario faced in important poultry consumer markets and the stronger demand from Brazil's domestic market led the Corporation to redirect its sales to the domestic market. In 2012, our products were sold in more than 150 countries on five continents. This was the result of the strategy adopted by the Corporation, which opted to mitigate risks by diversifying its operations in order to not depend solely on just a small number of importing countries.

A breakdown of consolidated export revenue by destination follows.



In 2012, Europe remained the main destination for the Group's exports, although it accounted for a lower share compared to 2011. Asia and Central/South America increased their shares driven by exports by Marfrig Beef, while the Middle East grew driven by exports by Seara Foods[1].

[1] *A breakdown of the exports of Marfrig Beef and Seara Foods is provided below in the section Performance by Segment.*

COST OF GOODS SOLD

COGS increased 11.8%, from R$18.03 billion in 2011 to R$20.17 billion in 2012, reflecting the Corporation's organic growth, the sharp increase in grain prices, which reached record highs during the year, and the continued inflationary pressures on labor costs in the Brazilian operation. The 22.6% increase in raw material costs (grains, livestock and other inputs used to make feed) was the main factor responsible in the 11.8% increase in COGS in 2012. The item raw materials accounted for 71.6% of costs in the period, compared to 65.3% in the prior year.

The beef operation accounted for 30.1% of COGS, while Seara Foods accounted for 69.9%. Within the beef division, cattle accounted for around 84% of COGS, while grains and meals accounted for close to 65% of the Seara Foods operation.

A breakdown of the main components of Consolidated COGS follows.

COGS (R$ million)	2012	%	2011	%	Var. (%)
Raw Materials	**(14,440.7)**	**71.6%**	**(11,783.3)**	**65.3%**	**22.6%**
Packaging	(695.8)	3.5%	(721.2)	4.0%	-3.5%
Electricity	(136.9)	0.7%	(142.8)	0.8%	-4.1%
Direct Expenses + Direct Labor	(4,260.4)	21.1%	(4,536.6)	25.2%	-6.1%
Indirect Expenses + Indirect Labor	(633.3)	3.1%	(848.5)	4.7%	-25.4%
Total Consolidated COGS	**(20,167.2)**	**100.0%**	**(18,032.3)**	**100.0%**	**11.8%**
- **COGS Seara Foods**	**(14,094.0)**	**69.9%**	**(11,718.4)**	**65.0%**	
- **COGS Marfrig Beef**	**(6,073.2)**	**30.1%**	**(6,313.9)**	**35.0%**	

GROSS INCOME AND GROSS MARGIN

In 2012, Gross Income was R$3.56 billion, increasing 19.4% from R$2.98 billion in 2011. Gross margin was 15.0%, expanding 80 bps from 14.2% in 2011.

Despite the sharp increase in grain costs, the Corporation managed to grow its gross income due to the series of strategic actions implemented over the course of the year that enabled it to achieve more sustainable and less volatile margins. These measures included: (i) the continued increase in the penetration of the brand's processed/prepared products in the production mix; (ii) the better pricing of processed products under the Seara brand, with an average price increase of 19.6% in the year; (iii) the solid performance of the Marfrig Beef operations, which increased profitability by improving the management of sales channel and optimizing the industrial facilities by adjusting slaughter capacity and utilization to the better phase of the cattle cycle in Brazil; (iv) the development of more profitable sales channels (small and midsized retailers) in Brazil driven by the accelerated growth of the client base; and (v) the optimization of the industrial facilities, which diluted fixed costs.

INCOME STATEMENT (R$ million)	2012	2011	Var. (%)
Gross Income	**3,559.1**	**2,981.8**	**19.4%**
Gross Margin (%)	*15.0%*	*14.2%*	*80 bps*

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In 2012, operating expenses (excluding operating revenue and expenses) amounted to R$2.52 billion, increasing 16% from the prior year. As a percentage of net revenue, these expenses increased by 40 bps to 10.7%, due to the logistics challenge faced by Seara Brasil in absorbing and integrating the new units and distribution centers resulting from the asset swap transaction and the need to hire, train and equip the sales team to serve new clients. These impacts initially are not yet fully diluted by revenue, since the units are still in the ramp-up phase and operating at below optimum levels.

Selling expenses corresponded to 7.3% of NOR, compared to 7.1% in 2011, with increases concentrated in the items personnel, logistics, commissions and bonus, reflecting the investments in hiring, training and structuring the new sales team required to meet the needs of the new units. Note that we hired, equipped and trained 650 sales professionals during the second quarter of 2012 to sell the new products and brands. However, the sales only began to be closed once authorized by Brazil's antitrust agency CADE, which occurred only in the third quarter of 2012.

INCOME STATEMENT (R$ million)	2012	2011	Var. (%)
SG&A	***(2,520.7)***	***(2,169.9)***	***16.2%***
% of Net Revenue	*-10.6%*	*-10.3%*	*-30 bps*
Selling Expenses	(1,736.9)	(1,485.4)	16.9%
% of Net Revenue	-7.3%	-7.1%	*-30 bps*
General and Administrative Expenses	(783.7)	(684.5)	14.5%
% of Net Revenue	-3.3%	-3.3%	*n/a*

EBITDA AND EBITDA MARGIN

In 2012, Marfrig's consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to R$2.13 billion, increasing 20.3% from R$1.77 billion in 2011. EBITDA margin stood at 9.0%, compared to 8.4% in 2011.

EBITDA RECONCILIATION (R$ million)	2012
Net income attributed to Controlling Shareholder - Continued Operations	(480.8)
Net income attributed to Controlling Shareholder - Discontinued Operations	256.9
Net income attributed to controlling shareholder	**(223.9)**
(+) Provision for income and social contribution taxes	430.2
(+) Net financial charges	1,543.0
(+) Net exchange variation	538.4
(+) Depreciation/amortization	805.5
(-) Non-controlling interest	8.7
(-) Equity income	0.7
(-) Effect from Discontinued Operations	**89.4**
EBITDA	**2,134.0**
EBITDA Margin	9.0%

NET FINANCIAL RESULT

In the year, the financial result excluding exchange effects was an expense of R$1.54 billion, in line with 2011. Exchange variation in the year, which has no cash impact, was a loss of R$538.4 million, compared to a loss of R$780.6 million in 2011, which is explained by the average depreciation in the Brazilian real against the U.S. dollar of 14.3%.

Despite the increase in gross debt in the year, interest expenses totaled R$1.38 billion, in line with the R$1.39 billion recorded in 2011, which is explained by the reduction in the SELIC basic interest rate of up to 400 basis points between the periods and the Corporation's efforts to adjust debt service costs and obtain better rates.

NET FINANCIAL RESULT (R$ million)	2012	2011	Var. (%)
Financial Income	**316.6**	**397.7**	**-20.4%**
Financial income from derivatives	143.3	122.2	17.3%
Interests received, income from financial investments	152.7	248.7	-38.6%
Discounts and other	20.6	26.8	-22.9%
Exchange Gain	**525.6**	**564.8**	**-7.0%**
Total Financial Income	**842.1**	**962.5**	**-12.5%**
Financial Expenses	**(1,859.6)**	**(1,917.9)**	**-3.0%**
Interest on loans provisioned	(1,004.0)	(965.5)	4.0%
Interest on debentures	(329.9)	(401.7)	-17.9%
Interest on leasing	(21.6)	(26.5)	-18.3%
Derivatives	(182.8)	(379.6)	-51.8%
Bank fees, commissions and charges	(250.7)	(107.2)	133.9%
Other	(70.5)	(37.3)	88.8%
Exchange Loss	**(1,063.9)**	**(1,345.3)**	**-20.9%**
Total financial expenses	**(2,923.5)**	**(3,263.2)**	**-10.4%**
Net Financial Result	**(2,081.4)**	**(2,300.7)**	**-9.5%**

6. Other Financial Highlights

6.1. Investments

INVESTMENTS (R$ million)	2012	2011	Var. (%)
Investments in fixed assets	**1,022.2**	**912.6**	**12.0%**
Fixed assets	*654.9*	*632.4*	*3.6%*
Breeding stock	367.3	280.3	31.0%
Investments in intangible assets	***31.2***	***33.9***	***-8.0%***
Total investments	***1,053.4***	***946.6***	***11.3%***

Investments in fixed assets came to R$1,022.2 million, increasing 12.0% from 2011.

6.2. Operating Cash Flow

Operating cash generation was pressured mainly by the Working Capital associated with integrating the new units at Seara, as explained above.

CASH FLOW (R$ million)	2012
Net Income	**(224)**
(+) Items not affecting cash	1,801
(+) Working capital variation	**(477)**
Trade accounts receivable	(490)
Inventories	(394)
Trade accounts payable	408
(+) Other Variations in Equity	**(990)**
Other	(397)
TCD Assets (Working Capital)	(350)
Taxes	(243)
1. Commercial Flow	**112**
2. Investment Flow	**(1,053)**
3. Operating Cash Flow (1+2)	**(943)**
Financial Income (Expenses)	(1,261)
4. Free Cash Flow	**(2,204)**
Capitalization - Share Issue	1,017
Funding/Settlement of Loans	239
Discontinued Operations	495
Foreign Exchange Variation on Cash	154
Cash flow for the period	**(299)**

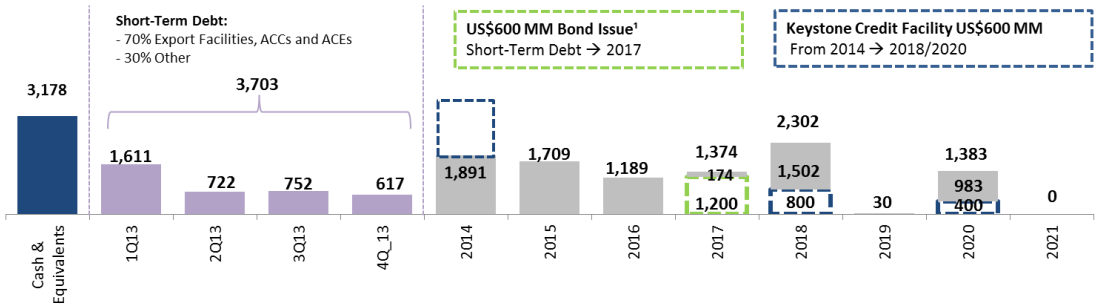
6.3. Capital Structure

GROSS DEBT

The Corporation's consolidated gross debt ended 2012 at R$12.38 billion, increasing R$1.00 billion from the position at the close of 2011. Of the total debt, 29.9% matures in the short term and 70.1% in the long term. The increase in debt was mainly due to the higher working capital needs caused by the integration into Seara of the new units arising from the asset swap transaction and by the increase in grain costs.

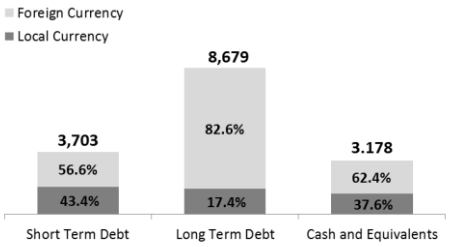
Of the total debt, 25.1% is denominated in Brazilian real and 74.9% is denominated in other currencies, which is virtually in line with the 72.0% of the Group's revenue generated in foreign currencies. At the end of 4Q12, the weighted average cost of our consolidated bank debt decreased to 7.62% p.a., reflecting the lower borrowing costs of transactions carried out in the period and the reduction in the basic interest rate of the Brazilian economy (SELIC).

Pro-forma Debt Profile



¹The above chart includes the US$600 million bond issue in Jan/13 due in Jul/2017, and the renewal of the Keystone Credit Facility with the maturity changing from 2014 to 2018 and 2020.

Debt and Cash Profile



NET DEBT AND LEVERAGE

Net debt at the end of 2012 was R$9.20 billion. The cash position was strengthened by the R$1.05 billion raised through the public share offering carried out in December. At the end of the year, the Corporation held R$3.18 billion in cash and investments.

Advancing the plan to improve its capital structure, on January 16, 2013, the Corporation concluded the US$600 million issue of Senior Notes due in July 2017 (see the Subsequent Events section).

The leverage ratio (Net Debt/EBITDA) stood at 4.31 times, down from 4.45 times at the end of 2011.

Debt Breakdown (R$ million)	12/31/2012			12/31/2011		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Domestic currency (BRL)	1,607.6	1,506.2	3,113.8	956.5	1,809.6	2,766.0
Foreign currency	2,095.4	7,172.7	9,268.1	1,500.9	7,110.4	8,611.3
Consolidated Debt	**3,703.0**	**8,678.9**	**12,381.9**	**2,457.3**	**8,920.0**	**11,377.3**
Cash and equivalents	3,178.2		3,178.2	3,477.0		3,477.0
Net debt			**9,203.7**			**7,900.3**
LTM EBITDA			2,134.0			1,773.8
Net Debt/LTM EBITDA			**4.31**			**4.45**

GLOBAL RISK RATING

Agency	Rating	Outlook	Last Revision
Standard & Poor's	B+	Negative	January 2013
Fitch Ratings	B+	Negative	January 2013
Moody's	B2	Stable	August 2012

NET INCOME (LOSS) FOR THE PERIOD

In 2012, the net loss amounted to R$223.9 million, or 70% lower than the net loss registered in 2011.

7. Performance by Segment

7.1. Seara Foods

CONTEXT

The year 2012 was a challenging one for Seara Brasil, given the extremely adverse scenario in the world economy, with economic slowdowns in important export markets, high currency volatility and unprecedented inflationary pressures on production costs adversely affecting the division's results.

To overcome these obstacles, the Corporation's management has been working diligently to transform Seara into the second-largest Brazilian company in the processed food sector, supported by an efficient distribution platform in both domestic and exports markets and focused on higher profitability and consistent cash generation.

Meanwhile, the successful integration of the industrial assets, brands and distribution centers arising from the asset swap transaction with BRF is gradually strengthening (though still in the ramp-up period) the presence of the Seara brand in Brazil and abroad. The consolidation of these new assets led sales of higher value branded products in Brazil's domestic market to account for approximately 65% of the sales of Seara Brasil in 2012.

In export markets, international scenario remains very challenging. The sharp increase in grain prices required a natural passthrough to prices, which was implemented partially and at a slow pace in certain regions that have been presenting incipient economic recoveries, such as in the Middle East and the European Union.

In Europe, Moy Park continues to demonstrate the resilience of chicken protein consumption by registering positive growth in the year despite the challenging economic environment. The Corporation capitalized on its leading position in the UK retail market by increasing its fresh chicken sales in the domestic market, taking the opportunity to expand its portfolio through the launch of branded and higher value products and benefiting from the financial difficulties encountered by another company in the industry, which helped Moy Park acquire new contracts.

At Keystone Foods, the solid performance was driven mainly by higher sales of processed products in the food service segment to the Asian market, which has been one of the major growth drivers of global protein demand.

On this front, for 2013 and 2014, Marfrig will concentrate its efforts on:

Higher value products and food service activities. Marfrig will continue to increase the share of processed products in its sales, namely: special beef cuts, cold cuts and sausages, frozen meals, canned foods, hamburgers, pasta, etc.

New opportunities by region and business division will continue to be pursued, exploring markets previously not served while consolidating the Corporation's presence in the domestic markets where it operates.

Seara Brasil will focus on increasing its penetration in the domestic market by expanding its client base and offering more prepared and processed products and increasing its exposure at the national level. Seara Brasil will concentrate its efforts on:

- increasing the capacity and efficiency in tapping new clients and consumer markets by improving logistics efficiency (OTIF rate and Fill Rate);
- disciplined and targeted investments in marketing that always focus on strengthening brand value perception, especially at Seara;
- increasing the number of points of sale and investing in product quality to obtain the best prices and further increase consumer confidence;

- developing the brands received in the asset exchange transaction with BRF to strengthen the position of the Seara brand and increase market share in regions where Seara Brasil has a less significant presence; and
- investing in innovation to ensure the long-term success of the Seara brand, including by taking advantage of existing brands, creating new brands or product categories or developing sub-brands.

We must also include here that a significant portion of the revenues from this operation will continue to come from exports, which, starting in 2013, will focus only on more profitable countries and on products with higher returns.

Moy Park, which focuses on Europe's domestic market, mainly the United Kingdom, will continue to expand its market share among major supermarket chains in Europe, gradually increasing the volume of branded and processed products in these chains as well as our presence in Europe's food service segment.

Keystone will continue to focus on the global food service industry. The operation will continue to capitalize on the global trend of growing consumption of food outside the home. Our main client continues to be the fast food chain McDonalds, which accounts for approximately 70% of the operation. This division will continue to follow the strategy of accompanying the growth of McDonalds, while also growing through other clients, such as YUM Brands, KFC, Campbell's, Subway, Chipotle, Wendy's, Burger King, etc. We have been enjoying good results in Asia, particularly in China, and we believe this region will offer enormous growth potential for the operations of Keystone Foods.

OPERATING PERFORMANCE

In 2012, Seara Foods's consolidated operations produced 1.8 million tons of processed food, up 7.6% from 2011. In terms of poultry slaughter volume, the number of chickens produced at Keystone grew in the period, mainly due to the joint venture formed in China in 2011.

In Brazil, slaughter volumes decreased due to the efforts to optimize our industrial plants aimed at capturing efficiency and profitability gains in our operations and to the reduction in Brazilian exports caused by the adverse environment seen in certain regions (such as Japan and the Middle East) during 2012.

The following table presents a breakdown of production by protein and division:

Production ('000 tons)	2012	2011	Var. (%)
Processed Food - Seara Brasil	473.0	365.7	29.3%
Processed Food - Moy Park	191.4	183.3	4.4%
Processed Food - Keystone	1,106.3	1,090.9	1.4%
Total Processed Food	1,770.7	1,639.9	8.0%

Slaughter (million units)	2012	2011	Var. (%)
Chickens - Seara Brasil	622.0	643.3	-3.3%
Chickens - Moy Park	212.4	208.4	1.9%
Chickens - Keystone	201.7	183.6	9.9%
Total Chickens	**1,036.1**	**1,035.3**	**0.1%**
Total Hogs	**3.2**	**2.7**	**16.8%**
Total Turkeys	**6.8**	**6.1**	**11.6%**

INCOME STATEMENT - SEARA FOODS (R$ million)	2012	2011	Var. (%)
NET OPERATING REVENUE	**15,974.3**	**13,366.6**	**19.5%**
Cost of goods sold	(14,094.0)	(11,718.4)	20.3%
GROSS INCOME	**1,880.3**	**1,648.2**	**14.1%**
Gross Margin	*11.8%*	*12.3%*	*60 bps*
SG&A Expenses	**(1,627.8)**	**(1,390.7)**	**17.1%**
% Gross Revenue	*-10.2%*	*-10.4%*	*20 bps*
OPERATING INCOME (EXPENSES)	**(1,620.9)**	**(1,229.6)**	**31.8%**
Selling expenses	(1,202.2)	(973.8)	23.5%
General and administrative expenses	(425.6)	(416.9)	2.1%
Other operating revenue/expenses	7.0	161.0	-95.7%
EBITDA	**1,092.6**	**1,086.5**	**0.6%**
EBITDA MARGIN	***6.8%***	***8.1%***	***-130 bps***

Seara Brasil – Domestic Market

In the domestic market, net revenue increased by 56.9%, from R$2.12 billion in 2011 to R$3.32 billion in 2012. Management believes that this increase was due to (i) the incorporation of the new assets into the operations of Seara Brasil, which supported an increase of 32.9% in processed food sales volume in the domestic market; and (ii) the average price increase of 30.1% in the domestic market at Seara Brasil. The contribution to net revenue from higher value products reached 65% in 2012.

The strategy to strengthen the Seara brand in the Brazilian domestic market was further advanced by the asset swap transaction with BRF. Started in June, the merger of 10 new production units, 8 distribution centers and 12 new brands was the result of a careful planning process and meticulous studies that culminated in a highly organized and synergic integration process. The new units led to a substantial increase in the capacity to produce processed food products, which represent around 90% of the total revenue from the assets received under the transaction.

The new plants are still in the initial phase of adaption and ended the year with a capacity utilization rate well below their full potential. Increasing capacity utilization is a gradual process that should extend over approximately 18 months, with the new units only then fully contributing to the creation of additional value for the division.

The sales team that was hired to support the new portfolio of brands and clients successfully surpassed their initial targets for registering and meeting these new clients. With the addition of another 650 new representatives, the sales team's efforts helped increase the total number of Seara clients in Brazil from 36,000 in January to 70,000 in December.

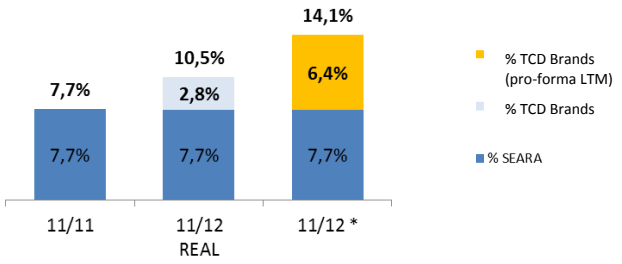
This significant expansion in the distribution network occurred nationwide and focused on more profitable sales channels, such as small and midsized retailers, and also sought to continuously enhance service quality in accordance with key industry indicators.

In addition to expanding the client base, we also worked to reposition the prices of Seara products, seeking not only to passthrough the increase in grain costs, but also to narrow the price gap between Seara and the leading brand in the market. The strategy led to an increase of 19.6% in the average price of Seara's processed products in Brazil's domestic market in 2012.

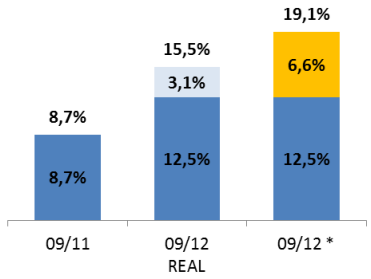
The effects from the entry of the new brands and the efforts by the sales team to expand Seara's client base have already been reflected in the substantial market share gains enjoyed by Seara in both the frozen meat category (processed products) and prepared meat category (cold cuts and sausages). Market share should tend to expand further over the coming quarters, as the new assets operate closer to the utilization levels of Seara's processed food plants.

According to the latest readings by Nielsen, Seara's current market share combined with the potential of the new brands acquired represent estimated market share of up to 14% in frozen meats and of 19% in processed meats, as the following charts show:

Frozen Meats (Processed Products)[1]:



Prepared Meats (Cold Cuts/Sausages)[2]:



[1] Frozen Meats (Processed Products): meatballs, hamburgers, kebbeh, ready-to-eat snacks, nuggets, ready-to-eat dishes, stuffed products, breaded products, savory snacks, steaks and pies.

[2] Prepared Meats (Cold Cuts and Sausages): pressed meats, pressed ham, healthy meats, coppa, sausages, bologna, Parma ham, ham, salami and wieners.

**Brands acquired under TCD transaction are proforma LTM.*

Seara Foods – Exports

The international environment for poultry and pork exports remained very challenging in 2012, with key consumer markets, such as Japan and Europe, recovering more slowly than expected in terms of pricing and still well below the historical volume and price levels reached in 2011.

Excess inventories, combined with the effects from the global economic crisis and regional political conflicts, had a negative impact and led to reductions of 7.0% in export volume and 4.3% in export revenue at Seara Brasil compared to 2011.

The effect was partially offset by the depreciation of 14.3% in the Brazilian real against the U.S. dollar, which supported a 2.9% increase in the average export price in Brazilian real.

According to Brazil's Foreign Trade Secretariat (SECEX), Seara recorded a 19.5% share of the country's poultry exports in 2012, versus 22.6% in 2011, and a 14.3% share of its pork exports, compared to 15.0% in the previous year.

INTERNATIONAL OPERATIONS

The international operations of Seara Foods posted a solid performance in 2012, with growth of around 20% at both Moy Park and Keystone Foods. Both operations showed consistent evolution especially in prices of processed products sold domestically, and also benefited from the favorable exchange translation of our revenues originated in other currencies.

In line with its strategy of concentrating efforts and resources on the production and marketing of higher value processed products, in April 2012, the Corporation concluded the sale of the specialized logistics assets of Keystone Foods to The Martin-Brower Company for US$400 million.

The solid performance of Keystone Foods was mainly driven by the operations in Asia, where we increased our sales of processed products to the food service segment and now serve around 2,600 restaurants in China, Hong Kong and Japan. This growth was also influenced by the ramp-up of the joint venture Keystone-Chinwhiz (60% Keystone - 40% Chinwhiz), which aims to build a chicken production platform in the Chinese market and closed 2012 with processing capacity of 200,000 birds/day, or half of Keystone's needs in the

country. Another partnership was closed in China with COFCO (45% Keystone / 55% COFCO) to explore business opportunities in food logistics and distribution services in the country by installing 6 distribution centers, the first of which already started operations in mid-2012.

At Moy Park, the healthy sales performance in the domestic market has been driven by the behavior of European consumers, who have prioritized meals at home, as well as by the advances related to the major events in the year, such as the Queen's Diamond Jubilee and the Olympic Games in London.

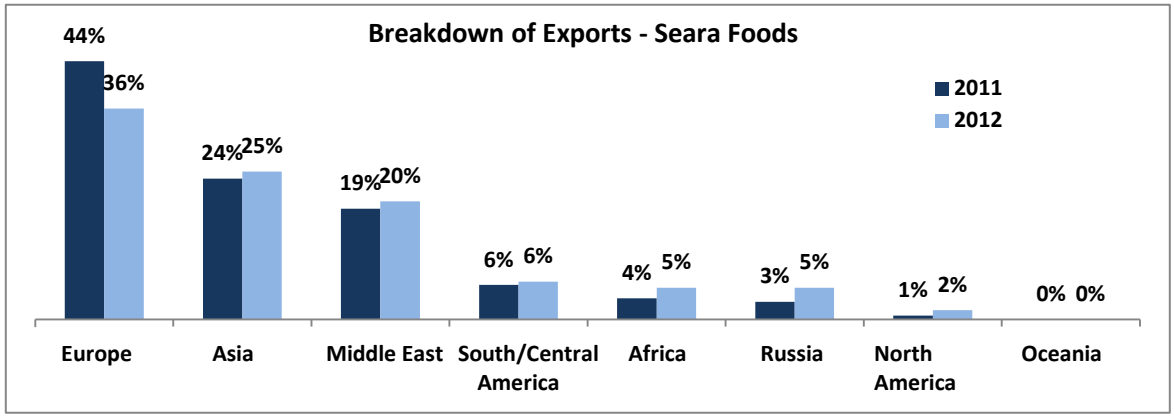
Its leading position in the UK market was strengthened by the difficulties faced by the entire chicken industry in Europe. This challenging environment, with economic stagnation in various countries in the region and strong pressures on production costs (grains), created unique opportunities for the company, since some regional competitors, which do not enjoy Moy Park's structure and value added, discontinued their operations, leading the Corporation to strengthen its relations with major retail chains.

Also at Moy Park, we expanded our portfolio with the launch of two new categories of Seara brand products exclusive to the European market: sliced ham, chicken, turkey and roast beef and the "Seara Good to Go" line of snack products made 100% from cooked chicken breast. The market for meat-based snacks in the UK grows at approximately 5% per year and this new line of products represents a major opportunity to enter this segment.

In yet another effort to add even more value to our products, in 2012 we launched the premium line of ready-to-eat meals made with organic chicken and signed by renowned British chef Jamie Oliver. The line was recognized with the seal "Good Chicken Award 2012" from the organization for defense of animal well-being Compassion in World Farming.

SEARA FOODS – CONSOLIDATED EXPORTS

Europe remained the main export destination of Seara Foods, with its share in the business segment's total exports decreasing to 36%, compared to 44% in 2011. Asia was the second most important destination, increasing its share to 25% from 24% in 2011, while the Middle East, the division's third most important export destination, increased its share from 19% to 20%.



7.2. Marfrig Beef

CONTEXT

The **MARFRIG BEEF** segment in Brazil enjoyed a favorable moment in 2012, during which it was able to increase the profitability of its operations by improving its management of sales channel and optimizing its industrial facilities by adjusting slaughter capacity and utilization to the better phase of the cattle cycle in Brazil, in contrast to the situation in Uruguay.

Export growth was driven by the gradual recovery in consumption in important international markets, such as the Middle East and Chile, as well as by the low levels of global beef inventories. Exports also benefited from the appreciation of the U.S. dollar against the Brazilian real in the period.

In the international operations, we significantly reduced our exposure to the Argentinean market by exchanging the assets and brands of Quickfood for the assets and brands of BRF in Brazil. Our presence in that country is now restricted to exporting premium cuts, where we hold an important share of the Hilton Quota, and to serving the needs of the domestic food service segment.

OPERATING PERFORMANCE

In 2012, Marfrig Beef's consolidated operations produced 1.2 million tons of processed food. Cattle slaughter volume decreased due to: (i) the temporary shutdown of 9 units in 2011 (7 in Brazil, 1 in Uruguay and 1 in Argentina), 3 of which resumed operations already in 2012; (ii) the lower exposure to Argentina, due to the asset swap transaction with BRF in June 2012; and (iii) the adverse scenario in Uruguay, which continues to suffer from low cattle supply and high cattle prices.

The following table presents a breakdown of production by protein and division:

Production ('000 tons)	2012	2011	Var. (%)
Total Processed Foods	1,167.5	1,379.1	-15.3%

Slaughter (units)	2012	2011	Var. (%)
Cattle - Brazil	2,415,838	2,582,140	-6.4%
Cattle - Argentina and Uruguay	904,343	997,350	-9.3%
Total Cattle	**3,320,181**	**3,579,490**	**-7.2%**
Lamb - Brazil	101,449	118,517	-14.4%
Lamb - Uruguay/Chile	177,842	215,131	-17.3%
Total Lamb	**279,291**	**333,648**	**-16.3%**

INCOME STATEMENT - MARFRIG BEEF (R$ million)	2012	2011	Var. (%)
NET OPERATING REVENUE	**7,752.1**	**7,647.5**	**1.4%**
Cost of goods sold	(6,073.2)	(6,313.9)	-3.8%
GROSS INCOME	**1,678.9**	**1,333.6**	**25.9%**
Gross Margin	*21.7%*	*17.4%*	*430 bps*
SG&A	(892.8)	(779.2)	14.6%
% Gross Revenue	*-11.5%*	*-10.2%*	*130 bps*
OPERATING INCOME (EXPENSES)	**(776.7)**	**(771.6)**	**0.7%**
Selling expenses	(534.7)	(511.6)	4.5%
General and administrative expenses	(358.1)	(267.7)	33.8%
Other operating income/expenses	116.2	7.7	n/a
EBITDA	**1,041.4**	**687.3**	**51.5%**
EBITDA MARGIN	***13.4%***	***9.0%***	*440 bps*

Marfrig Beef – Brazilian Domestic Market

In the domestic market, net revenue decreased by 4.2%, from R$3.47 billion in 2011 to R$3.33 billion in 2012. The reduction reflected the 21.4% decrease in domestic sales volume, which was mainly due to the weaker demand in the first few months of the year. In view of this scenario, Management opted to temporarily shut down 7 plants in 2011 in order to optimize the industrial facilities of Marfrig Beef, which

adversely affected sales volume. During 2012, 3 of these 7 plants temporarily shut down were reopened to take advantage of the better scenario for beef consumption in both the domestic and export markets.

Despite the reduction in volumes sold domestically, Marfrig's broad penetration and expertise in the food service segment, with a strong presence in the states of São Paulo and Rio de Janeiro and in the country's South and Northeast regions, enabled the Brazilian operations to expand their margins from the prior year. The specialized and focused effort to develop standardized, flavorful and high-quality products have come to represent an important competitive advantage in meeting the needs of major chains of restaurants, fast food restaurants and steakhouses, with a total of 6,000 clients served in 2012. To achieve this, the integration with Seara's distribution centers and the new DCs received under the asset swap transaction with BRF will bring important gains in distribution by gradually expanding our distribution platform, expanding the reach of our operations in the food service segment and improving our capacity to serve small and midsized retailers.

Marfrig is also pioneering the development in Brazil of an incentive program for the Angus breed, encouraging cattle farmers to disseminate the best and latest genetic techniques and production systems. Marfrig also provides technical support and guarantees animal purchases, receiving in exchange the certainty that it will always buy cattle that meets exclusive standards in terms of type, age and traceability and that, most importantly, was raised in accordance with good practices.

Another important advantage of Marfrig is its pioneering work in developing a portfolio of high-value beef products backed by strong brands. The Bassi, Seara Angus, Seara Churrasco and Montana product lines are a few examples of brands recognized by consumers for their high quality and exemplary tenderness, flavor and succulence, which has allowed the Corporation to add more value to its product and operate in more profitable sales channels.

Marfrig Beef – Brazilian Exports

In the export market, net revenue increased by 19.1%, from R$1.61 billion in 2011 to R$1.92 billion in 2012. In the opinion of Management, this increase was due to the higher volume of exports to take advantage of the return of certain important destinations, such as Chile and the Middle East, and to the improvement in average prices in the period driven by the appreciation in the U.S. dollar against the Brazilian real.

Marfrig Beef – International Operations

In 2012, with the reduction in the size of our operations in Argentina resulting from the asset swap transaction, we reduced our operational scope to the niche market of exporting premium cuts, which have higher value-added, and also sought to use our entire Hilton Quota. In the domestic market, we continued to serve the food service segment, while gradually introducing Seara brand processed products.

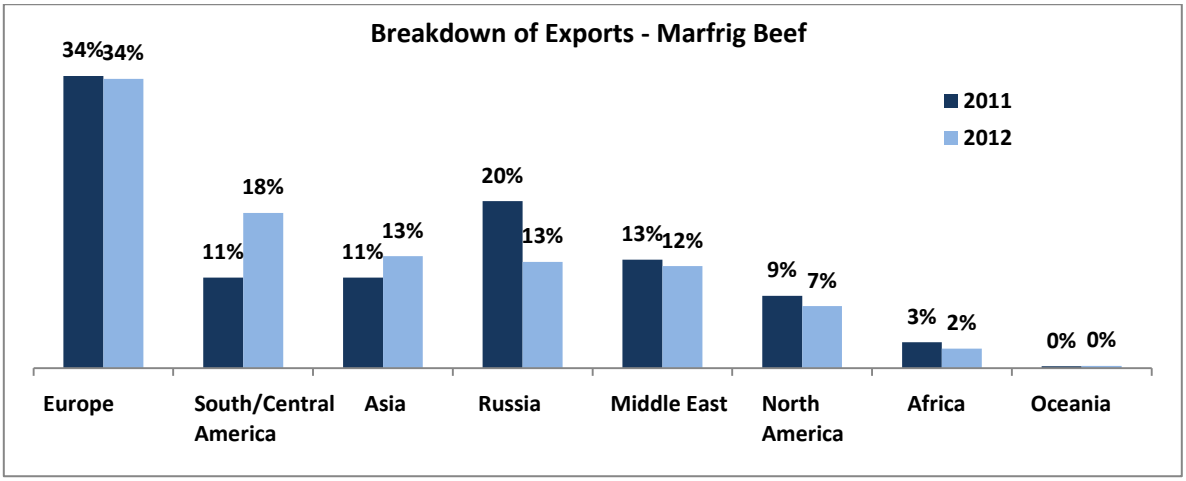
In Uruguay, despite the still-adverse scenario marked by a limited supply of cattle, we continued to take advantage of our leadership position and the country's sanitary status, which is authorized to export beef to the key consumer markets in the world.

Moreover, as part of the strategy to diversify across various proteins and optimize the production platform, for the second consecutive year, our lamb slaughter plant located in Chile's Patagonian region produced and processed also fish, clams, King Crab and other seafood. The unit is qualified to export seafood to important and demanding markets, such as the United States, Europe and Asia, and is in the process of obtaining a license to export to Brazil.

In the leather segment, the highlight was the growth in sales at Zenda, which also joined the Research and Development team at BMW. A supplier to the brand since 1996, Zenda leathers have revolutionized the comfort, design and durability of car seating and is currently being used in all BMW models, from the Series 1 to X models.

Marfrig Beef – Consolidated Exports

Europe remained the main export destination of Marfrig Beef, with its share in the business segment's total exports remaining stable in relation to 2011. South America was the second most important destination (18%), followed by Asia (13%), with both markets increasing their share and offsetting the reduction in shipments to Russia that followed the restrictions imposed during the year.



8. Corporate Governance

OVERVIEW

As a publicly held corporation listed on the **Novo Mercado** segment of the Brazilian Stock Exchange (BM&FBovespa S.A. - Securities, Commodities and Futures Exchange), Marfrig is committed to the best practices in corporate governance and adopts the highest standards of transparency, accountability and equity in its treatment of all stakeholders.

The Corporation also follows the recommendations of the Brazilian Code of Best Corporate Governance Practices prepared by the Brazilian Corporate Governance Institute (IBGC), given its belief that continuous improvements in these practices help increase its value and improve its performance.

In November 2012, the Corporation announced to the market the hiring of executive Sérgio Rial to become CEO of the Seara Foods Business Division. Mr. Rial is responsible for consolidating the division under a single company and working on the transition process that will lead him to take over as CEO of the Marfrig Group by January 1, 2014. The hiring of Mr. Rial is yet another step towards strengthening the Corporation's management and governance and complying with the rules of Novo Mercado listing segment regarding the separation of the positions of Chairman of the Board of Directors and Chief Executive Officer.

Mr. Rial will serve on the Finance Committee and on the Compensation, Governance and Human Resources Committee, which are advisory bodies to the Board of Directors of the Corporation.

BOARD OF DIRECTORS

The Corporation's Board of Directors currently consists of eight members, three of whom are independent members, in compliance with the requirement of the Novo Mercado Regulations that at least 20% of directors be independent.

The composition of the Board of Directors on December 31, 2012 is shown below:

Director	Position	Election Date	End of Term
Marcos Antonio Molina dos Santos	Chairman of the Board	04/30/2011	2013 ASM*
Alain Emilie Henry Martinet	Director	04/30/2011	2013 ASM
Antonio Maciel Neto	Independent Director	04/30/2011	2013 ASM
Carlos Geraldo Langoni	Independent Director	04/30/2011	2013 ASM
David G. McDonald	Director	04/30/2011	2013 ASM
Marcelo Maia de Azevedo Correa	Independent Director	04/30/2011	2013 ASM
Marcia A. P. Marçal dos Santos	Director	04/30/2011	2013 ASM
Rodrigo Marçal Filho	Director	04/30/2011	2013 ASM

* ASM = Annual Shareholders Meeting

In November 2012, MMS Participações S/A, the controlling shareholder of the Corporation, informed that it will appoint Sérgio Rial as a member of the Board of Directors as from the next Annual Shareholders Meeting.

PERMANENT AUDIT BOARD

The Audit Board is a corporate body independent from the management and from the external auditors whose purpose is to oversee management's activities, review the Corporation's financial statements and report their findings to shareholders.

The Corporation's Audit Board is currently formed by three members and three alternate members with one-year terms and reelection permitted.

The composition of Marfrig's Audit Board is shown below:

Audit Board Member	Position	Election Date	End of Term
Marcílio José da Silva	Member	04/28/2012	2013 ASM
Peter Vaz da Fonseca	Member	04/28/2012	2013 ASM
Roberto Lamb	Member	04/28/2012	2013 ASM
Sérgio Tuffy Sayeg	Alternate Member	04/28/2012	2013 ASM
Marcello Froldi Negro	Alternate Member	04/28/2012	2013 ASM
Antonio B. Coury Jr.	Alternate Member	04/28/2012	2013 ASM

COMMITTEES SUPPORTING THE BOARD OF DIRECTORS

The Corporation created three committees to advise the Board of Directors, all of which are chaired by independent directors. The three committees are:

- Audit Committee, chaired by Mr. Marcelo Maia de Azevedo Correa;
- Finance Committee, chaired by Mr. Carlos Geraldo Langoni;
- Compensation, Governance and Human Resources Committee, chaired by Mr. Antonio Maciel Neto.

CODE OF ETHICS

Marfrig's Code of Ethics establishes the values, principles and attitudes to be adopted by the Group's employees. Inspired by moral values that go beyond mere compliance with the law, the Code envisages the

paths, attitudes and commitments that will ensure Marfrig's reputation and integrity in the conduct of its business and processes throughout the entire chain.

Marfrig believes ethics are a concrete practice to be understood and adopted by all employees in the various countries where the Corporation has offices and industrial operations, permeating everything from the relationship with suppliers to the commercial and institutional relationship of the Marfrig Group with its clients, consumers and shareholders. The Code represents a major part of the identity of the Marfrig Group and upholding its principles is the ethical basis of the Corporation's corporate culture.

STOCK OPTION PLAN

The Corporation also maintains a Stock Option Plan for its directors and officers. The purpose of the Plan is (i) to promote the expansion, success and execution of the Corporation's corporate objectives; (ii) to align the interests of the Corporation's shareholders with those of its managers, employees, service providers and subsidiaries; and (iii) to enable the Corporation or its subsidiaries to attract and retain directors, managers, employees and service providers.

At the end of 2012, 309 employees were included in the Stock Option Plan, which is available on the Corporation's website (www.marfrig.com.br/ri) and the website of the Securities and Exchange Commission of Brazil (www.cvm.gov.br).

SECURITIES TRADING POLICY

The Securities Trading Policy of Marfrig Alimentos S.A. establishes the rules and procedures to be adopted by the Corporation and its related persons with regard to trading in securities issued by Marfrig, assuring for all stakeholders the ethical conduct of those who have access to material information. The Policy also seeks to prevent and punish the improper use of confidential material information by those with access to it. The Securities Trading Policy is available on the Corporation's website (www.marfrig.com.br/ri) and on the website of the CVM (www.cvm.gov.br).

RISK MANAGEMENT

The Corporation is subject to market risks in its activities related to fluctuations in exchange rates, interest rates and commodity prices. To mitigate these risks, the Corporation establishes policies and procedures to manage such exposures and can adopt the use of hedge instruments, provided they are approved in advance by the Finance Committee.

In addition, the Group's strategies aimed at further diversifying the operations across geographic regions, animal proteins and market segments are closely aligned with its risk management policy. The Group's diversification in terms of geographic regions and product portfolio allow it to carry out its activities without being severely affected by sanitary or economic barriers or by major fluctuations in the prices or costs of its product and raw materials.

9. Capital Markets

CAPITAL AND OWNERSHIP STRUCTURE

In December 2012, the Corporation carried out a Primary Public Offering of Common Shares that, including the over-allotment option, involved the issue of 131,250,000 new common shares. Marfrig's subscribed and paid-in capital on December 31, 2012 totaled R$4.9 billion, represented by 476,997,405 common shares.

Subsequent to the offering, in January 2013, another 43,750,000 shares were converted by the Brazilian Development Bank (BNDES) related to the Mandatorily Convertible Debentures. Following the conversion, the subscribed and paid-in capital totaled R$5.3 billion, represented by 520,747,405 common shares.

The following table shows the ownership structure after the conclusion of the Public Offering and the adjusted position following the conversion of another 43,750,000 shares by the BNDES.

Shareholders	12/31/2012	Ownership (%)	12/31/2012 Adjusted(*)	Ownership (%)
MMS Participações / Controlling Shareholders	183,963,653	38.57%	183,963,653	35.33%
Treasury Stock	690,704	0.14%	690,704	0.13%
Administrators	231,281	0.05%	231,281	0.04%
BNDESPAR	58,452,427	12.25%	102,202,427	19.63%
Other	233,659,340	48.99%	233,659,340	44.87%
Total	**476,997,405**	**100.00%**	**520,747,405**	**100.00%**

(*) Includes the over-allotment option and the conversion of one-third of the Mandatorily Convertible Debentures by the BNDES.

Stock Performance in 2012

Marfrig stock is traded under the symbol MRFG3 on the Novo Mercado special corporate governance segment of the Brazilian Stock Exchange (BM&FBovespa) and is a component of the following stock indexes: Bovespa Index (IBOV), Broad Brazil Index (IBRA), Brazil Index 50 (IBXL), Brazil Index 100 (IBXX), Carbon Efficient Index (ICO2), Consumption Sector Index (ICON), Corporate Governance Trade Index (IGCT), Special Corporate Governance Index (IGCX), Corporate Governance Index - Novo Mercado (IGNM), Industrial Sector Index (INDX), Special Tag-Along Stock Index (ITAG), BM&FBovespa Value Index (IVBX), Small Cap Index (SMLL).

On average, 4,600 trades involving 2.7 million shares in Marfrig were carried out per trading session during 2012, which generated average daily financial trading volume of R$27.6 million.

Marfrig stock ended the year quoted at R$8.48, which is practically unchanged from R$8.54 at the end of 2011.

Note that due to the dilution of shareholders as a result of the share issue carried out in December 2012, the Corporation's market capitalization increased by 37.5% to close 2012 at R$4.04 billion, compared to R$2.96 billion on December 31, 2011.

10. Social and Environmental Performance

The Marfrig Group strives to be a reference in sustainability in its market segment, for which it adopts a policy of continuous improvement and technological innovation, combined with transparency in its actions and solid corporate governance practices.

The pursuit of business sustainability is one of the pillars of the Marfrig Group's strategy and is reflected in the expansion of its activities, which is always based on the **triple bottom line** concept, i.e. **social**, **environmental** and **economic** aspects (or more generically, people, planet and results). Marfrig is committed to maintaining this balance and respecting the cultural aspects, business practices and local characteristics of each unit.

In this context, in 2011 Marfrig undertook the first global mapping of its GHG emissions throughout the entire production chain. This resulted in the first global emissions report, which will serve as a platform for the implementation of a series of environmental programs designed to lead us towards a low-carbon economy. The Corporation also prepared its first Annual Sustainability Report based on the guidelines of the Global Reporting Initiative (GRI).

The Marfrig Group regards sustainable development as an ethical means of conducting its businesses and creating long-term value that should involve all stakeholders, including clients, consumers, suppliers, partners, employees, shareholders, investors, financial institutions, society and the government.

By adhering to the main public commitments related to corporate sustainability in the industry, the Group demonstrates its proactive approach to anticipating solutions, rather than merely reacting to legal requirements.

The Corporate Sustainability Strategy, which permeates all of the Group's divisions, comprises six fronts supported by 23 pillars, as presented below.

Social	Supply Chain	Environmental	Technological	Economic	Product
Social responsibility	- Sustainable agriculture	- Climate change	- Innovation	- Long-term vision	- Nutritional value
Diversity		Natural resources	- Pioneering		
Marfrig Sustainability Institute	- Relations with suppliers	- Energy matrix	- Engineering	- Cost management	- Quality
		- Solid waste			
- Workplace health and safety	- Animal well-being	- Biodiversity	- Research and development	- Risk and opportunity management	- Food safety
		Life cycle			

The Marfrig Group's main sustainability initiatives are available on the Sustainability website of the Corporation at www.marfrig.com.br/sustentabilidade

11. People Management

With the implementation of the new corporate structure of the Marfrig Group, which was developed and announced in February 2012, we began to standardize our processes at the global level and to build a corporate structure that is closely aligned with the business strategies.

The challenges are similar to those in the current market scenario, whereby as we expand our activities in Brazil and the other international operations, we face a growing need to form, maintain and develop our talent in their technical, behavioral and leadership competencies and ensure their adherence to the Corporation's way of being.

Therefore, over the last year, we launched a plan to develop global people management with the objective of aligning the concepts, processes and tools of Human Resources across all of the companies that form the Group. The goal is to obtain a competitive advantage to help improve and leverage the Corporation's results over the medium and long term.

The first project implemented was the Global Job Assessment and Structure, which drew on the support of Mercer, an international consulting firm that is a reference in initiatives involving human capital, which, based on best industry practices, developed a customized model for the Marfrig Group.

Over a period of six months, interviews were conducted with executives from all over the world from positions ranging from chief executive officer to manager. The phase involved evaluating and classifying all job positions. Mercer also helped train the Corporation's Compensation team so that it could, working independently, continue to work on managing the job position model.

In 2013, all of the companies that form the Group will detail the structures of the other organizational levels. The expectation is that by year-end, the entire Organization will be working with the newly implemented model.

Other Human Resources processes

Attracting Talent

We created an Executive Recruiting team at Marfrig Alimentos S.A. to centralize all processes for attracting people to executive positions at the Corporation. With the insourcing and professionalization of processes, we introduced the concept of interviews by competency and implemented a method for managing decisions that aims to involve and engage the Corporation's leaders when hiring new executives. The proposal helps us increase the effectiveness and competitiveness of the Marfrig Group in recruiting new talent.

People Development

Created by a multicultural team with vast experience in managing talent, the Development Center of the Marfrig Group is currently in the phase of validating the model. The project's objectives include identifying talent that is already prepared to assume new leadership positions, accelerating career advancement for employees, facilitating the process of identifying talent for the Corporation's Succession Program and optimizing the financial investments in this area.

The initiative will align the talent management processes with the strategic guidelines for attracting talent and managing performance and careers.

Internal Communication

With guidelines closely aligned with the Group's business strategy, in 2012, the Internal Communication department was centralized under Human Resources and, over the last few months, has launched institutional campaigns and campaigns in partnership with others departments in the Corporation, such as Sustainability.

To celebrate Environment Month (June), for example, the department organized a contest for the best drawings by the sons, siblings and grandchildren of employees across Brazil, which resulted in the submission of over 1,500 works. The awards included bicycles, computers with printers and certificates of participation. To support campaigns such as these, the various communication channels must be redesigned, which include bulletin boards, the intranet, videos and electronic notices. After all, a well aligned and well-structured internal communication will enable us to disseminate our culture throughout the Corporation among our 90,000 employees around the world.

Employees

The Marfrig Group ended 2012 with 91,236 employees around the world, or 7.93% more than in 2011. This growth is explained by the incorporation of the operations of Brasil Foods (BRF) as a result of the asset swap transaction with the Marfrig Group, which added around 9,000 new employees to the Corporation's team. The following table shows the number of employees by division:

Division	Dec/11	Dec/12
Marfrig Holding	144	144
Beef - Brazil	16,967	19,055
Beef - International Operations [1]	9,539	7,518
Poultry, Pork & Processed Products - Brazil	35,284	43,913
Poultry, Pork & Processed Products - International Operations [2]	22,601	20,606
Total	**84,535**	**91,236**

[1] Includes employees of Marfood (USA) and Chile

[2] Includes employees of MoyPark and Keystone

Of this total, 59% are male and 41% female, in line with the profile in 2011. Since Marfrig is relatively young, 66% of its employees have been with the Corporation for up to five years, 21% for between five and ten years, and 13% for more than ten years.

In terms of age, 60% are 35 years old or younger, 39% are aged between 25 and 35, and 40% are over 35.

The Corporation's average monthly turnover ratio in Brazil is 3.2%, down 0.4p.p. from 2011 At the global level, the turnover ratio stood at 2.9%.

Net revenue per employee in the year grew by 4.6% compared to 2011.

Indicator	2011	2012	Change %
Number of employees *	84,535	91,236	10.68%
Average number of employees in the year	88,263	87,826	-1.00%
Net revenue per employee/year (R$ '000)	248,584	260,055	4.6%

*On December 31, 2012.

12. Adherence to the Market Arbitration Chamber

The Corporation and its officers and directors have committed to resolve through arbitration any dispute or controversy arising between them that relates to or originates from, in particular, the application, validity, effectiveness, interpretation, breach and their effects on the provisions contained in the agreement to adopt Novo Mercado requirements, in the Novo Mercado Listing Regulations, in the Bylaws, in Brazilian Corporation Law, in the regulations issued by the National Monetary Council, by the Central Bank of Brazil or by the Securities and Exchange Commission of Brazil (CVM), in the regulations of the São Paulo Stock Exchange (BM&FBOVESPA), in the other rules applicable to the functioning of the capital markets in general, in the Arbitration Commitment and in the Arbitration Regulations of the Market Arbitration Chamber, with said arbitration conducted in compliance with these latter Regulations.

13. Relationship with the Independent Auditors

Pursuant to CVM Instruction 381/2003, which refers to the rendering of services by our independent auditors – BDO RCS Auditores Independentes – we hereby declare that fees related to services other than those associated with the independent audit accounted for less than 9% of the total fees paid to the group of auditors by Marfrig Alimentos S.A. and its subsidiaries.

14. Subsequent Events

On February 5, 2013, the Corporation carried out 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 Corporation that were held by BNDES Participações S.A. (BNDESPAR) into forty-three million, seven hundred and fifty thousand (43,750,000) common shares ("Shares") issued by the Corporation, in accordance with Item III.16.11 of the "Private Deed of the 2nd Issue of Debentures Convertible Into Shares of Marfrig Alimentos S.A." that was entered into by the Corporation and Planner Trustee DTVM Ltda. on July 22, 2010, and as per the Material Fact published on October 24, 2012.

The Shares resulting from this conversion will 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 Corporation.

As a result of the aforementioned debenture conversion, there was an increase in the ownership interest held by the shareholder BNDESPAR, which now holds common shares representing 19.63% of the capital stock of the Corporation.

On February 8, 2013, the Board of Directors elected Mr. Ricardo Florence dos Santos to serve as Chief Administrative and Financial Officer of the Corporation, replacing Mr. Alexandre Mazzuco, who is leaving the Corporation to dedicate his time to other professional and personal projects. Mr. Ricardo Florence, who previously served as the Vice-President of Finance and Investor Relations Officer of Marfrig Alimentos S.A., will serve as CFO as established by the bylaws and accumulate also the position of Investor Relations Officer that he already performs.

On January 24, 2013, Market Maker services ceased to be provided by XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. The Corporation will inform the market once these services are contracted again.

On January 16, 2013, the Corporation concluded the new issue of long-term bonds. The issue placed US$600 million in bonds due in July 2017. The proceeds will be used to improve the long-term debt profile of the Corporation.

The bonds were issued with an interest coupon of 9.875% per annum, to be paid semiannually, including the same covenants and restrictions as previous operations of the same nature.

15. Declaration of the Managers

DECLARATION OF THE CHIEF EXECUTIVE OFFICER

I, Marcos Antonio Molina dos Santos, hereby declare that: 1 - Based on my knowledge, the planning presented by the auditors and the subsequent discussions of the auditing results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO RCS Auditores Independentes. 2 - I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2012, and based on the subsequent discussions I agree that these Statements adequately reflect all material aspects and the financial position for the periods presented.

São Paulo, March 27, 2013

Marcos Antonio Molina dos Santos

DECLARATION OF THE CHIEF OPERATING OFFICER

I, James David Ramsay Cruden, hereby declare that: 1 - Based on my knowledge, the planning presented by the auditors and the subsequent discussions of the auditing results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO RCS Auditores Independentes. 2 - I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2012, and based on the subsequent discussions I agree that these Statements adequately reflect all material aspects and the financial position for the periods presented.

São Paulo, March 27, 2013

James David Ramsay Cruden

DECLARATION OF THE CHIEF ADMINISTRATIVE, FINANCIAL OFFICER AND INVESTOR RELATIONS OFFICER

I, Ricardo Florence dos Santos, hereby declare that: 1 - Based on my knowledge, the planning presented by the auditors and the subsequent discussions on the auditing results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO RCS Auditores Independentes. 2 - I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2012, and based on the subsequent discussions I agree that these Statements adequately reflect all material aspects and the financial position for the periods presented.

São Paulo, March 27, 2013

Ricardo Florence dos Santos