

Management Report

2014



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1. Message from the Chairman

I want to start by wishing all of you much health and peace in 2015.

We closed 2014 with many accomplishments. We invested in the production of high-quality cattle with the launch of the Marfrig + Program, an innovative initiative to achieve a leap forward in the genetics of Brazil's cattle herd while simultaneously accelerating growth in the country's beef production.

The program integrates various fundamental links in the production chain and could pave a new path for higher productivity in beef cattle operations. We created a Technical Committee to accompany production from end to end, which is formed by producers, feedlot operators, trade associations, Marfrig as a manufacturer and Brazilian and international clients. Our commitment to quality in all that we do has never been so strong or assimilated by the group's culture. We believe in partnerships, because we're strong only when we work together with our partners across the various chains in which we operate, whether the over 700 poultry farms in the United Kingdom that supply Moy Park or our partners in the various joint ventures we formed in Asia. Working with partners is a key asset that we strive to preserve and that sets us apart.

Our brands also offer us enormous opportunities. Bassi, one of Brazil's best beef, still has lots of room in which to grow in the domestic market. And thanks to the confidence of our clients, we enjoy an excellent reputation in the food service channel.

During 2014, we met the needs of thousands of clients in over 60 countries by focusing on innovation and guaranteed on-time delivery, without foregoing improvement in the profitability of our business.

The Board of Directors played a very active role throughout the year by supporting and closely accompanying the execution of our Focus to Win strategy. On behalf of the board, I can say that 2014 was a year marked by the delivery of results and stronger alignment between the company's executive team and board of directors. Today we can say that the excellence of our team permeates all levels of the group. The efforts made in recent years to attract new talent and groom talent in-house have yielded results, but we believe the best is yet to come.

To all our employees, clients, and shareholders, as well as the members of our various boards and committees, I extend my deepest appreciation.

Marcos Antonio Molina dos Santos
Chairman of the Board of Directors

2. Message from the CEO

The year 2014 was very important to our group.

We promoted our brands at one of the world's most important sporting events, the FIFA World Cup, to which we invited over 3,000 guests from Brazil and the rest of the world.
We met our operational and financial targets for 2014, despite the many challenges that marked the period. At the end of 2013, we had already decided to give specific guidance to the market formed by four key targets: net revenue, EBITDA margin, capital expenditure and free cash flow.

We're very pleased to see both existing and new shareholders rewarding the efforts of our team, who ended the year with over 45,000 employees, as demonstrated by the appreciation in our stock price and the confidence placed in the group by our producers, suppliers and clients. The market was able to recognize our determination and strong operational focus.

We continue to strengthen our leadership in the animal protein industry in the area of sustainability, our commitment to quality and innovation and our determination to serve our clients in the best possible way and support them in their strategies.

All of this was reflected in the year, which was marked by a strong focus on operational execution, sustainable growth and profitability, the ultimate goal of any Company. All of our business units ended 2014 with EBITDA margins of over 7%.

The Focus to Win strategy produced results, guiding the group on a singular path of growth. This marks the beginning of a transformational process to create value that is being implemented by an exceptional team of executives who are fully committed to value accretion and building one of the world's best food platforms.

I am extremely grateful to all those who, in one way or another, support the company and its strategy. We remain steadfastly committed to building a better Marfrig with each passing year.

Sergio Rial
Chief Executive Officer

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3. Overview of the Corporation

Marfrig Global Foods S.A. is a global food corporation operating in the food service and retail segments that offers innovative, safe and healthy food solutions to its clients. With a diversified and comprehensive product portfolio, Marfrig is committed to excellence and quality and to ensuring the presence of its products in the largest restaurant chains and supermarkets, as well as consumers' homes, in over 110 countries.

Its activities include the production, processing, further processing, sale and distribution of foods made from animal proteins, namely beef, lamb, poultry and fish, as well as a variety of other food products, such as coated products, ready-to-eat meals, frozen vegetables, desserts and other products.

With approximately 45,000 employees, the Marfrig Group is the largest lamb producer in South America, the second largest poultry producer in the United Kingdom and the largest private company in Uruguay and Northern Ireland.

The Corporation has an integrated and geographically diversified business model that is formed by 78 production units, distribution centers and offices located in 16 countries in South America, North America, Europe, Oceania and Asia.

The strategic location of its units, combined with its vast distribution network with access to key channels and consumer markets, forms a unique exposure mix in the industry that is well diversified in terms of production, origin of sales and profitability, as well as in terms of its footprint in both emerging and mature markets.

Marfrig has annual production capacity of 900,000 tons of processed products and annual processing capacity of 5 million head of cattle, 400 million chickens, 6 million turkeys and 3 million lambs. This production platform gives the Company significant capacity for growth as well as the ability to hedge against certain risks inherent to the industry.

The Marfrig Group is composed of three business units, each of which has its own product lines and regional footprints that complement each other to form a comprehensive product portfolio and diversified production platform with a global footprint:

- **Marfrig Beef**: A pioneer in the sale and marketing of beef and lamb in the Brazilian market, with vast expertise in the food service segment in the domestic market and a strong presence in the export market, where it is equally recognized for the quality of its premium products. Its international operations in South America are focused on exports of premium beef cuts and on leveraging the strategic position it enjoys in Uruguay, Argentina and Chile, which gives Marfrig Beef access to major consumer markets around the world.

- **Moy Park**: Moy Park is the United Kingdom's second largest integrated producer of poultry-based prepared products. Focusing on the European market for processed foods and fresh meat based mostly on chicken and turkey, Moy Park has a strong presence in major retail and food service chains in the United Kingdom and Continental Europe.

- **Keystone**: Supplier of foods made from animal protein to major global restaurant chains, with operations concentrated in the United States and Asia. Committed to innovation and the highest food safety and quality standards, it combines vast expertise in the food industry with a strong focus on clients to offer a complete mix of fresh and frozen products.

4. Strategy – Focus to Win

In 2014, Marfrig continued to execute its Focus to Win strategy that was announced to the market in October 2013. Designed to support Marfrig in capturing operational efficiency gains, generating benefits for society and providing investors with financial returns, the strategy lays the foundation for a corporate culture centered on the client and driven by innovation to pursue growth with profitability, supported by the group's solid experience in the food service and retail segments and firm commitment to the highest food safety and quality standards and to industry leadership in sustainability.

Each of the group's business units pursues specific growth objectives, as follows:

- MARFRIG BEEF: the primary objective is to increase free cash generation by capturing efficiency gains and optimizing the utilization of assets. To achieve this, a host of measures are being implemented to optimize inventory management, improve the conditions of trade payables and receivables and increase the capacity utilization of production facilities. Revenue growth focuses on increasing the share of the most profitable distribution channels, such as food service, export and small retailers. By taking advantage of the excellent export conditions enjoyed by Uruguay, Marfrig Beef pursues greater connectivity with the Group's other business segments to increase its supply of beef from South America. We also implemented a Productivity Agenda project in the Brazilian operations, through which we seek annual savings in costs and expenses.

- **MOY PARK:** the growth strategy is based on leveraging sales of higher-margin products to the retail and food service channels by taking advantage of the segment's growth and the expansion of operations to Continental Europe. Capitalizing on its leadership in the production of locally raised chicken in Ireland and the United Kingdom and on its recognition as one of Europe's largest organic chicken producers, Moy Park seek to expand its sales in the United Kingdom and Continental Europe.

- **KEYSTONE:** business growth in the United States is based on diversifying the client portfolio in the food service segment. In Asia and the Middle East, the growth strategy focuses on forging partnerships and joint ventures to drive and sustain growth in key markets, such as China. At the global level, Keystone also focus its efforts on growing and diversifying its presence in the beef market by improving its supply chain through greater integration with Marfrig Beef.

5. Industry Overview

Brazil: The year 2014 was marked by stronger beef exports from Brazil and the country regaining its position as the world's largest/main beef exporter. The scenario of firm demand from international markets, the opening up of new export markets to Brazilian beef, restrictions on the herds of important global exporters and the weakening of the Brazilian real against the dollar supported improvements in both volumes and prices.

With a herd of approximately 200 million head of mostly grass-fed cattle, Brazil enjoys a favorable position compared to other exporting nations. Despite the sharp increase in fed cattle prices in the year (25% on 2013), due to increased slaughtering and the drought that affected many of its states, Brazil still enjoys a prominent position in relation to the United States and Australia, which are both currently in the herd rebuilding phase.

In addition, the opening up of new markets to Brazilian beef has helped fuel export growth. Over the course of 2014, China lifted its ban on Brazilian beef, while Russia increased the number of Brazilian meatpackers certified to export to that country. In addition to increasing volumes, the recent opportunities played an important role in influencing potential new markets to follow on the same path. Note that Brazil has yet to gain access to most global beef importers, such as the United States, Japan, South Korea, Canada, Mexico and Indonesia.

The weaker local currency also made a significant contribution to boosting the competitiveness of Brazilian beef in export markets. In 2014, the Brazilian real/U.S. dollar exchange rate averaged R$2.35/US$, increasing by 9% from R$2.16/US$ in 2013.

On the other hand, the slowdown in Brazil's economy, inflationary pressures and the uncertainty regarding potential adjustments in fiscal and monetary policy created a challenging domestic scenario that left consumers less prone to spend. As a result, the pass through of production cost increases (higher fed cattle prices) occurred more slowly in the domestic market.

Uruguay and Argentina: In Uruguay, cattle prices came under lower pressure this year, due to the country's higher cattle supply. Uruguay already enjoys access to the markets of the world's major beef importers. Beef exports, which account for approximately 75% of the country's production, surpassed 365,000 tons in the year. The main destinations of Uruguayan beef are NAFTA, China, Europe, Mercosul and Russia.

In Argentina, total beef slaughter decreased by 3.7% in 2014. Beef production is directed to the domestic market due to difficulties in obtaining export licenses and to export surcharges. As a result, only 7.2% of the country's total beef production is exported.

Europe: In 2014, the poultry industry benefited from low grain costs. In the United Kingdom, where chicken and turkey feed is based on wheat and soybean, the average prices of these inputs fell by 20.9% and 2.3%, respectively, compared to prices at the close of 2013, according to the Department for Environment Food & Rural Affairs (Defra).

The impact of these price reductions was partially passed through by the poultry industry in the United Kingdom. According to Defra, the average fresh chicken price in the UK retail market decreased by 1.32% (in local currency).

Poultry consumption in the United Kingdom has been driven by people's growing awareness with regard to healthier eating habits, in addition to a growing concern with food traceability and quality assurance, with retailers and customers attributing greater importance to the origin of products.

United States: The cost of inputs used to make chicken feed in the United States, where unlike Europe feed is made from corn and soybean, also decreased. According to the USDA, the average corn price fell by 33.2% compared to the price at the close of 2013. The expectation for 2015 is calling for record corn and soybean crops, helping to keep prices low in the year.

On the other hand, chicken prices remained high, despite the sanctions imposed on Russia, mainly due to strong demand from Mexico, where production was affected by reported cases of avian influenza.

In the food service sector, according to the U.S. National Restaurant Association (NRA), sales exceeded US$683.4 billion in 2014, growing 3.6% on 2013. This marked the fifth consecutive year of stronger sales in the United States, and for 2015, the NRA projects full-year sales growth of 3.8% to US$709.2 billion.

APMEA: GDP growth, urbanization and a growing middle class have led to changes in the eating habits of the Chinese and other nations in the APMEA region, with positive impacts on sales in the food service industry. The KFC chain, for instance, has over 4,500 stores in over 1,000 cities in China, while McDonald' has opened an average over 300 stores per year in the region since 2008, to reach around 10,000 stores today. The region also offers great potential to further expand the number of restaurant in both large urban centers as well as provincial towns.

6. Economic and Financial Performance

6.1. Consolidated Results

:: Net Revenue ::

Net operating revenue increased by 12.4%, from R$18,752.4 million in the year ended December 31, 2013 to R$21,073.3 million in the year ended December 31, 2014, which is explained by the 7.3% increase in sales volume, the 4.7% decrease in average price .During this period, Brazilian real depreciated 9% against the U.S. dollar.

Marfrig Beef accounted for 45.9% of consolidated revenue, in line with its share of 46.2% in 2013, while Keystone accounted for 28.0% (28.6% in 2013) and Moy Park for 26.1% (25.2% in 2013).

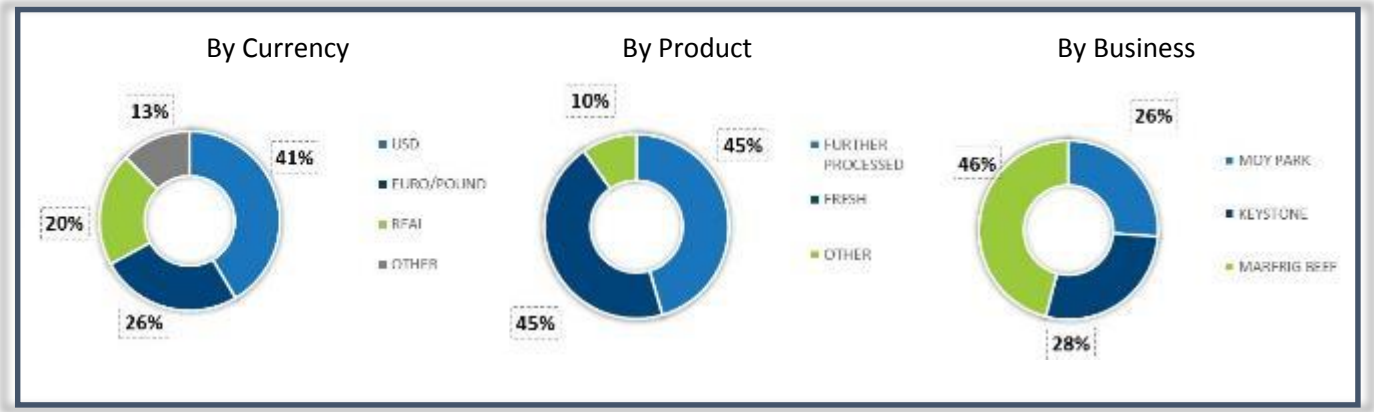
Net operating revenue growth was driven mainly by stronger sales at all business units, including:

(i) the increase of 11.7% in net operating revenue at Marfrig Beef, driven by higher exports from Brazil (up 13.6% on 2013), by the excellent result posted by the operations in Uruguay, which offset most of the adverse conditions impacting the operations in Argentina, and by the improvement in fresh meat sales volume to the food service segment in the domestic market;

(ii) the increase of 9.7% in net operating revenue at Keystone, reflecting the higher sales volume at the operations in APMEA (up 10.1% on 2013) fueled by: (i) the higher purchasing power of the region's middle class driven by wage growth, which supported higher consumption at restaurants and fast food chains; (ii) the greater diversification of the local client base;

(iii) the increase of 16.6% in net operating revenue at Moy Park, explained by: (i) the strong sales volume growth in fresh poultry and convenience coated products across the retail and food service channels in the United Kingdom and Ireland, which is a very positive performance considering the challenging UK retail market; (ii) the consolidation into Moy Park of Marfrig's European beef business; and (iii) the positive impact from the exchange variation of 14.6%. On the other hand, the results were partially affected by: (i) lower sales prices for international exports of poultry products and offal due to export restrictions in both Russia and South Africa; (ii) the lower sales volume in the food service channel in Europe; (iii) commodity input cost deflation; and (iv) the stronger GBP relative to the EUR reducing the GBP value of European revenues.

Breakdown of 2014 Net Revenue



:: Cost of Goods Sold (COGS) ::

Cost of goods sold increased by 12.0%, practically in line with revenue growth, from R$ 16,442.7 million in the year ended December 31, 2013 to R$18,408.2 million in the year ended December 31, 2014. The increase was mainly due to (i) the 9.1% increase in expenses related to raw materials (finished cattle and live cattle), with the fed cattle price increasing by almost 25%, according to the ESALQ index (which measures cattle price variations in the state of São Paulo); (ii) the 8.3% increase in labor costs; and (iii) the 9.7% increase in production costs, such as electricity, packaging and other indirect costs.

COGS (R$ million)	2014	Share (%)	2013	Share (%)	Chg. (%)
Raw Materials	12,549.7	68.2%	11,499.7	69.9%	9.1%
Labor	2,271.4	12.3%	2,096.5	12.8%	8.3%
Production costs	2,786.6	15.2%	2,541.3	15.5%	9.7%
Other Costs	800.4	4.3%	305.2	1.9%	162.2%
TOTAL	**18,408.2**	**100%**	**16,442.7**	**100%**	**12.0%**
Marfrig Beef	*8,042.2*	*43.7%*	*7,180.5*	*43.7%*	*12.0%*
Moy Park	*4,886.6*	*26.5%*	*4,256.0*	*25.8%*	*14.8%*
Keystone Foods	*5,479.4*	*29.8%*	*5,006.2*	*30.5%*	*9.4%*

:: Gross Income and Gross Margin ::

Gross income increased by 15.4%, from R$2,309.7 million in the year ended December 31, 2013 to R$2,665.2 million in the year ended December 31, 2014.

Of the R$2,665.2 million in gross income, R$1,628.3 million, or 61.1%, was contributed by Marfrig Beef, R$621.3 million, or 23.3%, was contributed by Moy Park and R$415.6 million, or 15.6%, was contributed by Keystone.

:: Selling, General and Administrative Expenses (SG&A)::

Selling, general and administrative (SG&A) expenses amounted to R$1,464.5 million in the year ended December 31, 2014, a 7.0% increase from the R$1,368.8 million recorded in the year ended December 31, 2013. In the year ended December 31, 2013, SG&A expenses corresponded to 7.3% of net operating revenue, compared to 6.9% in the year ended December 31, 2014, primarily due to: (i) the depreciation in the Brazilian real against the U.S. dollar and pound sterling; and (ii) higher selling expenses. Both effects were partially offset by the more rigorous control of the line administrative expenses.

Selling expenses increased by 16.1%, from R$805.3 million in the year ended December 31, 2013 to R$935.4 million in the year ended December 31, 2014. The increase in this group of expenses was driven mainly by the line selling and marketing expenses, which was impacted by higher commissions to the sales team due to sales volume growth and promotional costs during the 2014 World Cup due to Marfrig's sponsorship.

General and administrative expenses decreased by 6.1%, from R$563.5 million in the year ended December 31, 2013 to R$529.1 million in the year ended December 31, 2014. The reduction is explained by the initiatives to control expenses, such as downsizing of administrative staff and reduction in travel, office and third-party service expenses.

Marfrig Beef accounted for 59.4% of total SG&A expenses in the year ended December 31, 2013, compared to 58.4% in the year ended December 31, 2014. Moy Park accounted for 26.8% of total SG&A expenses in the year ended December 31, 2013, compared to 31.4% in the year ended December 31, 2014. Keystone accounted for 13.8% of total SG&A expenses in the year ended December 31, 2013, compared to 10.2% in the year ended December 31, 2014.

SG&A Expenses (R$ million)	2014	2013	Chg. (%)
Selling Expenses	**935.4**	**805.3**	**16.1%**
% of Net Revenue	*4.4%*	*4.3%*	
General and Administrative Expenses	**529.1**	**563.5**	**-6.1%**
% of Net Revenue	*2.5%*	*3.0%*	
TOTAL SG&A	**1,464.5**	**1,368.8**	**7.0%**
% of Net Revenue	*6.9%*	*7.3%*	
Marfrig Beef (% NOR)	*8.8%*	*9.4%*	
Moy Park (% NOR)	*8.4%*	*7.8%*	
Keystone Foods (% NOR)	*2.5%*	*3.5%*	

:: Adjusted EBITDA and Adjusted EBITDA Margin ::

In 2014, consolidated adjusted EBITDA (earnings before interest, tax, depreciation and amortization) amounted to R$1,784.3 million, compared to R$1,446.2 million in 2013. Adjusted EBITDA Margin stood at 7.7%, compared to 8.5% in 2012.

The Marfrig Beef segment accounted for 52.5% of Adjusted EBITDA in the period (55.2% in 2013), Keystone for 24.5% (23.6% in 2013) and Moy Park for 23.0% (21.2% in 2013).

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ADJUSTED EBITDA RECONCILIATION (R$ million)	2014	2013	Chg. (%)
Adjusted EBITDA	**1,784.3**	**1,446.2**	**23.4%**
(+) Other Operating Income/Expenses:	(98.4)	(65.0)	(51.5%)
EBITDA	**1,685.9**	**1,381.2**	**22.1%**
(+) Equity Income	(17.8)	(9.1)	(95.4%)
(+) Depreciation/Amortization	(583.7)	(505.4)	(15.5%)
(+) Net Financial Charges	(1,676.0)	(1,441.1)	(16.3%)
(+) Net Exchange Variation	(450.8)	(589.9)	23.6%
(+) Non-controlling interest	(19.2)	(12.9)	(49.2%)
(+) Provision for income and social contribution taxes	322.0	361.3	(10.9%)
Net Profit / Loss	**(739.5)**	**(815.8)**	**9.4%**

6.2. Marfrig Beef

:: Net Revenue ::

Brazil Operation – Domestic Market
20.5% of Consolidated Net Revenue

Domestic sales in Brazil grew 7.1% in 2014 to R$4,314.9 million, compared to R$4,029.5 million in 2013. This performance was due to the 24.3% growth in sales volume, which offset the 13.8% decrease in the average sales price practiced, driven by: (i) the greater focus on food service operations; (ii) the improvement in the client mix in the retail channel, with a higher share of small and midsized businesses, with this positioning enabling us to mitigate the negative effects caused by the oversupply of beef in the channel that pressured prices, especially in the first half of the year; and (iii) the price decline is explained by the shift in the sales mix, with the Company directing an increased share of higher-margin products to export markets, taking advantage of the more favorable exchange rate and strong demand.

Brazil Operation – Exports
15.7% of Consolidated Net Revenue

Exports from Brazil advanced 27.5% in 2014 to R$3,311.5 million, from R$2,596.9 million in 2013. This performance was due to the 13.6% growth in sales volume and the 12.3% increase in average sales price, driven by: (i) the recovery in consumption in key markets in the Middle East, Europe and Asia; and (ii) the more competitive prices in Brazilian Real due to the 9% appreciation in the U.S. Dollar against the Brazilian Real in the period.

International Operations – Argentina, Uruguay and Chile
9.7% of Consolidated Net Revenue

Revenue from international operations came to R$2,044.1 million, virtually stable in relation to the R$2,030.9 million in 2013. The performance is the result of the 11.0% increase in average sales price, which was partially offset by the 9.3% decrease in sales volume. In view of the growing challenges and uncertainties in the Argentine market, the Company opted to reduce its exposure to the country

and temporarily shut down three production units, which contributed significantly to the reduction in sales volume compared to 2013. The performance in Uruguay improved significantly compared to 2013, where despite the slight revenue decrease of 1.4% in the domestic market, export revenue increased by 27.8%, driven by the increase in both average price (21.4%) and volume (5.3%).

:: Cost of Goods Sold (COGS) ::

The 12.0% increase in cost of goods sold compared to 2013 reflects: (i) the 11.7% growth in the segment's sales, especially in the Brazil operation; and (ii) the higher fed cattle prices, especially in Brazil, which increased 25% in relation to the average price in 2013. On the other hand, the temporary closure of three production units in Argentina over the course of the year due to uncertainties regarding the country's political and economic scenario and the improvement at industrial units in Brazil, where capacity utilization rates at the plants in operation increased, helped mitigate the impacts from higher COGS.

:: Gross Margin ::

Gross income increased by 10.3%, from R$1,476.8 million in the year ended December 31, 2013, representing a 17.1% margin, to R$1,628.3 million in the year ended December 31, 2014, representing a 16.8% margin, or stable on the prior-year period. The gross margin expansion in the period is explained by: (i) the higher volume of export sales from Brazil, where we were able to significantly pass through the increase in cattle prices, which helped balance meat supply in the domestic market as well as domestic prices; (ii) the 9% depreciation of the Brazilian Real against the U.S. Dollar; and (iii) the excellent result of the operations in Uruguay, which mitigated and offset the adverse scenario in Argentina.

:: Selling, General and Administrative Expenses (SG&A) ::

Marfrig Beef SG&A expenses amounted to R$854.8 million in the year ended December 31, 2014, a 5.2% increase from the R$812.8 million recorded in the year ended December 31, 2013. The selling and marketing expenses were the main components of SG&A expenses in the year, representing 87.9% of SG&A (Marfrig was a sponsor of 2014 World Cup). In the year ended December 31, 2014, SG&A expenses at Marfrig Beef corresponded to 8.8% of its net operating revenue, compared to 9.4% in the year ended December 31, 2013.

:: Adjusted EBITDA and Adjusted EBITDA Margin ::

The 50 bps increase in Adjusted EBITDA margin was due to: (i) the higher share of exports, driven by the BRL/USD exchange rate; and (ii) the reductions in costs and general and administrative expenses generated by the "Productivity Agenda" program in Brazil, which were partially offset by: (iii) the pressure on fed cattle prices, which surpassed the average price recorded in 2014 in both Brazil and Uruguay; (iv) the oversupply of beef in the domestic and international markets at the start of the year, which made it difficult to pass through cost increases to prices; and (v) the temporary closure of three production units in Argentina due to the political and economic uncertainties in that market, which led to lower sales volumes.

6.3. Moy Park

:: Net Revenue ::

Domestic Market – United Kingdom
23.0% of Consolidated Net Revenue

Domestic market net sales increased by 18.6%, from R$4,089.4 million in the year ended December 31, 2013 to R$4,848.5 million in the year ended December 31, 2014. This increase was mainly due to a 1.7% increase in sales volume and a 14.7% increase in average price, driven by: (i) the positive impact from the exchange variation of 14.6%, (ii) sales volume growth in fresh poultry and convenience coated products across the retail and food service channels in the United Kingdom and Ireland, which is a very positive performance in the challenging UK retail market; and (iii) the consolidation into Moy Park of Marfrig's European beef business.

Exports
3.1% of Consolidated Net Revenue

Net revenue from exports increased by 4.0%, from R$634.0 million in the year ended December 31, 2013 to R$659.3 million in the year ended December 31, 2014. The increase was mainly driven by the sales volume growth of 4.9%, which was partially offset by the slight drop of 0.9% in average price resulting from the decline in grain prices during the year.

:: Cost of Goods Sold (COGS) ::

The 14.8% increase in cost of goods sold compared to 2013 reflects: (i) the 14.6% depreciation of the Brazilian Real against the Pound Sterling in the period; (ii) the organic growth in the segment's sales, supported by the expansion in retail and food service clients; and (iii) the gradual decline in pressure on raw material costs due to lower grain prices in relation to the peak levels registered in 2013.

:: Gross Income and Gross Margin ::

Gross income increased by 32.9%, from R$467.4 million (margin of 9.9%) in the year ended December 31, 2013 to R$621.3 million (margin of 11.3%) in the year ended December 31, 2014. The gross margin expansion is explained by: (i) higher sales due to the consolidation of the Marfrig Beef Brazil operations in Europe; (ii) growth in the retail and food service channels in the United Kingdom and Ireland, despite the adverse effect from the restrictions on exports to both Russia and South Africa; and (iii) lower grain prices.

:: Selling, General and Administrative Expenses (SG&A) ::

The 60 bps increase in SG&A expenses as a ratio of NOR was due to the higher selling, logistics and export expenses required to support the organic growth of the business, local sales promotion initiatives in connection with the 2014 World Cup and the higher share of more profitable sales channels in both the domestic (food service) and export markets.

:: Adjusted EBITDA and Adjusted EBITDA Margin ::

The 90 bps improvement in Adjusted EBITDA margin is explained by: (i) higher sales; (ii) higher dilution of fixed costs; (iii) the better sales mix resulting from higher penetration in food service clients; (iv) the higher contribution from more profitable sales channels; and (v) the reduction in costs with soybean and wheat during the year.

6.4. Keystone

:: Net Revenue ::

United States
20.6% of Consolidated Net Revenue

Net operating revenue from the operations in the United States increased by 6.9%, from R$4,060.3 million in the year ended December 31, 2013 to R$4,341.8 million in the year ended December 31, 2014. Revenue growth was driven by the 9% depreciation of the Brazilian Real against the U.S. Dollar, which had a positive impact on the currency translation of net operating revenue. Sales volumes increased 1.3% due to increased volumes resulting from higher meat availability (as we increased bird weights in our Growout operations). Overall, lower net average prices offset volume gains as we experienced lower commodity and meat costs in our commodity-based pricing arrangements for the majority of our QSR sales in the U.S.

Asia and Middle East (APMEA)
7.4% of Consolidated Net Revenue

Net operating revenue in the APMEA region increased by 18.4%, from R$1,311.4 million in the year ended December 31, 2013 to R$1,553.2 million in the year ended December 31, 2014. Revenue growth was driven by the 10.1% increase in sales volume in the region. Volume share gains at our China facility were a key driver of the growth. Despite the impact from the recorded cases of avian influenza in 2013 and the market impact from the incident involving a supplier to our main client in Asia, our APMEA Business remained resilient. Revenue growth was also impacted by the 9% depreciation of the Brazilian Real against the U.S. Dollar, which had a positive impact on the currency translation of net operating revenue.

:: Cost of Goods Sold (COGS) ::

The 9.5% increase in cost of goods sold compared to 2013 was virtually in line with the 9.7% growth in the operation's sales, despite the depreciation in the Brazilian real against the U.S. dollar The stability in COGS in relation to the previous years was mainly due to lower grain prices in the United States, operating efficiency gains in the United States and higher sales in APMEA.

:: Gross Income and Gross Margin ::

Gross income increased by 13.7%, from R$365.5 million in the year ended December 31, 2013, representing a 6.8% margin, to R$415.6 million in the year ended December 31, 2014, representing a 7.1% margin. Gross margin expansion was mainly driven by: (i) the revenue growth of 18.4% in

APMEA and 6.9% in the United States; and (ii) lower grain costs.

:: Selling, General and Administrative Expenses (SG&A) ::

Keystone SG&A expenses totaled R$149.5 million in the year ended December 31, 2014, a 20.7% decrease from the R$188.6 million recorded in the year ended December 31, 2013. Excluding the impact from exchange variation, SG&A expenses decreased by 27.9%. The decrease is mainly attributed to the line administrative expenses, which not only remained under control since the implementation of the Cost Reduction Project in late 2012, but also benefitted from a review of provisioning for benefits as well as improvements in costs with telecommunication and travel expenses. In the year ended December 31, 2014, SG&A expenses at Keystone corresponded to 2.5% of net operating revenue, compared to 3.5% in the year ended December 31, 2013.

:: Adjusted EBITDA and Adjusted EBITDA Margin ::

The 100 bps increase in adjusted EBITDA margin was mainly driven by the reduction in administrative expenses, combined with higher sales in APMEA and the United States and lower gain prices during the period.

6.5. Financial Results

The financial result in the year ended December 31, 2014 was a net expense of R$2,126.8 million, compared to a net expense of R$2,031.0 million in the year ended December 31, 2013.

The 4.7% increase in the financial result was primarily due to the Company participating in the REFIS tax amnesty program in August, which generated interest expense and cumulative fine of R$ 117.4 million, followed by the deferral of costs with issues made to reduce borrowing costs, which, on the other hand, supported a reduction of R$98.2 million in interest expenses compared to the prior year.

NET FINANCIAL RESULT (R$ million)	2014	2013	Chg. (%)
Financial Income	**294.7**	**365.0**	**(19.3%)**
Interest Income	98.4	179.4	(45.2%)
Financial income (loss) from derivatives	173.1	178.8	(3.2%)
Other	23.2	6.7	246.3%
Financial Expenses	**(1,970.7)**	**(1,806.0)**	**(9.1%)**
Interest Expenses / Debentures / Leasing	(1,173.8)	(1,272.0)	7.7%
Financial income (loss) from derivatives	(288.1)	(292.4)	1.5%
Bank fees, commissions, financial discounts and other	(508.8)	(241.6)	(110.6%)
Net Exchange Variation	**(450.8)**	**(589.9)**	**23.6%**
Net Financial Result	**(2,126.8)**	**(2,031.0)**	**(4.7%)**

6.6. Net Income/Loss

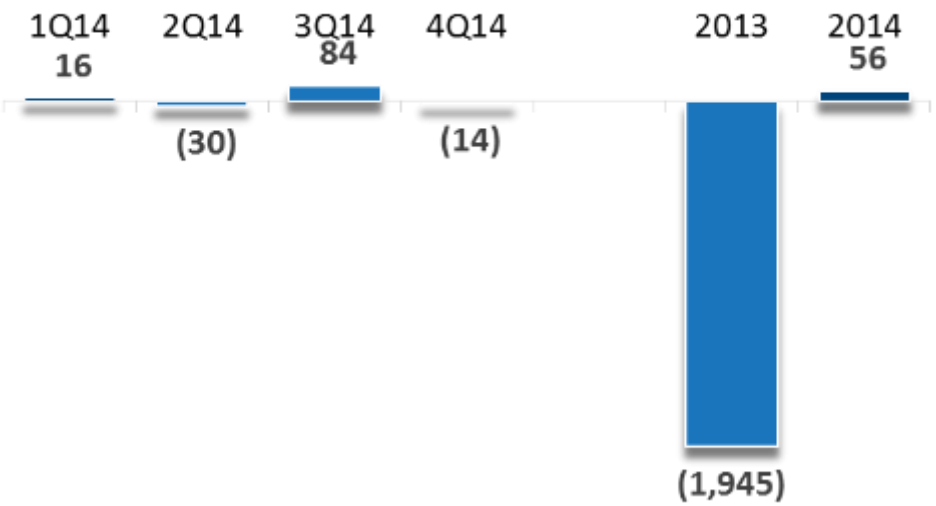
As a result of the aforementioned factors, the net loss in the year ended December 31, 2014 amounted to R$739.5 million, compared to a net loss of R$815.8 million in the year ended December 31, 2013. The decrease is mainly driven by the depreciation in the Brazilian Real against the U.S. Dollar and Pound Sterling during the period.

Net margin in the year ended December 31, 2014 was negative 3.5%, compared to negative 4.4% in the year ended December 31, 2013. The main factor contributing to the net loss in the year ended December 31, 2014 was the depreciation in the Brazilian real against the U.S. dollar and Pound Sterling during the period.

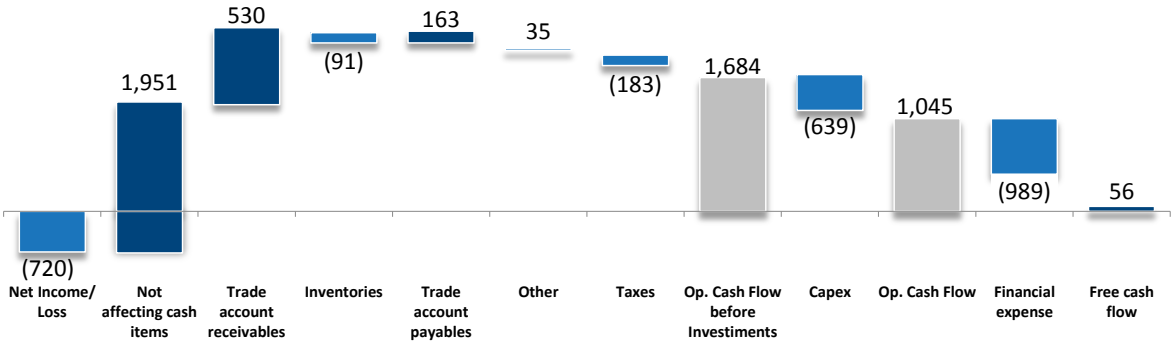
6.7. Cash Flow

Cash flow (before interest expenses and capital expenditure) has been improving consistently over the last few quarters, ending 2014 at R$1,684.3 million. The results of the strategy outlined in our "FOCUS TO WIN" program attest to the joint efforts made by all business units, especially the Marfrig Beef segment, where the Productivity Agenda combined with the focus on profitability, controlling expenses and working capital led to significant improvement in the trade payables and receivables.

Free Cash Flow (in R$ million)



Cash Flow Bridge 2014 (R$ million)



6.8. Investments

CAPITAL EXPENDITURE (R$ million)	2014	2013	Chg. (%)
Fixed Assets	435.8	650.6	(33.0%)
Breeding stock	186.2	151.1	23.2%
Intangible Assets	17.3	8.8	96.6%
TOTAL	**639.3**	**810.6**	**(21.1%)**

Capital expenditure amounted to R$639.3 million in 2014, down 21.1% from the R$810.6 million invested in 2013. During the year, R$435.8 million was invested in maintaining and expanding production units, while R$186.2 million was invested in renewing parent stocks.

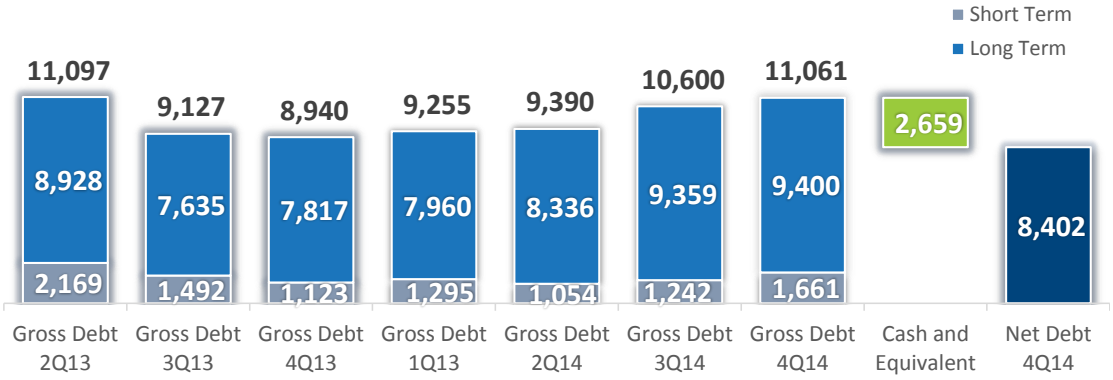
6.9. Capital Structure

Gross Debt

The Corporation ended the year with consolidated gross debt of R$11.0 billion, compared to R$8.9 billion in December 2013.

Of the total debt, 15.0% is short-term and 85.0% is long-term, and 8.4% is denominated in Brazilian real and 91.6% in other currencies. In comparison with, 19.5% of the Group's revenues are generated in Brazilian Real and 80.5% in other currencies.

The weighted average cost of our consolidated bank debt stood at 7.7%.



Liquidity and Debt

The leverage ratio (net debt/ EBITDA LTM) stood at 4.98x, solely due to the noncash effect from exchange variation during the year.

It is important to note that the contracts of bank and market financing transactions include provisions that allow for excluding the effects of exchange variation from the calculation of the leverage ratio, which on this basis stood at 3.42x at the close of 4Q14. For more information, see Note 32.6 to the financial statements.

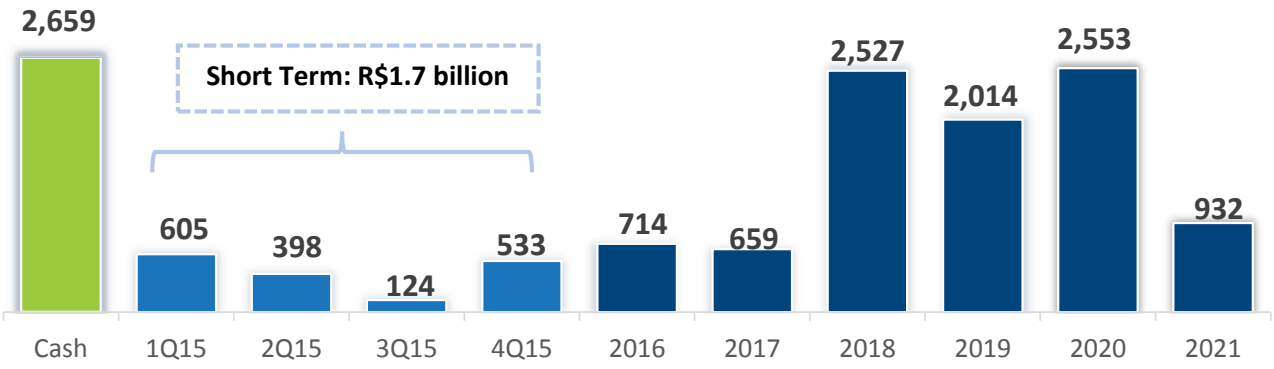
We believe the leverage ratio calculated on an LTM basis reflects a situation in which EBITDA growth has yet to fully capture the depreciation in the real. In the last 12 months, the average exchange rate was R$2.35/US$, compared to the end-of-period exchange rate of R$2.66/US$ at the close of 4Q14 used in the debt calculation.

Therefore, in addition to the leverage ratio based on EBITDA LTM, it is important to evaluate projected annualized adjusted EBITDA for 4Q14, which indicates a significantly lower leverage ratio than 4.98x of 3.83x, closer to the current levels of the business.

Another no less important aspect in this analysis is the company's debt maturity profile, which today is structurally longer, with the first large maturity in 2018.

The operating result has yet to fully capture the continuous weakening in the Brazilian real during the year, especially in the fourth quarter, when the average exchange rate in the period was R$2.55/US$, or 4% lower than the exchange rate at end of period of R$2.66/US$.

Debt Maturity Schedule



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Indicators

	2014	2013
Net Debt / EBITDA LTM	4.98	3.00
Net Debt / Annualized 4Q Adj. EBITDA	3.83	4.22
Gross Debt/EBITDA LTM	6.56	3.77
Cash and Equiv./Short-Term Debt	1.60	1.61
Net Debt / Total Assets	0.42x	0.40x
Current Liquidity	1.79	2.03

	2014	2013
Duration (months)	49	54
Avg. Cost (p.a.)	7.7%	8.0%
Short-Term Debt (%)	15.0%	12.6%
Long-Term Debt (%)	85%	87.4%
Debt in R$ (%)	8.4%	4.5%
Debt in other currencies (%)	91.6%	95.5%

Credit Risk Rating – Global Scale

The credit rating agencies Standard and Poor's and Fitch Ratings upgraded Marfrig's credit rating on a global scale in 2014, reflecting the efforts of the Corporation to improve financial and operational management.

Rating agency	National Scale	International Scale	Outlook
Standard and Poor's	br BB	B+	Stable
Fitch Ratings	BBB bra	B+	Stable
Moody´s	-	B2	Stable

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7. Guidance

In October 2013, Marfrig announced to the market its projections for its consolidated results for 2014 (guidance). All of the estimates announced in the guidance were delivered.

	Target Range 2014 (1)	Achieved 2014	
Revenue	R$21 - R$23 billion	R$21 billion	
EBITDA Margin (2)	7.5% - 8.5%	8.5%	
CAPEX	R$600 million	R$639 million	
Free cash flow to shareholders (3)	Breakeven to R$100 million	R$56 million	

(1) Calculated in Brazilian real based on the exchange rates of R$2.40/US$1.00 and R$3.80/£1.00.

(2) Excludes non-recurring items.

(3) Operating cash flow after investments, interest expenses and income tax.

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8. Corporate Governance

Overview

The Marfrig Group is led by a seasoned management team committed to the highest standards of corporate governance. The Group conducts its business based on transparency in the reporting of information to its various stakeholders (shareholders, investors, clients, consumers, suppliers, employees and society) and adopts corporate governance practices that exceed legal recommendations and compliance.

Marfrig complies with the rules of the Securities and Exchange Commission of Brazil (CVM), the regulations of the Novo Mercado, as well as recommendations of the Brazilian Code of Corporate Governance Best Practices of the Brazilian Institute of Corporate Governance (IBGC).

Composition of the Board of Directors on December 31, 2014

Name	Title	End of Term
Marcos Antonio Molina dos Santos	Chairman	2015 ASM
Alain Emilie Henry Martinet	Board Member	2015 ASM
Antonio Maciel Neto	Independent Board Member	2015 ASM
Carlos Geraldo Langoni	Independent Board Member	2015 ASM
David G. McDonald	Independent Board Member	2015 ASM
Marcelo Maia de Azevedo Correa	Independent Board Member	2015 ASM
Marcia A. P. Marçal dos Santos	Board Member	2015 ASM
Rodrigo Marçal Filho	Board Member	2015 ASM

Composition of the Audit Board on December 31, 2014

Name	Title	End of Term
Axel Erhard Brod	Effective Member	2015 ASM
Eduardo Augusto Rocha Pocetti	Effective Member	2015 ASM
Roberto Lamb	Effective Member	2015 ASM
Carlos Roberto de Albuquerque Sá	Deputy Member	2015 ASM
Christiano Ernesto Burmeister	Deputy Member	2015 ASM
Peter Vaz da Fonseca	Deputy Member	2015 ASM

*ASM = Annual Shareholders' Meeting

Advisory committees supporting the Board of Directors

The Group's corporate governance structure includes specific committees created to advise the Board of Directors, which may be formed by directors or executives of the Corporation.

On December 31, 2014, the Corporation had four advisory committees:

Audit Committee: Its purpose is to advise the Board of Directors on the performance of its responsibilities related to analyzing and disclosing the financial statements, developing internal controls and overseeing and coordinating the work of the internal and external audits of the Company, especially on matters involving accounting, internal financial controls and other legal compliance controls.

Financial and Risk Management Committee: responsible for periodically examining the investment and borrowing plans and their impacts on the capital structure of the Corporation and for monitoring the maintenance of the predetermined liquidity and capital structures.

Compensation, Corporate Governance and Human Resources Committee: supports the decision-making process related to the strategies, policies and internal rules involving human resources, including determining the compensation and benefits offered to the managers, employees and outsourced service providers. It also supports the execution of processes and the control and development of corporate governance practices.

Management Committee: Responsible for examining and voting actions and transactions that fall under the scope of its operations, as well as advise the Board of Directors in fulfilling its responsibilities related to (i) budget and control; (ii) legal affairs and its responsibilities towards new businesses; (iii) investments and relations with the market and investors; (iv) creating corporate policies; and (v) the long-term strategy and its planning. Other attributions include overseeing the preparation and formulation of specific corporate policies in the areas of health, safety and the environment.

9. Business Management

Management Policies

Given the diverse regional, cultural and portfolio characteristics of the activities of the Marfrig Group, each business unit has a customized management model to take maximum advantage of the experience and knowledge of each area when developing management systems and practices to meet the various needs of their clients and markets.

Marfrig encourages its employees to observe and include the pursuit of sustainability in all of their day-to-day activities. The Group believes that engagement in industry initiatives and intensifying its dialogue with stakeholders serve as the foundation for sustainable value creation over the long term and for supporting the Corporation's objective of becoming a global food company.

The management policies presented below seek to consolidate a unified corporate culture and to guide our conduct to ensure that sustainable development permeates all of the Marfrig Group's routines and strategies.

The full version of the policy is available on the Corporation's Investor Relations website: www.marfrig.com.br/ri.

Code of Ethics

To strengthen its internal and external relationships, Marfrig instructs all its employees to adopt high levels of professionalism in their conduct. The conduct of the Group's employees is governed by the Code of Ethics, a document that guides the paths, attitudes and commitment of all those involved

with the Corporation in order to uphold its reputation and integrity as it carries out its business activities and processes throughout the entire chain.

Trading Policy

This policy establishes the rules and procedures to be adopted by the Corporation and related persons regarding trading in the securities issued by the Group, assuring for all stakeholders ethical conduct by those with access to material information. The policy also seeks to prevent and punish the improper use of privileged information by those with access to it, which ensures equal conditions for all shareholders in the taking of decisions.

Dividend Policy

in accordance with Brazilian Corporation Law and Marfrig's bylaws, an Annual Shareholders' Meeting must be held within the first four months of each year to decide on the distribution of annual dividends. All shareholders are entitled to receive a minimum dividend corresponding to 25% of adjusted net income calculated based on the unconsolidated financial statements.

Disclosure Policy

Establishes practices for the disclosure and use of information to be adopted by the controlling shareholder, directors, executive officers, audit board members and any other persons that may have access to information concerning a material fact or event of the Corporation. The respective executive officer is responsible for disclosing the information in the high-circulation newspapers used by the Corporation and for making it immediately available to the Securities and Exchange Commission of Brazil (CVM) and the Brazilian Stock Exchange (BM&FBovespa) and on the Corporation's Investor Relations website, as well as for any other procedures that ensure broad access by the public to this information.

Stock Option Plan

The purpose of the plan is to enable managers, employees and service providers to acquire shares in the Corporation with a view to aligning their interests with those of shareholders and in turn promoting the growth, success and achievement of the Corporation's objectives and talent-retention efforts.

10. Capital Markets

Stock Performance

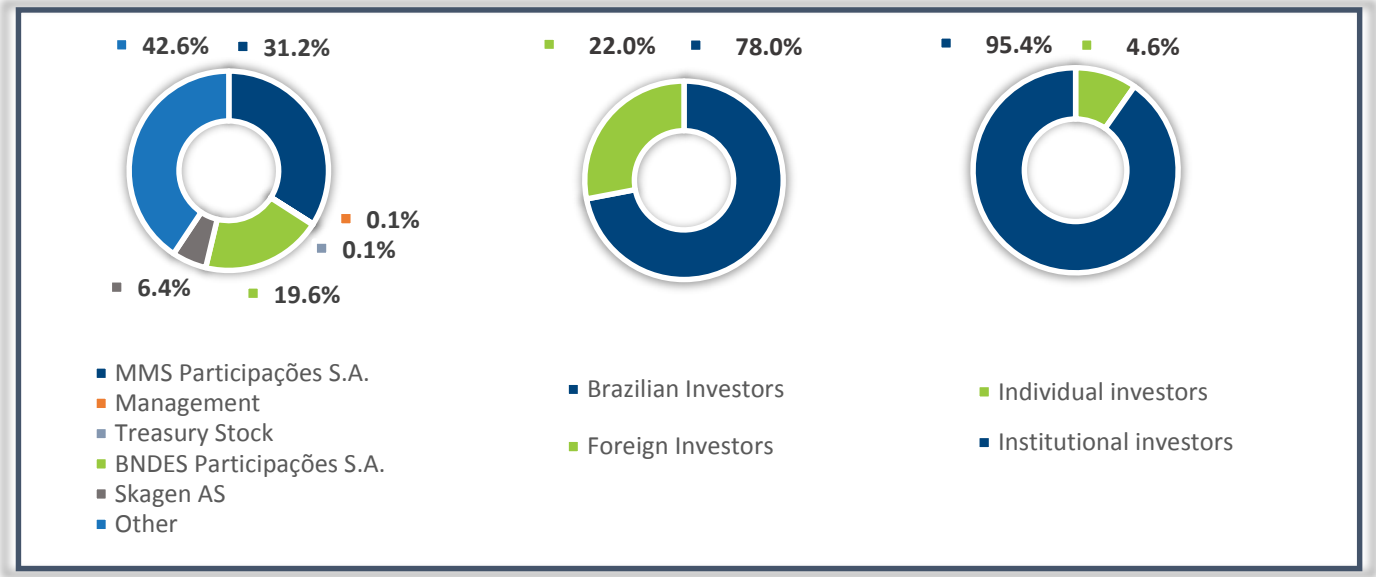
Marfrig stock is traded under the symbol MRFG3 on the Novo Mercado special corporate governance segment of the Brazilian Stock Exchange (BM&FBovespa) and is a component of the most important stock performance indexes of Brazil's capital markets, such as: the Bovespa Index (main index of the BM&FBovespa); Broad Brazil Index (IBRA); Brazil Index (IBrX); Consumption Sector Index (ICON); Corporate Governance Trade Index (IGCT); Special Corporate Governance Stock Index (IGCX); Novo Mercado Corporate Governance Index (IGNM); Industrial Sector Index (INDX); Special Tag-Along

Stock Index (ITAG); BM&FBovespa Value Index (IVBX); Small Cap Index (SMLL).

Marfrig stock ended the year quoted at R$6.10, increasing 53% on a year earlier, making it the second best performing stock in the IBovespa, and with market capitalization of R$3.2 billion. In 2014, average daily trading volume was 5,600 shares, corresponding to average daily financial trading volume of R$13.9 million.

Capital and Ownership Structure

At the end of 2014, Marfrig's subscribed and paid-in capital was represented by 520,747,405 common shares.



11. Social and Environmental Performance

Sustainability is one of the pillars of the corporate strategy of Marfrig Global Foods and permeates all of its activities and divisions. The Corporation is committed to always balancing the economic, social and environmental aspects of its business in order to contribute to the development of society and help preserve the planet.

Marfrig is a reference in sustainability in its industry and market segments. Always respecting local cultural aspects and business practices, it adopts a strategy of continuous improvement and technological innovation combined with high levels of transparency and robust corporate governance practices.

To guarantee transparency and advance sustainability, the Company publishes its annual report in accordance with guidelines of the Global Reporting Initiative (GRI), which contemplates the major achievements and challenges on the work fronts established by its sustainability pillars. A full version of the document is available on the Corporation's Investor Relations website: www.marfrig.com.br/ri.

For more information on the sustainability strategy and results of Marfrig Global Foods, please go to www.marfrig.com.br/sustentabilidade.

12. People Management

The performance of the Marfrig Group's businesses is the fruit of the efforts of its 45,243 employees around the world. The Corporation provides guidelines to help its professionals advance their careers – including at the international level – in the various different business units and departments. These guidelines involve attracting, retaining and developing talent, as well as promoting diversity by ensuring a workplace in which people feel that their ideas and contributions are respected.

Employees by Business

	2014	2013	Chg.%
Holding	116	95	22%
Marfrig Beef	21,422	21,850	-2%
Moy Park	12,328	12,136	2%
Keystone	11,377	11,690	-3%
Total	**45,243**	**45,771**	**-1%**
Net Revenue per Employee/year	**R$466,000**	**R$410,000**	**14%**

13. Submission to the Market Arbitration Chamber

The Corporation, 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 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 Brazilian 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.

14. 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 SS – we hereby declare that fees related to services other than those associated with the independent audit represented less than 9% of the total fees paid to the group of auditors by Marfrig Global Foods S.A. and its subsidiaries.

15. Subsequent Events

On January 15, 2015, the Corporation issued a Material Fact notice announcing the resignation of its Chief Executive Officer Sergio Agapito Lires Rial. As of February 16, 2015, Martin Secco Arias, former CEO of the Marfrig Beef Southern Cone business unit, became Chief Executive Officer of Marfrig Global Foods S.A.

16. Declaration of the Managers

In accordance with the terms of CVM Instructions, the Board of Executive Officers of Marfrig Global

Foods S.A. declares that it has discussed, reviewed and agreed with the opinions expressed in the independent auditor's report issued by BDO RCS Auditores Independentes and the Financial Statements for the fiscal year ended December 31, 2014, authorizing their disclosure.

São Paulo, February 27, 2015

Sergio Agapito Lires Rial
Chief Executive Officer on Dec. 31, 2014

Ricardo Florence dos Santos
Chief Administrative, Financial and Investor Relations Officer

Heraldo Geres
Chief Legal Officer

Tang David
Officer with no specific portfolio

Rodrigo Marçal Filho
Officer with no specific portfolio

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