

Rating Action: Independencia S/A

Moody's upgrades Independência's rating to B2

Sao Paulo, May 07, 2008 -- Moody's upgraded Independência S.A.'s ("Independência") local currency corporate family rating and senior unsecured rating to B2 from B3 and assigned a B2 rating to its proposed guaranteed senior unsecured notes of approximately USD 250 million due in 2015 to be issued by Independência International Ltd. and unconditionally guaranteed by Independência, subject to closing. The rating outlook is stable. This rating action concludes the review initiated on March 31st, 2008.

"The upgrade of Independência's rating reflects the company's successful growth over the past years in terms of revenues, slaughterhouses and geographic diversification in terms of number of states, reducing significantly the company's vulnerability to trade embargos from importing countries," said Moody's Vice-President Senior Analyst, Soummo Mukherjee. "At the same time, the upgrade also recognizes the company's continued progress in terms of improved corporate governance and financial disclosure standards," adds Mukherjee.

Independência increased its number of slaughterhouses from five to twelve and slaughter operations from three to seven states since we first assigned a rating in January, 2007. With the acquisition of Goiás Carne in July 2007 and the construction and leasing of four additional facilities, Independência's daily slaughter capacity is expected to approach 11,000 heads per day in 2008 from 6,900 heads per day at the end of 2007, which will significantly boost its revenues and EBITDA in 2008 and reduce leverage to levels comfortably below 4.0 times on a Net Debt to EBITDA basis.

We expect the net proceeds of the proposed issuance to be used to repay existing short-term debt, thus allowing the company to maintain a comfortable cushion with regard to its Net Debt / EBITDA financial covenant in its existing senior unsecured bonds that steps-down from 4.25 times to 4.0 times at the end of 2008, with additional step downs in 2009 and 2010. Moody's has reviewed preliminary legal documentation for the transaction. The rating assumes there will be no material variation from the drafts reviewed and that all legal agreements are legally valid, binding and enforceable.

Although Independência's operating margins may be pressured by rising cattle purchase costs, margins should remain above the industry average because of the company's ability to customize specific production requests in terms of packaging, cuts and serving sizes.

Upgrades:

..Issuer: Independencia International Ltd.

....Senior Unsecured Regular Bond/Debenture, Upgraded to B2 from B3

..Issuer: Independencia S/A

....Corporate Family Rating, Upgraded to B2 from B3

Assignments:

..Issuer: Independencia International Ltd.

....Senior Unsecured Regular Bond/Debenture, Assigned B2

Outlook Actions:

..Issuer: Independencia International Ltd.

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Independencia S/A

...Outlook, Changed To Stable From Rating Under Review

The stable outlook is based on the expectation that Independência will be able to offset higher cattle prices and impacts from trade embargos and maintain relatively stable EBITDA margins and implement its plans to significantly increase its sales volume.

Independência's rating could come under downward pressure if sufficient cushion on its financial covenants for its bonds is not maintained or if liquidity becomes constrained due to the loss of key export markets, since the company relies on continued access to pre-export bank credit. Quantitatively, ratings could also be downgraded if Debt / EBITDA (according to Moody's standard adjustments) increases to above 4.5 times.

The rating or outlook could be upgraded if the company increases its size, scale and diversification, improves its financial reporting and corporate governance standards, and reduces Debt / EBITDA (according to Moody's standard adjustments) to below 3.5 times on a sustainable basis.

Headquartered in Cajamar, São Paulo, Brazil, Independência is Brazil's fourth largest producer of fresh and frozen beef and the second largest producer of wet blue leather with twelve beef slaughtering and deboning facilities, two jerked beef plants and four storage facilities located in the following seven Brazilian States: Goiás, Mato Grosso do Sul, Mato Grosso, Minas Gerais, São Paulo, Rondônia and Tocantins.

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