MARFRIG GROUP

Earnings Release
4Q08 and 2008



Marfrig delivers 2008 results

São Paulo, March 18, 2009 – **Marfrig Frigoríficos e Comércio de Alimentos S.A.** (Bovespa Novo Mercado: MRFG3), a food producer with a diversified meat operating base, announces today its results for the fourth quarter of 2008 (4Q08) and fiscal year 2008. Except where stated otherwise, the financial and operational information herein is presented on a consolidated basis and in accordance with Brazilian Corporation Law.

MRFG3: R$ 6,70/share
Closing price: 03/17/2009
Market cap: R$ 1,795 billion
Total shares: 267.9 million

Conference Calls:
Portuguese
March 19, 2009
10:00 a.m. (BR) / 9:00 a.m. (US EST) / 01:00 p.m. (GMT)
Tel: 55 11 2188-0188
Code: Marfrig

English
March 19, 2009
12:00 p.m. (BR) / 11:00 a.m. (US EST) / 03:00 p.m. (GMT)
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2008 Highlights

- Marfrig presents its results for fiscal year 2008, a year in which it concluded its cycle of expansion and acquisitions, which positioned Marfrig as "**the most diversified Food Company in different meats"**.
- Net Revenue climbed 85.7% in 2008 to R$ 6,203.8 million, versus R$ 3,339.9 million in 2007 and in line with the guidance disclosed to the market in January 2008 of between R$ 6.0 billion and R$ 6.5 billion.
- The share of processed food in the revenue mix stood at 22.3% in 2008, up from 12.3% in 2007, advancing the strategy disclosed by the Group since its IPO of expanding the share of sales in this segment.
- In 2008, EBITDA was R$ 884.4 million, up 132.6% on the R$ 380.2 million recorded in 2007.
- EBITDA margin in 2008 stood at 14.3%, 290 bps higher than the 11.4% recorded in 2007 and above the guidance disclosed in January 2008 of between 10% and 11%.
- The net loss in 2008 was R$ 35.5 million, versus net income of R$ 84.9 million in 2007.

4Q08 Financial Highlights

- Marfrig discloses to the market its 4Q08 results, which consolidated the results from its recent acquisitions in Brazil and in Europe, advancing its strategy of diversification in terms of geographic regions and animal protein and increasing the share of processed products in its mix.
- In 4Q08, the share of processed products in the revenue mix was 30.8%, versus 16.5% in the previous quarter.
- Net revenue totaled R$ 2,396.0 million, up 119.8% on 4Q07 (R$1,089.9 million) and 57.3% in relation to 3Q08 (R$1,523.6 million).
- Gross income was R$ 580.3 million (gross margin of 24.2%), increasing 460 bps on 4Q07 (R$213.7 million for margin of 19.6%) and 550 bps higher than in 3Q08 (R$284.9 million for margin of 18.7%).
- EBITDA was R$ 446.7 million in the quarter, increasing by 262.1% from R$ 123.3 million in 4Q07 and by 160.5% from R$ 171.4 million in 3Q08.
- In 4Q08, the Company posted a net loss of R$ 74.2 million, versus net income of R$ 26.3 million in 4Q07 and a net loss of R$ 52.7 million in 3Q08.

Message from Management

For this fourth quarter of fiscal year 2008, Marfrig discloses its results based on figures that consolidate its recent acquisitions in Brazil and Europe, advancing its strategy to promote sustainable profitability based on:

- Geographic diversification, with operations closer to the final consumer
- Creation of a production base structured on animal protein (beef, chicken, pork and lamb)
- Balanced structure between domestic sales and exports
- Increased share of industrialized and processed products in the sales revenue mix
- Higher sales in the Food Service distribution channels in Brazil and abroad; and
- Consolidation of its brands in the domestic and export markets

The expansion and diversification strategy of the Marfrig Group once again proved correct in 2008, with the acquisition of sound companies with well-structured teams that can manage operations in an integrated fashion as a team.

We made equal progress in improving the business aspects of robustness and scope, with the new acquisitions giving us direct access to our clients in the European Community and strong efforts in the segments of poultry and processed and value-added processed products.

We achieved the operational guidance given to the market at the start of 2008, reaching net sales revenue of R$ 6.2 billion, 85.7% higher than the R$ 3.3 billion recorded in 2007, and EBITDA (earnings before interest, tax, depreciation and amortization) of R$ 880.6 million, up 131% on the R$ 380 million in 2007.

We see 2008 as the conclusion of an acquisition cycle that positioned Marfrig to become "**the most diversified Food Company in different meats"**.

Marfrig's history over the past three years underscores the objectives achieved and the challenges overcome: growth by integrated acquisitions in Brazil and abroad. Today we operate 57 plants in nine countries and sell our products in over 120 countries around the world.

The sustainability of the Marfrig Group over the long term draws on the diversification of its operations, food processing and distribution channels, resulting in a strategy designed to mitigate risks and capitalize on new opportunities.

For Marfrig, diversification means managing the risks related to food safety, geography, markets and the entire production chain.

We are signatories to the Global Compact to combat slavery and deforestation in the Amazon Rainforest.

We would like to thank the Brazilian Development Bank (BNDES) for the support to the food industry as a medium and long-term investment strategy, which is very important for Brazilian economic growth and by increasing its share in our capital, creating a strategic partnership that continually drives us to improve our corporate governance practices.

The Group's human resources policy focuses on retaining talent at the acquired companies and continually seeks to integrate our culture with the contributions of the companies that now form part of the Marfrig Group.

The year 2009 will be dedicated to consolidating and integrating our operations into a single culture at all of our operational divisions (Beef Brazil and Food Service, Pork, Poultry and Industrialized, Argentina, Uruguay and Europe) and capturing the synergies across all of our businesses.

Gains in operational efficiency will be decisive for profitability and we expect the global crisis to create new opportunities, since the food industry is one of the most resilient under tight scenarios.

We believe this period of adjustment through which the global economy is undergoing represents an opportunity for us to continue to grow by taking advantage of the synergies between our companies and positioning the Marfrig Group as a global food Company.

We believe the Marfrig Group is strategically positioned in its sectors to enable it to successfully weather the financial crisis, having incorporated into its expansion strategy operational flexibility and the low operating costs required to adjust its results to the expectations of shareholders and potential investors.

We would like to thank our employees, clients, investors, suppliers and all those supporting us on this journey.

Marcos Antonio Molina dos Santos

CEO
Marfrig Group

FINANCIAL HIGHLIGHTS					
	4Q07	3Q08	4Q08	2007	2008
1. Gross Revenue	1,207,830	1,641,710	2,628,133	3,726,250	6,775,213
2. Net Revenue	1,089,928	1,523,593	2,396,002	3,339,949	6,203,797
3. Gross Income	213,678	284,968	580,285	666,874	1,326,973
4. Operating Income	(6,447)	(61,437)	(311,236)	76,200	(236,474)
5. Net Income	26,324	(52,685)	(74,272)	84,955	(35,500)
6. EBITDA	123,351	171,451	446,691	380,232	884,354
7. EBITDA Margin	11.3%	11.3%	18.6%	11.4%	14.3%

LIQUIDITY INDICATORS			
	4Q07	3Q08	4Q08
1. Cash	1,049,806	1,172,213	1,071,664
2. Liquidity ratio	0.9	1.0	0.7
3. Current ratio	2.2	2.1	1.6
4. Acid test ratio	1.7	1.5	1.0

INDEBTEDNESS			
	4Q07	3Q08	4Q08
1. Total Debt including leasing	2,073,961	3,298,002	4,518,170
2. Total Debt	2,073,961	3,298,002	4,313,474
3. Net Debt (*)	1,024,155	2,125,789	3,241,810
4. Net Debt / EBITDA (LTM)	2,69	3,79	3,67

(*) Net debt not considering leasing – operational leasing granted before CVM deliberation # 554/08 not considered to calculate "Covenants" mentioned at Note 16 of the Explanatory Notes.

A comparison of the results effectively achieved by the Company in 2008, with our maximum and minimum guidance, is shown below:

	Guidance 2008	Reported Results	% of minimum guidance
Net Revenue	R$ 6.0 billion R$ 6.5 billion	R$ 6.2 billion	+3.4%
EBITDA[1]	R$ 600 million R$ 715 million	R$ 884.4 million	+47.4%
EBITDA Margin	10% 11%	14.2%	+420 b.p.
CAPEX[2]	R$ 250 million	R$ 284.8 million	+13.9%

1 Earnings before interest, taxes, depreciation and amortization

2 Not including acquisition

Operating Performance

To meet our clients' needs, at the end of 2008, we had 57 production plants in nine different countries working with four animal proteins and complemented by other items:

BEEF

18 modern slaughter units in South America:

- ✓9 located in 6 Brazilian states
- ✓5 in Argentina
- ✓4 in Uruguay
- ✓1 deboning plant in Chile
- ✓Tanneries
- ✓Termination Feedlots

POULTRY

10 modern slaughter units in Brazil and Europe

- ✓2 in São Paulo
- ✓1 in Minas Gerais
- ✓1 in Rio Grande do Sul
- ✓1 in Santa Catarina
- ✓1 in Paraná
- ✓3 in United Kingdom (1 in Northern Ireland)

PORK

2 modern slaughter units in Brazil:

- ✓1 in Santa Catarina
- ✓1 in Rio Grande do Sul

LAMB

3 modern slaughter units:

- ✓2 in Uruguay
- ✓1 in Chile

INDUSTR./FURTHER PROCESSED PRODUCTS

30 modern plants in 8 countries:

- ✓12 in Brazil
- ✓5 in Argentina
- ✓3 in Uruguay
- ✓1 in the USA
- ✓ 9 in Europe:
  - 5 in England
  - 1 in Northern Ireland
  - 2 in France
  - 1 in Holland

Obs: some of the plants combine more than one category (57 unique plants)

Beef Slaughtering Capacity – heads/day	
Brazil	13,300
Argentina	3,900
Uruguay	3,900
Marfrig Group	**21,100**

Poultry Slaughtering Capacity – heads/day	
Europe	646,000
Brazil	1,080,000
Marfrig Group	**1,726,000**

Lamb Slaughtering Capacity – heads/day	
Uruguay	5,400
Chile	3,000
Marfrig Group	**8,400**

Pork Slaughtering Capacity – heads/day	
Brazil	4,200
Marfrig Group	**4,200**

Industrialized and Processed Capacity – tonnes/day	
Europe	524
Brazil	1,167
Argentina	249
Uruguay	268
Marfrig Group	**2,208**

In the Beef Division, we continued to following the strategy adopted in early 2008, in other words, benefitting the distribution channels with sustainable margins.

Beef slaughter volume was 19.7% lower in 4Q08 compared with the previous quarter, in line with the cost-control strategy and supplying the volume required to supply the domestic sales channels in the Beef and Food Service divisions by purchasing carcasses from third parties. Slaughter volume remained stable in 2008 in relation to 2007.

Marfrig's operating performance accompanied the results of the strategy to diversify geographically and in terms of proteins and to increase the share of processed products in the revenue mix, which helped balance slaughter volumes across the countries in which we operate in South America.

For the first time ever, the poultry, pork and industrialized division enjoyed the consolidation of one quarter of the operations of the companies acquired from the OSI Group in Brazil (Pena Sul, Agrofrango and Braslo), which increased financial volume in the chicken operations by 53.6% in relation to 3Q08, as well as the share of processed products, which in 4Q08 accounted for 30.8% of the Group's revenue.

In the quarter, we expanded our operational flexibility with the consolidation of the operations of the companies from the OSI Group, diversifying production margin and maintaining sales through our distribution channels. This strategy enabled Marfrig to maintain its profitability at the levels achieved in previous quarters.

	Heads Slaughtered ('000)						Utilization Rate
	4Q07	4Q08	Var%	2007	2008	Var.%	2008
Beef	719,727	577,701	-19.7%	2,459,384	2,478,370	0.8%	51%
Pork	177,407	227,098	28.0%	177,407	873,729	392.5%	82%
Poultry	-	105,314,888	-	-	184,031,204	-	88%
Lamb	29,124	38,487	32.1%	55,956	319,894	471.7%	71%

Gross Exports – Marfrig Group

In mid-October, the impacts from the financial crisis on the international environment accelerated, leading the U.S. dollar to strengthen against many currencies, including the Brazilian Real. This trend was associated with the high level of stocks of importers and fears of a probable recession, leading to a rapid drop in beef export prices, as was also the case for many other commodities. Exports decelerated in the November-December period.

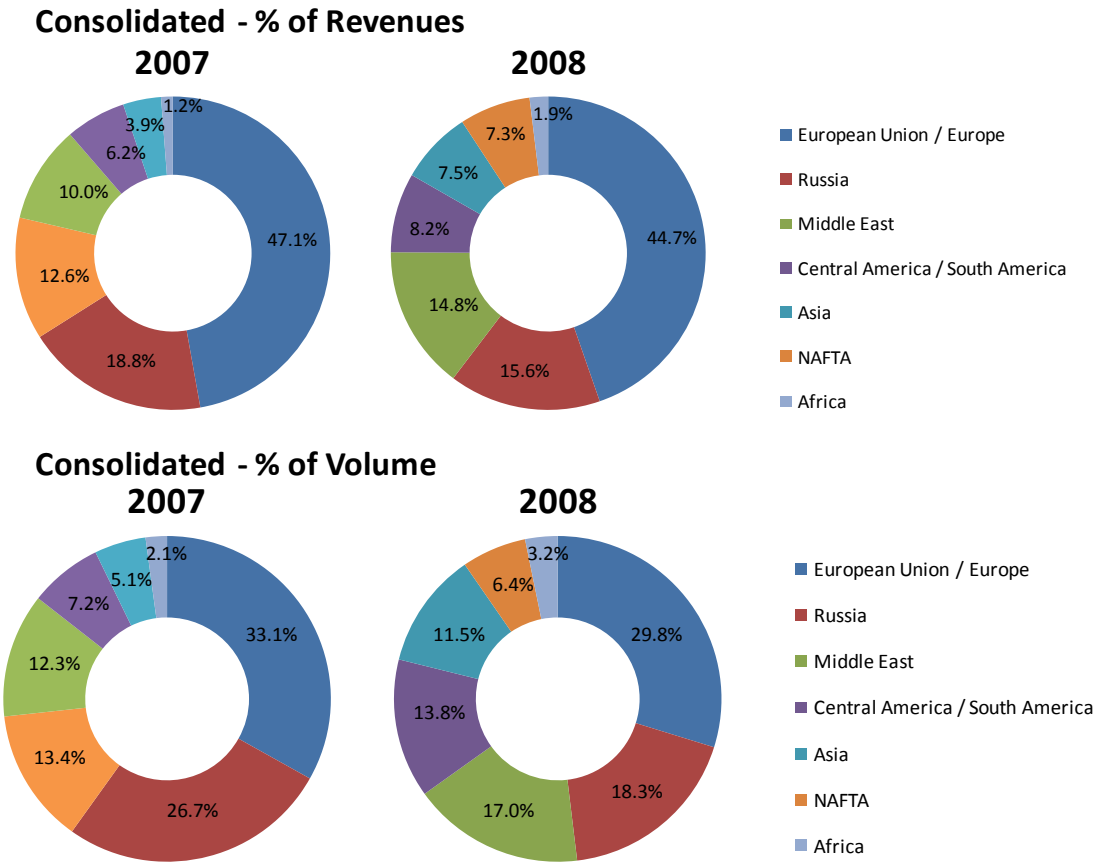
While exports contracted, most importers consumed their stocks, creating the potential for a recovery in prices and volumes as of the second half of 2009.

In 2008, the group's exports totaled R$ 2,891.0 million, 60.1% higher than the R$ 1,806.1 million exported in 2007. Exports accounted for 46.6% of net revenue in the year, compared with 54.1% in 2007. The reduction in the share of exports in the Company's revenue mix was due to the fresh beef export barriers imposed by the European Union, the introduction of new export rules in Argentina in the first half of 2008, and the drop in international prices in the fourth quarter of the year, which were partially offset by the Group's diversification strategy and by the increase in the share of new operations directed to the domestic market, such as the Europe division (Moy Park). Export volume totaled 427,000 tonnes, 28.3% higher than in 2007 (332,800 tonnes), mainly due to the inclusion of the chicken operations in the Group's consolidated figures.

In 4Q08, the Group's exports were R$ 968.9 million, 85.8% higher than the R$ 521.5 million exported in 4Q07 and 29.1% more than in 3Q08. Exports accounted for 40.4% of the Group's revenue, compared with 47.8% and 49.3% in 4Q07 and 3Q08, respectively. Export volume was 131,100 tonnes, up 37.3% and 19.8% in relation to 4Q07 and 3Q08, respectively.

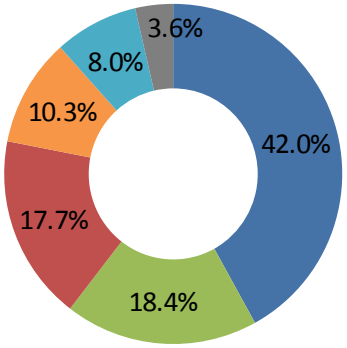
Export Destinations

The Marfrig Group exports its products to over 120 countries. The European Union is the main destination, accounting for 44.7% of export revenue and 29.8% of export volume. Russia is the second-largest consumer of exports, accounting for 15.6% of revenue and 18.3% of volume. The Middle East is the third most important destination, corresponding to 14.8% of revenue and 17% of export volume in 2008. A breakdown of export destinations follows.

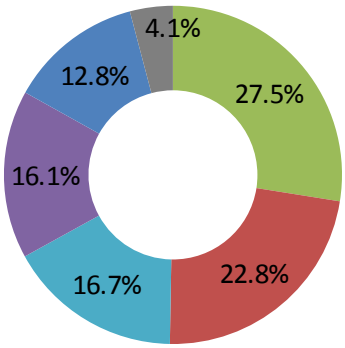


Revenue share of each destination by division – 2008 Consolidated

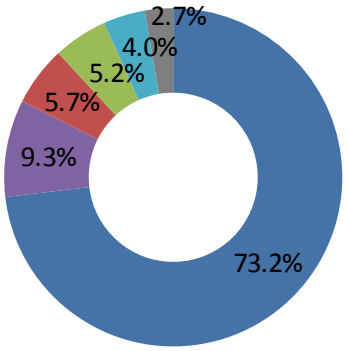
Revenue – Beef Brazil



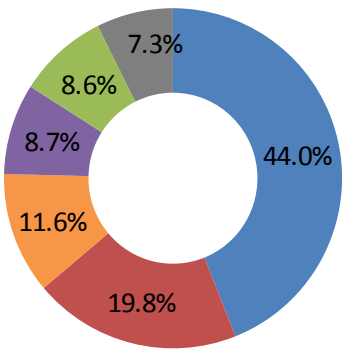
Revenue – Poultry & Pork



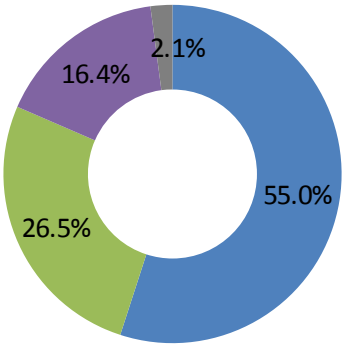
Revenue – Argentina



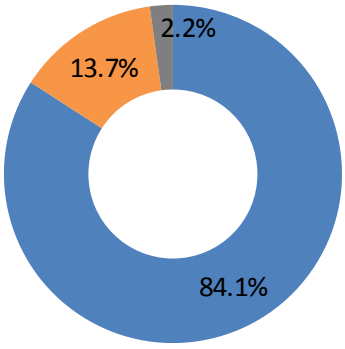
Revenue – Uruguay



Revenue – Europe



Revenue – Tradings

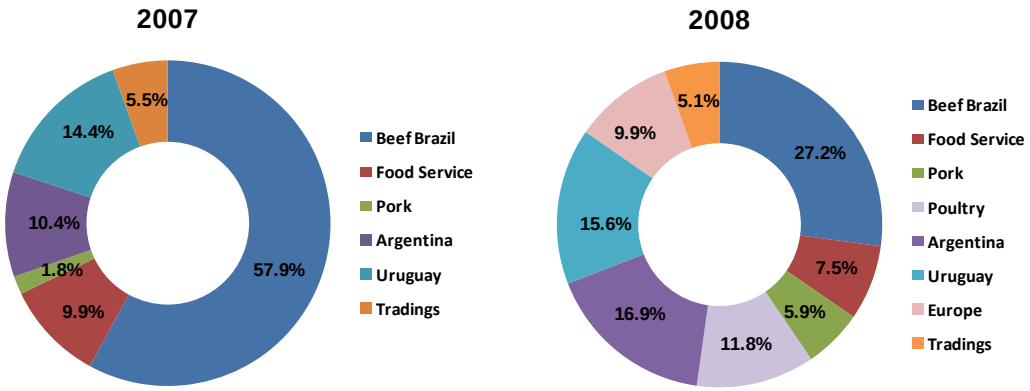


Europe | Middle East | Russia | NAFTA | Asia | Latin America | Other

Operating and Financial Performance

Net Operating Revenue -

Net revenue totaled R$ 6,203.8 million in 2008, 85.7% higher than the R$ 3,339.9 million recorded in 2007, effectively confirming the accuracy of the strategy of growth and diversification disclosed by Marfrig since in its IPO. The chart below shows each Division's share of Net Revenue.



In 4Q08, net sales revenue rose to R$ 2,396.0 million, increasing by 119.8% on the R$1,089.9 million recorded in 4Q07 and by 57.3% on the R$ 1,523.6 million recorded in the previous quarter.

The Beef Brazil Division recorded consolidated net revenue of R$ 495.2 million in the quarter, up 8.9% versus 3Q08. The strategy adopted since the start of the year of prioritizing the best distribution channels maintained control of volumes, which grew by 6.9% versus 3Q08, with average prices rising by 1.9% to R$ 4.28/kg, given the devaluation in the R$ against the US$ and the higher demand in the domestic market.

In 2008, net revenue fell by 12.7% year on year to R$ 1,690.2 million, while export volume was 443,700 tonnes, down 29% in relation to 2007. The European ban on Brazilian fresh beef and the lower export volume to Russia in the fourth quarter (lack of credit) impacted the Division's exports, leading to a drop in sales volume.

The volume in the Food Service contracted by 12.7% in 4Q08 compared with the previous quarter due to the fewer business days in the period. However, despite the lower volume, revenue increased 10.8% quarter on quarter to R$ 151.7 million, due to the increase of approximately 27.0% in the average price (driven by the change in the product mix) to R$ 6.06/kg in 4Q08, versus R$ 4.78/kg in 3Q08. In 2008, the division's net sales revenue climbed 41.3% to R$ 467.2 million. The combination of greater diversification and the synergies among the Company's divisions led to higher sales volume driven by the food service segment.

Pork revenue's remained virtually stable, declining a slight 0.49% in 4Q08 to R$ 102.2 million. The division's average price fell 0.4% in relation to 3Q08, composed of a price reduction of 2.1% in the domestic market and a price increase of 8.5% in the export market (following translation to BRL). Despite the lower export volume to Russia (our largest pork importer) due to the tight credit and high stocks, sales in the domestic market offset the drop in export volume.

In 2008, pork sales volume was 108,100 tonnes, growing by 502.0% from 17,900 tonnes in 2007. Sales climbed 504.1% to R$ 368.3 million, with the average price increasing 0.4% in the year. Note that in 2007, the operations of Mabella were consolidated only in the fourth quarter. In February 2008, we acquired Carroll's Food do Brasil, which increased the capacity of this division.

The Chicken operations (Brazil**)** was positively and significantly impacted in the quarter by the consolidation of the operations of the OSI Group. Volume rose 42.5% in 4Q08 versus 3Q08, while net sales grew 53.6% to R$ 354.1 million. The average price rose by 7.7% over 3Q08, driven mainly by foreign exchange translation (the average price in the export market in BRL terms increased by 29.1% in the quarter). In 2008, the

division's net sales totaled R$ 733.0 million while sales volume was 234,800 tonnes. Marfrig launched its chicken operations in the second quarter of 2008 with the acquisition of DaGranja and Penapaulo, and in the fourth quarter expanded these operations with the acquisition of the assets of the OSI Group in Brazil.

The Argentina Division recorded net income of R$ 329.8 million in the quarter, 7.5% higher than in 3Q08. Volume fell 31.0% (down 36.2% in the domestic market, while the export market grew 11.7%). The average sales prices increased by 55.9% over 3Q08, due to higher sales of prime cuts in the period.

In 2008, net sales climbed 203% to R$ 1,048.5 million, while volume rose by 200.5% to 285,600 tonnes. Note that the companies acquired in 2007 (Vivoratá, Estancias del Sur and Quickfood) were only partially consolidated in that year, while in 2008 their full impact on the division's results were recognized.

Net sales in the Uruguay Division totaled R$ 260.9 million in 4Q08, up 16.9% on the previous quarter. Volume rose by 18.6% (+25.8% in the domestic market and +10.2% in the export market) to 49,300 tonnes, while prices fell 1.5%. Despite the lower volume exported to Russia (the largest importer of Uruguayan beef until mid-3Q08), export destinations shifted in 4Q08, with countries in NAFTA and the European Union once again offering good prices, assuring the solid performance of exports in the fourth quarter. In 2008, the division's net sales totaled R$ 966.9 million, up 100.4% on 2007. Sales volume totaled 204,800 tonnes, 53.9% more than in the previous year, while prices increased by 30.3% on average.

In 4Q08, net sales in the Tradings Division totaled R$ 89.9 million, growing by 31.4% in relation to 3Q08. Sales volume remained virtually stable (+0.8%) versus 3Q08, while prices rose 30.3% on average, explaining the higher revenue in the quarter. In the year, sales totaled R$ 317.6 million, up 72% over 2007. Volume increased 80% to 36,900 tonnes, while the average price decreased 4.4%. In 2007 the companies Quinto Cuarto and Frigorífico Patagônia, which were acquired during the year, were only partially consolidated, while in 2008 they were fully consolidated.

The Europe Division recorded revenue of R$ 612.1 million in 4Q08, accounting for 25.5% of the Company's net revenue in the period. Sales volume in the quarter was 82,500 tonnes. The European operations (Moy Park, Kitchen Range and Albert Van Zoonen) were consolidated in the Company's results in 4Q08.

Cost of Goods Sold (COGS) -

In 2008, cost of goods sold (COGS) increased 82.4% to R$ 4,876.8 million, up from R$ 2,673.1 million in 2007, due to the expansion in 2008.

In 4Q08, COGS totaled R$ 1,889.5 million, up 46.6% and 107.2% in relation to the R$ 1,238.6 million and R$ 876.3 million in 3Q08 and 4Q07, respectively, driven by the expansion of the chicken operations acquired in 2008.

The main component of COGS in 2008 continued to be the purchase of raw materials, which accounted for 77.2% of COGS in 2008, versus 79.4% in 2007. In 4Q08, raw material costs accounted for 76.9% of COGS, compared with 78.4% in 4Q07 and 74.5% in 3Q08.

A summary of the breakdown of the main components of COGS follows

	2007	1Q08	2Q08	3Q08	4Q08	2008
Raw material	**79.4%**	**80.3%**	**78.2%**	**74.5%**	**76.9%**	**77.2%**
Beef	79.4%	75.4%	61.9%	58.3%	41.3%	55.7%
Grain	0.0%	4.9%	16.2%	16.2%	35.6%	21.5%
Packages	4.0%	3.7%	4.8%	3.3%	3.1%	3.6%
Electric power	1.5%	1.5%	1.9%	1.5%	2.3%	1.8%
Dir. and Ind. expenses + Dir. and Ind. workforce (*)	14.6%	14.4%	16.9%	16.1%	16.5%	16.1%
Other	0.5%	0.2%	-1.7%	4.6%	1.2%	1.3%

(*) Direct and indirect expenses, direct and indirect workforce

Gross Margin and Gross Income -

Gross income climbed 99.0% in the year to R$ 1,326.9 million, compared with R$ 666.8 million in 2007. This growth in absolute terms was due to the expansion process, with 12 acquisitions made in 2008.

Gross margin was 21.4%, up 140 bps from 20.0% in 2007.

In 4Q08, gross income was R$580.3 million, up 171.6% and 103.6% on 4Q07 and 3Q08, respectively (R$213.7 million and R$284.9 million). The growth in 4Q08 was mainly due to the consolidation of the operations of the companies acquired, which were incorporated into our results in 4Q08.

Gross margin rose 550 bps in 4Q08 versus 3Q08, from 18.7% to 24.2%, and by 460 bps from 19.6% in 4Q07.

The Group maintained its strategy of preserving profitability at its units, mainly through geographic diversification (Brazil, Argentina, Uruguay, Chile, United States and now Europe), with an increase in the share of industrialized products in the mix, which stood at 30.8% in 4Q08 and 22.3% in 2008, an increase in chicken and pork sales and a recovery in Argentina's exports to previous levels.

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

In 2008, selling, general and administrative expenses totaled R$ 573.1 million, or 9.3% of net revenue, decreasing by 40 bps in relation to the 9.7% of net revenue in 2007 (R$ 323.4 million).

In 4Q08, selling, general and administrative expenses totaled R$ 213.8 million (or 8.9% of net revenue), increasing by 111.8% over 4Q07 (R$ 100.9 million or 9.3% of net revenue) and by 59.9% versus 3Q08 (R$ 133.7 million or 8.8% of net revenue).

The Company is focused on its strategy of lowering costs and expenses, especially on integrating the structure of units recently acquired and capturing synergy gains.

EBITDA

In 2008, EBITDA was R$ 884.4 million, 132.6% higher than the R$ 380.2 million recorded in 2007. EBITDA margin stood at 14.3% in the year, versus 11.4% in 2007.

EBITDA was R$446.7 million in 4Q08, 262.1% higher than in 4Q07 (R$123.4 million) and 160.5% higher than in 3Q08 (R$171.4 million).

The Company incorporated R$ 131.1 million in tax credits in the period. Excluding these credits, EBITDA in 2008 would be R$ 752.9 million, 98% higher than the R$ 380.2 million recorded in 2007.

The fourth quarter was impacted by the global financial crisis, since the lower credit made available to importers and the appreciation in the USD versus other currencies led to lower exports in November and December, when prices were adjusted. Meanwhile, domestic demand remained stable, with slight variations in prices. We believe the combination of geographic diversification, the positioning in various animal proteins and the optimization of distribution channels enabled Marfrig to maintain a solid performance in the quarter and fiscal year.

Net Financial Result (Financial Income/Expenses)

In 2008, the Company's financial results were impacted by the appreciation in the USD against the BRL of approximately 31.9% (R$ 2.337/US$ in December 2008, versus R$ 1.7713/US$ in December 2007). The Company has 81.6% of its debt denominated in foreign currencies. The financial result breakdown is presented below:

	2007	2008	Var. % 2008 x 2007
Financial Revenues	65.437	234.095	257,7%
Financial Expenses	(260.598)	(451.542)	73,3%
Capital Transaction Expenses	(30.273)	(34.079)	12,6%
Interest on Own Capital	(41.247)		
Exchange Gain	220.708	479.159	117,1%
Exchange Variation Effect - translation	(2.352)		
Exchange Loss	(208.661)	(1.222.772)	486,0%
FINANCIAL REVENUES (EXPENSES)	**(256.986)**	**(961.060)**	**274,0%**

In 4Q08, the impact from USD appreciation was 22.1%, as shown below:

	4Q07	3Q08	4Q08	Var. % 4Q08 x 3Q08	Var. % 4Q08 x 4Q07
Financial Revenues	25,920	50,376	122,859	143.9%	374.0%
Financial Expenses	(80,088)	(97,645)	(220,361)	125.7%	175.1%
Capital Transaction Expenses	(294)	-	-		
Interest on Own Capital	(37,600)	-	-		
Exchange Gain	96,334	201,581	138,830	-31.1%	44.1%
Exchange Variation Effect - translation	(901)	21,741	(18,886)	186.9%	1996.1%
Exchange Loss	(118,487)	(380,370)	(698,594)	83.7%	489.6%
FINANCIAL REVENUES (EXPENSES)	**(115,116)**	**(204,317)**	**(676,152)**	**230.9%**	**487.4%**

Marfrig does not contract leveraged operations involving derivatives or similar instruments that do not hedge to some extent its exposure to other currencies, and maintains a conservative policy of avoiding operations that could potentially impact its financial position.

Since around 72.8% of our revenue originates in foreign currency, Marfrig enjoys a natural hedge for the maturities of its future obligations in foreign currencies.

The Company also has a solid financial policy, maintaining high balances of cash and short-term investments at prime financial institutions.

Net Income and Net Margin

In 2008, the Company posted a net loss of R$ 35.5 million, primarily due to the local currency depreciation in the year. The net loss in the year was down 141.8% on the R$ 84.9 million recorded in 2007. Net margin in the year was negative 0.6%, versus positive margin of 2.5% in 2007.

The net loss in 4Q08 was R$ 74.3 million, versus a net loss of R$ 52.6 million in 3Q08 and net income of R$ 26.3 million in 4Q07.

In 4Q08, net margin was negative 3.1%, improving by 40 bps in relation to the negative 3.5% in 3Q08 and down 550 bps in relation to the 2.4% in 4Q07.

Consolidated Debt

At the close of 4Q08, total debt stood at R$ 4,313.5 million, of which R$ 1,232.1 million (or 28.6%) was short-term debt and R$ 3,081.3 million (71.4%) was long-term debt.

Of the total debt, 58.2% is secured by sureties, promissory notes. A breakdown of guarantees is provided in Note 16 to our Quarterly Information.

On December 31, 2008, Marfrig's net debt stood at R$ 3,241.8 million, 52.50% higher than the R$ 2,125.8 million recorded on September 30, 2008. Details of our indebtedness in BRL on December 31, 2008 are provided below.

				Consolidated	
Credit Lines	**Charges (% p.a.)**	**Average weighted interets rate (p.a.)**	**Average weighted maturity (years)**	**Balance 12.31.08**	**Balance 12.31.07**
Domestic Currency					
FINAME	TJLP + Fixed Rate	9,92	3,7	11.544	7.234
BNDES Exim	TJLP + Fixed Rate	10,19	0,67	74.236	137.787
BNDES Finem	TJLP + 1.80	8,05	4,15	14.203	7.664
FINEP	TJLP + 1%	7,25	5,08	29.857	8.747
Export credit notes	Fixed Rate+CDI	15,12	1,93	512.221	81.257
Working capital (R$)	Fixed Rate+CDI	17,88	1,88	102.814	7.890
Rural credit notes (R$)	Fixed Rate	7,32	1,76	49.076	16.855
Prepaid (interest)	CDI	13,86	0,5	341	-
Other			0,58	33	178
Total domestic currency				**794.325**	**267.612**
Foreign Currency					
Credt letter advances (US$)	Fixed rate + E.V.	5,97	0,6	580.985	149.870
Industrial state financing (US$)	Libor+Fixed Rate+ E.V.	5,88	2,81	40.186	31.840
Prepayments (US$)	Libor+Fixed Rate+ E.V.	8,61	5,02	1.335.609	550.732
BNDES Exim (US$)	Currency Basket + Fixed Rate	11,54	0,68	20.661	28.913
Bonds (US$)	Fixed rate + E.V.	9,63	7,95	869.188	647.109
BNDES Finem	Currency Basket + 1.30	8,90	4,15	2.792	3.316
Export Credit Notes (US$)	CDI+Fixed Rate+E.V (US$)+Libor	14,95	2	466.296	265.012
Swap	Premium + E.V.	Premium + E.V.	0,5	32.330	1.028
Working Capital (US$)	Fixed Rate + Libor	6,04	3,17	58.797	61.414
Working Capital (Pesos)	Unidade Fomento	7,92	1,75	8.830	1.193
Banking Loans (US$)	Fixed Rate	5,81	0,33	76.801	41.091
PAE (US$)	Fixed Rate	7,5	0,5	12.559	7.243
Financing (US$)	Fixed Rate	6,5	0,75	14.115	11.357
Secured Account (US$)	Libor + 1.85%	4,93	1,25	-	6.200
Finimp	Libor+2%+ comission 1.5%	7,72	-	-	31
Total foreign currency				**3.519.149**	**1.806.349**
Total debt				**4.313.474**	**2.073.961**
Current Liabilities				**1.232.097**	**428.105**
Non Current Liabilities				**3.081.377**	**1.645.856**

Details of our debt maturities is provided below:

DOMESTIC CURRENCY			FOREIGN CURRENCY		
	3Q08	4Q08		3Q08	4Q08
4Q08	32,422		4Q08	295,561	
1Q09	49,800	70,527	1Q09	168,160	316,512
2Q09	27,394	29,351	2Q09	108,277	364,709
3Q09	39,952	153,129	3Q09	51,091	102,859
4Q09	9,367	9,603	4Q09	16,038	185,407
2010	130,413	234,029	2010	168,564	206,030
2011	366,637	271,092	2011	432,450	536,985
2012	5,415	10,670	2012	347,565	433,836
2013	2,578	7,508	2013	243,771	303,796
2014		3,580	2014	91,863	113,861
2015		3,580	2015	78,395	95,846
2016		1,256	2016	632,289	859,308
TOTAL	633,978	794,325	TOTAL	2,634,024	3,519,149

The Company's objective is to gradually adjust the structure of its working capital loans to concentrate maturities in the long term, with the objective of reestablishing the debt policy adopted by the Company, which says that 15% of debt should be short-term and the remaining 85% long-term.

Derivatives

Open positions in derivatives on December 31 totaled US$ 35.0 million in NDFs and US$ 40.0 million in swaps. These operations were contracted to mitigate the effects from foreign exchange variation on the settlement of loans and financing operations and obligations with suppliers, and also to protect against the impact from interest rate variations on financial investments and debt with variable interest.

							12.31.08
Instrument	Maturity	Receivable	Payable	Balancing item of principal	Reference Value (domestic)	Fair Value (*)	Payable Value
NDF (Balcão - CE	1/9/2009	US$ lower 1.8725	US$ lower 1.8725	Citibank	20.000	46.812	(9.362)
NDF (Balcão - CE	2/2/2009	US$ lower 1.7805	US$ lower 1.7805	Safra	5.000	11.795	(2.892)
NDF (Balcão - CE	1/12/2009	US$ lower 1.825	US$ lower 1.825	Safra	5.000	11.710	(2.585)
NDF (Balcão - CE	3/16/2009	US$ lower 1.948	US$ lower 1.948	Bic Banco	5.000	11.859	(2.119)
							(16.958)
Swap	6/22/2009	£ lower 3.7376	£ lower 3.7376	HSBC	40.000	134.132	(15.372)
						216.307	(32.330)

(*) The presented fair value corresponds to the average market outlook, accrued based on models and quotes available at the market, or owner, that consider present and furture markets, being gross amounts before taxes, and presuming withdrawals or settlements in maturity

	Parent Company		Consolidated	
	31/12/08	31/12/07	31/12/08	31/12/07
NDF	(9.363)	-	(16.958)	-
Swap	(15.372)	-	(15.372)	(1.028)
Swap - Financing (*)		(283.831)	-	(283.831)
	(24.735)	(283.831)	(32.330)	(284.859)

(*) This operation was hired to minimize exchenge variation effect and protection against interest variation. There is no loss possibility, as it was settled on October 20, 2008, with a R$ 215 net gain.

The net financial result from derivative operations in the period was an expense of R$ 32,330 thousand, of which R$16,958 thousand was related to expenses with NDF operations and R$15,372 thousand to expenses with swap operations.

In the fiscal year ended December 31, 2008, the net financial result from derivative operations was an expense of R$ 40,908 thousand, of which R$ 96,424 thousand was expenses with NDF operations and R$55,516 thousand was net income from call option operations.

Management believes the results from these derivative operations comply with the risk management strategy adopted by the Company.

Capital Expenditure -

In 2008, Marfrig invested R$ 1,751.8 million, of which R$ 1,466.9 million was used to acquire companies in Brazil and abroad and R$ 284.8 million was allocated to the construction, maintenance, modernization and/or expansion of our plants.

A portion of capital expenditure in 2008 was paid using 20,117,637 common shares issued by the Company at the price of R$ 21.50 per share in the R$ 432.5 million private capital increase concluded in October 2008.

In the quarter, Marfrig invested R$ 1,408.3 million, of which R$ 1,322.6 million was used to acquire companies in Brazil and abroad and R$ 85.6 million was allocated to the construction, maintenance, modernization and/or expansion of our plants.

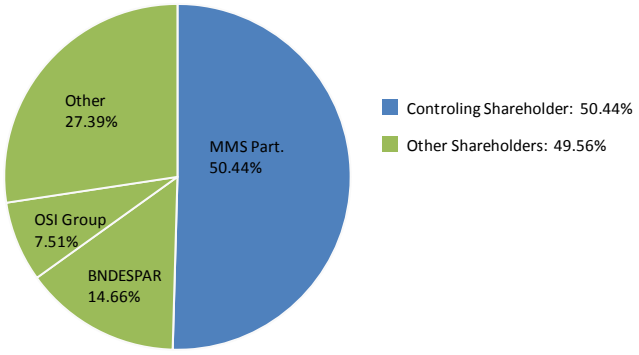
CONSOLIDATED CAPEX					
	1Q08	2Q08	3Q08	4Q08	2008
Investing activities					
Investments	(7,378)	(15,484	(113,144)	(413,430)	(549,436)
Investment in permanent assets	(97,871)	(35,135)	(66,178)	(85,623)	(284,807)
Intangible assets/goodwill		(8,344)		(909,209)	(917,553)
CAPEX	**105,249**	**(58,963)**	**(179,322)**	**(1,408,262)**	**(1,751,796)**

Equity Situation and Capital Markets -

On December 31, 2008, Marfrig's subscribed and paid-in capital was represented by 267,943,954 common shares (MRFG3), of which 135,162,786 shares, or 50.4%, are held by MMS Participações S.A. and 132,781,168 shares, or 49.6%, are free float.

MMS Participações S.A. is controlled by Marcos Antonio Molina dos Santos and Márcia Aparecida Marçal dos Santos, who hold equal stakes of 50%.

Ownership Structure – Marfrig Group

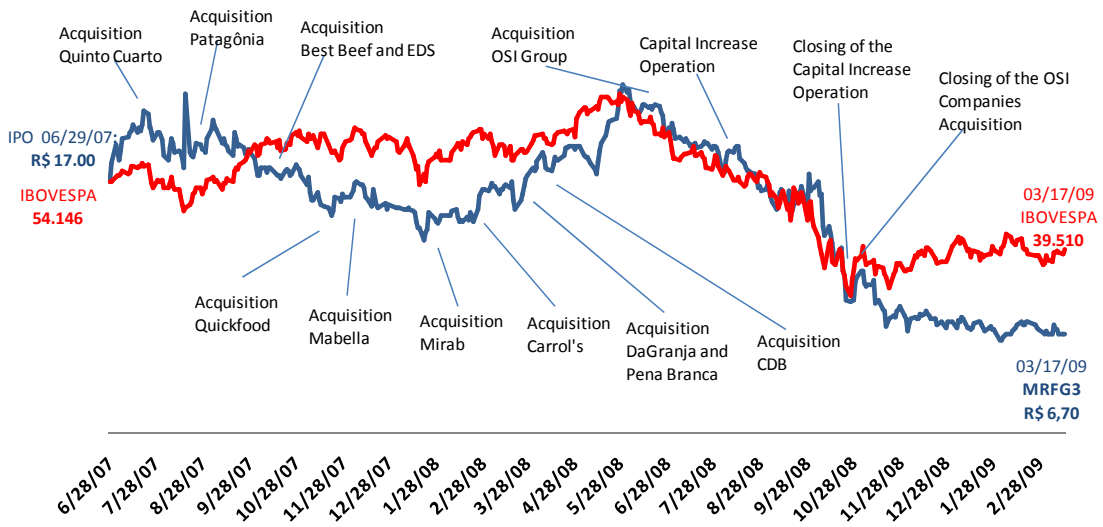


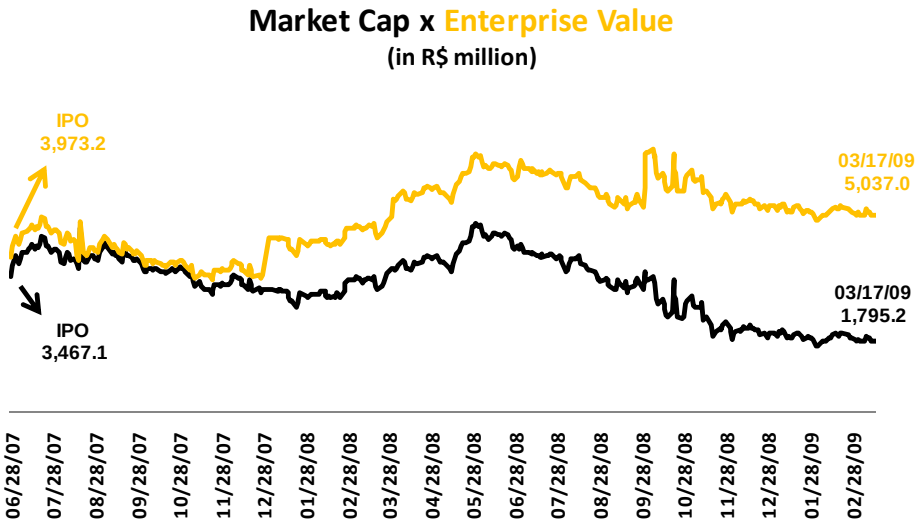
Marfrig is listed on the Novo Mercado - a special corporate governance segment - of the São Paulo Stock Exchange (Bovespa) and is a component of the Brazil Index (IbrX), the Special Corporate Governance Stock Index (IGC), the Special Tag-Along Stock Index (ITAG), the Industrial Sector Index (INDX), the Small Cap Index (SMLL) and the Consumption Index (ICON).

In 2008, Marfrig stock was traded in 100% of the trading sessions and the stock price fell by 56,1% through March 17, 2009, considering the adjustments for shareholder payments. In the same period, the benchmark Ibovespa index declined by 38,1%

On March 17, 2009, Marfrig stock closed at R$ 6.70, for market capitalization of R$ 1,795 billion.

Marfrig ON (MRFG3) x IBOVESPA





Corporate Governance

The Marfrig Group is listed on the Novo Mercado segment of the Bovespa, and therefore is committed to the highest corporate governance levels and maintains relationship and transparency best practices with shareholders, partners and employees.

Marfrig stock entitles its owner to the following rights:

- the right to vote at Shareholder Meetings, with each share corresponding to one vote;
- the right to receive the minimum mandatory dividend relative to each fiscal year, equivalent to 25% of adjusted net income, pursuant to article 202 of Brazilian Corporation Law;
- the right to sell their stock in public offerings carried out by the controlling shareholder or by the Marfrig Group if the Company is delisted (tag-along rights), and only by the controlling shareholder if the Company is delisted from the Novo Mercado listing segment.

The Company has three Internal Committees installed that meet on a monthly basis to take actions in pursuit of corporate governance best practices, with the following Board Members appointed as coordinators:

a) Audit Committee: Mr. Marcelo Maia de Azevedo Correa;

b) Financial Committee: Mr. Carlos Geraldo Langoni; and

c) Compensation, Human Resources and Corporate Governance Committee: Mr. Antonio Maciel Neto.

In 2008, a Sales Advisory Committee was created to advise the Board of Directors in the management of the Company's commercial activities, with Board member David G. McDonald serving as coordinator.

After the conclusion of the acquisition of Moy Park in Europe and the assets of the OSI Group in Brazil, Mr. David. G. McDonald, CEO of OSI Group International, was appointed board member by the Extraordinary Shareholders' Meeting of December 1, 2008. Following his investiture, Marfrig's Board of Directors now has 7 members and 3 independent members.

COMMITMENT TO ARBITRATION

The Company, its officers and its members of the board of directors have committed to resolve through arbitration any dispute or controversy arising between them that is related to or arising 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 (Bovespa), 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.

Events Subsequent to December 31, 2008

On Janeiro 2, 2009, the Company concluded payment for the acquisition of Empresa Moy Park Holdings Europa in the amount of US$ 20,000,000.00 at an exchange rate of R$ 2.3480, equivalent to R$ 46,960,000.0.

On January 3, 2009, the Company concluded payment for the Company Pena Paulo Ltda in the amount of R$ 85,000,000.0.

On March 5, 2009, the Company raised US$ 75 million from Banco Bradesco with a term of 6 years, annual amortization and a grace period of 1 year, at a rate of LIBOR + 7.25% p.a.

The Company is currently in negotiations with the bank Rabobank for NCE operations in the total amount of US$ 30 million, with a term of 3 years at a rate of LIBOR + 7% p.a., and on March 4, 2009, the amount of R$ 45,000,000.00 was advanced as a bridge loan by Rabobank, with maturity on April 30, 2009, at a rate of CDI + 5% p.a.

Corporate Guidance

In that context, Marfrig Group presents its guidance for 2008, highlighting that such outlook was made within the current scenario and certain drivers, as described below, as well as the risks related to them.

	Guidance 2009
Net Revenue	R$ 10.5 – 12.0 billion
EBITDA[1]	R$ 840 million - R$ 1.2 billion
EBITDA Margin	8% - 10%
Net Debt / EBITDA [LTM]	< 3.0X
CAPEX[2]	R$ 220 million

LTM – last twelve months
Main Exchange Variation Driver: R$ 2.30 / USD; USD 1.50 / British Pounds, USD 1.35 / Euro
Risks: deterioration of the global economic scenario, with consequence to Marfrig Group's diversification strategy.

ATTACHMENT II
FINANCIAL DATA - MARFRIG GROUP - CONSOLIDATED

INCOME STATEMENT FISCAL YEARS ENDED ON DECEMBER 31, 2008/2007 (in R$ '000)	2007	2008	Var. % 2008 x 2007
GROSS OPERATING REVENUE	**3,726,250**	**6,775,213**	**81.8%**
Domestic Market	1,869,706	3,838,545	105.3%
Exports	1,856,544	2,936,668	58.2%
DEDUCTIONS FROM GROSS REVENUE	**(386,301)**	**(571,416)**	**47.9%**
Sales Taxes	(183,585)	(314,883)	71.5%
Returns and Discounts	(202,716)	(256,533)	26.5%
NET OPERATING REVENUE	**3,339,949**	**6,203,797**	**85.7%**
Cost of Goods Sold	(2,673,076)	(4,876,825)	82.4%
GROSS INCOME	**666,873**	**1,326,972**	**99.0%**
Gross Margin	*20.0%*	*21.4%*	*140 b.p.*
OPERATING REVENUE (EXPENSES)	**(333,687)**	**(602,386)**	**80.5%**
Commercial	(219,742)	(393,354)	79.0%
Administrative & General	(103,613)	(179,731)	73.5%
Other Operating Revenue (Expenses)	(10,332)	(29,301)	183.6%
OPERATING RESULT BEFORE INFLATION AND FINANCIAL EFFECTS	**333,186**	**724,586**	**117.5%**
FINANCIAL REVENUE (EXPENSES)	**(256,986)**	**(961,060)**	**274.0%**
Financial Revenues	65,437	234,095	257.7%
Financial Expenses	(260,598)	(451,542)	73.3%
IPO Expenses	(30,273)		
Interest on Own Capital	(41,247)		
Exchange Gain	220,708	479,159	117.1%
Exchange Variation Effect - translation	(2,352)		
Exchange Loss	(208,661)	(1,222,772)	486.0%
OPERATING INCOME	**76,200**	**(236,474)**	**-410.3%**
Operating Margin	2.3%	-3.8%	***610 b.p.***
Non-operating Result	(2,005)		
Minority Interest	(2,421)	(10,835)	347.5%
EARNINGS BEFORE TAXES	**71,775**	**(247,308)**	**-444.6%**
Income Tax	(22,711)	144,174	-734.8%
Social Contribution	(5,355)	67,635	-1363.0%
EARNINGS BEFORE INTEREST ON OWN CAPITAL REV.	**43,709**	**(35,500)**	**-181.2%**
Reversion of Interest on Own Capital	41,247		
NET INCOME FOR THE PERIOD	**84,955**	**(35,500)**	**132.6%**
Net Margin	*2.5%*	*-0.6%*	*310 b.p.*
EPS - R$	0.41655	-0.13249	-141.8%

EBITDA	**380,232**	**884,354**	**132.6%**
EBITDA Margin	***11.4%***	***14.3%***	***290 b.p.***

INCOME STATEMENT QUARTERS ENDED ON DECEMBER 31, 2008/2007 (in R$ '000)	4Q07	3Q08	4Q08	Var. % 4Q08 x 3Q08	Var. % 4Q08 x 4Q07
GROSS OPERATING REVENUE	**1,207,830**	**1,641,710**	**2,628,133**	**60.1%**	**117.6%**
Domestic Market	672,068	869,131	1,655,365	90.5%	146.3%
Exports	535,762	772,579	972,768	25.9%	81.6%
DEDUCTIONS FROM GROSS REVENUE	**(117,902)**	**(118,117)**	**(232,131)**	**96.5%**	**96.9%**
Sales Taxes	(66,723)	(77,005)	(112,081)	45.6%	68.0%
Returns and Discounts	(51,179)	(41,112)	(120,050)	192.0%	134.6%
NET OPERATING REVENUE	**1,089,928**	**1,523,593**	**2,396,002**	**57.3%**	**119.8%**
Cost of Goods Sold	(876,250)	(1,238,626)	(1,815,717)	46.6%	107.2%
GROSS INCOME	**213,678**	**284,967**	**580,285**	**103.6%**	**171.6%**
Gross Margin	***19.6%***	***18.7%***	***24.2%***	***550 b.p.***	***460 b.p.***
OPERATING REVENUE (EXPENSES)	**(105,009)**	**(142,088)**	**(215,369)**	**51.6%**	**105.1%**
Commercial	(68,935)	(94,078)	(149,176)	58.6%	116.4%
Administrative & General	(32,005)	(39,657)	(64,634)	63.0%	101.9%
Other Operating Revenue (Expenses)	(4,069)	(8,353)	(1,559)	-81.3%	-61.7%
OPERATING RESULT BEFORE INFLATION AND FINANCIAL EFFECTS	**108,669**	**142,879**	**364,916**	**155.4%**	**235.8%**
FINANCIAL REVENUES (EXPENSES)	**(115,116)**	**(204,317)**	**(676,152)**	**230.9%**	**487.4%**
Financial Revenues	25,920	50,376	122,859	143.9%	374.0%
Financial Expenses	(80,088)	(97,645)	(220,361)	125.7%	175.1%
IPO Expenses	(294)		-		
Interest on Own Capital	(37,600)	-	-		
Exchange Gain	96,334	201,581	138,830	-31.1%	44.1%
Exchange Variation Effect - translation	(901)	21,741	(18,886)	-186.9%	1996.1%
Exchange Loss	(118,487)	(380,370)	(698,594)	83.7%	489.6%
OPERATING INCOME	**(6,447)**	**(61,438)**	**(311,236)**	**406.6%**	**4727.7%**
Operating Margin	2.9%	-4.0%	-13.0%	***900 b.p.***	***1580 b.p.***
Non-operating Result	(2,063)	57	727	1175.4%	-135.2%
Minority Interest	(1,904)	(1,988)	(1,546)	-22.2%	-18.8%
EARNINGS BEFORE TAXES	**(10,413)**	**(63,369)**	**(312,055)**	**392.4%**	**2896.7%**
Income Tax	(2,429)	7,124	171,570	2308.3%	-7163.4%
Social Contribution	1,567	3,559	66,213	1760.4%	4125.5%
EARNINGS BEFORE INT.ON OWN CAPITAL REV.	**(11,275)**	**(52,686)**	**(74,272)**	**41.0%**	**558.7%**
Reversion of Interest on Own Capital	37,600		-		
NET INCOME FOR THE PERIOD	**26,325**	**(52,686)**	**(74,272)**	**41.0%**	**-382.1%**
Net Margin	***2.4%***	***-3.5%***	***-3.1%***	***40 b.p.***	***550 b.p.***
EPS - R$	**0,1291**	**(0,2583)**	**(0,2772)**	**7.3%**	**-314.8%**
EBITDA	**123,351**	**171,451**	**446,691**	**160.5%**	**262.1%**
EBITDA Margin	***11.3%***	***11.3%***	***18.6%***	***730 b.p.***	***730 b.p.***

CONSOLIDATED BALANCE SHEET PERIODS ENDED ON DECEMBER 31, 2008/2007 (in R$ '000)					
	4Q07	3Q08	4Q08	Var. % 4Q08 x 3Q08	Var. % 4Q08 x 4Q07
CURRENT ASSETS	**2,681,417**	**3,750,103**	**4,370,445**	**16.5%**	**63.0%**
Cash and equivalents	211,551	178,482	395,662	121.7%	87.0%
Short term investments	838,255	993,731	676,002	-32.0%	-19.4%
Accounts receivable from domestic clients	387,169	557,736	686,035	23.0%	77.2%
Accounts receivable from international clients	350,205	478,045	315,877	-33.9%	-9.8%
Products and goods inventories	594,571	996,644	1,581,934	58.7%	166.1%
Recoverable taxes	297,867	528,940	689,393	30.3%	131.4%
Prepaid expenses	1,799	2,516	25,237	903.1%	1302.8%
Other accounts receivable		14,009	304	-97.8%	
NON CURRENT ASSETS	**43,277**	**679,657**	**385,378**	**-43.3%**	**790.5%**
Long term investments	3,274	3,730	4,195	12.5%	28.1%
Compulsory deposits	5,524	17,088	23,378	36.8%	323.2%
Notes receivable	2,629	620,274	363	-99.9%	-86.2%
Deferred taxes	20,314	32,049	303,568	847.2%	1394.4%
Recoverable taxes	2,752	3,289	44,631	1257.1%	1521.8%
Other accounts receivable	8,784	3,227	9,243	186.4%	5.2%
PERMANENT ASSETS	**1,605,972**	**2,450,277**	**4,399,349**	**79.5%**	**173.9%**
Investments	647,016	1,040,181	1,197	-99.9%	-99.8%
Property, plant and equipment	947,842	1,395,108	2,235,688	60.3%	135.9%
Intangible			2,144,212		
Deferred	11,114	14,988	18,252	21.8%	64.2%
TOTAL ASSETS	**4,330,666**	**6,880,037**	**9,155,172**	**33.1%**	**111.4%**
CURRENT LIABILITIES	**1,207,325**	**1,779,760**	**2,799,493**	**57.3%**	**131.9%**
Suppliers	335,396	343,544	748,495	117.9%	123.2%
Accrued payroll and related charges	71,479	218,626	269,793	23.4%	277.4%
Taxes, rates and contributions	40,465	240,792	274,543	14.0%	578.5%
Loans and financing	428,105	772,657	1,232,097	59.5%	187.8%
Leasing payable			62,582		
Notes payable	269,753	23,151	11,660	-49.6%	-95.7%
Interest on own capital	32,111		0		
Other liabilities	30,016	180,990	200,323	10.7%	567.4%
NON CURRENT LIABILITIES	**1,841,014**	**2,874,805**	**3,625,828**	**26.1%**	**96.9%**
Loans and financing	1,645,856	2,525,345	3,081,377	22.0%	87.2%
Leasing payable			142,114		
Taxes, rates and contributions	61,794	68,240	78,674	15.3%	27.3%
Deferred taxes	57,277	99,615	109,019	9.4%	90.3%
Provisions	48,154	87,698	108,475	23.7%	125.3%
Other accounts payable	4,563	78,410	88,252	12.6%	1834.1%
Minority interest	23,370	15,497	17,917	15.6%	-23.3%
SHAREHOLDERS' EQUITY	**1,282,327**	**2,225,472**	**2,729,851**	**22.7%**	**112.9%**
Capital stock	1,183,826	2,111,374	2,559,718	21.2%	116.2%
Treasury stock		(12,929)	(12,966)	0.3%	
IPO expenses -			(34,079)		
Exchange variation over investments			15,777		
Exchange variation – balance translation			33,374		
Legal reserve	3,217	3,217	3,217	0.0%	0.0%
Retained earnings	95,284	123,810	167,810	33.1%	472.9%
TOTAL LIABILITIES	**4,330,666**	**6,880,037**	**9,155,172**	**33.1%**	**111.4%**

MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A. CONSOLIDATED CASH FLOW PERIODS ENDED ON DECEMBER 31, 2008/2007 (in R$ '000)				
Cash Flow (R$ '000)	**1Q08**	**2Q08**	**3Q08**	**4Q08**
Operating activities				
NET INCOME FOR THE PERIOD	**25,059**	**66,399**	**(52,685)**	**(74,273)**
ITEMS NOT AFFECTING CASH	**(4,271)**	**(108,733)**	**314,098**	**638,820**
Depreciation	13,329	17,122	19,086	67,328
Amortization	9,485	9,485	9,485	14,448
Minority interest	3,995	3,305	1,988	1,547
Provision for contingencies	1,122	27	(976)	62,230
Deferred taxes	(3,212)	(953)	(3,255)	(254,253)
Exchange variation over investments	(24,916)	(147,286)	107,771	64,431
Exchange variation over financing	-	5,493	179,999	681,542
Gain (loss) with investments	(4,074)	4,074	-	-
Property, plant and equipment write-off	-	-	-	1,547
EQUITY CHANGES	**(263,185)**	**(357,478)**	**(1,010,871)**	**98,663**
Accounts receivable from clients	(5,703)	61,889	(284,232)	281,151
Inventories	(63,205)	(157,813)	(82,879)	(302,623)
Judicial deposits	(881)	2,600	(3,354)	(4,688)
Accrued payroll and related charges	7,290	55,612	17,469	(2,733)
Accounts payable and provisioned expenses	(126,756)	(536)	(7,201)	(124,633)
Taxes	(65,615)	(102,195)	(80,735)	(169,784)
Financial charges (*)	45,739	47,696	57,833	83,992
Notes receivable and payable	(44,158)	(163,939)	(764,834)	362,148
Other assets and liabilities accounts	(9,896)	(100,792)	137,062	(24,167)
CASH FLOW FROM OPERATING ACTIVITIES	**(242,397)**	**(399,812)**	**(749,458)**	**663,210**
Investing activities	**-**	**-**		
Investments	(11,648)	(21,917)	(113,144)	(413,430)
Exchange variation over investments	-	-	-	(74,229)
Investments goodwill reduction	4,270	6,433	-	-
Investment consolidation with no cash effect	46,565	(52,649)	47,370	(21,591)
Investments in property, plant and equipment	(97,871)	(35,135)	(66,178)	(85,623)
Leasing payable	-	-	-	(200,284)
Intangible assets	-	(8,344)	-	(909,209)
CASH FLOW FROM INVESTING ACTIVITIES	**(58,684)**	**(115,505)**	**(140,988)**	**(1,676,866)**
Financing activities	**-**	-		
Dividends/Interest on own capital paid in the period	-	-	-	
Loans and financing	435,863	89,491	362,200	249,666
Loans granted	880,752	741,960	673,821	1,129,470
Loans settled	(444,889)	(652,469)	(311,621)	(879,804)
Leasing payable	-	-	-	204,696
Treasury shares	-	(3,893)	(9,036)	(37)
Capital Increase			927,548	444,538
CASH FLOW FROM FINANCING ACTIVITIES	**435,863**	**85,598**	**1,280,712**	**898,863**
Exchange variation over cash and equivalents	-	(17,725)	31,854	41,764
CASH FLOW FOR THE PERIOD	**134,782**	**(443,551)**	**431,156**	**(100,529)**
Cash, banking accounts, short term investments				
Balance at the end of the period	1,184,588	741,037	1,172,193	1,071,664
Balance at the beginning of the period	1,049,806	1,184,588	741,037	1,172,193
CHANGES IN THE PERIOD	**134,782**	**(443,551)**	**431,156**	**(100,529)**

ATTACHMENT III - BREAKDOWN OF REVENUE AND VOLUME – MARFRIG GROUP – CONSOLIDATED

Net Sales – R$ '000

By product line/domestic market	4Q07	3Q08	4Q08	Var, % 4Q08 x 3Q08	Var, % 4Q08 x 4Q07	2007	2008	Var, % 2008 x 2007
Fresh beef	**379,716**	**515,533**	**764,034**	**48,2%**	**101,2%**	**1,059,684**	**1,968,520**	**85,8%**
Beef	359,698	395,048	418,055	5,8%	16,2%	1,039,666	1,394,845	34,2%
Pork	20,018	29,054	27,839	-4,2%	39,1%	20,018	103,873	418,9%
Poultry	-	91,431	318,140	248,0%	0,0%	-	469,802	0,0%
Industrialized	**97,946**	**136,427**	**481,779**	253,1%	391,9%	**195,718**	**833,094**	**325,7%**
Other	**90,761**	**120,930**	**181,301**	**49,9%**	**99,8%**	**278,412**	**511,164**	**83,6%**
Total Domestic Sales	**568,423**	**772,890**	**1,427,114**	**84,6%**	**151,1%**	**1,533,814**	**3,312,778**	**116,0%**
Fresh beef	**434,963**	**615,946**	**682,933**	**10,9%**	**57,0%**	**1,552,791**	**2,246,919**	**44,7%**
Beef	403,464	433,601	393,508	-9,2%	-2,5%	1,521,292	1,621,709	6,6%
Pork	31,499	39,949	38,631	-3,3%	22,6%	31,499	158,275	402,5%
Poultry	-	142,396	250,794	76,1%	0,0%	-	466,935	0,0%
Industrialized	**68,198**	**109,014**	**254,354**	**133,3%**	**273,0%**	**213,514**	**539,040**	**152,5%**
Other	**18,343**	**25,743**	**31,601**	**22,8%**	**72,3%**	**39,830**	**105,060**	**163,8%**
Total Export Sales	**521,504**	**750,703**	**968,888**	**29,1%**	**85,8%**	**1,806,135**	**2,891,019**	**60,1%**
TOTAL MARFRIG	**1,089,927**	**1,523,593**	**2,396,002**	**57,3%**	**119,8%**	**3,339,949**	**6,203,797**	**85,7%**
By Division / Market	**4Q07**	**3Q08**	**4Q08**	**Var, % 4Q08 x 3Q08**	**Var, % 4Q08 x 4Q07**	**2007**	**2008**	**Var, % 2008 x 2007**
Beef Brazil	**488,991**	**454,587**	**495,222**	**8,9%**	**1,3%**	**1,935,079**	**1,690,203**	**-12,7%**
Domestic Market	227,941	254,730	288,961	13,4%	26,8%	757,321	905,777	19,6%
Exports	261,050	199,857	206,261	3,2%	-21,0%	1,177,758	784,426	-33,4%
(Food Service) - Brazil	**96,324**	**136,898**	**151,745**	**10,8%**	**57,5%**	**330,727**	**467,188**	**41,3%**
Domestic Market	96,324	136,898	151,745	10,8%	57,5%	330,727	467,188	41,3%
Exports								
Pork & Industrialized	**60,963**	**103,115**	**102,204**	**-0,9%**	**67,6%**	**60,963**	**368,262**	**504,1%**
Domestic Market	29,464	63,166	63,573	0,6%	115,8%	29,464	209,987	612,7%
Exports	31,499	39,949	38,631	-3,3%	22,6%	31,499	158,275	402,5%
Poultry & Industrialized		**230,589**	**354,077**	**53,6%**			**733,042**	
Domestic Market		87,268	148,491	70,2%			309,099	
Exports		143,321	205,586	43,4%			423,943	
Total Pork, Poultry & Industrialized	**60,963**	**333,704**	**456,281**	**36,7%**	**648,5%**	**60,963**	**1,101,304**	**1706,5%**
Domestic Market	29,464	150,434	212,064	41,0%	619,7%	29,464	519,086	1661,8%
Exports	31,499	183,270	244,217	33,3%	675,3%	31,499	582,218	1748,4%
Total Brazil	**646,278**	**925,189**	**1,103,248**	**19,2%**	**70,7%**	**2,326,769**	**3,258,695**	**40,1%**
Domestic Market	353,729	542,062	652,770	20,4%	84,5%	1,117,512	1,892,051	69,3%
Exports	292,549	383,127	450,478	17,6%	54,0%	1,209,257	1,366,644	13,0%
Argentina	**223,285**	**306,682**	**329,821**	**7,5%**	**47,7%**	**345,999**	**1,048,517**	**203,0%**
Domestic Market	132,540	167,016	180,483	8,1%	36,2%	192,507	621,392	222,8%
Exports	90,745	139,666	149,338	6,9%	64,6%	153,492	427,125	178,3%
Uruguay	**149,826**	**223,318**	**260,966**	**16,9%**	**74,2%**	**482,469**	**966,919**	**100,4%**
Domestic Market	44,898	44,410	61,397	38,3%	36,7%	118,102	208,277	76,4%
Exports	104,928	178,908	199,569	11,5%	90,2%	364,367	758,642	108,2%
Tradings Abroad	**70,538**	**68,404**	**89,873**	**31,4%**	**27,4%**	**184,712**	**317,572**	**71,9%**
Domestic Market	37,256	19,402	27,665	42,6%	-25,7%	105,693	86,259	-18,4%
Exports	33,282	49,002	62,208	26,9%	86,9%	79,019	231,313	192,7%
Europe			**612,094**			-	**612,094**	
Domestic Market			504,799			-	504,799	
Exports			107,295			-	107,295	
Total Marfrig	**1,089,927**	**1,523,593**	**2,396,002**	**57,3%**	**119,8%**	**3,339,949**	**6,203,797**	**85,7%**
Domestic Market	**568,423**	**772,890**	**1,427,114**	**84,6%**	**151,1%**	**1,533,814**	**3,312,778**	**116,0%**
Exports	**521,504**	**750,703**	**968,888**	**29,1%**	**85,8%**	**1,806,135**	**2,891,019**	**60,1%**

Sales Volume (thousands of tonnes)

By Product Line / Domestic Market	4Q07	3Q08	4Q08	Var, % 4Q08 x 3Q08	Var, % 4Q08 x 4Q07	2007	2008	Var, % 2008 x 2007
Fresh beef	**89,897**	**133,308**	**164,371**	**23,3%**	**82,8%**	**255,446**	**480,315**	**88,0%**
Beef	81,191	88,432	81,776	-7,5%	0,7%	246,740	309,163	25,3%
Pork	8,706	12,773	12,331	-3,5%	41,6%	8,706	45,311	420,5%
Poultry		32,103	70,264	118,9%		-	125,841	
Industrialized	**23,556**	**33,932**	**66,494**	**96,0%**	**182,3%**	**37,287**	**150,897**	**304,7%**
Other	**84,949**	**118,165**	**125,329**	**6,1%**	**47,5%**	**325,677**	**422,529**	**29,7%**
Total Domestic Sales	**198,402**	**285,405**	**356,194**	**24,8%**	**79,5%**	**618,410**	**1,053,741**	**70,4%**
Fresh beef	**80,752**	**89,870**	**95,731**	**6,5%**	**18,5%**	**292,639**	**334,219**	**14,2%**
Beef	73,728	41,413	37,917	-8,4%	-48,6%	285,615	180,832	-36,7%
Pork	7,024	7,106	6,333	-10,9%	-9,8%	7,024	30,075	328,2%
Poultry		41,351	51,481	24,5%			123,312	
Industrialized	**8,017**	**12,907**	**28,082**	**117,6%**	**250,3%**	**27,165**	**63,451**	**133,6%**
Other	**6,742**	**6,702**	**7,312**	**9,1%**	**8,5%**	**13,027**	**29,356**	**125,3%**
Total Export Sales	**95,511**	**109,479**	**131,125**	**19,8%**	**37,3%**	**332,831**	**427,026**	**28,3%**
TOTAL MARFRIG	**293,913**	**394,884**	**487,319**	**23,4%**	**65,8%**	**951,241**	**1,480,767**	**55,7%**

By Division / Market	4Q07	3Q08	4Q08	Var, % 4Q08 x 3Q08	Var, % 4Q08 x 4Q07	2007	2008	Var, % 2008 x 2007
Beef Brazil	**149,916**	**108,136**	**115,609**	**6,9%**	**-22,9%**	**624,774**	**443,695**	**-29,0%**
Domestic Market	103,727	84,045	93,265	11,0%	-10,1%	399,387	337,711	-15,4%
Exports	46,189	24,091	22,344	-7,3%	-51,6%	225,387	105,984	-53,0%
Food Service - Brazil	**15,802**	**28,668**	**25,030**	**-12,7%**	**58,4%**	**59,796**	**84,298**	**41,0%**
Domestic Market	15,802	28,668	25,030	-12,7%	58,4%	59,796	84,298	41,0%
Exports								
Pork & Industrialized	**17,964**	**29,897**	**29,763**	**-0,4%**	**65,7%**	**17,964**	**108,136**	**502,0%**
Domestic Market	10,940	22,791	23,430	2,8%	114,2%	10,940	78,061	613,5%
Exports	7,024	7,106	6,333	-10,9%	-9,8%	7,024	30,075	328,2%
Poultry & Industrialized		**72,781**	**103,734**	**42,5%**			**234,789**	
Domestic Market		31,080	57,414	84,7%			115,688	
Exports		41,701	46,320	11,1%			119,101	
Total Pork, Poultry & Industrialized	**17,964**	**102,678**	**133,497**	**30,0%**	**643,1%**	**17,964**	**342,925**	**1809,0%**
Domestic Market	10,940	53,871	80,844	50,1%	639,0%	10,940	193,749	1671,0%
Exports	7,024	48,807	52,653	7,9%	649,2%	7,024	149,176	2023,8%
Total Brazil	**183,682**	**239,482**	**274,136**	**14,5%**	**49,2%**	**702,534**	**870,918**	**24,0%**
Domestic Market	130,469	166,584	199,139	19,5%	52,6%	470,123	615,758	31,0%
Exports	53,213	72,898	74,997	2,9%	40,9%	232,411	255,160	9,8%
Argentina	**58,557**	**104,796**	**72,269**	**-31,0%**	**23,4%**	**95,046**	**285,580**	**200,5%**
Domestic Market	46,412	93,417	59,562	-36,2%	28,3%	73,716	244,169	231,2%
Exports	12,145	11,379	12,707	11,7%	4,6%	21,330	41,411	94,1%
Uruguay	**43,763**	**41,551**	**49,285**	**18,6%**	**12,6%**	**133,147**	**204,868**	**53,9%**
Domestic Market	17,254	22,497	28,296	25,8%	64,0%	62,678	114,152	82,1%
Exports	26,509	19,054	20,989	10,2%	-20,8%	70,469	90,716	28,7%
Tradings Abroad	**7,911**	**9,055**	**9,131**	**0,8%**	**15,4%**	**20,514**	**36,903**	**79,9%**
Domestic Market	4,267	2,907	3,171	9,1%	-25,7%	11,893	13,636	14,7%
Exports	3,644	6,148	5,960	-3,1%	63,6%	8,621	23,267	169,9%
Europe			**82,498**				**82,498**	
Domestic Market			66,026				66,026	
Exports			16,472				16,472	
Total Marfrig	**293,913**	**394,884**	**487,319**	**23,4%**	**65,8%**	**951,241**	**1,480,767**	**55,7%**
Domestic Market	**198,402**	**285,405**	**356,194**	***24,8%***	**79,5%**	**618,410**	**1,053,741**	***70,4%***
Exports	**95,511**	**109,479**	**131,125**	***19,8%***	**37,3%**	**332,831**	**427,026**	***28,3%***

An analysis follows of the main factors impacting each country's operating conditions in 2008:

BRAZIL

Raw Materials

Cattle

The year 2008 was marked by low cattle supplies (due to the cattle cycle), high prices and high volatility in cattle prices leading to low capacity utilization in the sector during the year. In the year, 22.1 million head of cattle were slaughtered (only animals inspected by the Federal Inspection Service of the Ministry of Agriculture), compared with 25.1 million in 2007. The 12% decline reflects the lower supply of cattle.

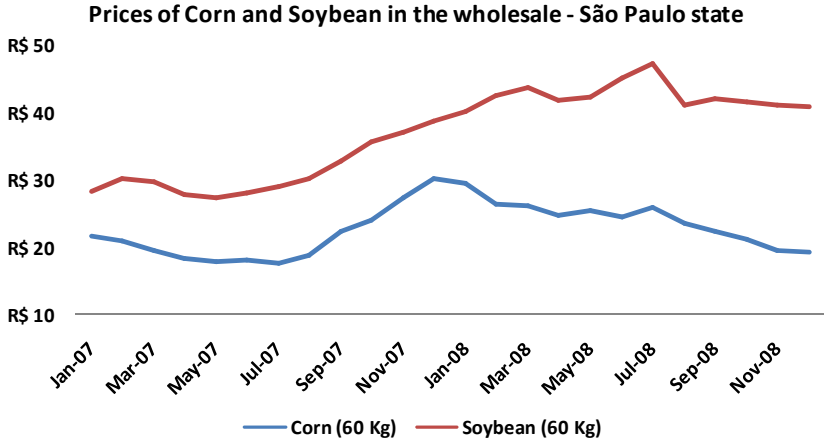
In 2008, the beef *arroba* (@) price reached record levels, with some regions reaching more than R$ 100.00/@ at their peak. The monthly average of the *arroba* price in Brazil measured in 17 regions peaked in July at R$ 85.58, representing an increase of 50.4% over the same period in 2007. As of October, prices began do recede with the gradual increase in cattle supplies and the closure of installed capacity in Brazil. The average *arroba* price in December (assessed in 17 regions) stood at R$ 75.30, down 12% in relation to July's peak.

Grains

According to *Companhia Nacional de Abastecimento* (Conab), an agency of Brazil's Ministry of Agriculture, the 2007/08 corn harvest set a record production level of 58.7 million tonnes. The high level of supply resulting from the record harvest, combined with the lower exports, drove domestic prices lower. According to data from *Instituto de Economia Agrícola* – IEA (Agricultural Economic Institute), the price of a corn sack (60Kg) in the wholesale market in São Paulo state was R$ 19.4 in December, for a drop of 35.5% year on year.

The 2007/08 soybean harvest also set a record production level, of 60.0 million tonnes. The increase in production was driven by good prices combined with good weather conditions during the crop cycle. During 2008, soybean prices remained at high levels compared with the previous year, accompanying the high price volatility in international markets. The average price of a soybean sack (60Kg) in the São Paulo wholesale market was R$ 40.8 in December, representing an increase of 5.6% year on year.

Conab estimates that the 2008/09 harvest should produce 50.3 million tonnes of corn and 57.2 million tonnes of soybean. The estimated drop in production is due to weather effects in important producer states.



Source: IEA

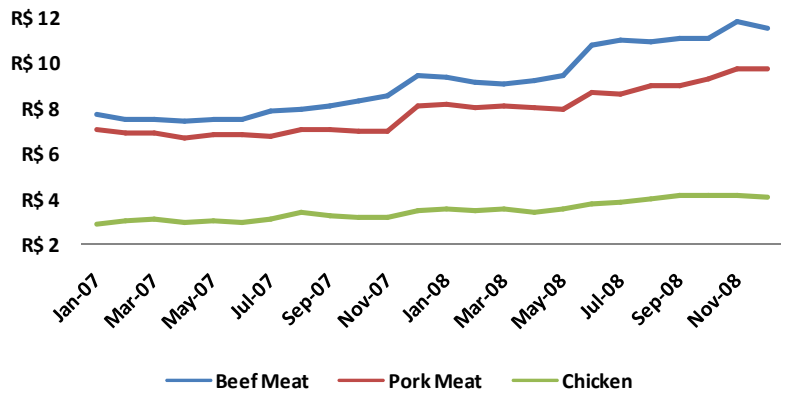
Domestic Market

Despite the current global economic crisis, the Brazilian economy continues to present good indicators. According to the Brazilian Institute of Geography and Statistics (IBGE), Brazil's GDP grew by 5.1% in 2008. The country's unemployment rate stood at 7.9%, its lowest level since 2002. Average monthly income grew by 3.4% to R$ 1,260.2. The combination of lower unemployment and higher income helped fueled domestic consumption over the course of the year.

Retail beef prices registered an upward trend during the year, driven by higher raw material costs (cattle) and consumption growth. Data from IEA show that:

1) The average retail beef price was R$11.5 in December, 22.9% higher year on year.
2) The average retail pork price was R$9.7 in December, up 20.4% on a year earlier.
3) The average chicken price was R$4.1 in December, up 17% against December 2007.

Average Retail Beef Price in the City of São Paulo (R$)



Source: IEA

Export Market

Beef

In 2008, exports accounted for 1.4 million tons, declining by 13.7% versus 2007. However, beef export revenue was US$5.4 billion, up 21% on the previous year, reflecting the hike in beef prices in the international market. The average price per ton of beef exports increased by 40.2%, from US$ 2,740 in 2007 to US$ 3,840 in 2008.

In 2008, beef exports were impacted by the European ban on Brazilian fresh beef. In 2008, beef exports to the European Union stood at 36,200 tonnes, versus 195,200 tonnes in 2007. The average price per tonne of exports to the EU, which mainly purchases prime cuts, is approximately 100% higher than the prices paid by other export destinations.

The last quarter of the year was impacted by the international crisis, with a tightening of credit to important importers, such as Russia. In the quarter, 47,800 tonnes of fresh beef were exported to Russia, down 64% from 133,000 tonnes in the third quarter.

In the quarter, Brazil exported 307,000 tonnes, 15.8% lower than in the same period a year earlier. Export revenue in the quarter was US$ 1,227 billion, up 8.6% year on year.

TOTAL BRAZILIAN BEEF EXPORTS						
	2007	2008	Var%	4Q07	4Q08	Var%
Volume ('000 tonnes)	1,615	1,393	-13.7%	365	307	-15.8%
Revenue (US$ million)	4,425	5,351	20.9%	1,129	1,227	8.6%
Price (US$/tones)	2,740	3,840	40.2%	3,097	3,995	29.0%

Source: Secex

Brazilian Beef Industry – 2009 Outlook

The year 2009 will likely be characterized as a year of recovery in export volumes and prices. The year began with low volume in January in relation to the same month in 2008, however, in February exports began to recover. Regarding prices, the expectation is for gradual improvement in line with the level of prices observed in 2007.

For the full year, the expectation is for the European Union to resume imports, with an increase in the number of certified farms. Russia is slowly increasing orders as its stocks decline, and Chile recently approved beef exports from certain Brazilian states. Before the Chilean ban in 2005, Brazil exported roughly 100,000 tonnes of Brazilian beef per year.

In 2009, we expect world beef demand to show signs of gradual recovery, with growing volumes and higher prices in relation to December 2008.

Domestic demand remains strong, however, the domestic market also experienced price adjustments as supplies increased.

Chicken Meat

Chicken meat exports in 2008 set a new record. Despite the impacts of the financial crisis on the last quarter of the year, Brazil exported totaled 3.6 million tonnes, up 11% on 2007. Export revenue totaled US$ 6.9 billion, 40% higher than in 2007.

In the fourth quarter, exports stood at 817.000 tonnes, down 17% on the previous quarter and 10% on the same quarter in 2007. Export revenue totaled US$ 1.5 billion, down 27% on the previous quarter and 2% lower than in the last quarter of 2007.

The lack of credit in certain important destinations, such as Russia, impacted exports late in the year. Export volume to this market was 18% lower than in 2007.

The Middle East was the main destination for chicken exports, accounting for 30% of overall export volume in the year. Chicken revenue came to US$ 1.9 billion, an increase of 46% in relation to 2007. Other important destinations were Asia, which accounted for approximately 26% of export volume, and the European Union, which despite the 6% drop in volume, recorded an 8% increase in export revenue to US$1.4 billion.

TOTAL BRAZILIAN CHICKEN EXPORTS						
	2007	2008	Var%	4Q07	4Q08	Var%
Volume ('000 tonnes)	3,287	3,646	10.9%	912	817	-10.4%
Revenue (US$ million)	4,975	6,949	39.7%	1,532	1,500	-2.0%
Price (US$/tones)	1,514	1,906	25.9%	1,679	1,836	9.3%

Source: Secex

Chicken – 2009 Outlook

The year 2009 began with the announcement by the main producers of a 20% decline in chicken production to adjust stocks in view of the contraction in global demand. The reduction in external demand led to lower export volume and higher USD-linked prices, which had already been suffering increases since 4Q08. Despite the drop in exports, the first quarter of the year is typically marked by lower chicken exports, with exports in the second quarter seasonally higher.

Domestic market prices also underwent adjustments due to the higher supply of products and the lower exports.

In 2009, the prospects are for shipments to recover as of the second quarter, when prices also recover gradually. In December, China certified several plants in the Brazilian states of Rio Grande do Sul, Santa Catarina, Paraná and Minas Gerais to export chicken to that country, which should also benefit the sector in 2009.

Pork Meat

In 2008, pork meat exports from Brazil reached 530,000 tonnes, down 12.7% in relation to the record 603,000 tonnes exported in 2007. However, the increase in international pork export prices led to growth of 20% in export revenue in relation to 2007, to US$ 1.5 billion.

The fourth quarter was impacted by the lower export volume to certain important markets, Russia, Brazil's main pork client, imported only 11,800 tonnes in December 2008, versus 36,600 tonnes in December 2007. In the year, the country registered declines of 19% in volume and 11% in revenue compared with 2007.

In the fourth quarter, Brazilian pork exports totaled 106,000 tonnes, down 36.5% from 167,000 tonnes in 4Q07. Exports revenue was US$ 298 million, 20.6% lower than in the same quarter of 2007. The decline in export volume was partially offset by the increase in pork export prices, which averaged US$ 2,815 in 4Q08, versus US$2,251 in 4Q07.

TOTAL BRAZILIAN PORK MEAT EXPORTS						
	2007	**2008**	**Var%**	**4Q07**	**4Q08**	**Var%**
Volume ('000 tonnes)	603	530	-12.1%	167	106	-36.5%
Revenue (US$ million)	1,226	1,479	20.6%	375	298	-20.6%
Price (US$/tones)	2,035	2,792	37.2%	2,251	2,815	25.0%

Source: Secex

Pork Meat – 2009 Outlook

Brazilian pork meat exports recovered in early 2009, with an increase in volumes following the reduced stocks of some importers in late 2008.

Despite the recovery, prices still remain below the 2008 average. The combination of the drop in exports to Russia, the main destination for Brazilian pork, and the global financial crisis was responsible for the adjustment in export prices.

In February, export volume grew in relation to January. For 2009, the expectation is that Russia will increase demand as of the second quarter, Chile resumed purchases of Brazilian pork through shipments from Santa Catarina, a state that is free of hoof-and-mouth disease. There is also the possibility that China and Japan will open up their markets in 2009.

URUGUAY

Raw Materials

Uruguay's beef industry experienced an atypical year in 2008. Benefitting from the European Union restrictions on Brazilian fresh beef imports and the problems experienced by Argentina through mid-year involving its exports, Uruguay began to export a portion of its production to the EU at record prices. The country also redirected a portion of its exports to the United States to Russia, which demanded more beef at higher prices than those charged in the U.S. market.

Uruguayan cattle prices (in US$/Kg) reached its highest level since August, at US$3,659/Kg, 66.2% higher than in August 2007. The hike in cattle prices was offset by the increase in the average export tonne price, which marked its highest level in September, at US$ 4,261, 88.2% higher than in September 2007. At the end of the year, prices resumed a downward trend, following the lower export volume to the European Union and especially from Russia, impacted by tighter credit for importers and the high level of stocks. There was also an improvement in cattle supply due to the end of the off-season period. The average cattle price in December was US$ 1,826/Kg, down 50% from the peak reached in August (Source: INAC).

Domestic Market

In Uruguay, cattle production accounts for 6% of GDP; 87% of the country's land mass is allocated to cattle and mutton production; the country has 3.7 head of cattle per person; is the world's 7th largest beef exporter; and is the world's 3rd largest mutton exporter. Despite the country's high levels of beef consumption per capita, approximately 80% of its production volume is exported. The country's sanitary status makes it the only producer in the region able to export fresh beef to all destinations in the world.

Therefore, the industry's performance in Uruguay is closely linked to its export performance. The fourth quarter was affected by a more severe drought than usual, which led to a reduction in pasture areas and consequently a decline in the supply of finished cattle for slaughter. In the quarter, 483,000 head were slaughtered, down 2.9% from 498,000 in 4Q07.

Export Market

Given the European ban on Brazilian fresh beef imports and the restrictions on Argentinean exports, Uruguay's beef sector had an outstanding year. The average export price per tonne rose 52.6%, from US$ 2,137 in 2007 to US$ 3,260 in 2008. Revenue was US$ 1.2 billion, up 48% on the US$ 823.4 million in 2007. Export volume was 373,500 tonnes, down 3.1% in relation to 2007. The slight drop in volume was due to the more severe drought in 2008, which extended through the fourth quarter.

During the year, the destination of Uruguayan exports shifted. In 2007, NAFTA countries accounted for 62% of export volume, while in 2008, the European Union and Russia became the main destinations. At the close of the year, with the appreciation in the U.S. dollar, the United States once again accounted for a higher share of Uruguayan exports.

In 4Q08, exports were 82,300 tonnes, 9.5% higher than in 4Q07. Export revenue was US$ 231.6 million, growing by 27% over the same period of 2007.

TOTAL URUGUAYAN BEEF EXPORTS						
	2007	2008	Var%	4Q07	4Q08	Var%
Volume ('000 tonnes)	385,371	373,536	-3.1%	75,125	82,271	9.5%
Revenue (US$ million)	823,444	1,217,704	47.9%	182,195	231,567	27.1%
Price (US$/tones)	2,137	3,260	52.6%	2,425	2,815	16.1%

Source: INAC - http://www.inac.gub.uy

Uruguay – 2009 Outlook

The prospects for the Uruguayan beef sector in 2009 are for a gradual resumption in exports, with volumes returning to prior levels and prices also rising to the new level being established in the international market.

ARGENTINA

Raw Materials

Argentina is the country with the highest per-capita beef consumption in the world, of approximately 70kg each year. The country's cattle price has remained stable in the recent years, 2008 was marked by conflict between farmers and the government following the hike in grain export tariffs, which led farmers to block highways and impacted the beef industry in the first half of the year.

Since 2006, the Argentinean government has imposed restrictions on exports aiming to control inflation by stabilizing its domestic supply. In 2008, the government introduced new export rules, ruling that in order to export companies must prove that at least 75% of their production (as measured by their stocks) is directed to the domestic market.

The average cattle price in 2008 was $2.58/Kg (Argentinean peso/kilogram of livestock), versus $2.25/Kg in 2007. In 4Q08, the average price was $2.53/kg, compared with $2.61/kg in 4Q07 and $2.64/kg in 3Q08. In other words, the Argentinean cattle price did not suffer any significant variation.

Domestic Market

Marfrig's strategy in Argentina is supported by the strength of its brands, with 85% of production volume allocated to the domestic market and 15% to exports. We are market leaders in Argentina with PATY Hamburgers, a traditional brand name in the Argentinean market.

Export Market

In 2008, beef exports stood at 379,700 tonnes, registering a 20% drop over 2007. Export revenue was US$ 1.6 billion, up 15% on the previous year. The drop in volume was offset by the increase in beef export prices, which in 2008 averaged US$ 4,391, versus US$ 3,053 in 2007, for an increase of 43.8%. In the fourth quarter, exports stood at 106,900 tonnes, falling by 21.3% over the same period in 2007. Revenue was US$ 446.2 million, 1.6% higher than in 4Q07.

TOTAL ARGENTINEAN BEEF EXPORTS						
	2007	2008	Var%	4Q07	4Q08	Var%
Volume ('000 tonnes)	474,855	379,696	-20.0%	135,770	106,900	-21.3%
Revenue (US$ million)	1,449,604	1,667,218	15.0%	439,006	446,172	1.6%
Price (US$/tones)	3,053	4,391	43.8%	3,233	4,174	29.1%

Source: SENASA - http://www.senasa.gov.ar

Argentina - 2009 Outlook

At the close of 2008, Argentina's president announced measures to boost beef exports, such as the construction of five intensive feedlots for approximately 200,000 calves, providing for annual beef production for export of at least 100,000 tonnes.

Since Argentina consumes approximately 85% of its beef production, the country is not suffering any major impacts from the international financial crisis and the lower beef export volume. The domestic market remains strong, supporting domestic prices. Although it exports only 15% of its production, Argentina has been allocating production to the European Union (the country's main market).

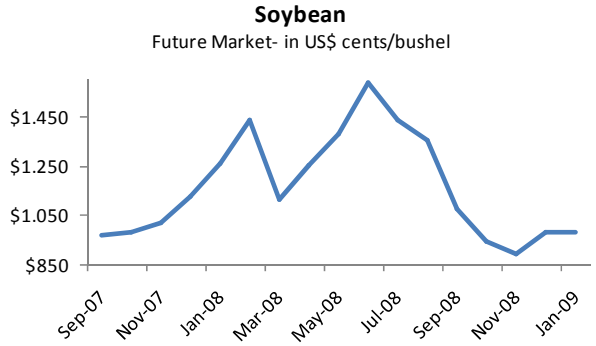
EUROPEAN UNION

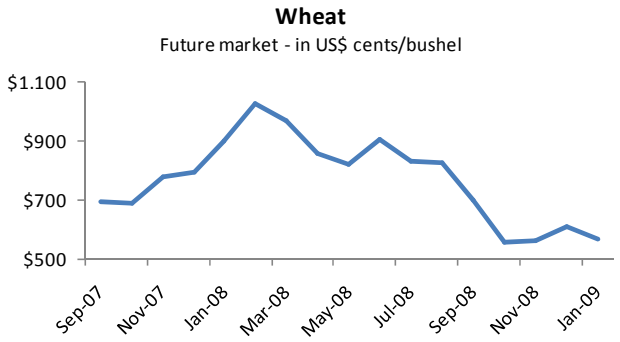
The year 2008 was challenging for Europe's chicken industry. Some of the factors impacting the industry were:

- Higher world food demand, especially from developing countries, led to higher prices worldwide in the first half of the year;
- Government policy focused on global warming and the production of biofuels resulted in higher grain prices;
- Global financial crises led to recession and economic stagnation in several countries;
- The World Trade Organization continues to pressure the EU for its high tariffs;
- Adverse weather in several grain producing regions;
- Changes in European regulations for food hygiene and safety, animal health and well-being.

The first half of the year was marked by concern over the global food crisis generated primarily by higher demand from developing countries and supply not growing in the same proportion. Grain prices rose in the first half of the year driven by higher global demand. In the second half of the year, prices began to decline led by the slowdown in the global economy, the drop in oil prices and the appreciation in the U.S. dollar.

Wheat prices peaked in February, at US$10.3/bushel, and closed the year at US$6.1/bushel, for a drop of 40.5%. Soybean prices peaked in June at US$15.9/bushel and began to fall closing the year at US$9.8/bushel, down 38.3%.





Source: Bloomberg (Chicago Board of Trade)

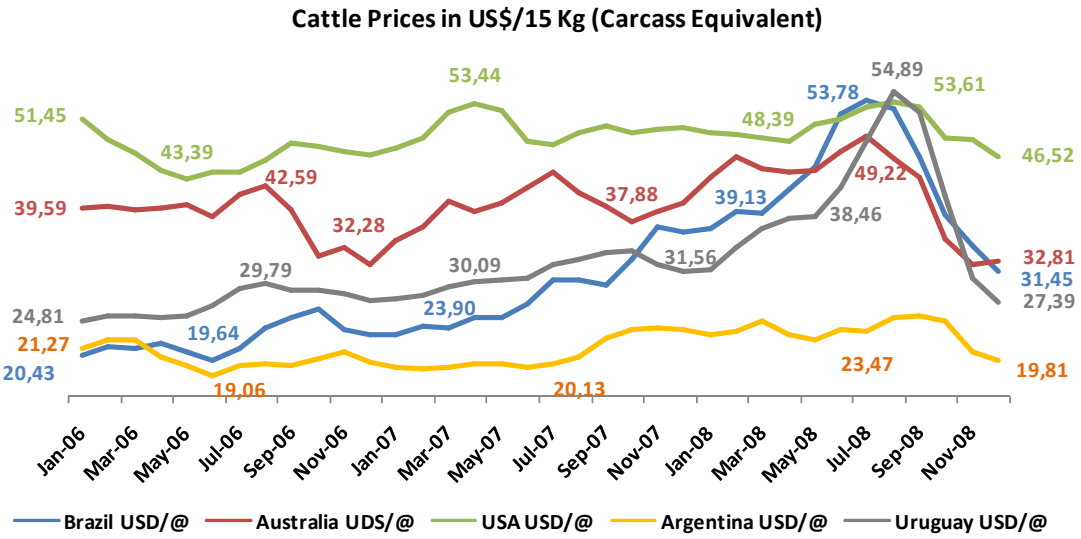
According to the Food and Agriculture Organization of the United Nations (FAO), the 2007/08 global wheat crop was estimated at 610.5 million tonnes. For the 2008/09 crop, estimates call for 677 million tonnes, for growth of 10.9% in relation to the previous crop. Estimates for the 2007/08, soybean crop point to 220.6 million tonnes. Estimates for the 2008/09 soybean crop are 238.0 million tonnes, for growth of 7.9%.

Due to the hike in grain prices in the first half of the year, there was an increase in retail chicken prices. Despite the higher chicken prices, European and world chicken consumption have been growing in recent years. Because it is the cheapest protein, chicken is the least inelastic to income variation, and during economic downturns is the protein least affected in terms of consumption.

World Cattle Prices

The chart below shows historic cattle price data for the main global beef producers. The prices were converted into U.S. dollar for comparison purposes, and therefore incorporate the impacts of foreign exchange variation.

The recent appreciation in the U.S. dollar against other currencies intensified the drop in prices converted into U.S. dollar. Bear in mind that the *arroba* price in Brazil and Argentina is formed in the domestic market, while in Uruguay the *arroba* price is determined by external demand.



Sources:

Brazil: CEPEA-ESALQ (Centro de Estudos Avançados em Economia Aplicada – Escola Superior de Agricultura Luiz de Queiroz)
Argentina: SAGPYA (Secretaria de Agricultura, Ganaderia, Pesca Y Alimentos)
Uruguay: INAC (Instituto Nacional de Carnes)
USA: USDA (United States Department of Agriculture)
Australia: ABARE (Australian Bureau of Agricultural and Resource Economics)
Locations where prices are related to live animals were converted at a carcass yield of 52,7% for equivalence, In the USA, carcass utilization corresponds to approximately 60,7%,