MRFG3 NOVO MERCADO BOVESPA BRASIL

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MARFRIG GROUP

# 1Q08 Results

**May 15, 2008**








# Strategy and Scenario

## BRAZILIAN SCENARIO

- High cattle price and low availability of animals
- Fresh beef exports to the European Union restriction
- Brazilian Real appreciation over US Dollar
- Strong domestic market

## BRAZILIAN STRATEGY

- Increase in the sale of processed/manufactured products in our sales mix, in both domestic and export markets.
- Transfer to Uruguay and Argentina of European clients, previously supplied by Brazil (fresh beef)

## URUGUAY STRATEGY

- Volume and export price to Europe increase due to the higher demand originated by the restriction to Brazilian beef exports
- Consolidated as market leader

## ARGENTINE STRATEGY

- Increase in participation of processed/ industrialized products in our revenue mix
- Increase in Argentina's exports to Europe with higher prices

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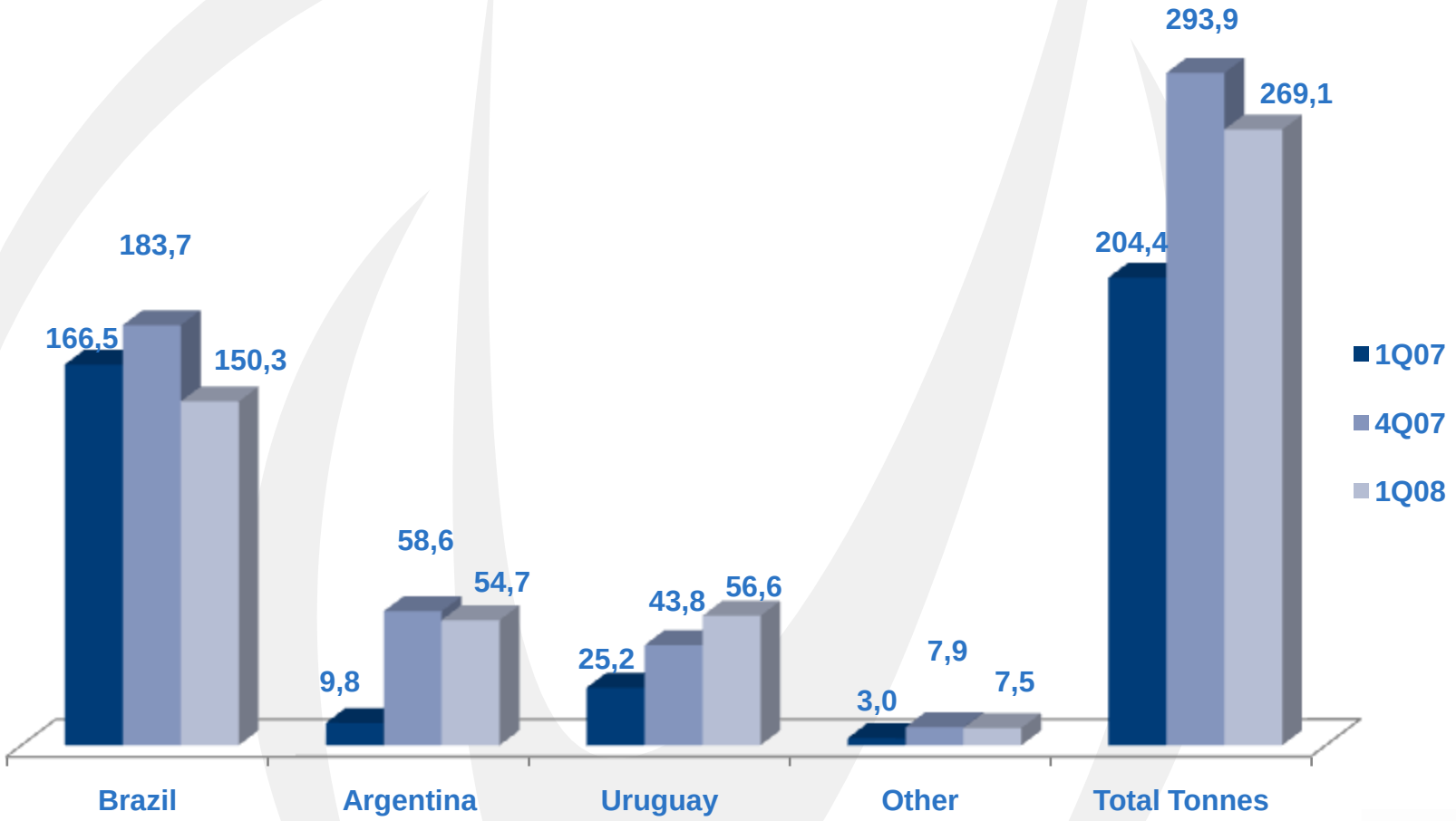
# 1Q08 Financial Highlights

## STRATEGY + EXECUTION = RESULTS

| | 1Q07 | 4Q07 | 1Q08 | 1Q08 x 4Q07 | 1Q08 x 1Q07 |
|---|---|---|---|---|---|
| Gross Revenue (R$ million) | 734.7 | 1,207.8 | 1,181.0 | -2.2% | 60.7% |
| Net Revenue (R$ million) | 663.1 | 1,089.9 | 1,067.1 | -2.1% | 60.9% |
| EBITDA (R$ million) | 74.1 | 123.3 | 127.3 | 3.2% | 71.8% |
| EBITDA Margin | 11.2% | 11.3% | 11.9% | 0.7 p.p. | 0.6 p.p. |
| Net Income (R$ million) | 19.4 | 26.3 | 25.0 | -4.8% | 29.1% |

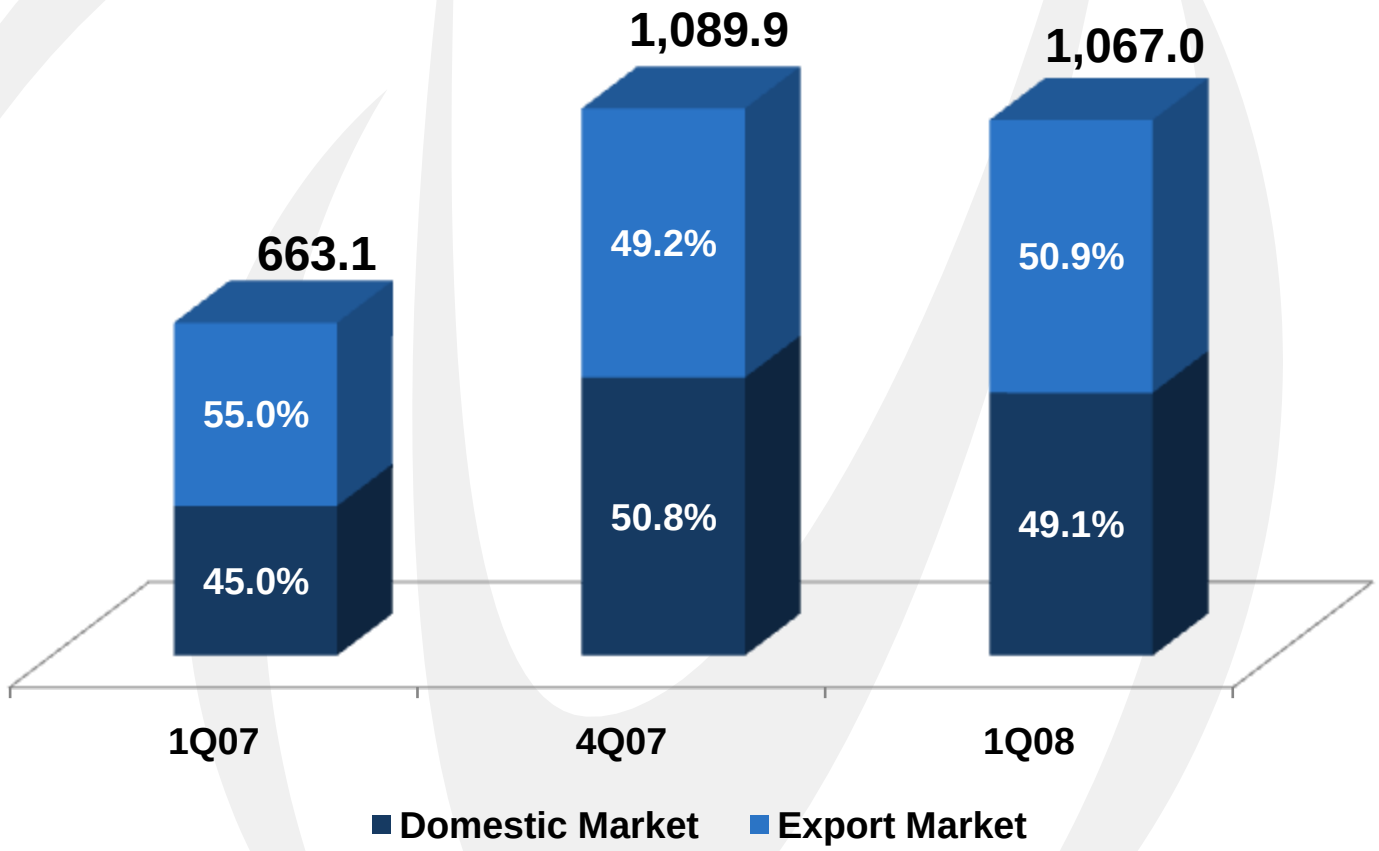
# Operating Performance (volume thousand tonnes)

**In 1Q08 sales volume grew 31.6% over 1Q08 and was 8.4% lower than in 4Q07.**



# Net Revenue (R$ million)

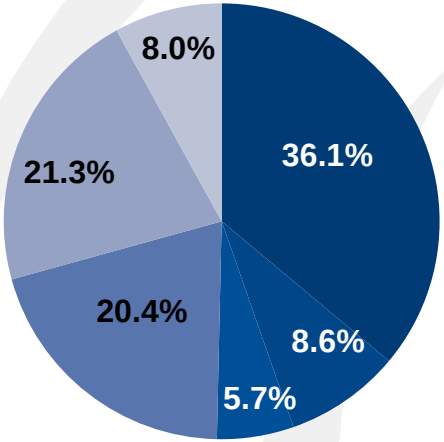
**Net revenue in 1Q08 totaled R$ 1.067 billion 60.9% higher than in 1Q07 and 2.1% lower than in 4Q07.**



# Net Revenue Breakdown

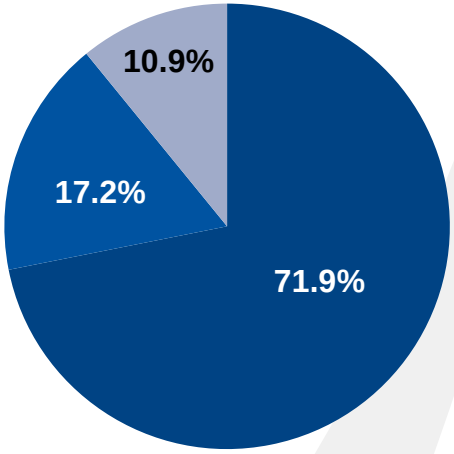
## Net Revenue (%) – in 1Q08

### By Division



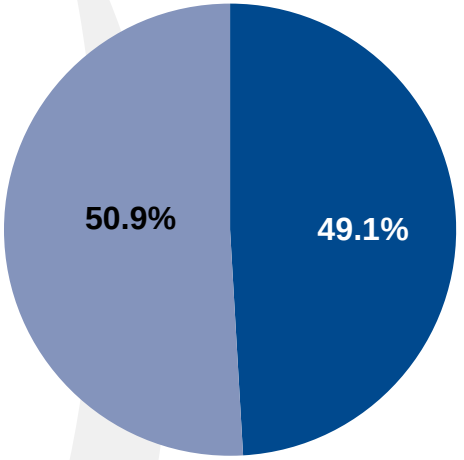

- Beef - Brazil
- Retail (Food Service) - Brazil
- Pork & Industrialized - Brazil
- Argentina
- Uruguay
- Tradings/Others units abroad

### By Product line




- Fresh Beef
- Processed and Manufactured
- Other

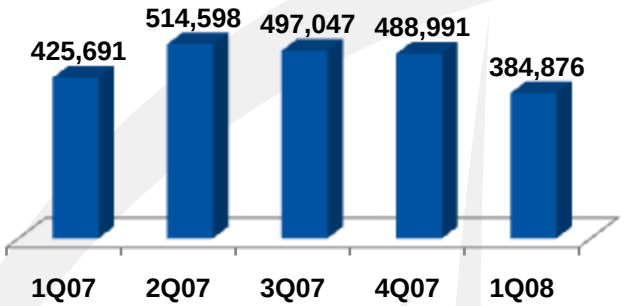
### By Market



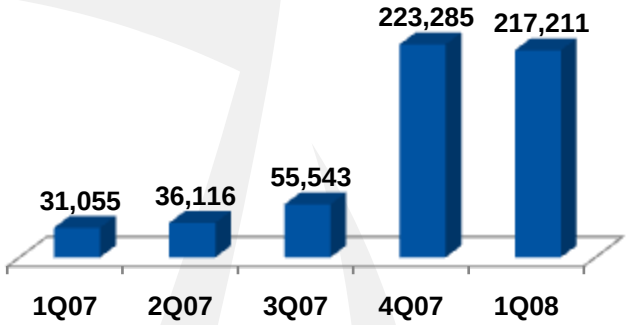

- Domestic Market
- Export Market

# Net Revenue Distribution Performance

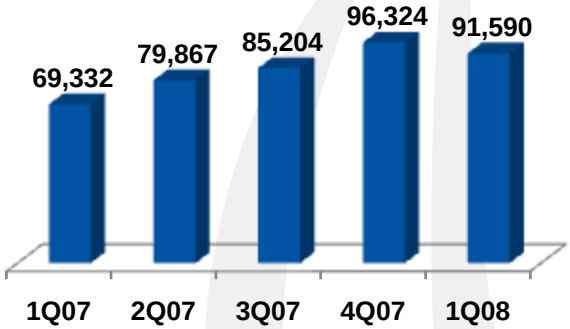
## Beef Brazil



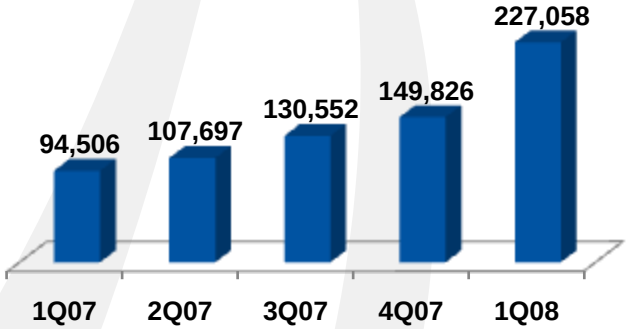

## Argentina



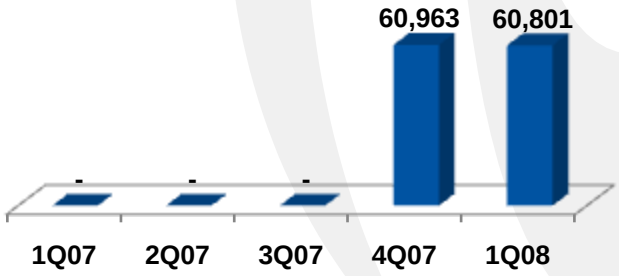

## Food Service



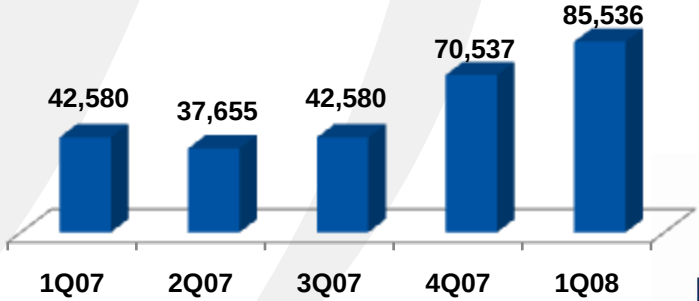

## Uruguay




## Pork & Processed - Brazil

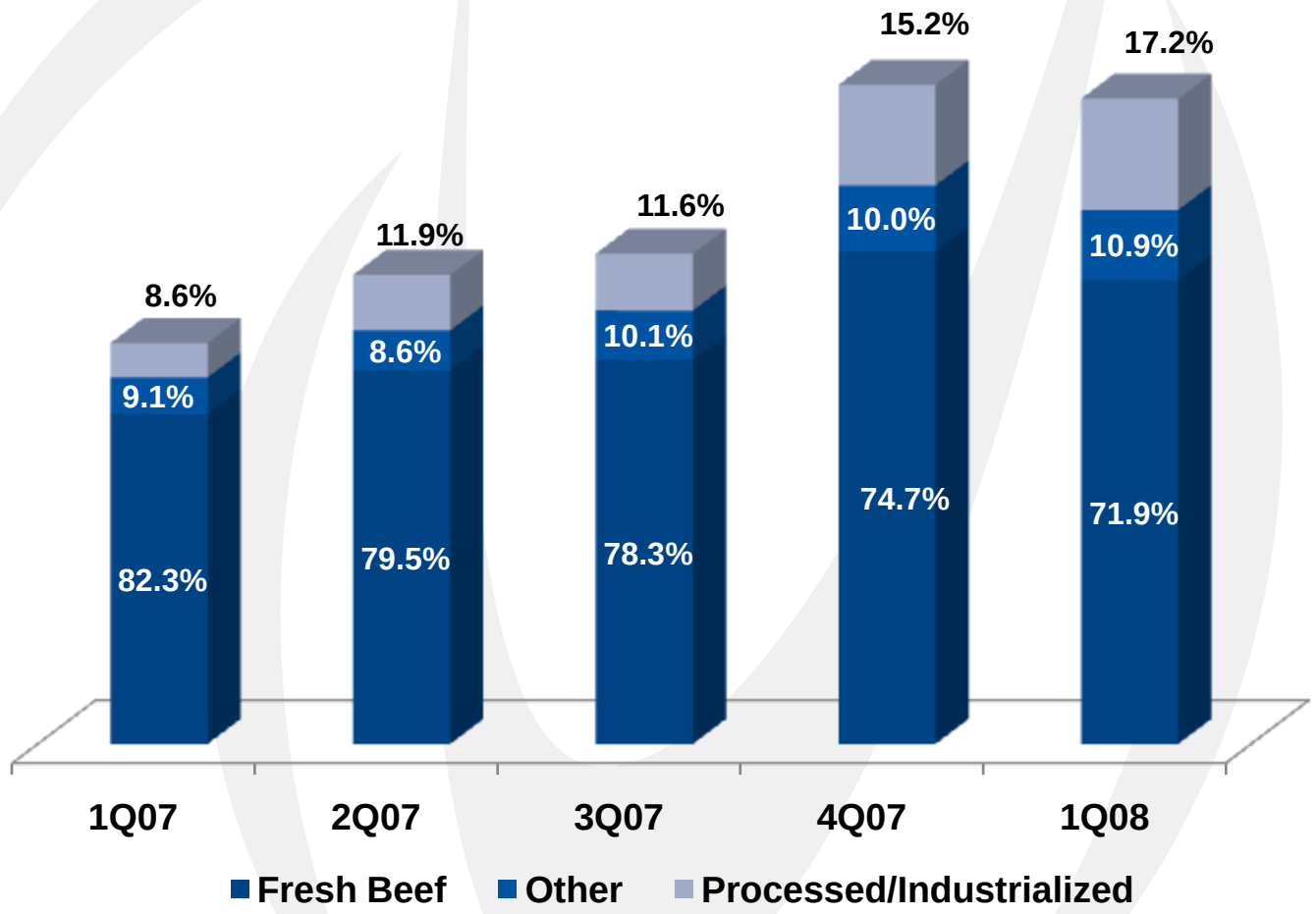



## Tradings/ Othe units Abroad



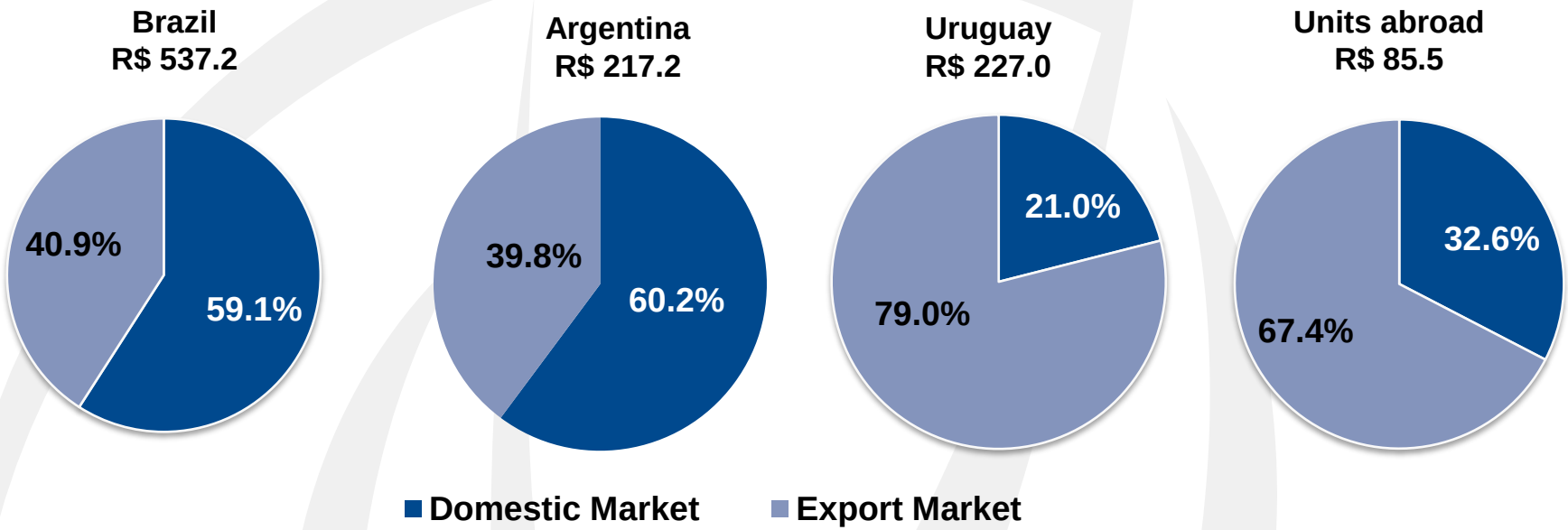
# Net Revenue Distribution Performance

**In 1Q08 processed/industrialized products reached 17.2% of net revenues compared to 15.2% in 4Q07 and 8.6% in 1Q07.**

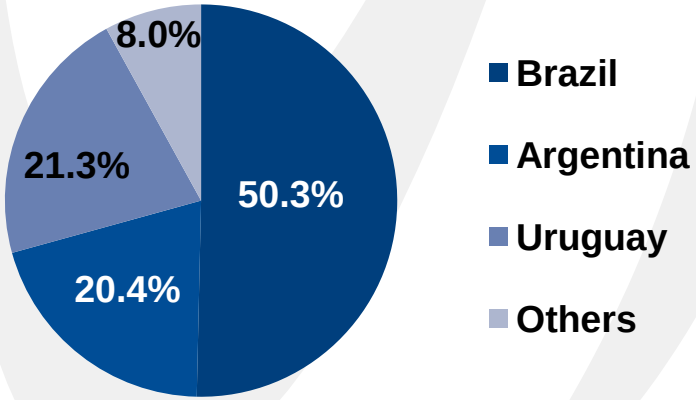


# Net Revenue – by Market

## Net Revenue– 1Q08 (R$ million)

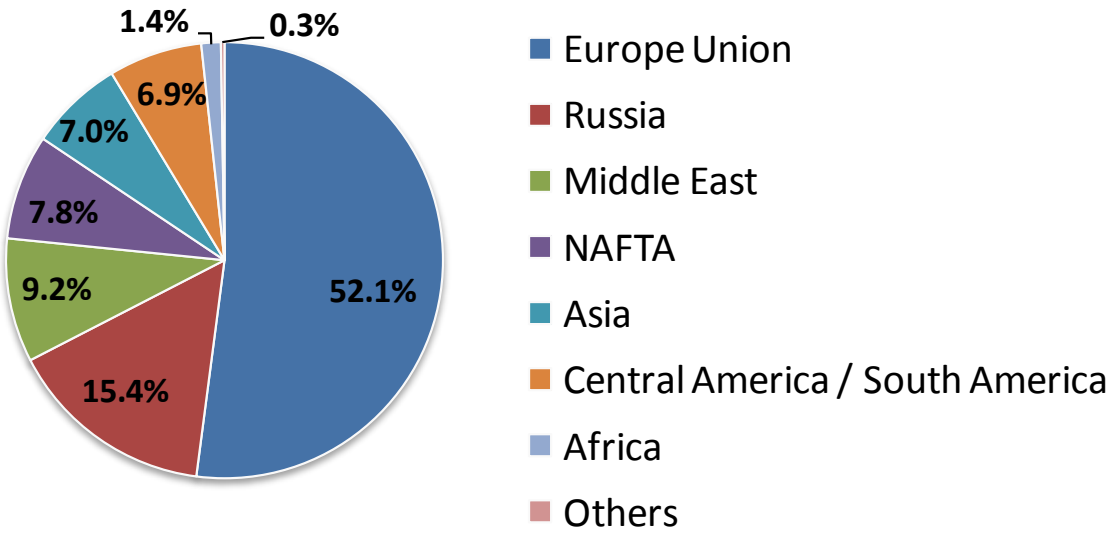



**Marfrig Group**
**R$ 1,067.1**

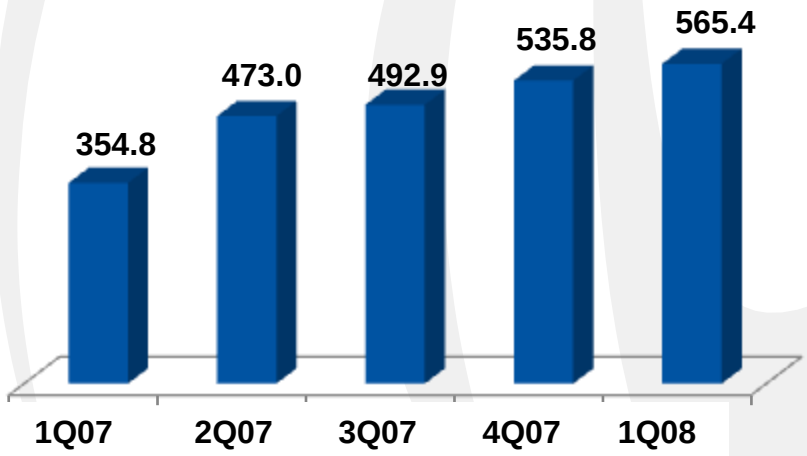


# Breakdown of exports by country – Marfrig Group

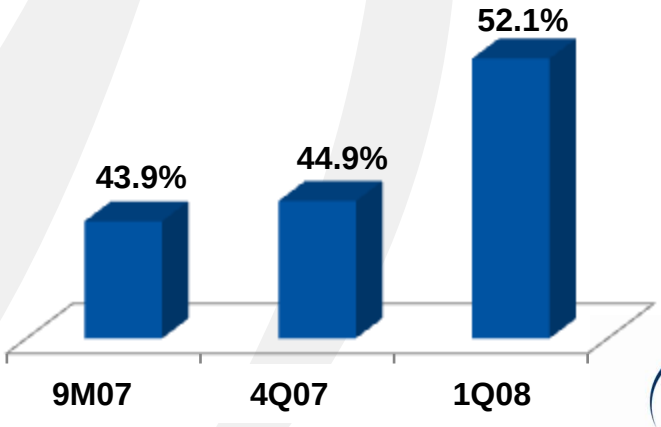
**Total Exports 1Q08:**
**R$ 565.4 million**




## Exports Performance (R$ million)



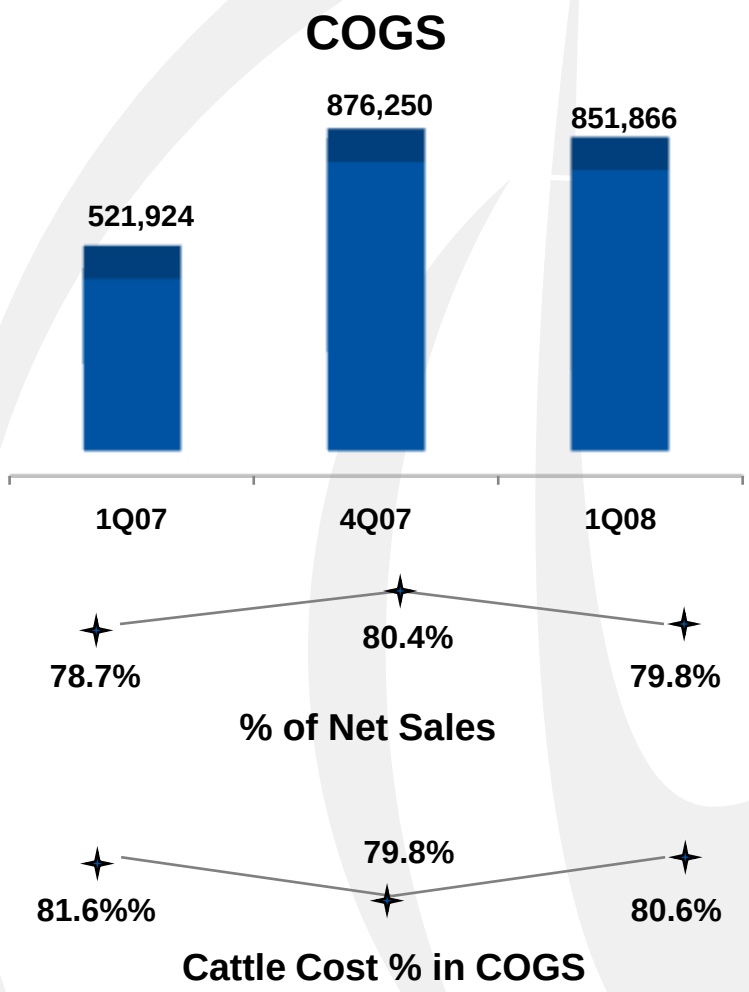

## % of Exports to Europe



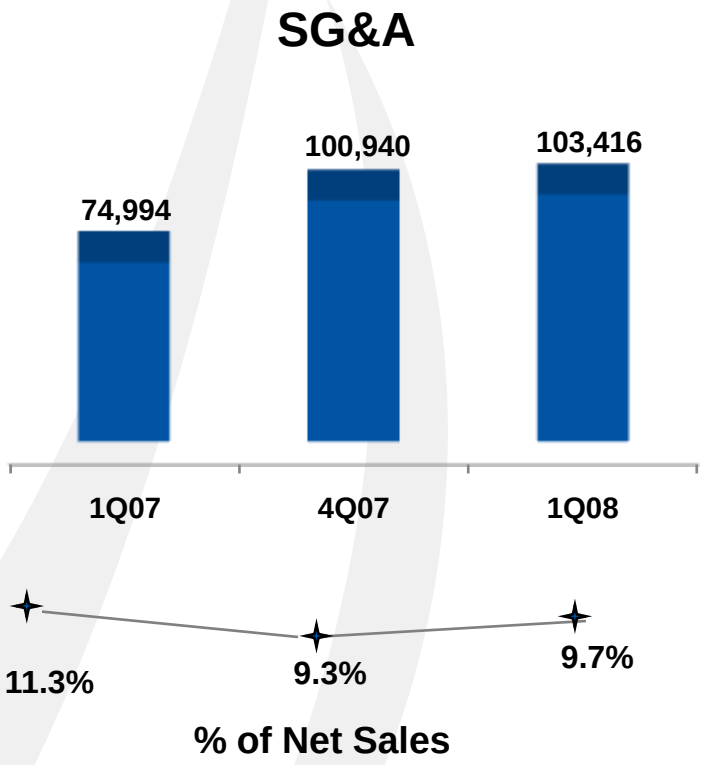

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# Costs and Expenses

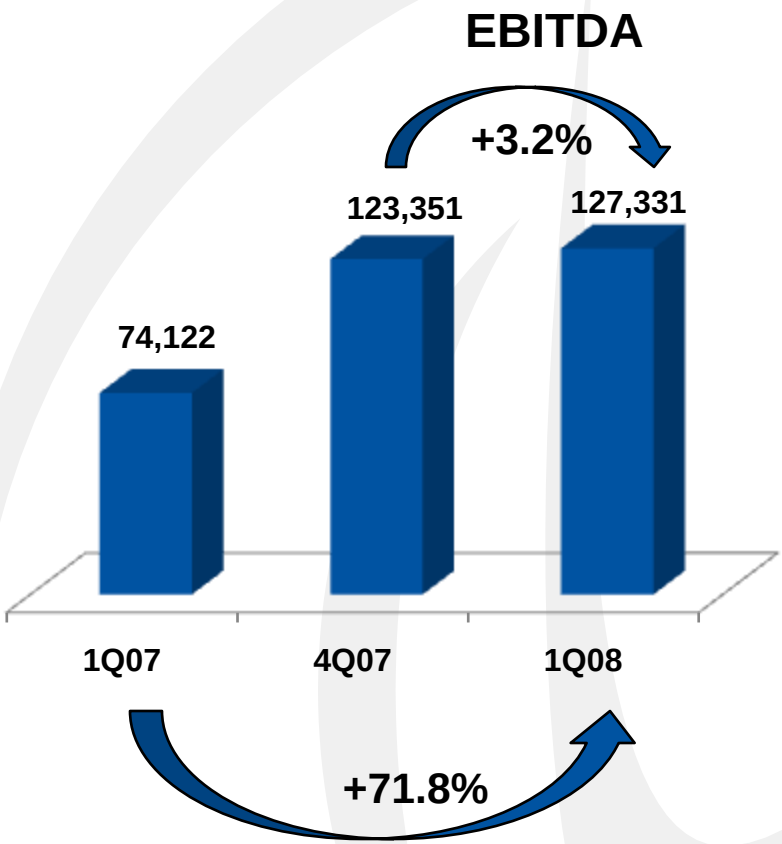
## Cost of Goods Sold (COGS – R$ million)

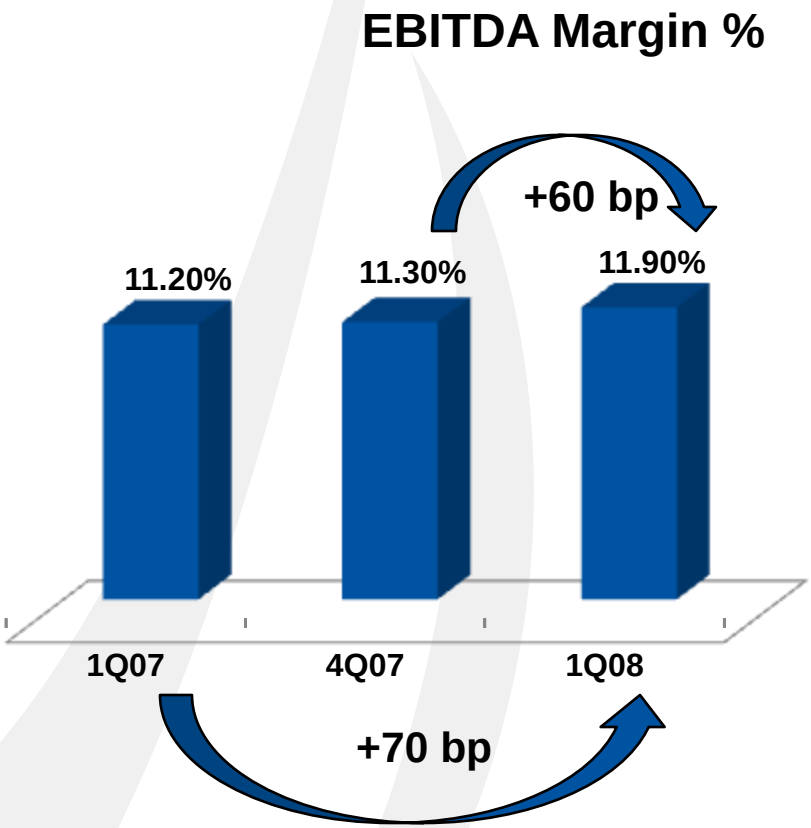



## SG&A (R$ million)



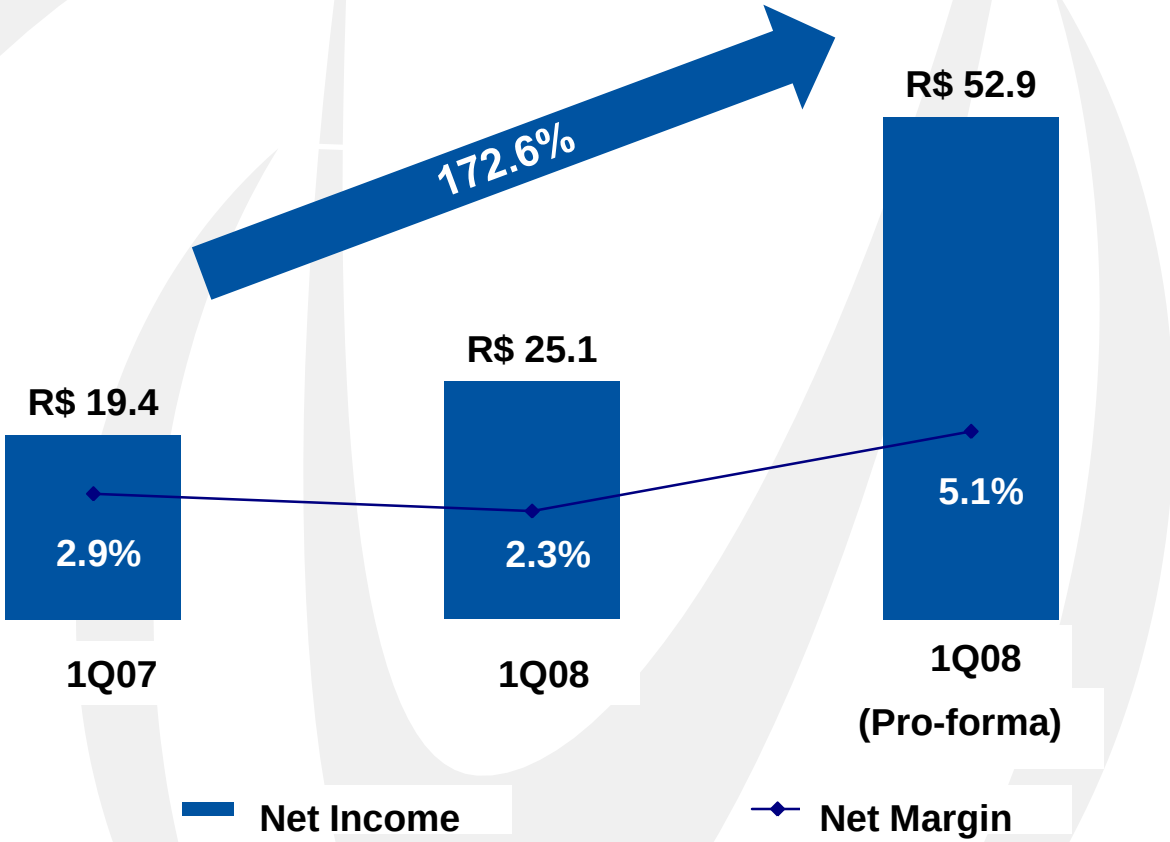
# EBITDA and EBITDA Margin



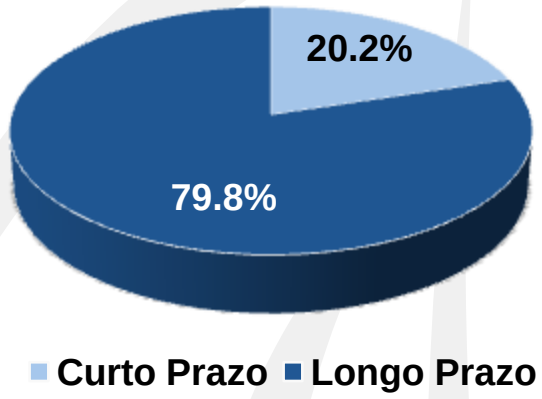
# Net Income

## Net Income and Net Margin (R$ million)



# Indebtedness

## Debt Breakdown




**Total Debt: R$ 2,530.6 million**

**Net Debt: R$ 1,346.1 million**

**Net Debt/EBITDA 2008*: 2.24**

**Total Debt/EBITDA 2008*: 4.22**

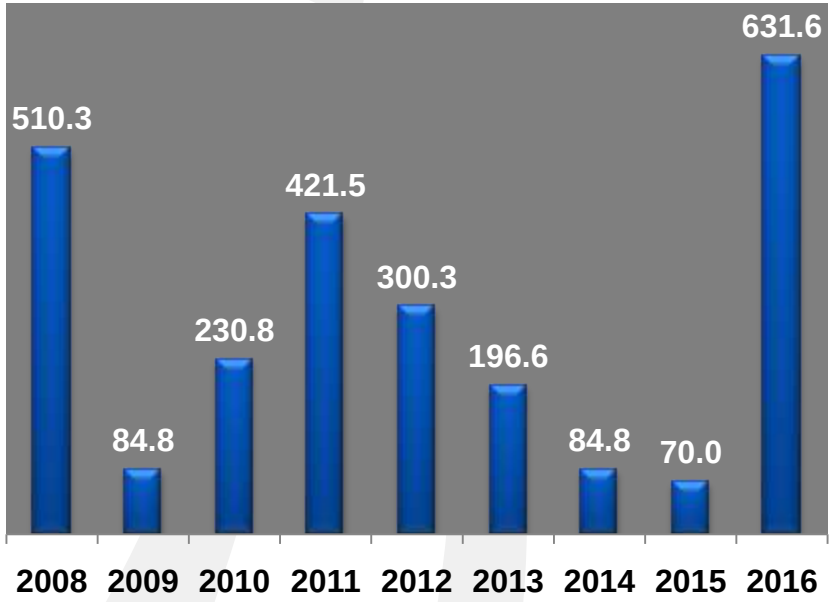
*** Considering EBITDA 2008 = R$ 600 million**

**Net Debt/EBITDA LTM: 3.14**

**Total Debt/EBITDA LTM: 5.90**

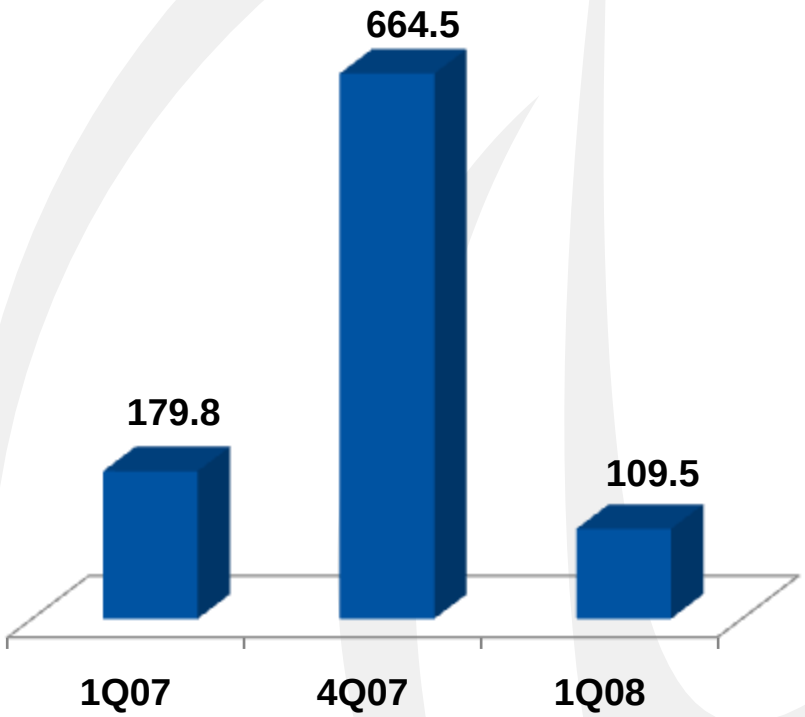
**LTM = Last twelve months**

## Debt amortization schedule (R$ million)

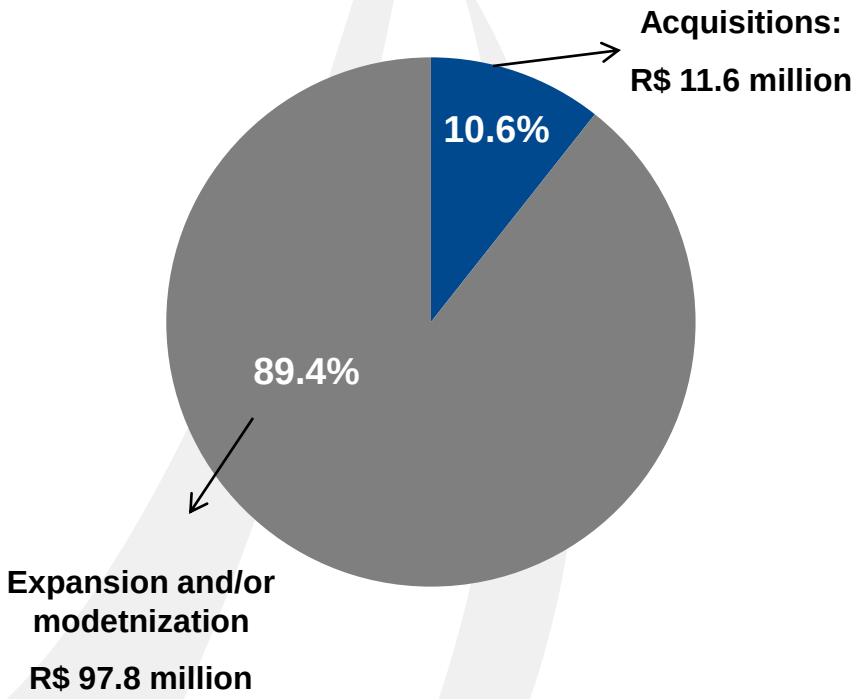


# Capex

## Capex (R$ million)




## Use of funds



# STRATEGY




- A FOOD COMPANY BASED IN ANIMAL PROTEIN
- Sustainable Profitability : Increase the processed/industrialized products in revenue mix;
- Regional diversification with cattle slaughtering activities in South America
- Increase in Food Service
- 2Q08: Start-up of the chicken operation
- Slaughtering activities and raw material supply in South America
- Flexibility + Risk Diversification :
  - Animal Multiprotein
  - Sanitary
  - Geographic

# Investor Relations Contacts




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