

LISTING OFFERING MEMORANDUM



Marfrig Holdings (Europe) B.V.

U.S.\$750,000,000

8.375% Senior Notes due 2018

**Unconditionally and Irrevocably Guaranteed by Marfrig Alimentos S.A.
and certain of its subsidiaries**

We are offering U.S.\$750,000,000 aggregate principal amount of Marfrig Holdings (Europe) B.V.'s 8.375% senior unsecured guaranteed notes due 2018. Marfrig Holdings (Europe) B.V. is a private limited liability company, organized and existing under the laws of The Netherlands. The notes are unconditionally and irrevocably guaranteed by Marfrig Alimentos S.A., a *sociedade por ações* incorporated under the laws of the Federative Republic of Brazil and by certain subsidiaries of Marfrig (collectively referred as the subsidiary guarantors).

We will pay interest on the notes semi-annually on each May 9 and November 9, commencing on November 9, 2011. The notes will mature on May 9, 2018. We may redeem some or all of the notes at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, plus the "make-whole" premium described in this offering memorandum. We may also redeem up to 35% of the notes with the net proceeds of certain equity offerings at the redemption price described herein plus accrued unpaid interest to the date of redemption. Upon occurrence of certain change of control events in respect of Marfrig, we may be required to offer to repurchase the notes on the terms described herein. There is no sinking fund for the notes.

The notes will rank *pari passu* with all unsecured and unsubordinated obligations of the issuer. The guarantee of the notes will rank *pari passu* with all unsecured and unsubordinated obligations of the guarantor.

Application has been made to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market. This listing offering memorandum constitutes a prospectus for the purposes of the Luxembourg Act dated July 10, 2005 on prospectuses for securities.

Investing in the notes involves risks. See "Risk Factors" beginning on page 20.

Price: 98.835%

plus accrued interest, if any, from May 9, 2011.

Delivery of the notes in book-entry form has been made on May 9, 2011.

The notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"). The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A") and to certain non U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information on transfer of the notes see "Transfer Restrictions."

Joint Book-running and Joint Lead Managers

**BB Securities Bradesco BBI Deutsche Bank Itaú BBA J.P. Morgan
Securities**

The date of this listing offering memorandum is May 20, 2011.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

In this offering memorandum, references to “Marfrig,” the “Company,” “Marfrig Group,” “we,” “us” and “our” as well as the “guarantor” refer to Marfrig Alimentos S.A., a corporation (*sociedade por ações*) incorporated under the laws of the Federative Republic of Brazil, which is a guarantor of the notes, together with its consolidated subsidiaries, except where the context requires otherwise. All references to “Marfrig Holdings” or the “issuer” are to Marfrig Holdings (Europe) B.V., a wholly-owned subsidiary of Marfrig, and the issuer of the notes, organized and existing under the laws of The Netherlands as a private limited liability company. All references to “subsidiary guarantors” are to certain subsidiaries of Marfrig that are from time to time guarantors of the notes pursuant to the terms of the indenture governing the notes, unless the context indicates otherwise. As of the date hereof, União Frederiquense Participações Ltda. (“Unifred”), a *sociedade limitada* organized under the laws of the Federative Republic of Brazil, Marfrig Overseas Limited (“Marfrig Overseas”), an exempted limited liability company incorporated under the laws of the Cayman Islands, and Seara Alimentos S.A. (formerly Seara Alimentos Ltda.) (“Seara”), a *sociedade por ações* incorporated under the laws of the Federative Republic of Brazil, are subsidiary guarantors of the notes. When used in this offering memorandum, the term “controlling shareholder” refers to MMS Participações S.A. (“MMS Participações”), which exercises control over Marfrig Alimentos S.A. Marcos Antonio Molina dos Santos and Márcia Ap. Pascoal Marçal dos Santos collectively hold all of the voting stock of MMS Participações and indirectly hold 43.5% of our voting stock.

When used in this offering memorandum, the term “domestic markets” refers to the internal markets of each of the 22 countries in which we operate, and the term “export markets” refers to the international markets to which we export our final products from such domestic markets as final destinations.

The term “Brazil” refers to the Federative Republic of Brazil. The term “Brazilian government” refers to the federal government of the Federative Republic of Brazil, and the term “Central Bank” refers to the *Banco Central do Brasil*, or the Central Bank of Brazil.

All references in this offering memorandum to “*real*,” “*reais*” or “R\$” are to the legal currency of Brazil, and all references to “U.S. dollar,” “U.S. dollars” or “U.S.\$” are to the legal currency of the United States. All references to “pounds” are to the legal currency of the United Kingdom, and all references to “*pesos*” are to the legal currency of Argentina. This offering memorandum contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the *real* amounts using a rate of R\$1.66 to U.S.\$1.00, the U.S. dollar selling rate as of December 31, 2010, as reported by the Central Bank. See “Exchange Rates.”

We are responsible for information contained in this offering memorandum. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. Neither we nor Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, BB Securities Limited, Banco Bradesco S.A. — Grand Cayman Branch or Banco Itaú BBA International, S.A.—London Branch, referred to in this offering memorandum as the initial purchasers, have authorized anyone to provide you with information different from, or additional to, that contained in this offering memorandum. The notes are being offered, and offers to purchase the notes are being sought, only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the notes.

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes. This offering memorandum is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public in general to acquire the notes.

We are relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering in the United States. The notes offered through this offering memorandum are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States, except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading “Transfer Restrictions” in this offering memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making investment decisions, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

We and the initial purchasers reserve the right to reject, in whole or part, and for any reason, any offer to purchase notes offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of notes offered hereby.

No representation or warranty, express or implied, is made by the initial purchasers or their affiliates as to the accuracy or completeness of any of the information set out in this offering memorandum, and nothing contained herein is or shall be relied upon as a promise or representation by the initial purchasers, whether as to the past or to the future.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any European Economic Area member state that has implemented Directive 2003/7 1/EC (together with any applicable implementing measures in any member state, the “Prospectus Directive”), this communication is addressed only to and is directed only at qualified investors in that member state within the meaning of the Prospectus Directive.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no offer of notes which are the subject of the offering contemplated by this offering memorandum has been made or will be made to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, an offer of such notes may be made to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant initial purchaser nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This document is being distributed only to and is directed only at persons (i) who are outside the United Kingdom, (ii) who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), (iii) who are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, or (iv) to whom an invitation or inducement to engage in investment activity may be communicated without a breach of Section 21 of the Financial Services and Markets Act 2000 (all such persons together being referred to as “relevant persons”). The notes are available only to, and any invitation, offer or agreement to purchase or acquire such notes will be engaged only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally in the sections “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business.” Our estimates and forward-looking statements are based on our current expectations and projections of future events and trends, which affect or may affect our businesses and results of operations. Words such as “believe,” “anticipate,” “seek,” “expect,” “estimate,” “will,” “plan,” “may,” “could,” “intend,” “predict,” “project,” and other similar words are used in this offering memorandum to identify forward-looking statements.

Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the ones discussed in this offering memorandum, may adversely affect our results, including, but not limited to, the following:

- changes in market prices, customer preferences and competitive conditions;
- fluctuations of the *real* against the U.S. dollar and the other currencies in the countries in which Marfrig operates;
- the macroeconomic conditions, and the political, social and business conditions in Brazil and in other countries in which Marfrig operates;
- Marfrig’s ability to implement its business strategy, including its financial strategy and investment plan;
- Marfrig’s ability to obtain financing when necessary and on favorable terms;
- government interventions resulting from changes in economic conditions, in taxes or the regulatory frameworks of Brazil and the other countries in which Marfrig operates;
- the conditions of transportation infrastructure in the countries in which Marfrig operates;
- the adoption of tariffs, trade barriers, sanitary regulations or other import restrictions by countries to which Marfrig exports or plans to export its products;
- the adoption of sanitary regulations in domestic markets;
- Marfrig’s ability to develop innovative products and concepts and to implement its products within defined timelines;
- Marfrig’s ability to keep a high degree of customer satisfaction;
- Marfrig’s ability to compete successfully;
- Marfrig’s ability to execute its expansion plans, and to fund the costs and capital expenditures related to these plans;
- Marfrig’s level of indebtedness and other financial obligations;
- developments in, or changes to, the tax, social security, labor and environmental laws and regulations, including the regulatory framework, which could make Marfrig’s business model or products less attractive;
- developments in, or changes to, Brazilian accounting practices;
- Marfrig’s ability to integrate acquired businesses with its business, including the businesses of Seara and Keystone Foods Holdings LLC (“Keystone”) in Asia, Australia, Europe, the Middle East and the United States;
- other factors or trends affecting Marfrig’s liquidity, financial condition and results of operations; and

- the factors discussed in the section “Risk Factors” of this offering memorandum.

Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in the estimates and forward-looking statements. In light of these risks and uncertainties, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and performance may differ materially from those expressed in the forward-looking statements, or from our past results and performance, due to the aforementioned or other factors. Because of these risks and uncertainties, you should not make any investment decision based on the estimates and forward-looking statements. The forward-looking statements included in this offering memorandum are made only as of the date of this offering memorandum, and neither we nor the initial purchasers undertake any obligation to update or to revise this information.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The following financial information is included in this offering memorandum.

Marfrig Holdings' Financial Information for the Years Ended December 31, 2008, 2009 and 2010

Marfrig Holdings' financial year corresponds to the calendar year. Management of the issuer prepares unaudited unconsolidated financial reports of the issuer for filing with the Dutch trade register and is required to file such financial statements within 13 months of the end of the relevant financial year. As a result, the issuer has filed its unaudited financial report for the calendar years 2008 and 2009 and shall file its unaudited financial report for the calendar year 2010 with the Dutch trade register by January 31, 2012. The issuer is not required to prepare and does not prepare consolidated financial reports or interim financial reports.

Pursuant to the Dutch Civil Code, the issuer is also not required to audit its financial reports. However, solely for purposes of the application to listing of the notes on the official list of the Luxembourg Stock Exchange and trading on the EuroMTF, the issuer has prepared audited unconsolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010, which are included elsewhere in this offering memorandum. The issuer prepares its financial statements in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in The Netherlands as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board. We refer to these accounting practices as "Dutch GAAP."

Marfrig's Financial Information for the Years Ended December 31, 2008, 2009 and 2010

We prepare our financial statements in accordance with accounting practices adopted in Brazil, which are based on:

- Brazilian corporate law (Law No. 6,404, dated December 15, 1976, as amended, including the provisions of Law No. 11,638, dated December 28, 2007 and Law No. 11,941, dated May 27, 2009);
- accounting pronouncements issued by the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*, or the "CPC"); and
- as we are a public company, rules and regulations issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the "CVM").

We refer to these accounting practices as Brazilian GAAP. Brazilian GAAP has changed in recent years to converge with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Following these changes, our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2009 and 2010, included elsewhere in this offering memorandum, is presented in accordance with both Brazilian GAAP and IFRS.

However, the adoption of IFRS into Brazilian GAAP was not retroactive, and we have not been required to prepare financial statements for any period prior to 2009 in accordance with IFRS. Therefore, our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum, was prepared in accordance with Brazilian GAAP as it applied to those periods. In this offering memorandum, we refer to this previous version of Brazilian GAAP as "Previous Brazilian GAAP."

As a result, our audited financial statements as of and for the years ended December 31, 2009 and 2010 are not directly comparable with our audited financial statements as of and for the years ended December 31, 2008 and 2009, and are presented in this offering memorandum in separate tables with certain differing line items. Previous Brazilian GAAP differs in certain significant respects from IFRS. We have not identified or

quantified those differences in respect to the year ended December 31, 2008. No reconciliation to IFRS of any of the financial statements prepared in accordance with Previous Brazilian GAAP as of and for the year ended December 31, 2008 and presented in this offering memorandum has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosure and presentation differences between our financial statements prepared in accordance with Previous Brazilian GAAP and financial statements prepared under IFRS.

EBITDA

Marfrig's EBITDA consists of net income (loss) of controlling shareholders plus net financial expenses, plus income taxes and social contribution plus depreciation and amortization plus minority interest. We use EBITDA as an additional measure to monitor our operating and economic performance. EBITDA is not a measure recognized under Brazilian GAAP, IFRS or U.S. GAAP and should not be considered individually as an alternative to net income, as a measure of operating performance, as an alternative to cash flow or as a measure of liquidity. Other companies may calculate EBITDA in a manner that is different from ours. We publish EBITDA because we use it as a measure of performance, and we consider EBITDA a useful measure because it is frequently used by capital markets analysts, investors and other parties interested in evaluating companies in our industry. Because EBITDA does not reflect financial revenues or expenses, taxes, social contribution tax or depreciation and amortization, it is an indicator of our general financial performance, which is not affected by changes in interest rates, indebtedness, taxes, social contribution tax rates or rates of depreciation and amortization. As a result, we believe that EBITDA is a useful tool to compare our operating performance in different periods, and as a basis for certain management decisions. In addition to our general financial performance, we believe that EBITDA also enables us to better understand our ability to discharge our liabilities and to finance our capital expenses and working capital. However, the usefulness of EBITDA as a measure of profitability is limited, since it does not reflect a number of the costs and expenses involved in doing business, such as financial expenses, taxes, depreciation, capital expenses and other related costs, any of which may have a significant effect on our net income.

Unaudited Pro Forma Condensed Consolidated Financial Information

On October 1, 2010, we completed the acquisition of certain subsidiaries of Keystone, which we refer to as the "Acquired Keystone Businesses." For more information on this acquisition, see "Business—History of Our Organic Growth and Acquisitions."

In order to facilitate investors' analysis of our financial information, we have prepared an unaudited pro forma condensed consolidated income statement for the year ended December 31, 2010, which gives effect to the acquisition of the Acquired Keystone Businesses as if it had been consummated on January 1, 2010. Our audited consolidated balance sheet as of December 31, 2010 already reflects the consolidation of the Acquired Keystone Businesses.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of what would have occurred had the transaction been consummated on January 1, 2010 or any other date, nor is it necessarily indicative of our future consolidated operating results. For more information, see "Unaudited Pro Forma Condensed Consolidated Financial Information."

Rounding

Certain amounts and percentages included in this offering memorandum have been rounded to facilitate their presentation. The totals presented in certain tables therefore may not be exactly the sum of the preceding amounts.

Market Information

We have obtained the market and competitive position data, including market forecasts, used throughout this offering memorandum from internal surveys, market research, publicly available information and industry publications. We include data from reports prepared by us; the United States Department of Agriculture (the “USDA”); the Brazilian Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*, or “MAPA”); the Brazilian Ministry of Development, Industry and Foreign Commerce (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*, or “MDIC”); the Brazilian Ministry of Labor and Employment (*Ministério do Trabalho e Emprego*, or “MTE”); the Brazilian Foreign Trade Office (*Secretaria de Comércio Exterior*, or “SECEX”); the Brazilian Association of Industrialized Meat Exporting Companies (*Associação Brasileira das Indústrias Exportadoras de Carnes*, or “ABIEC”); the Uruguayan National Beef Institute (*Instituto Nacional de Carnes*, or “INAC”); the Brazilian Chicken Producers and Exporters Association (*Associação Brasileira dos Produtores e Exportadores de Frangos*, or “ABEF”); the Brazilian Pork Industry and Exporter Association (*Associação Brasileira da Indústria Produtora e Exportadora de Carne Suína*, or “ABIPECS”); Agra FNP, a consulting firm specialized in agribusiness information that is a division of the Agra Informa Inc.; AC Nielsen; the World Organisation for Animal Health (“OIE”); the National Supply Company (*Companhia Nacional de Abastecimentos*), a Brazilian state-owned entity in charge of agricultural and supply policy, associated with MAPA; Dom Cabral Foundation (*Fundação Dom Cabral*), an educational institution located in the city of Belo Horizonte, state of Minas Gerais, in the city of Nova Lima, state of Minas Gerais, and in the city of São Paulo, state of São Paulo; the Secretary of Agriculture, Stockbreeding, Fishing and Food (*Secretaría de Agricultura, Ganadería, Pesca y Alimentos*, or “SAGPYA”); Center for Advanced Studies on Applied Economics (*Centro de Estudos Avançados em Economia Aplicada*, or “CEPEA”); the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*, or the “IBGE”); School of Agriculture Luiz de Queiroz (*Escola Superior de Agricultura Luiz de Queiroz*, or “ESALQ”); and the Food and Agriculture Organization (“FAO”), among others. Industry publications, including the ones referred to in this offering memorandum, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor the initial purchasers make any representation as to the accuracy of the information.

SUMMARY

We present below a summary of our activities, financial and operating information, strengths and strategies. This summary does not contain all the information that a potential investor should consider before investing in the notes. Before investing in the notes, potential investors should carefully read this entire offering memorandum to best understand our business and this offering, including our financial statements and related notes, as well as the sections “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Introduction

We are a multinational diversified food company, founded and based in Brazil that produces, processes, sells and delivers a diversified range of food products, focusing on food derived from animal protein. We have more than two decades of experience in the food industry. We were recognized in 2010 by the magazine *Exame* as the “Best Agribusiness Company in Brazil” and by the magazine *Isto É Dinheiro* as the “Best Company in Financial Sustainability.”

We have built an integrated and geographically diversified business model, consisting of production facilities in locations that offer significant cost advantages, combined with a distribution network that covers more than 150 countries and accesses the world’s principal consumer channels and markets. We have a vertical business model in poultry and pork in Brazil, Europe (Moy Park) and the United States (Keystone), while in other regions we acquire poultry and pork raw material from third parties. Most of our cattle is acquired from third parties, providing us with a wide and varied portfolio of proteins and products. We also have a strong and growing presence in the processed foods segment, which we believe will be one of our main drivers of growth in volumes and margins in coming years.

Our business is organized strategically into the following segments, organized in accordance with the business from which revenue is derived: (i) Beef, Lamb and Leather, which includes operations located in Brazil, Argentina, Chile and Uruguay, and (ii) Poultry, Pork and Processed & Elaborated Products — PPP&E, which includes operations in Brazil, Asia, Europe, the Middle East and the United States.

On October 1, 2010, we completed our acquisition of the Acquired Keystone Businesses with a cash payment of R\$1,525.2 million. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry. Keystone is a global distributor and supplier of animal protein (poultry, pork, beef and fish), and has leading market shares in the United States as well as in key European and Asian markets. Keystone supplies protein to branded companies, and has been a key supplier to major fast food restaurants and major food services companies for over 40 years.

We currently operate 150 processing plants and offices in 22 countries in South America, North America, Europe, Asia and Africa and have a daily slaughtering capacity of 29,400 head of cattle, 3,740,000 chickens, 10,400 head of pork, 50,000 turkeys and 13,400 lambs. We have a monthly production capacity of 120,760 metric tons of processed food and 294,000 leather articles. Our annual distribution capacity is more than 200 million cases. Together, this production platform gives us significant growth capacity as well as the ability to hedge against industry risks.

Since our initial public offering in 2007, we have implemented a strategy of deliberate and consistent operational growth based on a global and diversified business model. From our initial public offering in 2007 through the end of 2010, our volume of products sold increased by approximately 289.0%. From 2008 through the end of 2010, our volume of products sold increased from 1,480,767 metric tons to 3,700,676 metric tons, representing a compound annual growth rate of 35.7%. At the same time we continued to upgrade our internal processes, seeking both improvements in efficiency and strict cost control, which we believe resulted in an increase in our profitability.

Financial Information

The table below shows financial information derived from our consolidated financial statements for the periods indicated:

	For the year ended December 31,					
	2008	2009	2009	2010	2010	2010 (Pro
	(Previous	(Previous	(IFRS)	(IFRS)	(IFRS)	Forma) ⁽⁴⁾
	BR	BR GAAP)				
	GAAP)					
	(R\$)	(R\$)	(R\$)	(R\$)	(U.S.\$)	(R\$)
	(in millions, except as indicated)					
Net operating revenue	6,203.8	9,615.7	9,623.6	15,878.5	9,529.7	19,520.7
EBITDA ⁽¹⁾	884.3	819.5	725.0	1,502.5	901.8	1,768.9
EBITDA margin ⁽²⁾	14.3%	8.5%	7.5%	9.5%	9.5%	9.1%
Net income (Loss)⁽³⁾	(35.5)	679.1	534.4	146.1	87.7	243.6
Cash and cash equivalents	1,071.7	3,033.4	3,033.4	3,876.4	2,326.4	3,876.4
Short-term debt	1,232.1	1,473.6	1,431.1	2,852.6	1,712.0	2,852.6
Long-term debt	3,081.4	3,680.5	3,680.5	6,375.2	3,826.2	6,375.2
Net debt ⁽⁵⁾	3,241.8	2,120.7	2,078.3	5,351.4	3,211.7	5,351.4
Total Debt/EBITDA (last 12 months)	4.9	6.3	7.1	6.1	6.1	5.2
Net Debt/EBITDA (last 12 months)	3.7	2.6	2.9	3.6	3.6	3.0

Notes:—

- (1) See “Presentation of Financial and Other Information—EBITDA.”
- (2) EBITDA divided by net operating revenue.
- (3) Net income excluding costs associated with issuances of shares or indebtedness.
- (4) For more detail on our pro forma information, see “Unaudited Pro Forma Condensed Consolidated Financial Information.”
- (5) Short-term debt plus long-term debt, less cash and equivalents. Short-term debt and long-term debt exclude notes payable of R\$313.6 million (short-term) and R\$380.5 million (long-term) at December 31, 2010.

On October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses. See “Business—History of Our Organic Growth and Acquisitions.”

In order to facilitate investors’ analysis of our financial information, we have prepared an unaudited pro forma condensed consolidated income statement for the year ended December 31, 2010, which gives effect to the acquisition of the Acquired Keystone Businesses as if it had been consummated on January 1, 2010. Our audited consolidated balance sheet as of December 31, 2010 reflects the consolidation of the Acquired Keystone Businesses.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of what would have occurred had the transaction been consummated on January 1, 2010 or any other date, nor is it necessarily indicative of our future consolidated operating results. For more information, see “Unaudited Pro Forma Condensed Consolidated Financial Information.”

Portfolio of Products

Our portfolio of products includes the production, processing and/or sale of the following:

- Processed products such as cold cuts, sausages, smoked meats, hamburgers, meatballs and keftas, ready-made meals and snacks, empanadas and pasta, among others;
- Specialized, portioned and traditional cuts of non-processed meat (beef, pork, poultry and lamb);
- Processed beef products such as frozen pre-cooked meat, canned meats and dried beef jerky;
- Processed chicken products such as empanadas, ready-made meals, and frozen or refrigerated products, among others;
- Fish such as cod, hake and salmon, among others;
- Pre-cooked potatoes, pulses and frozen vegetables, sourced from the principal producing regions in South America;
- Wet blue, semi-finished, finished and cut leather for the automobile, aviation and upholstery industries;
- Cleaning products; and
- Logistics and distribution services for our clients.

Operating Information

The table below shows certain operating information for our business as of the dates indicated:

	As of December 31,		
	2008	2009	2010
Cattle ⁽¹⁾	21,100	27,850	29,400
Poultry ⁽¹⁾	1,726,000	1,847,000	3,740,000
Pork ⁽¹⁾	4,200	4,200	10,400
Lamb ⁽¹⁾	9,400	10,400	13,400
Processed Foods ⁽²⁾	42,126	47,670	120,760

Notes:—

(1) Slaughtering capacity in heads/day.

(2) Capacity in metric tons/month.

Competitive Strengths

We believe our proven capacity for organic growth and history of quality acquisitions puts us in a privileged position to continue to build out our client base, seize business opportunities in the processed foods, specialized meat cuts and food service segments, and create value for our shareholders. As evidence of this, our monthly processed food capacity increased by 188.8% in the 2008-2010 period. In addition, we believe we have the following strengths:

- *Capacity for organic growth.* Each of our processing facilities has been leased, purchased or constructed in the last ten years and was designed (or is being upgraded) to produce a wide range of beef, pork, lamb and poultry products, including high value-added products such as specialized cuts of beef, frozen pre-cooked beef, and pork in smoked, sausage or salted form. Our modern facilities provide us with ample access to customers such as global supermarket chains that require the highest quality standards from their suppliers. We believe the production capacity of our beef, poultry and pork platform can be substantially increased with investments in existing plants.
- *Proven capacity to successfully identify strategic goals, target assets to complement the needs of local companies and integrate acquired businesses.* We have a history of success in integrating companies and target assets, both in Brazil and elsewhere, carrying out the expansion process efficiently and generating synergies. In the last three years, we have successfully completed and integrated 20 acquisitions with a high growth potential, including corporations, assets and brands in various segments of our industry. Accordingly, we believe we possess the necessary experience to identify and integrate acquired businesses and assets and generate synergies from each acquisition. We have been able to combine volume growth with operational synergies, driving consistent and increasing profitability. We have also been able to add more brands and products to our portfolio.
- *A diversified global platform.* Our global platform covers five continents and consists of 150 processing facilities and offices in South America, North America, Europe, Asia and Africa together with a distribution network that gives us access to more than 150 countries. The strategic location of our facilities in Brazil, Argentina and Uruguay, countries that have plentiful land and longstanding traditions of animal husbandry, leads to low production costs, competitive pricing and increased export volumes. We believe that these factors, when combined with our market position for value-added processed foods in high-income markets such as Europe and the United States, help us to maintain our margins. Our sales volumes, combining export and domestic markets sales, give us the necessary scale to maintain and expand our activities in competitive markets. In addition, through our diversified product portfolio we are able to offer customers a wide variety of products, which we believe results in increased customer loyalty. Lastly, our strategy of geographic and product diversification creates a natural hedge against industry risks.
- *An established global distribution network.* Through our various acquisitions, we have expanded our logistics and distribution network and have an established network on a global scale. Through this network, we are able to better serve our clients.
- *Strong reputation and well-positioned brands.* We have a portfolio of solid, well-positioned and well-known brands that are symbols of the highest quality and consistency in food products. These include Seara, a poultry and pork brand recognized in Brazil and internationally; Bassi and Montana, which are Brazilian beef brands; Paty, the leading Argentine hamburger brand, Aberdeen Angus, a symbol of quality meat in Argentina; Mirab, an important brand in Argentina for meat snacks such as beef jerky, which exports to a number of countries including the United States, Japan, and the United Kingdom; Pemmican, a major meat snacks brand in the United States; Tacuarembó; and Moy Park. We also have a complete portfolio of products in the food service and retail segments, allowing us to build long-term relationships with our customers.
- *Sustained growth and strong commitment to environmental protection.* We are deeply concerned with pursuing growth in a sustainable fashion, and have therefore taken a number of steps to promote the sustainability of our business and the industries in which we operate. These steps include joining the Task Force for Sustainable Ranching to promote environmental sustainability throughout the chain of cattle raising, an initiative introduced by the World Bank and the International Finance Corporation (“IFC”); becoming a stakeholder in the Leather Working Group to develop environmental performance protocols for tanneries; signing onto Greenpeace’s Minimum Criteria for Operations with Cattle and Beef Products in the Amazon Biome (which

fighting the invasion of indigenous lands, slave labor, rural violence and land grabbing), signing a pact for the sustainable development of the Amazon; a reduction in packaging and the development of sustainable product chains; and signing the Integrated Pollution Prevention and Control Pact (a set of standards and obligations agreed upon by European companies). We have a commitment to build partnerships with state governments dedicated to promoting the Meat Certificate of Origin program, and we have undertaken not to produce or acquire cattle in areas listed by the Brazilian Institute of Environment and Renewable Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or “IBAMA”), and other regulatory agencies as endangered or deforested, or in the Amazon.

- *Experienced and entrepreneurial management.* Our management team has extensive experience, with a combined total of more than 150 years in the food sector, which has given us significant strength when exploring market opportunities and adjusting our business plans to meet demand, and enabled us to generate value for our shareholders since we were founded through growth as well as solid cash flow. In recent years, our current management team has driven our sales growth, upgraded our operations, successfully integrated our recent acquisitions and implemented our strategic planning. Our international operations benefit from local management with significant experience. Our founder and current CEO, Marcos Molina, has more than 20 years of experience in the food industry.

Our Strategy

Our goals are (i) to increase our international presence, our share of our current markets and our volume of exports and (ii) to continue to focus on higher value-added products, thereby increasing our margins and profitability. To achieve these goals, we have implemented and will continue to leverage the following strategic objectives:

- *Invest in organic growth.* We intend to continue investing in increasing capacity in our poultry and pork processing plants, in order to continue to balance revenue from these segments with revenue from beef products. We believe we can achieve substantial increases in production capacity using our current facilities without the need for major investments. We also intend to invest in the growth of our distribution and logistics network.
- *Continue to pursue partnerships in our industry.* Our industry is fragmented and has undergone a consolidation trend worldwide, and we believe that this trend will continue in the foreseeable future. In the three years ended December 31, 2010 we carried out 20 acquisitions. We recently completed the acquisition of the Acquired Keystone Businesses, among other acquisitions, and the integration of these acquisitions is our focus in 2011. We continue to take advantage of our experience in integrating target businesses at all levels of the chain of production, which we believe will bring us new markets, additional products, economies of scale and operating synergies and expand the reach and distribution of our products.
- *Expand our focus on high value-added products.* We intend to continue to increase our range of processed foods and specialized cuts of non-processed meat, such as cold cuts, sausages, frozen foods, canned meat, hamburgers, pasta and premium cuts, among others. Since these products generate higher added value than non-processed meat, they generally permit us to realize higher margins.
- *Expand our distribution and logistics services.* We intend to expand our clients’ access to our logistics and distribution network and broaden the products shipped through the network. This will include expanding services provided to fast food and regular restaurant chains as well as other clients in the retail sector. By distributing products other than our own to our clients in the retail and industrial sectors we intend to extract more value from our distribution channels.

- *Leverage and develop our brands.* In the markets where we operate, we intend to gain market share positions similar to those held by Paty, the leading hamburger brand in Argentina and a reference in its category, Moy Park in the United Kingdom and Seara in the Brazilian and international markets. We are investing to strengthen the Seara brand in the Brazilian market and worldwide, primarily by using it in healthy products and sponsoring sports events, particularly soccer, the main national sport in Brazil.
- *Maximize our global platform and our commercial relationships.* We intend to take advantage of the local presence that we have acquired by offering a larger variety of products in the markets in which we operate, both domestically and internationally, as well as by expanding into new markets. We will also continue to invest in the expansion and consolidation of our position in the domestic markets where we operate. In the other markets where we already operate, whether in South America, Europe, Asia, the Middle East or the United States, we intend to seek out new partnerships and increase our customer base. As of December 31, 2010, we had more than 79,000 customers recorded in our portfolio; we intend to strive continuously to increase this number.
- *Expand our food service activities.* We intend to increase direct sales of our products through restaurants, corporate catering facilities, specialty beef outlets and fast food chains, since these sales generate greater margins. We constantly seek to broaden our product offering in the food service segment and maximize our existing distribution network, so as to provide our food service customers with a “one-stop-shop” option consisting of a complete range of food products for their daily needs.
- *Add value in semi-finished, finished and cut leather.* We intend to increase our sales of semi-finished, finished and cut leather in Europe, the United States, Asia, Africa and the Mercosul region, selling to our customers in the automobile, aviation and upholstery and related industries. This will enable us to cover more value-added stages in leather production and, therefore, in the cattle slaughter value chain.

Recent Developments

On March 4, 2011, we completed our third issuance of R\$610 million of non-convertible debentures which mature on January 18, 2015, guaranteed by receivables and corporate guarantees of Unifred, Seara and Marfrig Holdings.

On February 7, 2011, our board of directors approved a stock buyback program for the acquisition of up to 5,800,000 common shares for up to R\$100,000,000. The common shares acquired under the program will be held in treasury to be used for the exercise of stock options by the beneficiaries of our stock option plan and/or subsequently canceled or sold. The program has a duration of 365 days and will expire on February 2, 2012.

The extraordinary shareholders’ meeting held on March 1, 2011, approved the merger into Marfrig Alimentos S.A. of its wholly-owned subsidiary, Keystone Foods International Holdings LLC (“Keystone Holdings”), pursuant to the terms of the Protocol and Justification of Merger filed with the CVM. As of March 1, 2011, Marfrig Alimentos S.A. replaced the investments held in Keystone Holdings for its net assets, and Keystone Holdings was dissolved. The merger did not result in any changes in our shareholders’ equity and no new shares were issued.

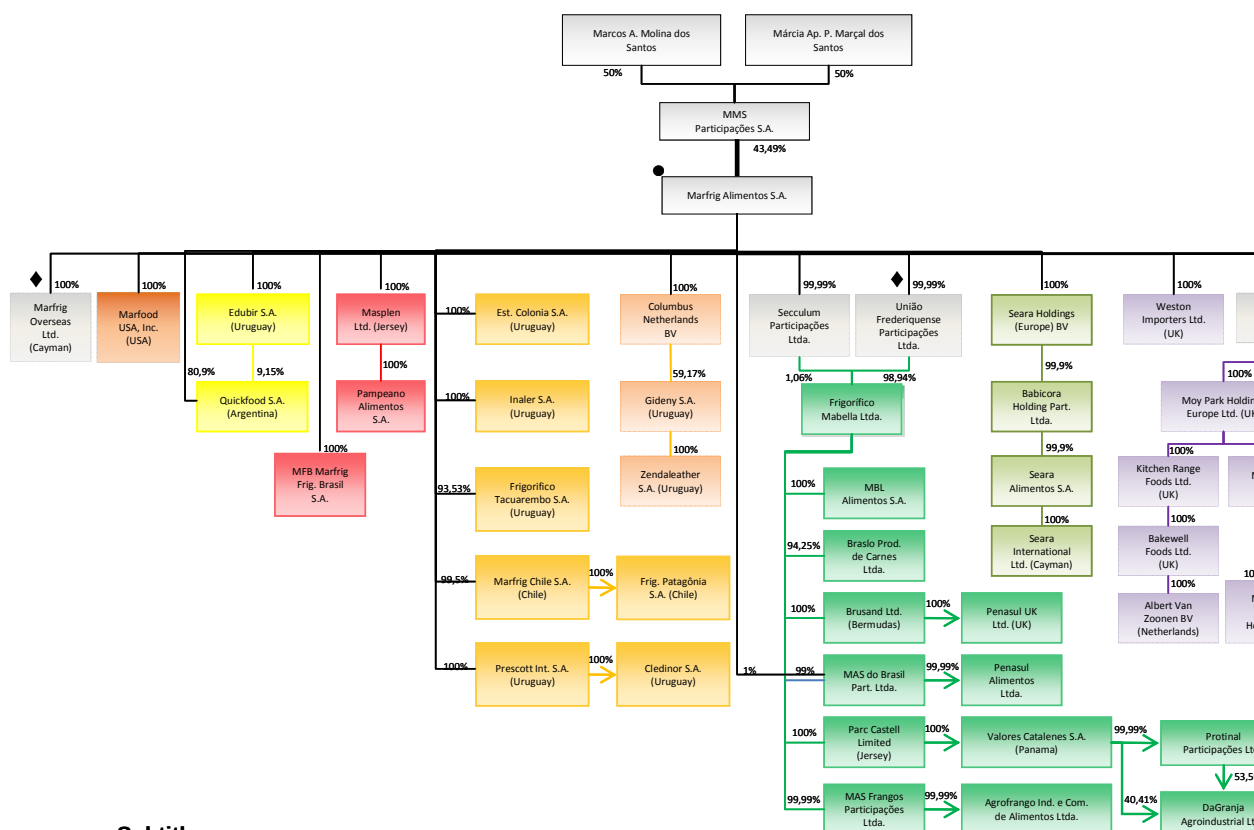
On April 11, 2011, we announced that, through our subsidiaries Keystone CLJV Holdings Limited (“Keystone CLJV”) and McKey VI Holdings Limited (“McKey VI”), we have formed two joint ventures in China with Evelina Investments Limited (“COFCO”) and Zhonghui Foods Co., Ltd (“Chinwhiz”), respectively. With these investments, our operations in China will be expanded, ranging from processing to distribution to clients.

The joint venture with COFCO (the “COFCO JV”) will be owned 45% by Keystone CLJV and 55% by COFCO. Keystone and COFCO have been developing a partnership since 1990. The COFCO JV, with operations projected to start in 2012, provides for the construction of six distribution centers, transportation fleets and information-support technological platforms in several strategic cities, including Beijing, Chengdu, Shanghai, Shenyang, Wuhan and Shenzhen (where Keystone’s processing plant in China is located). The total investment in the COFCO JV is estimated to be approximately U.S.\$252 million over 10 years and will be split between each participant, pursuant to its respective stake in the joint venture.

The joint venture with Chinwhiz (the “Chinwhiz JV”) will be owned 60% by McKey VI and 40% by Chinwhiz. The Chinwhiz JV will consist of vertical integration in the supply chain, which should result in improved cost visibility, guaranteed supply, improved food safety and socially responsible production. The Chinwhiz JV will initially have the capacity to process 200,000 chickens per day and will be able to supply 50% of the raw material needs of Keystone’s processing unit in China, which serves restaurants in China, Hong Kong and Japan. The total investment in the Chinwhiz JV is estimated to be approximately U.S.\$57 million by the end of 2013 and will be split between each participant pursuant to its respective stake in the joint venture.

Corporate Structure

The chart below shows an overview of our corporate structure as of March 31, 2011. For further information on our corporate structure, see “— Recent Developments” and “Business—History of Our Organic Growth and Acquisitions.”



Subtitles

- ◇ Issuer
- ◆ Subsidiary Guarantors
- Guarantor

Our corporate headquarters are located at Avenida Chedid Jafet, 222 – Bloco A, 5th Floor, Sala 1, São Paulo, Brazil. Our telephone and fax number is +55-11-3728-8600. Our website address is www.marfrig.com.br. The information on our website is for informational purposes only and should not be relied upon for any purpose related to an investment in our securities.

THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes, see “Description of the Notes” in this offering memorandum. Terms, which are defined in other sections of the offering memorandum, have the same meaning when used in this summary.

Issuer:	Marfrig Holdings (Europe) B.V.
Notes Offered:	U.S.\$750,000,000 in aggregate principal amount of 8.375% Senior Notes due 2018.
Guarantee:	Marfrig will irrevocably and unconditionally guarantee on a senior unsecured basis the full and punctual payment of principal, interest, Additional Amounts and all other amounts that may become due and payable in respect of the notes. The indenture governing the notes provides for guarantees by certain subsidiaries of Marfrig. Unifred, Marfrig Overseas and Seara will be subsidiary guarantors at the time of the issuance of the notes and as such will irrevocably and unconditionally guarantee on a senior unsecured basis the full and punctual payment of principal, interest, Additional Amounts and all other amounts that may become due and payable in respect of the notes.
Issue Price:	98.835% of the principal amount of the notes.
Maturity Date:	May 9, 2018.
Interest:	Interest at 8.375% per annum will be payable semi-annually in arrears each May 9 and November 9 of each year, commencing on November 9, 2011.
Indenture:	The notes will be issued under an indenture among Marfrig Holdings, Marfrig, Unifred, Marfrig Overseas and Seara, The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent, The Bank of New York Mellon, as trustee, registrar, New York paying agent and transfer agent, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg special paying agent, transfer agent and listing agent.
Ranking of the Notes:	The notes will be Marfrig Holdings’ senior unsecured obligations and will rank equally with any unsecured indebtedness of Marfrig Holdings (except those obligations preferred by operation of law) and will be senior to any subordinated indebtedness of Marfrig Holdings. As of the date of this offering memorandum, the issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than those described in this offering memorandum in the section entitled “The Issuer.”
Ranking of the Guarantee:	The guarantee will be a general irrevocable and unconditional

senior obligation of Marfrig, Unifred, Marfrig Overseas and Seara and is not secured by any collateral. The guarantee will rank equally with the senior unsecured indebtedness of Marfrig, Unifred, Marfrig Overseas and Seara (except those obligations preferred by operation of law) and will be senior to the subordinated indebtedness of Marfrig, Unifred, Marfrig Overseas and Seara.

The guarantee will effectively be subordinated to the secured indebtedness of Marfrig and the subsidiary guarantors, to the extent of the value of the assets securing such indebtedness.

As of December 31, 2010, Marfrig had an aggregate outstanding amount of R\$5,213.2 million of consolidated secured indebtedness, of which R\$2,631.2 million represented the aggregate principal amount of pre-export financing agreements. As of the same date, Marfrig had an aggregate outstanding amount of R\$9,227.8 million of consolidated indebtedness (secured and unsecured).

The claims of holders of the notes will be structurally subordinated, with regard to assets and cash flows of our subsidiaries that are not guarantors, to claims of creditors of those subsidiaries. The amount of these claims as of December 31, 2010 was R\$1,068.8 million.

Optional Redemption:

We may redeem some or all of the notes at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, plus the “make-whole” premium described in this offering memorandum.

We may redeem up to 35% of the aggregate principal amount of the notes issued under the indenture with the net proceeds of certain equity offerings at a redemption price equal to 108.375% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption. We may make that redemption only if, after the redemption, at least 65% of the aggregate principal amount of notes issued under the indenture remains outstanding.

Optional Tax Redemption:

We may redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, at any time upon the occurrence of specified events relating to tax laws. See “Description of the Notes—Optional Tax Redemption” and “Taxation—Brazilian Tax Considerations.”

Change of Control Offer

Upon the occurrence of specified change of control events in respect of Marfrig, holders of notes will have the right to require the Issuer and the Company to offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any, through the date of purchase. See “Description of the Notes—Restrictive Covenants—Repurchases at the Option of the Holders of Notes upon Change of Control.”

Restrictive Covenants:

The notes will be issued under an indenture with The Bank of New York Mellon, as trustee. The indenture governing the notes will contain covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness,
- pay dividends on, redeem or repurchase our Capital Stock,
- make investments,
- issue or sell Capital Stock of restricted subsidiaries,
- sell assets,
- enter into sale and leaseback transactions,
- engage in transactions with affiliates,
- create unrestricted subsidiaries,
- create certain liens, and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications that are described under the heading “Description of the Notes—Restrictive Covenants” in this offering memorandum.

Use of Proceeds:

We intend to use the net proceeds from the notes for general corporate purposes, including to repay part of our indebtedness maturing in 2011 and 2012, extend our debt maturity profile, and to fund working capital needs. See “Use of Proceeds.”

Additional Amounts:

All payments of principal and interest by Marfrig Holdings in respect of the notes will be made without withholding or deduction for any Netherlands taxes or other governmental charges unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts as are necessary to ensure that the holders of the notes receive the same amount as such holders would have received without such withholding or deduction, subject to certain exceptions. See “Description of the Notes—Additional Amounts.”

Events of Default:

For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see “Description of the Notes—Events of Default.”

Additional Notes:

We may, from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering, subject to satisfaction of the conditions set forth in the indenture.

Risk Factors:	See “Risk Factors” and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Form and Registration:	The notes sold in the United States in reliance on Rule 144A will be evidenced by a note in global form called a restricted global note, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”). The notes sold outside the United States in reliance on Regulation S will be evidenced by a separate note in global form called a Regulation S global note, which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfers of beneficial interests between the restricted global note and the Regulation S global note are subject to certification requirements. The notes will be issued in fully registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Description of the Notes.”
Trading and Listing:	We intend to make an application to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.
No Registration Rights:	We are not required to register the notes for resale under the Securities Act, or the securities laws of any other jurisdiction, and are not required to offer to exchange the notes for notes registered under the Securities Act or the laws of any other jurisdiction.
Governing Law:	The indenture and the notes will be governed by, and will be construed in accordance with, the laws of the State of New York.
Principal Paying Agent:	The Bank of New York Mellon Trust (Japan), Ltd.
Trustee, Registrar, Paying Agent and Transfer Agent:	The Bank of New York Mellon.
Luxembourg Special Paying Agent and Transfer Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg Listing Agent:	The Bank of New York Mellon (Luxembourg) S.A.

SUMMARY FINANCIAL INFORMATION

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum as well as with the information in the sections “Presentation of Financial and Other Information,” “Selected Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2009 and 2010, included elsewhere in this offering memorandum, is presented in accordance with both Brazilian GAAP and IFRS.

However, our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum, was prepared in accordance with Previous Brazilian GAAP. See “Presentation of Financial and Other Information.”

Our audited financial statements as of and for the years ended December 31, 2009 and 2010 are not directly comparable with our audited financial statements as of and for the years ended December 31, 2008 and 2009, and are presented in this offering memorandum in separate tables with certain differing line items. Previous Brazilian GAAP differs in certain significant respects from IFRS. We have not identified or quantified those differences in respect to the year ended December 31, 2008. No reconciliation to IFRS of any of the financial statements prepared in accordance with Previous Brazilian GAAP as of and for the year ended December 31, 2008 and presented in this offering memorandum has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosure and presentation differences between our financial statements prepared in accordance with Previous Brazilian GAAP and financial statements prepared under IFRS.

Solely for your convenience, certain *real* amounts in this offering memorandum as of and for the year ended December 31, 2010 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, published by the Central Bank on December 31, 2010 of R\$1.66 to U.S.\$1.00. On April 19, 2011, the exchange rate was R\$1.58 per U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate. For further information on exchange rate instability, see “Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us” and “Exchange Rates.”

Marfrig’s Financial Information and Other Information

Income Statement Data

	Year ended December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Net sales	9,623.6	15,878.5	9,529.7
Cost of goods sold.....	(8,369.4)	(13,277.0)	(7,968.4)
Gross income	1,254.2	2,601.4	1,561.3

	Year ended December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Operating income (expenses).....	(705.2)	(2,872.9)	(1,724.2)
Selling expenses	(641.5)	(1,407.5)	(844.7)
General and administrative expenses	(289.7)	(562.7)	(337.7)
Other operating income (expenses)	81.0	244.5	146.7
Net financial income (expenses)	145.0	(1,147.2)	(688.5)
Financial income	176.6	253.6	152.1
Exchange gain	728.6	282.7	169.7
Financial expenses	(675.1)	(1,295.8)	(777.6)
Exchange loss.....	(85.1)	(387.8)	(232.7)
Income (loss) from operations.....	549.1	(271.5)	(162.9)
Provision for income and social contribution taxes	(6.7)	411.6	247.0
Income tax.....	(0.5)	296.4	177.9
Social contribution tax	(6.2)	115.2	69.1
Net Income	542.4	140.1	84.1
Attributable to:			
Controlling shareholders	534.4	146.1	87.7
Minority interests	8.0	(6.0)	(3.6)

	Year ended December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Net sales.....	6,203.8	9,615.7
Cost of goods sold.....	(4,876.8)	(8,234.3)
Gross income	1,327.0	1,381.4
Operating revenues (expenses)	(1,563.5)	(812.9)
Commercial expenses.....	(393.4)	(641.5)
Administrative and general expenses	(179.7)	(287.5)
Goodwill.....	(37.1)	—
Other operating revenues (expenses)	7.8	92.7

	Year ended December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Financial income (expenses)	(961.1)	23.4
Operating income (loss)	(236.5)	568.5
Income (loss) before taxes.....	(236.5)	568.5
Income tax.....	144.2	(34.1)
Social contribution tax	67.6	(17.0)
Income (loss) before reversal of interest on equity capital	(24.7)	517.4
Reversal of interest on own capital	—	169.7
Income (loss) before minority interest.....	(24.7)	687.1
Minority interest.....	(10.8)	(8.0)
Net income	(35.5)	679.1

Balance Sheet Data

	As of December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Current Assets			
Cash and equivalents.....	3,033.4	3,876.4	2,326.5
Trade accounts receivable – domestic.....	554.1	1,109.9	666.1
Trade accounts receivable – international	243.2	252.1	151.3
Inventories of goods and merchandise	1,148.3	2,249.3	1,350.0
Biological assets.....	205.5	693.0	415.9
Recoverable taxes	527.0	868.6	521.3
Prepaid expenses	37.6	68.0	40.8
Notes receivable	—	2.9	1.7
Advances to suppliers	59.9	64.9	39.0
Other receivables.....	13.3	215.1	129.1
Current assets	5,822.3	9,400.2	5,641.7
Financial investments.....	2.9	7.7	4.6
Compulsory deposits.....	25.0	19.5	11.7

	As of December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Notes receivable	3.0	11.1	6.7
Deferred taxes	310.6	893.1	536.0
Recoverable taxes	339.0	1,008.2	605.1
Other receivables.....	25.5	99.8	60.0
Long term assets	706.0	2,039.5	1,224.0
Investments	0.8	10.0	6.0
Property, plant and equipment	3,652.7	6,685.6	4,012.5
Biological assets.....	139.1	277.6	166.6
Intangible assets	1,933.6	4,186.7	2,512.7
Permanent assets	5,726.2	11,159.9	6,697.8
Non-current assets	6,432.2	13,199.4	7,921.9
Total assets	12,254.5	22,599.6	13,563.6
Current Liabilities			
Trade accounts payable	935.4	2,310.8	1,386.9
Accrued payroll and related charges	231.5	537.1	322.4
Taxes payable.....	139.4	171.6	103.0
Loans and financing	1,431.1	2,852.6	1,712.0
Notes payable.....	73.5	313.6	188.2
Lease payable.....	61.7	89.0	53.4
Dividends payable.....	15.2	4.9	2.9
Interest on equity capital	146.1	91.8	55.1
Interest on debentures	—	132.0	79.2
Advances from customers	64.4	181.7	109.1
Other payables.....	85.1	263.5	158.1
Current liabilities	3,183.4	6,948.6	4,170.3
Loans and financing	3,680.5	6,375.2	3,826.2
Taxes payable.....	254.5	291.7	175.1
Deferred taxes	720.7	1,463.4	878.3
Provisions for contingencies	38.8	223.7	134.3
Lease payable	96.4	230.2	138.2
Notes payable.....	—	380.5	228.4
Other payables.....	494.3	189.9	114.0
Noncurrent liabilities	5,285.2	9,154.6	5,494.3
Share capital.....	4,061.5	4,061.5	2,437.6
Share issue expenses	(71.6)	(75.0)	(45.0)
Capital reserve.....	(1.7)	2,468.5	1,481.5

	As of December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Debentures convertible into shares.....	—	2,500.0	1,500.4
Charges on the issue of convertible debentures.....	—	(12.3)	(7.4)
Acquisition of shares in subsidiaries	(1.7)	(19.2)	(11.5)
Income Reserve.....	(989.2)	(862.2)	(517.5)
Statutory reserve.....	37.2	44.5	26.7
Accumulated losses	(1,014.0)	(899.4)	(539.8)
Treasury shares.....	(12.4)	(7.3)	(4.4)
Asset and liquidity valuation adjustment	504.8	419.6	251.8
Cumulative translation adjustment.....	268.2	340.9	204.6
Controlling shareholders' equity	3,772.0	6,353.3	3,813.0
Minority interest.....	13.9	143.1	85.9
Total shareholders' equity	3,785.9	6,496.4	3,898.9
Total liabilities and shareholders' equity	12,254.5	22,599.6	13,563.6

	As of December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Cash and cash equivalents.....	1,071.7	3,033.4
Trade accounts receivable—domestic.....	686.0	758.8
Trade accounts receivable—foreign.....	315.9	228.9
Inventories of goods and merchandise	1,581.9	1,726.5
Recoverable taxes	689.4	719.4
Deferred taxes	—	19.5
Prepaid expenses	25.2	37.6
Other receivables.....	0.3	9.6
Current assets	4,370.4	6,533.7
Long-term assets	385.4	620.4
Financial investments.....	4.2	2.8
Compulsory deposits	23.4	25.0
Notes receivable.....	0.4	3.1
Deferred taxes	303.6	225.0

	As of December 31,	
	2008	2009
	(Previous	(Previous
	BR	BR
	GAAP)	GAAP)
	(in millions of R\$)	
Recoverable taxes	44.6	339.0
Other receivables.....	9.2	25.5
Noncurrent assets	4,784.8	4,917.9
Investment.....	1.2	0.7
Property, plant and equipment	2,235.7	2,415.1
Intangible assets	2,144.2	1,870.3
Deferred charges	18.3	11.4
Permanent assets	4,399.4	4,297.5
Total assets	9,155.2	11,451.6
Trade accounts payable	748.5	833.6
Accrued payroll and related charges	269.8	205.3
Taxes payable.....	274.5	138.8
Loans and financing	1,232.1	1,473.6
Lease payable.....	62.6	61.7
Dividends payable.....	—	15.2
Interest on equity capital	—	146.1
Notes payable.....	11.7	31.0
Other payables.....	200.3	71.7
Current liabilities	2,799.5	2,977.0
Loans and financing	3,081.4	3,680.5
Lease payable.....	142.1	96.5
Taxes payable.....	78.7	254.5
Deferred charges	109.0	95.3
Provisions.....	108.5	38.8
Other payables.....	88.2	111.2
Noncurrent liabilities	3,607.9	4,276.8
Minority interest	17.9	13.5
Offering costs	—	(71.6)
Capital stock.....	2,525.6	4,061.5
Income reserves.....	155.1	651.5
Legal reserve	—	37.2
Retained earnings	155.1	625.0
Treasury stock	—	(10.7)
Asset and liability valuation adjustments.....	15.8	(491.6)

	As of December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Accumulated translation adjustment	33.4	34.5
Shareholders' equity	2,729.9	4,184.3
Total liabilities and shareholders' equity	9,155.2	11,451.6

EBITDA Reconciliation

	Year ended December 31,				
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(R\$)	(R\$)	(R\$)	(R\$)	(U.S.\$)
	(in millions)				
Net income (loss) controlling shareholders....	(35.5)	679.1	534.4	146.1	87.7
Interest on equity capital	—	(169.7)	—	—	—
Income tax and social contribution tax	(211.9)	51.1	6.7	(411.6)	(247.0)
Non-operating income	—	—	—	—	—
Net financial income (expense)	961.1	(23.4)	(145.0)	1,147.2	688.5
Depreciation and amortization	159.8	274.5	320.9	626.8	376.2
Minority interest	10.8	8.0	8.0	(6.0)	(3.6)
EBITDA⁽¹⁾	884.3	819.5	725.0	1,502.5	901.8
EBITDA margin ⁽²⁾	14.3%	8.5%	7.5%	9.5%	9.5%
Net debt ⁽³⁾	3,241.8	2,120.7	2,078.3	5,351.4	3,211.7
Total Debt/EBITDA (last 12 months)	4.9	6.3	7.1	6.1	6.1
Net Debt/EBITDA (last 12 months)	3.7	2.6	2.9	3.6	3.6

Notes:—

(1) See “Presentation of Financial and Other Information—EBITDA.”

(2) EBITDA divided by net operating revenue.

(3) Short-term debt plus long-term debt, less cash and equivalents. Short-term debt and long-term debt exclude notes payable of R\$313.6 million (short-term) and R\$380.5 million (long-term) at December 31, 2010.

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider all the risks set forth in this section before making an investment decision. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks. The market price of the notes may decrease due to any of these risks or other factors, and you may lose all or a substantial part of your investment. The risks described in this section are those that we currently believe may materially affect us. Additional risks and uncertainties not currently known to us, or those that we currently deem to be immaterial, may also materially affect us.

Risks Relating to Our Business and Industry

Our level of indebtedness may harm our business.

We have a significant level of indebtedness and we may incur additional significant amounts of debt. As of December 31, 2010, our outstanding indebtedness was R\$9,227.8 million, of which approximately 24.8% (or R\$2,291.0 million) was in *reais* and approximately 75.2% (or R\$6,936.8 million) was denominated in other currencies. We also have R\$313.6 million of short term and R\$380.5 million of long term notes payable as of December 31, 2010. For the year ended December 31, 2010, we had a positive cash flow from operating activities in the amount of R\$59.1 million. In the three years ended December 31, 2010, we financed part of our operations through the issuance of equity, debt and mandatory convertible debentures.

If we are not able to incur additional debt, we may be impaired to make necessary investments and capital expenditures in our business, which could reduce our future sales and negatively affect our financial position. In addition, the required capital resources to fulfill our debt obligations may reduce the capital amount that is available for our operations, which could harm us.

If our cash flow from operations does not grow as expected or significantly decreases for any reason, we will not be able to fulfill our debt obligations. If we are not able to fulfill our debt obligations, we may renegotiate them, seek additional capital or even sell some of our assets. In any of these scenarios, we may not be able to obtain financing or sell our assets on favorable terms, or at all, which could have a material adverse effect on us.

Covenant breaches under our material financial contracts may adversely affect us.

The contracts that govern a large portion of our debt contain cross-default or cross-acceleration clauses that provide that a default in one of our debt obligations may be considered a default in our other debt obligations or may result in the acceleration of the maturity date of this debt. Therefore, a default in any of our debt obligations may cause other debt obligations to become immediately due, which, in turn, would adversely affect us and the price of the notes.

In late 2009, we determined that we were in breach of covenants under the indenture governing the 2016 Notes. In particular, we failed to comply with covenants by incurring indebtedness at certain subsidiaries without causing them to become guarantors, and by incurring indebtedness secured by liens upon the property and assets of Marfrig and certain subsidiaries in violation of the indenture. In March 2010, we obtained waivers from a majority of the holders of the 2016 Notes and amended the terms of the related indenture, and we obtained waivers under the instruments governing other indebtedness of potential consequences of the breaches of the 2016 Notes and of breaches under these instruments. We have implemented procedures to monitor compliance with our covenants, but there can be no assurance that these procedures will be successful in preventing breaches in the future.

We have sought rapid growth, diversification and internationalization, including through acquisitions, and we face risks resulting from this strategy, including risks relating to integration of acquisitions, management of our operations, and the effectiveness of our internal controls and compliance procedures.

Since our initial public offering in 2007, we have pursued a growth strategy based on acquisitions and internal growth, and we have grown more international and more diversified. In the three years ended

December 31, 2010, we have successfully completed and integrated 20 acquisitions, including corporations, assets and brands in various segments of our industry. We are regularly analyzing and looking for opportunities for further strategic acquisitions.

This strategy presents significant risks and challenges. Acquisitions, especially involving larger corporations, such as our recent acquisitions of certain animal protein businesses, processing plants and a port terminal from Seara, which we refer to as the “Acquired Seara Businesses” and the Acquired Keystone Businesses, present financial, managerial and operational challenges. See “Business—History of Our Organic Growth and Acquisitions.” They may also create problems for us due to losses, contingencies, risks or other factors of which we were not aware at the time we completed the transactions. International acquisitions present additional difficulties, such as compliance with foreign laws and regulations and the integration of staff with different managerial practices, which may increase our exposure to risks associated with international operations.

Our growth and our acquisitions strategy also present a challenge relating to internal control over financial reporting and monitoring compliance with the terms of our agreements. We have focused on strengthening these controls and procedures, but we cannot assure you that they are sufficient. We have not obtained an auditors’ report on the effectiveness of our internal control over financial reporting, as we would be required to do if our securities were registered with the U.S. Securities and Exchange Commission. We depend on the effectiveness of these controls and compliance procedures, and if they prove to be insufficient, this could have a negative impact on our business because we might not be able to report timely and accurate financial results, to prevent fraud or to avoid breaching material agreements.

Any of these factors could have a material adverse effect on our results of operations and on the market price of the notes.

We may not be successful in capturing the synergies from our acquisitions.

In the last few years, we made numerous acquisitions and have recently acquired the Acquired Keystone Businesses and the Acquired Seara Businesses. These acquisitions could involve a number of risks including integration problems with the acquired businesses, operations in markets in which we have no, or limited, experience, potential loss of clients and key executives and employees of the acquired businesses as well as the risk of being exposed to liabilities of the acquired companies. These risks could have a material adverse effect on us. See “Business—History of Our Organic Growth and Acquisitions.”

We may not be able to successfully integrate the operations of companies we acquire or benefit from growth opportunities.

We intend to pursue selected growth opportunities in the future. These types of opportunities may expose us to successor liability relating to actions involving any acquired entities, their respective management or contingent liabilities incurred prior to our involvement. A material liability associated with these types of opportunities, or our failure to successfully integrate any acquired entities into our business, could adversely affect our reputation and have a material adverse effect on us.

Undisclosed liabilities from our acquisitions may harm our financial condition and operating results. If we make acquisitions in the future, such transactions may be structured in such a manner that would result in the assumption of undisclosed liabilities or liabilities not identified during pre-acquisition due diligence. These obligations and liabilities could harm our financial condition and operating results.

We may not be able to successfully integrate any growth opportunities we may undertake in the future or successfully implement appropriate operational, financial and administrative systems and controls to achieve the benefits that we expect to result therefrom. These risks include: (1) failure of the acquired entities to achieve expected results, (2) possible inability to retain or hire key personnel of the acquired entities and (3) possible inability to achieve expected synergies and/or economies of scale. In addition, the process of integrating businesses could cause interruption of, or loss of momentum in, the activities of our existing business. The diversion of our management’s attention and any delays or difficulties encountered in

connection with the integration of these businesses could adversely affect our business, results of operations, prospects and the market price of the notes.

Our export sales are subject to a broad range of risks associated with international operations.

Export sales account for a significant portion of our net sales, representing 38.6% and 40.7% of our total net sales in 2009 and 2010, respectively. Our major export markets are subject to the same risks described in “—Risks Relating to Brazil.” Our future financial performance will depend, to a significant extent, on economic, political and social conditions in our main export markets. Moreover, our export operations may be significantly affected by trade restrictions, import taxes or any other protective measure or requirement of import and export licenses.

Our future ability to conduct business in export markets could be adversely affected by factors beyond our control, such as:

- exchange rate fluctuations and inflation in countries where we operate and to which we export our products;
- exchange controls;
- changes in the economic and political conditions of a specific country or region, particularly in emerging markets;
- negative consequences resulting from regulatory changes;
- the difficulty and costs related to compliance with complex foreign laws, treaties and regulations, including, without limitation, foreign corrupt practices laws;
- adverse consequences from changes in tax laws; and
- distribution costs, transportation interruptions or reduction in the availability of freight.

The occurrence of any of these risks, as well as other factors beyond our control, may adversely affect us.

We are dependent on a limited number of large customers.

In the year ended December 31, 2010, sales to our top 10 customers accounted for approximately 17.7% of our net sales, compared to approximately 21.8% in the year ended December 31, 2009. In the last three months of 2010, one single customer accounted for approximately 79% of the net sales of the Acquired Keystone Businesses. Despite the decreased concentration of sales in 2010, we expect the concentration of sales to a limited number of customers to increase in 2011. The loss of our largest customers and an inability to secure substitute business would have a material adverse effect on our business, operating results and financial condition.

Adverse developments with respect to the health and safety of food, and/or publicity regarding the same, may increase our costs of operations or decrease demand for our products.

We are subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of a product recall. Consumption of a misbranded, adulterated, contaminated, or spoiled product may result in personal illness or injury. Any actual or perceived health risks associated with our products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of our products, reducing the level of consumption of those products, which could cause a material adverse effect on us.

In addition, we could be subject to claims or lawsuits relating to an actual or alleged illness or injury, which, could negatively affect our business, whether successful or not. Even if our own products are not affected by contamination, our industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for our products in the affected

category. We maintain systems designed to comply with food safety regulations, however our systems for compliance with governmental regulations may not be fully effective in mitigating risks related to food safety. Any product contamination could have a material adverse effect on our financial condition, results of operations or cash flows.

Our results of operations are subject to cyclical and volatility affecting both our raw material prices and our selling prices.

Our business is largely dependent on the cost and supply of corn, soy meal, soybeans, piglets, chicken, cattle, fish and other raw materials, as well as the selling prices of our poultry, pork, beef, and protein products. The raw material prices and the selling prices of our products are determined by constantly changing market forces of supply and demand, which may fluctuate significantly, even in the absence of a global economic crisis, and by other factors over which we have little or no control. These other factors include, among others, fluctuations in local and global fish, poultry, pork, cattle and lamb production levels, environmental and conservation regulations, economic conditions, weather, animal and crop diseases, the cost of international freight and exchange rate fluctuations. Our industry, both in Brazil and abroad, is also characterized by cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability. We are not able to mitigate these risks by entering into long-term contracts with our customers and most of our suppliers because long-term contracts are not customary in our industry. Our financial performance is also affected by domestic and international freight costs, which are vulnerable to volatility in the price of oil. We may not be successful in addressing the effects of cyclical and volatility on costs and expenses or the pricing of our products, and our overall financial performance may be adversely affected.

Raising animals and meat processing involve animal health and disease control risks, which could have an adverse impact on us.

Our operations involve raising cattle, pork, lamb and poultry, which require us to maintain animal health and control disease. We could be required to destroy animals or suspend the sale of some of our products to customers in Brazil and abroad in the event of an outbreak of disease affecting animals, such as (i) the recent A(H1N1) influenza, also called “swine flu,” (ii) in the case of poultry, avian influenza, (iii) in the case of pigs, cattle and certain other animals, foot-and-mouth disease, classic swine fever “blue ear” disease and (iv) in the case of cattle, foot-and-mouth disease and bovine spongiform encephalopathy, known as “mad cow disease.” Destruction of pork, poultry, pigs or other animals would preclude recovery of costs incurred in raising or purchasing these animals and result in additional expense for the disposal of the animals.

Outbreaks, or fears of outbreaks, of any of these or other animal diseases may have an adverse effect in our principal export markets and in Brazil. An outbreak of large proportions would adversely and materially affect us.

More stringent trade barriers in key export markets may adversely affect us.

Because of the growing market share of Brazilian poultry, pork and beef products in the international markets, Brazilian exporters have been increasingly affected by measures taken by importing countries to protect local producers. The competitiveness of Brazilian companies has led certain countries to establish trade barriers to limit the access of Brazilian companies to their markets or even to subsidize local producers. Some countries impose quotas on Brazilian pork and poultry products, and delays in allocating these quotas or changes in laws or policies regarding these quotas can adversely affect our exports.

Any of the aforementioned restrictions may affect our export volume and, as a result, our operating revenues from export markets and financial condition. In the case of newly created trade barriers in our key export markets, it may be difficult for us to sell our products in other markets at favorable conditions, which may cause a material adverse effect upon us.

We are subject to extensive governmental legislation and regulations in Brazil and in the international markets in which we operate, as well as in countries to which we export our products.

Our principal business activities—the production, processing and selling of food products, both in our domestic and export markets—and our facilities are subject to regular federal, state and local laws and regulations of the markets in which we operate, as well as foreign regulations and inspections with respect to processing, conditioning, storage, distribution, publicity and labeling. Our products are often inspected by foreign food safety officials and any failure to pass those inspections can result in our being required to return all or part of a shipment to its country of origin, destroy all or part of a shipment or incur costs because of delays in delivering products to our customers, all of which may cause a material adverse effect on us.

In addition, changes in government regulations relating to our principal business activities in the countries in which we operate and in the countries to which we export our products, may impose a significant burden on us, including requirements to make additional investments or incur other unforeseen costs to meet the necessary specifications for our products, which may cause a material adverse effect on us.

Environmental laws and regulations may require increased expenditures for compliance, and non-compliance with these laws and regulations may result in civil, criminal and administrative penalties.

We, like other food producers in Brazil and in other domestic markets in which we operate, are subject to extensive federal, state and local environmental laws, regulations, authorizations and licenses concerning, among other things, the handling and disposal of waste, discharges of pollutants into the air, water and soil, and clean-up of contamination, all of which affect our business. We are also required to environmentally preserve certain land on own properties and these areas must be registered on the property deed. We have some properties whose deeds do not identify these areas. Any failure to comply with these laws and regulations or any lack of authorizations or licenses could result in civil, administrative and criminal penalties, such as fines, cancellation of authorizations or revocation of licenses, in addition to negative publicity and liability for remediation for environmental damage.

We have incurred, and will continue to incur, capital and operating expenditures to comply with these laws and regulations. Because of the possibility of unanticipated regulatory measures or other developments, particularly as environmental laws become more stringent in Brazil and in other domestic markets in which we operate, the amount and timing of future expenditures required to maintain compliance could increase from current levels and could adversely affect the availability of funds for capital expenditures and other purposes. Compliance with existing or new environmental laws and regulations could result in increased costs and expenses.

Any deterioration of labor relations with our employees could adversely affect us.

We depend on intensive use of labor in our activities. Most of our employees are represented by unions and their employment contracts are regulated by collective bargaining agreements. New collective bargaining agreements may have shorter terms than our previous agreements and, if we are not able to negotiate collective bargaining agreements on acceptable terms to us, we may be subject to a significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages, which could have a material adverse effect on us and the market price of the notes.

Changes in consumer preferences could adversely affect our business.

The food industry, in general, is subject to changing consumer trends, demands and preferences. Our products compete with other protein sources, including fish. Trends within the food industry frequently change, and our failure to anticipate, identify or react to changes in these trends could lead to reduced demand and prices for our products, among other concerns, and could have a material adverse effect on our business, financial condition, results of operations and market price of the notes.

The consolidation trend in our customers' industries may have an adverse effect on us.

Some of our customers, such as supermarket chains, club stores and wholesale food distributors were involved in consolidations over the last years. The consolidation trend created large and sophisticated customers who have increased purchase power and, therefore, greater ability to operate with smaller inventories, resist price increases and demand lower prices, discounts and tailor-made products. The customers may also use the spaces where our products are currently displayed to display their own products. If we cannot react to this market trend, we may face a slower increase in our sales volume or may be forced to decrease prices or increase promotional expenditures. Any of the aforementioned factors could have a material adverse effect on us.

We depend on members of our senior management and on our ability to recruit and retain qualified professionals.

We depend on members of our senior management and other qualified professionals to implement our business strategies and carry out our operations. We also depend on our ability to recruit and retain qualified professionals. We cannot assure you that we will not incur substantial costs to hire qualified professionals. The loss of key professionals may adversely affect us.

Our management and employees may focus excessively on the price of our common shares, since stock options are part of their compensation packages.

On May 11, 2009, the board of directors revised and consolidated our stock option plan, which was approved by our shareholders at the special shareholders' meeting held on May 29, 2009. Our stock option plan allows our management, employees and service providers to acquire our common shares. The stock option plan seeks to (i) stimulate the expansion, success and fulfillment of our objectives; (ii) align the interests of our and our subsidiaries' managers, employees and service providers to our own interests; and (iii) enable us and our subsidiaries to recruit and retain qualified managers, employees and service providers.

The stock option plan has four different programs, each one setting different prices and conditions for exercise of the options. The stock options granted under these four programs in 2010 totaled 1,024,330 shares. Of this total, 113,800 options expired in 2009, 160,133 expired in 2010 and the remainder will expire by 2014. The total stock options granted under these four plans correspond to 0.26% of our capital stock, and is therefore within the limit of 0.5% for approval by our board of directors, as established by our shareholders at the shareholders' meeting held on May 29, 2009.

The fact that our management and employees may receive, as part of their compensation packages, stock options at an exercise price below market may cause them to focus on the price of our common shares, as opposed to our long-term goals. For further information on our stock options, see "Management—Stock Option Plan."

We face strong competition from Brazilian and foreign companies in the production, industrialization and sales of our products.

We operate in a highly competitive market. We face strong competition from Brazilian and foreign companies in the production, industrialization and sales of our products regarding the cost and quality of raw material and workforce. In addition, our products compete with a number of other protein sources, including fish.

The principal competitive factors in the animal protein processing industries are operating efficiency and the availability, quality and cost of raw materials and labor, price, quality, food safety, product distribution, technological innovations and brand loyalty. Our ability to be an effective competitor depends on our ability to compete on the basis of these characteristics. In addition, some of our competitors have more financial resources and larger product and client portfolios than we do. If we are not able to keep our competitive position in the market, we will face a decrease in our market share, which, in turn, may adversely affect our results of operations and the price of the notes.

We are subject to risks relating to South American countries.

In addition to our operations in Brazil, it is part of our strategy to diversify the risk of our operations to also have operations in other countries in South America, such as Argentina, Chile and Uruguay. In the year ended December 31, 2010, our net sales from our Argentine and Uruguayan operations represented in the aggregate 14.0% of our total net sales, of which 50.1% derived from the domestic markets of these countries. We are subject to risks relating to the economic, political and social conditions in the other domestic markets in South America in which we operate. We may be adversely affected by factors that are beyond our control in these markets, such as:

- the interference of local governments in economic policies;
- exchange rate instability and devaluation of local currencies;
- the deterioration of economic conditions;
- inflation and interest rates;
- exchange controls and restrictions on remittances abroad;
- tax policies and laws;
- liquidity in the financial and capital markets; and
- other political, social and economic developments in or affecting the domestic markets in South America in which we operate.

The occurrence of any of the aforementioned factors as well as any other factor that affects the economic, political and social conditions of the domestic markets in which we operate in South America may adversely and materially affect us.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence as well as Brazilian political and economic conditions may adversely affect us and the market price of the notes.

The Brazilian government frequently intervenes in the economy and occasionally makes significant changes in economic policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved increases in interest rates, changes in tax policies, price and salary controls, currency devaluations, capital controls and limits on imports, among other measures. We may be materially and adversely affected by changes in policy or regulations involving or affecting factors, such as:

- interest rates;
- currency fluctuations;
- inflation;
- liquidity in the domestic financial and capital markets;
- tax policies and laws;
- exchange controls and restrictions on remittances abroad; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty as to whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and the securities issued by Brazilian companies.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm our business.

Brazil has in the past experienced extremely high rates of inflation and, as a result, has adopted monetary policies that have resulted in one of the highest real interest rates in the world. The Central Bank sets the base interest rates generally available to the Brazilian banking system, based on the expansion or contraction of the Brazilian economy, inflation rates and other economic indicators. The trend of periodic reductions of the base interest rate (*Sistema Especial de Liquidação e Custódia*, or “SELIC” rate) that the Central Bank had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.75% as of December 31, 2008, compared to 11.25% as of December 31, 2007. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank significantly reduced the SELIC rate, which reached 8.75% as of December 31, 2009. Starting in April, 2010, the Central Bank has gradually increased the SELIC rate again on several occasions, and the SELIC rate is currently 11.75%.

Inflation and the Brazilian government’s measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil’s growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business. In addition, we may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure.

Exchange rate instability and the devaluation of the real may adversely affect the Brazilian economy and us.

As a result of inflationary pressures, the Brazilian currency has been devalued periodically in the past in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching a selling exchange rate of R\$3.53 per U.S.\$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.559 per U.S.\$1.00 in August 2008. As a result of the crisis in the global financial markets since mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the course of 2008 and reached R\$2.34 per U.S.\$1.00 on December 31, 2008. In the second half of 2009, the *real* began a trend of appreciation against the U.S. dollar, reaching R\$1.74 per U.S.\$1.00 on December 31, 2009, mainly due to the recovery of consumer confidence, export and foreign investments in the second half of the year. This trend continued in 2010, and on December 31, 2010, the *real*/U.S. dollar exchange rate was R\$1.66 per U.S.\$1.00. On April 19, 2011, the *real*/U.S. dollar exchange rate was R\$1.58 per U.S.\$1.00.

Devaluations of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil, lead to increases in interest rates, limit our access to foreign financial markets and prompt the adoption of recessionary policies by the Brazilian government. Conversely, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of Brazil’s current account and balance of payments and cause a decrease of Brazilian exports. Any of the foregoing developments may negatively affect the Brazilian economy as a whole, and, consequently, our results of operations and the market price of the notes.

Developments and the perception of risk in other countries, especially in the United States and emerging market countries, may adversely affect the market price of Brazilian securities, including the notes.

The market price of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States and other Latin American and emerging market countries. Investors’ reactions to developments in these other countries may have an adverse effect on the market price of securities of Brazilian issuers, including the notes. Crises in the United States and

emerging market countries or economic policies of other countries may diminish investors' interest in securities of Brazilian issuers, including the notes. This could adversely affect the market price of the notes and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

The foreign exchange policy of Brazil may affect the ability of Marfrig to make money remittances outside Brazil in respect of the guarantee.

Under Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments in U.S. dollars outside Brazil under guarantees in favor of foreign persons, such as the holders of the notes. We cannot assure you that these regulations will continue to be in force at the time Marfrig may be required to perform its payment obligations under the guarantee. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, Marfrig would need to seek an authorization from the Central Bank to transfer the amounts under the guarantee out of Brazil or, alternatively, make payments with funds held by Marfrig outside Brazil. We cannot assure you that the authorization will be obtained or that funds will be available.

Risks Relating to the Presentation of Financial Information

Our historical consolidated financial results are not directly comparable across all periods presented in this offering memorandum, nor will they be comparable to our consolidated results across future periods.

Our consolidated financial statements as of and for the years ended December 31, 2009 and 2010 were prepared in accordance with IFRS, while our financial statements as of and for the years ended December 31, 2008 and 2009 were prepared in accordance with Previous Brazilian GAAP. Previous Brazilian GAAP differs in certain significant respects from U.S. GAAP and from IFRS. In addition, we completed two significant acquisitions in 2010. On January 4, 2010, we completed the acquisition of the Acquired Seara Businesses. On October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses. See "Business—History of Our Organic Growth and Acquisitions." Consequently, our financial statements included elsewhere in this offering memorandum only reflect the operations of Seara and Keystone from the dates of the respective acquisitions until December 31, 2010. As a result, our financial statements are not directly comparable across all periods presented in this offering memorandum. Furthermore, our historical consolidated financial results will not be comparable for future periods and may not be indicative of our future results of operations, financial condition or cash flows.

The unaudited pro forma financial information presented in this offering memorandum may not be indicative of future results of operations.

We have also included in this offering memorandum certain unaudited pro forma financial information as of and for the year ended December 31, 2010. On October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses. In order to facilitate investors' analysis of our financial information, we have prepared an unaudited pro forma condensed consolidated income statement for the year ended December 31, 2010, which gives effect to the acquisition of the Acquired Keystone Businesses as if it had been consummated on January 1, 2010. Our audited consolidated balance sheet as of December 31, 2010 reflects the consolidation of the Acquired Keystone Businesses.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of what would have occurred had the transaction been consummated on January 1, 2010, nor is it necessarily indicative of our future consolidated operating results.

As a result of the above, the unaudited pro forma condensed consolidated financial information presented in this offering memorandum should not be relied on as indicative of future results of operations for the combined Marfrig Group and investors are cautioned against placing undue reliance on such information, which should not be considered, in itself, as a sufficient basis for an investment decision. See "Presentation of Financial and Other Information" and "Unaudited Pro Forma Condensed Consolidated Financial Information."

Risks Relating to the Notes

Marfrig Holdings has no operations of its own, so that holders of the notes must depend on Marfrig and its subsidiaries to provide Marfrig Holdings with sufficient funds to make payments on the notes when due.

Marfrig Holdings is a holding company, organized and existing under the laws of The Netherlands. The ability of Marfrig Holdings to pay principal, interest and other amounts due on the notes will depend upon Marfrig's and its subsidiaries' (especially MFG (USA) Holdings, Inc. and Moy Park Holdings Europe Ltd.) financial condition and results of operations. In the event of an adverse change in Marfrig's financial condition or results of operations, Marfrig Holdings may not have sufficient funds to repay all amounts due on or with respect to the notes.

Enforcement of civil liabilities and judgments against the issuer or any of its directors or officers may be difficult

The issuer is a private limited liability company incorporated under the laws of The Netherlands. A significant portion of its assets and all of its operations are located, and all of its revenues are derived, outside the United States. In addition, the issuer's director is non-resident of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of The Netherlands or other jurisdictions would enforce (i) judgments of United States courts obtained against the issuer or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against the issuer or such persons predicated upon the United States federal and state securities laws. See "Enforceability of Judgments."

An active trading market for the notes may not develop.

The notes constitute a new issuance of securities, for which there is no existing market. Although we intend to apply to admit the notes to trading on the Euro MTF market, we cannot provide you with any assurances that the application will be accepted. Furthermore, no assurance can be provided regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes or the price at which these holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors. These factors include prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, risk associated with Brazilian issuers of this type of securities and the market for similar securities. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of the payment at the exchange rate as published by the Central Bank on (i) the date of actual payment, (ii) the date on which the judgment is rendered, or (iii) the actual due date of the obligations. There can be no assurance that the rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

The guarantees will be unsecured and will be effectively junior to our and the subsidiary guarantors' existing and future secured indebtedness.

The guarantees will be unsecured and will constitute our and the subsidiary guarantors' unsubordinated and unsecured obligation that we and they have agreed will rank *pari passu* in priority of payment with all our and their other present and future unsubordinated and unsecured obligations. Although the guarantees

will provide noteholders with a direct, but unsecured, claim on our and the subsidiary guarantors' assets and property, the guarantees will be effectively junior to our and their secured debt, to the extent of the assets and property securing this debt. As of December 31, 2010, we had total indebtedness outstanding of R\$9,227.8 million, of which R\$5,213.2 million was secured.

The guarantees will also be junior to the indebtedness of any subsidiaries that are not subsidiary guarantors. As of December 31, 2010, such indebtedness of our subsidiaries that are not subsidiary guarantors represented R\$1,068.8 million.

In addition, we and the subsidiary guarantors may, in the future, grant additional liens to secure indebtedness without equally and ratably securing the guarantees. If we or the subsidiary guarantors become insolvent or are liquidated, or default in the payment of these obligations, these secured creditors will be entitled to exercise the remedies available to them under applicable law. These creditors will have a prior claim on our and the subsidiary guarantors' assets covered by their liens. Our subsidiaries may also incur additional indebtedness without providing guarantees to the notes.

Our and the subsidiary guarantors' obligations under the guarantees will be subordinated to certain statutory liabilities.

Under Brazilian law, our and the subsidiary guarantors' obligations under the guarantees are subordinated to certain statutory preferences. In the event of our or the subsidiary guarantors' liquidation or bankruptcy, these statutory preferences, including motions for restitution, post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference and priority over any other claims, including any claims in respect of the guarantees.

The notes will be issued by the issuer and guaranteed by the guarantors. The issuer is organized under the laws of The Netherlands. The Company and the subsidiary guarantors are organized or incorporated under the laws of Brazil and the Cayman Islands. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in Brazil, The Netherlands and the Cayman Islands. Your rights under the notes and the guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

In addition, the bankruptcy, insolvency, administrative and other laws of such jurisdictions of organization may be materially different from, or in conflict with, one another and those in other jurisdictions with which you may be familiar in certain area, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the notes.

Our ability to repurchase the notes upon a change of control may be limited.

We are required under the indenture governing the notes to make an offer to repurchase the notes upon a change of control. See "Description of the Notes—Restrictive Covenants—Repurchases at the Option of the Holders of the Notes upon Change of Control." We may not be able to pay the repurchase price for your notes at that time because we may not have sufficient funds available. In addition, the terms of our other existing or future debt may prevent us from paying you. There can be no assurance that we would be able to repay such other debt. We may not have sufficient financial resource to purchase all of the notes that holders tender to us in connection with an offer to repurchase.

USE OF PROCEEDS

The net proceeds from the sale of the notes are expected to amount to approximately U.S.\$730.0 million after deducting certain expenses and commissions to be paid to the initial purchasers in connection with the offering. The issuer will make the net proceeds available to us. We intend to use approximately 75% of the proceeds from this offering to repay part of our indebtedness maturing in 2011 and 2012, thereby extending our debt maturity profile, and approximately 25% of the proceeds from this offering to fund working capital needs.

CAPITALIZATION

The table below sets forth consolidated information on our cash and cash equivalents, short-term and long-term debt, shareholders' equity and total capitalization as of December 31, 2010.

The information below derives from our consolidated financial statements for year ended December 31, 2010 on an actual historical basis.

You should read the table below in conjunction with the information in the sections "Selected Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our financial statements and notes, included elsewhere in this offering memorandum.

	As of December 31, 2010			
	Actual		As Adjusted ⁽¹⁾	
	(R\$)	(U.S.\$) ⁽²⁾	(R\$)	(U.S.\$) ⁽²⁾
	(in millions)			
Short-term debt				
Notes payable	313.6	188.2	313.6	188.2
Loans and financing	2,852.6	1,712.0	2,852.6	1,712.0
Total short-term debt	3,166.2	1,900.3	3,166.2	1,900.3
Long-term debt				
Notes payable	380.5	228.4	380.5	228.4
Loans and financing	6,375.2	3,826.2	7,624.9	4,576.2
Total long-term debt	6,755.7	4,054.6	8,005.4	4,804.6
Shareholders' equity				
Capital stock	4,061.5	2,437.6	4,061.5	2,437.6
Share issue expenses	(75.0)	(45.0)	(75.0)	(45.0)
Capital reserves	2,468.5	1,481.5	2,468.5	1,481.5
Legal reserve	44.5	26.7	44.5	26.7
Treasury shares	(7.3)	(4.4)	(7.3)	(4.4)
Retained earnings (accumulated losses)	(899.4)	(539.8)	(899.4)	(539.8)
Accumulated translation adjustments	340.9	204.6	340.9	204.6
Asset and liability valuation adjustments	419.6	251.8	419.6	251.8
Total shareholders' equity	6,353.3	3,813.0	6,353.3	3,813.0
Total capitalization⁽³⁾	16,275.2	9,767.9	17,524.9	10,517.9

Notes:—

- (1) As adjusted for this note offering, to reflect an increase in total long term debt and loans and financing of U.S.\$750 million (R\$1,249.7 million).
- (2) Solely for the convenience of the reader, Brazilian *real* amounts as of and for year ended December 31, 2010 have been translated into U.S. dollars at the exchange rate as of December 31, 2010 of R\$1.66 to U.S.\$1.00. See "Exchange Rates."
- (3) Total capitalization corresponds to total debt plus total shareholders' equity.

In the first quarter of 2011, we entered into additional material loan and financing agreements totaling R\$804.9 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Loans and Financings since December 31, 2010."

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and, since then, the *real*/U.S. dollar exchange rate has fluctuated considerably. Until early 2003, the value of the *real* declined in relation to the U.S. dollar and then began to stabilize. The *real* appreciated against the U.S. dollar in 2004-2007. In 2008, as a result of the worsening of the global financial and economic crisis, the *real* depreciated to R\$2.34 per U.S. dollar. In 2009, the *real* appreciated to R\$1.74 per U.S.\$1.00 at December 31, 2009 and R\$1.66 per U.S.\$1.00 at December 31, 2010.

In the past, the Central Bank has intervened occasionally to control unstable movements of exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate through a currency band system or otherwise. The *real* may fluctuate against the U.S. dollar substantially in the future. For more information on these risks, see “Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us.”

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R\$/U.S.\$), for the periods indicated:

<u>Year</u>	<u>Period-end</u>	<u>Average⁽¹⁾</u>	<u>Low</u>	<u>High</u>
2005.....	2.34	2.43	2.16	2.76
2006.....	2.14	2.18	2.06	2.37
2007.....	1.77	1.95	1.73	2.16
2008.....	2.34	1.84	1.56	2.50
2009.....	1.74	1.99	1.70	2.42
2010.....	1.66	1.76	1.65	1.88

<u>Month</u>	<u>Period-end</u>	<u>Average⁽¹⁾</u>	<u>Low</u>	<u>High</u>
October 2010.....	1.70	1.68	1.65	1.71
November 2010.....	1.73	1.71	1.68	1.73
December 2010	1.66	1.69	1.66	1.71
January 2011	1.68	1.68	1.65	1.69
February 2011	1.66	1.67	1.66	1.68
March 2011	1.64	1.66	1.63	1.68
April 2011 (through April 20).....	1.57	1.59	1.57	1.62

Source: Central Bank.

Note:—

- (1) Represents the average of the exchange rates on the closing of each business day during the period. On April 20, 2011, the exchange rate published by the Central Bank was R\$1.57 per U.S.\$1.00.

SELECTED FINANCIAL AND OTHER INFORMATION

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum as well as with the information in “Presentation of Financial and Other Information,” “Summary of Financial and Other Information,” “Unaudited Pro Forma Condensed Consolidated Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2009 and 2010, included elsewhere in this offering memorandum, is presented in accordance with both Brazilian GAAP and IFRS.

However, our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum, was prepared in accordance with Previous Brazilian GAAP. See “Presentation of Financial and Other Information.”

Our audited financial statements as of and for the years ended December 31, 2009 and 2010 are not directly comparable with our audited financial statements as of and for the years ended December 31, 2008 and 2009, and are presented in this offering memorandum in separate tables with certain differing line items. Previous Brazilian GAAP differs in certain significant respects from IFRS. We have not identified or quantified those differences in respect to the year ended December 31, 2008. No reconciliation to IFRS of any of the financial statements prepared in accordance with Previous Brazilian GAAP as of and for the year ended December 31, 2008 and presented in this offering memorandum has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosure and presentation differences between our financial statements prepared in accordance with Previous Brazilian GAAP and financial statements prepared under IFRS.

Solely for your convenience, certain *real* amounts in this offering memorandum as of and for the year ended December 31, 2010 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, published by the Central Bank on December 31, 2010 of R\$1.66 to U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate. For further information on the exchange rate instability, see “Risk Factors—Risks Relating to Brazil—Exchange rate instability and the devaluation of the *real* may adversely affect the Brazilian economy and us” and “Exchange Rates.”

Marfrig’s Financial Information and Other Information

Income Statement Data

	Year ended December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Net sales	9,623.6	15,878.5	9,529.7
Cost of goods sold.....	(8,369.4)	(13,277.0)	(7,968.4)
Gross income	1,254.2	2,601.4	1,561.3
Operating income (expenses).....	(705.2)	(2,872.9)	(1,724.4)
Selling expenses	(641.5)	(1,407.5)	(844.7)

	Year ended December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
General and administrative expenses	(289.7)	(562.7)	(337.7)
Other operating income (expenses)	81.0	244.5	146.7
Net financial income (expenses)	145.0	(1,147.2)	(688.5)
Financial income	176.6	253.6	152.1
Exchange gain	728.6	282.7	169.7
Financial expenses	(675.1)	(1,295.8)	(777.6)
Exchange loss	(85.1)	(387.8)	(232.7)
Income (loss) from operations	549.1	(271.5)	(162.9)
Provision for income and social contribution taxes	(6.7)	411.6	247.0
Income tax	(0.5)	296.4	177.9
Social contribution tax	(6.2)	115.2	69.1
Net Income	542.4	140.1	84.1
Attributable to:			
Controlling shareholders	534.4	146.1	87.7
Minority interests	8.0	(6.0)	(3.6)

	Year ended December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Net sales	6,203.8	9,615.7
Cost of goods sold	(4,876.8)	(8,234.3)
Gross income	1,327.0	1,381.4
Operating revenues (expenses)	(1,563.5)	(812.9)
Commercial expenses	(393.4)	(641.5)
Administrative and general expenses	(179.7)	(287.5)
Goodwill	(37.1)	—
Other operating revenues (expenses)	7.8	92.7
Financial income (expenses)	(961.1)	23.4
Operating income (loss)	(236.5)	568.5
Income (loss) before taxes	(236.5)	568.5
Income tax	144.2	(34.1)
Social contribution tax	67.6	(17.0)

	Year ended December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Income (loss) before reversal of interest on equity capital	(24.7)	517.4
Reversal of interest on own capital	—	169.7
Income (loss) before minority interest	(24.7)	687.1
Minority interest	(10.8)	(8.0)
Net income	(35.5)	679.1

Balance Sheet Data

	As of December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Current Assets			
Cash and equivalents	3,033.4	3,876.4	2,326.5
Trade accounts receivable – domestic	554.1	1,109.9	666.1
Trade accounts receivable – international	243.2	252.1	151.3
Inventories of goods and merchandise	1,148.3	2,249.3	1,350.0
Biological assets	205.5	693.0	415.9
Recoverable taxes	527.0	868.6	521.3
Prepaid expenses	37.6	68.0	40.8
Notes receivable	—	2.9	1.7
Advances to suppliers	59.9	64.9	39.0
Other receivables	13.3	215.1	129.1
Current assets	5,822.3	9,400.2	5,641.7
Financial investments	2.9	7.7	4.6
Compulsory deposits	25.0	19.5	11.7
Notes receivable	3.0	11.1	6.7
Deferred taxes	310.6	893.1	536.0
Recoverable taxes	339.0	1,008.2	605.1
Other receivables	25.5	99.8	60.0
Long term assets	706.0	2,039.5	1,224.0
Investments	0.8	10.0	6.0
Property, plant and equipment	3,652.7	6,685.6	4,012.5

	As of December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Biological assets.....	139.1	277.6	166.6
Intangible assets	1,933.6	4,186.7	2,512.7
Permanent assets	5,726.2	11,159.9	6,697.8
Non-current assets.....	6,432.2	13,199.4	7,921.9
Total assets.....	12,254.5	22,599.6	13,563.6
Current Liabilities			
Trade accounts payable	935.4	2,310.8	1,386.9
Accrued payroll and related charges	231.5	537.1	322.4
Taxes payable.....	139.4	171.6	103.0
Loans and financing.....	1,431.1	2,852.6	1,712.0
Notes payable.....	73.5	313.6	188.2
Lease payable.....	61.7	89.0	53.4
Dividends payable.....	15.2	4.9	2.9
Interest on equity capital	146.1	91.8	55.1
Interest on debentures	—	132.0	79.2
Advances from customers.....	64.4	181.7	109.1
Other payables.....	85.1	263.5	158.1
Current liabilities	3,183.4	6,948.6	4,170.3
Loans and financing.....	3,680.5	6,375.2	3,826.2
Taxes payable.....	254.5	291.7	175.1
Deferred taxes	720.7	1,463.4	878.3
Provisions for contingencies	38.8	223.7	134.3
Lease payable.....	96.4	230.2	138.2
Notes payable.....	—	380.5	228.4
Other payables.....	494.3	189.9	114.0
Noncurrent liabilities	5,285.2	9,154.6	5,494.3
Share capital.....	4,061.5	4,061.5	2,437.6
Share issue expenses	(71.6)	(75.0)	(45.0)
Capital reserve.....	(1.7)	2,468.5	1,481.5
Debentures convertible into shares.....	—	2,500.0	1,500.4
Charges on the issue of convertible debentures.....	—	(12.3)	(7.4)
Acquisition of shares in subsidiaries	(1.7)	(19.2)	(11.5)
Income Reserve.....	(989.2)	(862.2)	(517.5)
Statutory reserve.....	37.2	44.5	26.7
Accumulated losses	(1,014.0)	(899.4)	(539.8)
Treasury shares.....	(12.4)	(7.3)	(4.4)
Asset and liquidity valuation adjustment	504.8	419.6	251.8
Cumulative translation adjustment.....	268.2	340.9	204.6

	As of December 31,		
	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(in millions of R\$)		(U.S.\$)
Controlling shareholders' equity	3,772.0	6,353.3	3,813.0
Minority interest.....	13.9	143.1	85.9
Total shareholders' equity	3,785.9	6,496.4	3,898.9
Total liabilities and shareholders' equity	12,254.5	22,599.6	13,563.6

	As of December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
	(in millions of R\$)	
Cash and cash equivalents.....	1,071.7	3,033.4
Trade accounts receivable—domestic.....	686.0	758.8
Trade accounts receivable—foreign.....	315.9	228.9
Inventories of goods and merchandise	1,581.9	1,726.5
Recoverable taxes	689.4	719.4
Deferred taxes	—	19.5
Prepaid expenses	25.2	37.6
Other receivables.....	0.3	9.6
Current assets	4,370.4	6,533.7
Long-term assets	385.4	620.4
Financial investments.....	4.2	2.8
Compulsory deposits.....	23.4	25.0
Notes receivable	0.4	3.1
Deferred taxes	303.6	225.0
Recoverable taxes	44.6	339.0
Other receivables.....	9.2	25.5
Noncurrent assets	4,784.8	4,917.9
Investment	1.2	0.7
Property, plant and equipment	2,235.7	2,415.1
Intangible assets	2,144.2	1,870.3
Deferred charges	18.3	11.4
Permanent assets	4,399.4	4,297.5
Total assets	9,155.2	11,451.6
Trade accounts payable	748.5	833.6

	As of December 31,	
	2008	2009
	(Previous	(Previous
	BR	BR
	GAAP)	GAAP)
	(in millions of R\$)	
Accrued payroll and related charges	269.8	205.3
Taxes payable.....	274.5	138.8
Loans and financing	1,232.1	1,473.6
Lease payable	62.6	61.7
Dividends payable.....	—	15.2
Interest on equity capital	—	146.1
Notes payable.....	11.7	31.0
Other payables.....	200.3	71.7
Current liabilities	2,799.5	2,977.0
Loans and financing	3,081.4	3,680.5
Lease payable	142.1	96.5
Taxes payable.....	78.7	254.5
Deferred charges	109.0	95.3
Provisions.....	108.5	38.8
Other payables.....	88.2	111.2
Noncurrent liabilities	3,607.9	4,276.8
Minority interest	17.9	13.5
Offering costs	—	(71.6)
Capital stock.....	2,525.6	4,061.5
Income reserves.....	155.1	651.5
Legal reserve	—	37.2
Retained earnings	155.1	625.0
Treasury stock	—	(10.7)
Asset and liability valuation adjustments.....	15.8	(491.6)
Accumulated Translation Adjustment.....	33.4	34.5
Shareholders' equity	2,729.9	4,184.3
Total liabilities and shareholders' equity	9,155.2	11,451.6

EBITDA Reconciliation

	Year ended December 31,				
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)	2009 (IFRS)	2010 (IFRS)	2010 (IFRS)
	(R\$)	(R\$)	(R\$)	(R\$)	(U.S.\$)
	(in millions)				
Net income (loss) controlling shareholders....	(35.5)	679.1	534.4	146.1	87.7
Interest on equity capital	—	(169.7)	—	—	—
Income tax and social contribution tax	(211.9)	51.1	6.7	(411.6)	(247.0)
Non-operating income.....	—	—	—	—	—
Net financial income (expense).....	961.1	(23.4)	(145.0)	1,147.2	688.5
Depreciation and amortization	159.8	274.5	320.9	626.8	376.2
Minority interest.....	10.8	8.0	8.0	(6.0)	(3.6)
EBITDA ⁽¹⁾	<u>884.3</u>	<u>819.5</u>	<u>725.0</u>	<u>1,502.5</u>	<u>901.8</u>
EBITDA margin ⁽²⁾	14.3%	8.5%	7.5%	9.5%	9.5%
Net debt ⁽³⁾	3,241.8	2,120.7	2,078.3	5,351.4	3,211.7
Total Debt/EBITDA (last 12 months).....	4.9	6.3	7.1	6.1	6.1
Net Debt/EBITDA (last 12 months).....	3.7	2.6	2.9	3.6	3.6

Notes:—

(1) See “Presentation of Financial and Other Information—EBITDA.”

(2) EBITDA divided by net operating revenue.

(3) Short-term debt plus long-term debt, less cash and equivalents. Short-term debt and long-term debt exclude notes payable of R\$313.6 million (short-term) and R\$380.5 million (long-term) at December 31, 2010.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On October 1, 2010, we completed the acquisition of the businesses of Keystone and have consolidated Keystone in our financial statements as of such date. See “Business—History of Our Organic Growth and Acquisitions.”

In order to facilitate investors' analysis of our financial information, we have prepared an unaudited pro forma condensed consolidated income statement for the year ended December 31, 2010, which gives effect to the acquisition of the businesses of Keystone as if it had been consummated on January 1, 2010. Our audited consolidated balance sheet as of December 31, 2010 already reflects the consolidation of the businesses of Keystone.

The unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2010 is derived from (i) the audited consolidated income statement of Marfrig for the year ended December 31, 2010 prepared in accordance with IFRS, which consolidates the financial information of Keystone from October 1, 2010 to December 31, 2010, and (ii) the unaudited consolidated income statement of Keystone for the first nine months of fiscal year 2010 prepared in accordance with U.S. GAAP, adjusted to (1) be presented under IFRS and (2) to give effect to the acquisition of the Keystone businesses as if it had been consummated on January 1, 2010.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of what would have occurred had the transaction been consummated on January 1, 2010 or any other date, nor is it necessarily indicative of our future consolidated operating results.

The unaudited pro forma condensed consolidated financial information is based on assumptions which we believe are reasonable and should be read in conjunction with other financial information included in this offering memorandum, including our financial statements and accompanying notes included elsewhere in this offering memorandum, and with the sections “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Pro forma income statement	Historic Consolidated Marfrig	Keystone consolidated — 9 months (IFRS) (Note 2)	Combined (Note 1.a)	Business Combination Pro-forma Adjustments (Note 1.b)	Total Pro-forma 2010 (Note 1.a)
	(in millions of R\$, except for percentages)				
Net sales	15,878.4	3,642.3	19,520.7	—	19,520.7
Cost of goods sold.....	(13,277.0)	(3,258.7)	(16,535.7)	(16.7)	(16,552.4)
Gross income	2,601.4	383.6	2,985.0	(16.7)	2,968.3
Operating revenue (expenses)	(2,872.9)	(236.8)	(3,109.7)	0.5	(3,109.2)
Selling, general and administrative expenses	(1,970.2)	(205.6)	(2,175.8)	0.5	(2,175.3)
Other operating revenue.....	244.5	1.8	246.3	—	246.3
Financial results, net	(1,147.2)	(33.0)	(1,180.2)	—	(1,180.2)
Operating results	(271.5)	146.8	(124.7)	(16.2)	(140.9)
Operating income (loss) before tax	(271.5)	146.8	(124.7)	(16.2)	(140.9)

Pro forma income statement	Historic Consolidated Marfrig	Keystone consolidated — 9 months (IFRS) (Note 2)	Combined (Note 1.a)	Business Combination Pro-forma Adjustments (Note 1.b)	Total Pro-forma 2010 (Note 1.a)
	(in millions of R\$, except for percentages)				
Income tax and social contribution provision	411.6	(27.5)	384.1	6.0	390.1
Earnings (losses) before non-controlling shareholders	140.1	119.3	259.4	(10.2)	249.2
Net Income attributable to non-controlling shareholders	6.0	(11.6)	(5.6)	—	(5.6)
Net Income attributable to controlling shareholders	146.1	107.7	253.8	(10.2)	243.6
EBITDA reconciliation					
Net Income.....	146.1	107.7	253.8	(10.2)	243.6
Income tax and social contribution provision	(411.6)	27.5	(384.1)	(6.0)	(390.1)
Financial results, net	1,147.2	33.0	1,180.2	—	1,180.2
Depreciation and amortization	626.7	86.3	713.0	16.6	729.6
Net income attributable to non-controlling shareholders.....	(6.0)	11.6	5.6	—	5.6
EBITDA	1,502.4	266.1	1,768.5	0.4	1,768.9
EBITDA margin.....	9.5%	7.3%	9.1%	—	9.1%
Net Debt.....	5,351.4	—	—	—	5,351.4
Total Debt/EBITDA.....	6.1	—	—	—	5.2
Net Debt/EBITDA	3.6	—	—	—	3.0

Note 1 Pro forma adjustments to condensed consolidated statement of operations for the year ended December 31, 2010

(a) Combined

The condensed combined consolidated statement of operations for the year ended December 31, 2010 was prepared by adding Keystone's unaudited condensed consolidated statement of operations for the first nine months of fiscal year 2010 to the Company's condensed consolidated statement of operations. There were no transactions or balances between the Company and Keystone that needed to be eliminated.

The pro forma condensed consolidated statement of operations was prepared as if the business combination had occurred on January 1, 2010.

(b) Business combination

The following pro forma adjustments were recorded to the condensed consolidated statement of operations to reflect the impacts of the business combination:

- (1) Depreciation of the fair value adjustments to property, plant and equipment of R\$16.6 million recorded in cost of goods sold for the year ended December 31, 2010, based on an independent appraisers report;
- (2) Amortization of intangible assets with defined useful lives such as customer relationship and operating leases of R\$0.5 million recorded in selling, general and administrative expenses for the year ended December 31, 2010;

- (3) Deferred tax credits of R\$6.0 million for the year ended December 31, 2010, calculated by using the effective tax rate of 37%, based on the realization of items (1) through (2) above. These deferred tax credits have been recorded in the pro forma financial information based upon the assumption that the Company will comply with all legal requirements for the related tax deductions.

Note 2 IFRS adjustments to Keystone's unaudited condensed consolidated income statement of operations for the first nine months of the fiscal year 2010

Keystone's historic unaudited condensed consolidated income statement was prepared in accordance with generally accepted accounting principle in the United States of America (U.S. GAAP). In order to demonstrate the conversion from U.S. GAAP to IFRS we prepared the table below, reflecting conversion adjustments. The related adjustments were prepared according to Marfrig accounting policies following IFRS standards and interpretations.

The following table shows the U.S. GAAP to IFRS adjustments made to Keystone's income statement for the first nine months of the fiscal year 2010:

	U.S. GAAP Historical in U.S.\$	U.S. GAAP Historical Translated into R\$ (1)	IFRS Adjustments R\$ (2) (3)	Keystone R\$ IFRS
		(millions)		
Net sales	2,044.8	3,642.3	—	3,642.3
Cost of goods sold.....	(1,831.3)	(3,262.2)	3.5	(3,258.7)
Gross income	213.5	380.1	3.5	383.6
Operating revenue (expenses)	(129.3)	(230.2)	(6.6)	(236.8)
Selling, general and administrative expenses	(115.5)	(205.7)	—	(205.7)
Other operating revenue.....	1.0	1.8	—	1.8
Financial results, net	(14.8)	(26.4)	(6.6)	(33.0)
Operating results	84.2	149.9	(3.1)	146.8
Operating income (loss) before tax	84.2	149.9	(3.1)	146.8
Income tax and social contribution provision.....	(16.1)	(28.7)	1.2	(27.5)
Earnings (losses) before Non-controlling shareholders	68.1	121.3	(1.9)	119.3
Net Income attributable to non-controlling shareholders	(6.5)	(11.6)	—	(11.6)
Net Income attributable to controlling shareholders	61.6	109.7	(2.0)	107.7
EBITDA reconciliation				
Net Income	61.6	109.7	(2.0)	107.7
Income tax and social contribution provision	16.1	28.7	(1.2)	27.5
Financial results, net	14.8	26.4	6.6	33.0
Depreciation and amortization	37.3	66.4	19.9	86.3
Net income attributable to non-controlling shareholders .	6.5	11.6	—	11.6

	U.S. GAAP Historical in U.S.\$	U.S. GAAP Historical Translated into R\$ (1)	IFRS Adjustments R\$ (2) (3)	Keystone R\$ IFRS
		(millions)		
EBITDA	136.3	242.8	23.3	266.1
EBITDA margin.....	6.7%	6.7%	9.1%	7.3%

Notes:—

- (1) Converted at the exchange rate of R\$1.7813 per U.S.\$1.00.
- (2) Reverse of rental expenses related to lease agreements previous classified as operating lease under U.S. GAAP and recorded as financial lease under IFRS in the total amount of (R\$3.1) million. Recognition of capital lease assets' depreciation in cost of goods sold and interest expense of R\$3.5 million and (R\$6.6) million, respectively.
- (3) Deferred tax credits of R\$1.2 million for the first nine months of fiscal year 2010, calculated by using the effective tax rate of 37%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including, without limitation, those set forth in the sections "Forward-Looking Statements" and "Risk Factors."

The discussion below is based on, and should be read in conjunction with, our consolidated audited financial statements and related notes as of and for the years ended December 31, 2008, 2009 and 2010 and our pro forma financial information as of and for the year ended December 31, 2010, included elsewhere in this offering memorandum and discussed in this section. Our consolidated audited financial statements and related notes as of and for the years ended on December 31, 2009 and 2010 included elsewhere in this offering memorandum and discussed in this section, were prepared in accordance with IFRS and Brazilian GAAP. Our consolidated audited financial statements and related notes as of and for the years ended on December 31, 2008 and 2009 included elsewhere in this offering memorandum and discussed in this section, were prepared in accordance with Previous Brazilian GAAP. See "Presentation of Financial and Other Information."

Overview

We are a multinational diversified food company, founded and based in Brazil that produces, processes, sells and delivers a diversified range of food products, focusing on food derived from animal protein. We have more than two decades of experience in the food industry. We were recognized in 2010 by the magazine *Exame* as the "Best Agribusiness Company in Brazil" and by the magazine *Isto É Dinheiro* as the "Best Company in Financial Sustainability."

We have built an integrated and geographically diversified business model, consisting of production facilities in locations that offer significant cost advantages, combined with a distribution network that covers more than 150 countries and accesses the world's principal consumer channels and markets. We have a vertical business model in poultry and pork in Brazil, Europe (Moy Park) and the United States (Keystone), while in other regions we acquire poultry and pork raw material from third parties. Most of our cattle is acquired from third parties, providing us with a wide and varied portfolio of proteins and products. We also have a strong and growing presence in the processed foods segment, which we believe will be one of our main drivers of growth in volumes and margins in coming years.

Our business is organized strategically into the following segments, organized in accordance with the business from which revenue is derived: (i) Beef, Lamb and Leather, which includes operations located in Brazil, Argentina, Chile and Uruguay, and (ii) Poultry, Pork and Processed & Elaborated Products — PPP&E, which includes operations in Brazil, Asia, Europe, the Middle East and the United States.

On October 1, 2010, we completed our acquisition of the Acquired Keystone Businesses with a cash payment of R\$1,525.2 million. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry. Keystone is a global distributor and supplier of animal protein (poultry, pork, beef and fish), and has leading market shares in the United States as well as in key European and Asian markets. Keystone supplies protein to branded companies, and has been a key supplier to major fast food restaurants and major food services companies for over 40 years.

We currently operate 150 processing plants and offices in 22 countries in South America, North America, Europe, Asia and Africa and have a daily slaughtering capacity of 29,400 head of cattle, 3,740,000 chickens, 10,400 head of pork, 50,000 turkeys and 13,400 lambs. We have a monthly production capacity of 120,760 metric tons of processed food and 294,000 leather articles. Our annual distribution capacity is more than 200 million cases. Together, this production platform gives us significant growth capacity as well as the ability to hedge against industry risks.

Since our initial public offering in 2007, we have implemented a strategy of deliberate and consistent operational growth based on a global and diversified business model. From our initial public offering in

2007 through the end of 2010, our volume of products sold increased by approximately 283.6%. From 2008 through the end of 2010, our volume of products sold increased from 1,480,767 metric tons to 3,648,858 metric tons, representing a compound annual growth rate of 57.0%. At the same time we continued to upgrade our internal processes, seeking both improvements in efficiency and strict cost control, which we believe resulted in an increase in our profitability.

For information on recent developments, see “Summary—Recent Developments.”

Brazilian Macroeconomic Scenario

Our financial condition and results of operations are influenced by the Brazilian macroeconomic environment, which has improved significantly in recent years. Until the onset of the global financial crisis in mid-2008, the Brazilian economy’s general economic conditions had improved significantly. On April 30, 2008, Standard & Poor’s raised the sovereign long-term credit rating of Brazil’s foreign currency debt from BB+ to BBB-, giving Brazil’s debt investment grade status. On May 29, 2008, Fitch Ratings upgraded Brazil to investment grade, raising its rating from BB+ to BBB-, further upgraded to BBB on April 4, 2011, and on September 22, 2009, Moody’s upgraded long-term Brazilian debt to investment grade, raising its rating to Baa3. These upgrades led to the increased influx of foreign investment into Brazil, which contributed to the appreciation of the *real*. Nevertheless, the rating agencies have highlighted weaknesses in fiscal policy, including the higher Brazilian debt/gross domestic product (“GDP”) ratio as compared to countries with the same credit rating, along with structural impediments to growth and investment.

The effects of the global financial crisis in Brazil in 2008 and 2009 were moderate in comparison with the effects of previous crises. While liquidity in the Brazilian banking industry was affected by the global financial crisis, the Central Bank provided liquidity to the Brazilian market during this period. Brazil’s GDP grew 5.20% in 2008, decreased 0.63% in 2009, and bounced back in 2010, increasing by 7.55%.

The inflation rate index for consumer goods (“IPCA”), as published by the IBGA, was 5.9%, 4.3% and 5.9% in 2008, 2009 and 2010, respectively. In 2008, the *real* depreciated against the U.S. dollar by 31.9% to R\$2.34 per U.S.\$1.00. During 2009, however, the *real* appreciated significantly against the U.S. dollar by 25.5% and, as of December 31, 2009, the *real*/U.S. dollar exchange rate was R\$1.74 per U.S.\$1.00. The *real* appreciated further against the U.S. dollar in 2010 by 4.3%, reaching an exchange rate of R\$1.66 per U.S.\$1.00 as of December 31, 2010.

The trend of periodic reductions of interest rates that the Central Bank had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.75% as of December 31, 2008, compared to 11.25% as of December 31, 2007. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank significantly reduced the SELIC rate, which reached 8.75% as of December 31, 2009. Starting in April, 2010, the Central Bank has gradually increased the SELIC rate again on several occasions, and the SELIC rate is currently 11.75%.

The table below shows GDP growth, inflation rates and average interest rates in Brazil and the *real*/U.S. dollar exchange rate for the periods indicated:

	Year ended December 31,		
	2008	2009	2010
GDP growth(1)	5.20%	(0.63%)	7.55%
CDI rate(2).....	13.62%	8.55%	10.75%
TJLP(3).....	6.25%	6.00%	6.00%
SELIC rate(4).....	13.75%	8.75%	10.75%
Increase (decrease) in real value against the U.S. dollar.....	(31.9%)	25.5%	4.3%
Selling exchange rate (at period end) R\$ per U.S.\$1.00	R\$2.34	R\$1.74	R\$1.66
Average exchange rate R\$ per U.S.\$1.00(5).....	R\$1.83	R\$1.99	R\$1.76
Inflation (IGP-M)(6)	9.81%	(1.72%)	11.32%
Inflation (IPCA)(7)	5.90%	4.31%	5.91%

Sources: BNDES, Central Bank, FGV, IBGE and LCA Consultores.

Notes:—

- (1) Source: IBGE. Revised series.
- (2) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*, or “CDI rate”) is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
- (3) Long Term Interest Rate (*Taxa de Juros de Longo Prazo*, or “TJLP”), represents the interest rate applied by the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*, or “BNDES”) for long-term financing (at the end of the period).
- (4) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC.
- (5) Average of the selling exchange rate for the last day of each month during the period.
- (6) The inflation rate is the general index of market prices (*Índice Geral de Preços-Mercado*, or “IGP-M”), as calculated by FGV.
- (7) The inflation rate is the consumer price index (*Índice de Preços ao Consumidor – Amplo*, or “IPCA”), as calculated by the IBGE.

Principal Factors Affecting our Results of Operations

Effects of Acquisitions

Fiscal Year 2008

- As of April 2008 we have consolidated DaGranja Agroindustrial Ltda. and Carroll’s Food do Brasil S.A. (Brazil), subsequently renamed MBL Alimentos S.A. (Carroll’s) (Brazil) (“MBL”).
- As of the last quarter of 2008 we have consolidated Moy Park Holdings Europe Limited (Northern Ireland), which controls Moy Park Limited (Northern Ireland) and Kitchen Range Foods Limited (United Kingdom) (“Kitchen Range”); and MAS do Brasil Participações Ltda. (Brazil), which directly controls Braslo Produtos de Carnes Ltda. (Brazil) (“Braslo”), Penasul Alimentos Ltda. (Brazil) (“Penasul”), and indirectly controls Agrofrango Indústria e Comércio de Alimentos Ltda. (Brazil) (“Agrofrango”).

Fiscal Year 2009

- As of August 2009, we have consolidated in our financial statements the assets of Doux Frangosul S.A., (“Doux Frangosul”), in the turkey meat segment in Brazil.

Fiscal Year 2010

- As of January 4, 2010, we have consolidated the Acquired Seara Businesses in our financial statements.
- On August 3, 2010, through our subsidiary Moy Park, we completed the acquisition of 100% of O’Kane Poultry Ltd. (“O’Kane”). As of August 3, 2010, we have consolidated O’Kane in our financial statements.
- On October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses. As of October 1, 2010, we have consolidated Keystone in our financial statements.

For more details on these acquisitions, see “Business—History of Our Organic Growth and Acquisitions.”

Growth of Brazil’s Gross Domestic Product and Demand for our Products

Sales in our domestic markets accounted for 62.0% of our sales in 2010. Historically, an important part of our operations has been located in Brazil, and accordingly we are significantly affected by economic conditions in Brazil. Our results of operations and financial situation have been, and will continue to be, affected by the rate of growth of Brazil’s GDP. Given our significant share in the Brazilian fresh, processed

and industrialized animal protein markets, fluctuations in Brazilian demand for these products affect our production levels and our net operating revenue.

We believe that economic growth in Brazil would positively affect our future revenues and results of operations, and conversely economic contraction would negatively affect us.

Effects of Fluctuations in the Prices of Raw Materials (Cattle and Grain)

Fluctuations in the prices of cattle and grain in the domestic and international markets in which we operate significantly affect our net operating revenue and our cost of goods sold, as discussed below.

Effects on Net Operating Revenue

The domestic and international prices of our products are generally determined by conditions in the markets in which we operate, which we do not control. Our domestic prices are also affected by the prices we are able to charge our various wholesale and food service customers who resell our products, some of which are negotiated on a case-by-case basis. Among the main factors that influence the prices of our products are cattle and grain prices, outbreaks of diseases and sanitary, trade and customs restrictions imposed in Brazil and abroad.

Effects on Cost of Goods Sold

Cattle and grain are our main raw materials. Purchases of cattle and grain (including vaccination, vitamins, purchases of carcasses from third parties and purchases of poultry and pork) represented approximately 58.6% of our total cost of goods sold in 2010. Among other material costs are direct and indirect labor, direct and indirect industrial costs, packaging materials and electric power.

We do not control cattle or grain prices in the markets in which we operate. The costs of cattle and grain vary in accordance with domestic and export markets prices, which fluctuate depending on supply and demand. We generally purchase cattle and grain to be delivered in 30 days, and the prices we pay for them are based on market prices. As a result, fluctuations in the market price directly affect our cost of goods sold.

Effect of Export Levels on our Financial Performance

We generally obtain higher prices and margins in export markets for our products than those we obtain in domestic markets. The difference in prices and margins between the domestic and export markets results in part from generally higher demand for higher value-added products in export markets, particularly with respect to premium cuts and processed products, and the higher purchasing power in more developed countries.

In 2010, approximately 40.2% of our net operating revenue was derived from export sales of fresh and processed products. Our net operating revenue from export sales increased 73.4%, from R\$3,680.3 million in 2009 to R\$6,380.2 million in 2010.

Effects of Exchange Rate Variations

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar and the pound, because a substantial portion of our revenue is linked to U.S. dollars and the pound. We also have U.S. dollar-denominated debt that requires us to make principal and interest payments in this currency.

Practically all of our export sales are denominated in U.S. dollars. In addition, as a result of our domestic market in the United Kingdom, a significant part of our revenues are denominated in pounds. When the *real* depreciates against the U.S. dollar, our revenue from exports increases, assuming the international market prices of our products remain constant. Conversely, when the *real* appreciates against the U.S. dollar and the international market prices for our products remain constant, our revenue from exports decreases. When the *real* depreciates against the pound, our revenue from the European segment increases. Conversely, when the *real* appreciates against the pound, these revenues decrease.

Our U.S. dollar-denominated indebtedness represented 75.1% of our indebtedness outstanding on December 31, 2010. As a result, when the *real* depreciates against the U.S. dollar, the service costs on our U.S. dollar-denominated indebtedness increases in *reais*, which negatively affects our results of operations in *reais* because our total liabilities and debt service obligations in *reais* increase. Conversely, when the *real* appreciates against the U.S. dollar, the service costs of our U.S. dollar-denominated indebtedness decrease in *reais*, which positively affects our results of operations in *reais* because our total liabilities and debt service obligations in *reais* decrease. As a consequence, our financial expenses tend to decrease as a result of foreign exchange gains.

Export sales, which enable us to generate receivables payable in foreign currencies, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations, but they do not fully match them.

With approximately 68.0% of our net operating revenue generated in currencies other than the *real* in 2010, we believe we have a natural hedge against maturities of our future obligations in foreign currencies. Furthermore, we have a solid financial policy, maintaining high balances of cash and short-term financial investments with first-rate institutions.

We do not enter into leveraged transactions with derivatives or similar instruments. We only use derivatives or similar instruments to provide protection against our exposure to debt denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments or transactions that could jeopardize our financial position.

Effect of Level of Indebtedness

As of December 31, 2010, our total consolidated outstanding indebtedness was approximately R\$9,227.8 million. The level of our indebtedness results in significant financial expenses, which consist of interest expense, exchange variations of U.S. dollar and other foreign currency denominated debt, and other items as set forth in the note no. 16 to our consolidated financial information as of and for the year ended December 31, 2010.

During 2010, we recorded net financial expenses of R\$1,147.2 million, consisting of (i) R\$1,295.7 million in fees, charges and interest paid, (ii) R\$105.0 million in net losses on foreign exchange variation and (iii) R\$253.5 million of financial revenue.

Comparability of Our Financial Statements

Our financial statements as of and for the years ended December 31, 2009 and 2010 were prepared in accordance with IFRS and Brazilian GAAP, while our financial statements as of and for the years ended December 31, 2008 and 2009 were prepared in accordance with Previous Brazilian GAAP. Previous Brazilian GAAP differs in certain significant respects from U.S. GAAP and from IFRS. See “Presentation of Financial and Other Information.” In addition, we completed two significant acquisitions in 2010. On January 4, 2010, we completed the acquisition of the Acquired Seara Businesses, and, on October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses. See “Business—History of Our Organic Growth and Acquisitions.” Consequently, our financial statements included elsewhere in this offering memorandum only reflect the operations of Seara and Keystone from the date of the respective acquisition until December 31, 2010. As a result, our financial statements are not directly comparable across all periods presented in this offering memorandum. Furthermore, our historical consolidated financial results will not be comparable across future periods and may not be indicative of our future results of operations, financial condition or cash flows.

Changes in Discussion of Financial Results and Operations

Prior to 2010 we organized our business into six divisions based primarily on geography: Beef and Food Service—Brazil, Pork, Poultry and Industrialized Products—Brazil, Argentina, Uruguay, Europe and the United States. Each of these was further divided into domestic and export sales. With the multiple acquisitions made by the Company over the last two years, the Company has increased its international reach

and has expanded the number of its food production and processing locations. As a result, for administrative and reporting purposes, the Company has reorganized itself along two main product lines:

(i) the Beef, Lamb and Leather division, responsible for the worldwide production, processing and sale of beef, lamb and leather products; and

(ii) the Poultry, Pork and Processed & Elaborated Products — PPP&E division, responsible for the production, processing and sale of poultry, pork and industrialized products, as well as distribution services.

Each of these two divisions is further subdivided on the basis of Brazilian and international operations. Each of those divisions further reports along the lines of a “domestic” market (which includes sales made within the same geographic region in which the product was raised and processed) and “export” (which includes sales outside of the region in which the product was raised and processed). Because sales from any given subsidiary may cross these two divisions, the Company no longer reports sales or other line items by subsidiary.

As a result of these organizational changes, beginning with the earnings release made by the Company in March 2011, we have also adjusted the manner in which we organize and discuss our financial results. Accordingly, consistent with past practice, the discussion and analysis of our financial results for the years ending December 31, 2008 and 2009 are presented on the basis of six divisions. However, the discussion and analysis of our financial results for the years ending December 31, 2009 and 2010 are presented on the basis of two divisions, with subdivisions for Brazil and international operations and further detail for each domestic market and export sales.

Accounting Practices

For a summary of our significant accounting practices, see note no. 3 to our financial statements for the years ended December 31, 2009 and 2010 included elsewhere in this offering memorandum.

Presentation of Financial Information

Our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2009 and 2010, included elsewhere in this offering memorandum, is presented in accordance with both Brazilian GAAP and IFRS.

However, our financial information derived from our consolidated financial statements as of and for the years ended December 31, 2008 and 2009, included elsewhere in this offering memorandum, was prepared in accordance with Previous Brazilian GAAP. See “Presentation of Financial and Other Information.”

Our audited financial statements as of and for the years ended December 31, 2009 and 2010 are not directly comparable with our audited financial statements as of and for the years ended December 31, 2008 and 2009, and are presented in this offering memorandum in separate tables with certain differing line items. Previous Brazilian GAAP differs in certain significant respects from IFRS. We have not identified or quantified those differences in respect to the year ended December 31, 2008. No reconciliation to IFRS of the financial statements prepared in accordance with Previous Brazilian GAAP as of and for the year ended December 31, 2008 and presented in this offering memorandum has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosure and presentation differences between our financial statements prepared in accordance with Previous Brazilian GAAP and financial statements prepared under IFRS.

Our Financial Statements

To analyze our financial statements, potential investors should consider our different shareholding structures and the companies we control during the periods indicated. As a result of these acquisitions our financial statements are not comparable in certain respects for certain years. For further information on

acquisitions, see “Summary—Recent Developments” and “Business—History of Our Organic Growth and Acquisitions.”

We prepared our financial statements as of and for the years ended December 31, 2009 and 2010 in accordance with Brazilian GAAP and IFRS, and we prepared our financial statements as of and for the years ended December 31, 2008 and 2009 in accordance with Previous Brazilian GAAP. For more information, see “Presentation of Financial and Other Information.” As a result, these financial statements are not directly comparable to one another and are presented herein in separate tables with certain differing line items.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Operating Revenue

Net operating revenue increased 65.0%, from R\$9,623.6 million in 2009 to R\$15,878.5 million in 2010. The increase was principally due to the following factors:

- the consolidation of (i) the Zenda Group (“Zenda”), which was included in our results in January 2010; (ii) the Keystone business, which was included in our results in October 2010, (iii) Seara for the year 2010 and (iii) to a lesser extent, O’Kane, which was included in our results in August 2010;
- a R\$1,783.8 million increase in sales of processed and elaborated products, due to the consolidation of the Seara operations for the entire year and the consolidation of Keystone into our operations; and
- a R\$1,669.1 million increase in revenues from our Brazilian beef operations, due to the higher volume of domestic and exports sales (536.5 thousand tons in 2010, increasing 48.2% from 361.8 thousand tons in 2009) resulting from the higher capacity utilization of our beef plants and the incorporation of the new leased beef plants in January 2010, combined with the higher average price of our Brazilian beef operations due to the pass-through of part of the higher cattle costs.

The table below shows our net operating revenue for each of our segments:

	Year ended December 31,	
	2009	2010
	(IFRS)	(IFRS)
	(in millions of R\$)	
Beef—Brazil	2,293.4	3,962.4
Domestic Market	1,286.1	2,698.8
Exports	1,007.3	1,263.6
Beef—International Operations	1,866.0	1,693.0
Domestic Market	888.1	933.7
Exports	977.9	759.3
Lamb, Leather and Other Products	490.5	1,209.6
Total—Beef, Lamb, Leather and Other Products.....	4,649.8	6,865.0
Poultry and Pork—Brazil	1,866.5	4,857.2
Domestic Market	933.4	1,688.8
Exports	933.1	3,168.5
Poultry and Pork— International Operations	2,758.6	3,533.4
Domestic Market	2,112.9	2,880.9

	Year ended December 31,	
	2009	2010
	(IFRS)	(IFRS)
	(in millions of R\$)	
Exports	645.7	652.5
Other Products.....	348.7	622.8
Total— Poultry, Pork and Processed & Elaborated Products — PPP&E.....	4,973.8	9,013.4
Total	9,623.6	15,878.5

Below is a discussion of the changes our net revenue divided by segment as set out in the table above:

Beef, Lamb, Leather and Other Products

Beef—Brazil

Domestic market net revenue increased by 109.8%, from R\$1,286.1 million in 2009 to R\$2,698.8 million in 2010. This increase was due to (i) an economic upturn in Brazil, with improved domestic consumption as well as gradual growth in exports, which facilitated the pass-through to the market of higher cattle costs, (ii) higher sales volume, which increased 66.0% from 218.7 thousand tons in 2009 to 363.1 thousand tons in 2010, due mainly to the increase in the domestic demand (which grew by 111.6% compared to 2009), (ii) the 26.4% increase in the average price from R\$5.9 per kg. in 2009 to R\$7.4 per kg. in 2010 due to the pass-through of part of the higher cattle costs.

Exports net revenue increased by 25.4% from R\$1,007.3 million in 2009 to R\$1,263.6 million in 2010. This increase was principally due to: (i) higher sales volume, which increased 21.1% from 143.1 thousand tons in 2009 to 173.4 thousand tons in 2010, taking advantage of the gradual recovery in consumption in the international markets, and (ii) the increase in the average price of fresh beef exported, which increased by 11.2%, from R\$6.7 per kg. in 2009 to R\$7.4 per kg. in 2010, due to the pass-through to the market of the higher cost of purchasing cattle.

Beef—International

Domestic market net revenue increased by 5.1%, from R\$888.1 million in 2009 to R\$933.7 million in 2010. This increase was principally due to the 22.1% increase in the average price from R\$4.7 per kg. in 2009 to R\$5.7 per kg. in 2010, mainly as a result of the pass-through of part of the higher cattle costs. This increase was partially offset by a lower sales volume, which decreased 13.9% from 190.0 thousand tons in 2009 to 163.6 thousand tons in 2010, due to domestic pricing control and export restrictions in Argentina and high cattle prices and low availability of livestock in Uruguay.

Exports net revenue decreased by 22.4%, from R\$977.9 million in 2009 to R\$759.3 million in 2010, due mainly to a lower sales volume, which decreased 37.9% from 121.1 thousand tons in 2009 to 75.3 thousand tons in 2010, due to export restrictions in Argentina and higher cattle prices and lower availability of livestock in Uruguay. This decrease was partially offset by higher average prices of R\$10.1 per kg. in 2010, compared to R\$8.1 per kg. in 2009.

Lamb, Leather and Other Products

Net revenue from lamb, leather and other products increased by 146.6%, from R\$490.5 million in 2009 to R\$1,209.6 million in 2010. This increase was due to (i) the higher sales volume, which increased 38.0% from 460.8 thousand tons in 2009 to 636.1 thousand tons in 2010, mainly as a result of the consolidation of the operations of Zenda in January 2010 and increased slaughtering in Brazil, and (ii) the 78.7% increase in the average price from R\$1.1 per kg. in 2009 to R\$1.90 per kg. in 2010, mainly as a result of a change in the product mix with the addition of more value added products.

Poultry, Pork and Processed & Elaborated Products — PPP&E

Poultry and Pork—Brazil

Domestic market net revenue increased 80.9%, from R\$933.4 million in 2009 to R\$1,688.8 million in 2010. This increase was driven by the 51.7% increase in sales volume from 362.8 thousand tons in 2009 to 550.4 thousand tons in 2010 due to the consolidation of the 100% of the Acquired Seara Businesses since January 2010, which in particular increased our sales volume of processed and elaborated products and improved our delivery, distribution and storage logistics in Brazil.

Exports net revenue increased 239.6%, from R\$933.1 million in 2009 to R\$3,168.5 million in 2010. This increase was driven by the 232.7% increase in sales volume from 249.0 thousand tons in 2009 to 828.6 thousand tons in 2010 due to the consolidation of the Seara business in January 2010, which in particular increased our exports of fresh poultry and pork.

Poultry and Pork—International

Domestic market net revenue increased by 36.3% from R\$2,112.9 million in 2009 to R\$2,880.9 million in 2010, mainly as a result of the 156.3% increase in sales volume from 200.3 thousand tons in 2009 to 513.4 thousand tons in 2010 due to the consolidation of O’Kane in August 2010 and the Keystone business in October 2010. This increase was partially offset by the 46.8% decrease in the average price from R\$10.55 per kilogram to R\$5.61 per kilogram, as a result of the change in the product mix following the acquisition of the Keystone business, since the products that Keystone sells have lower average prices on the whole compared with the products from the rest of the brands in the Poultry, Pork and Processed & Elaborated Products — PPP&E division.

Exports net revenue increased slightly by 1.1% from R\$645.7 million in 2009 to R\$652.5 million in 2010, as a result of the increase in sales volume by 63.0% from 75.2 thousand tons in 2009 to 122.6 thousand tons in 2010, due to consolidation of O’Kane in August 2010 and the Keystone business in October 2010 and the organic growth in our European operations. This increase was nearly completely offset by the 38% decrease in the average price from R\$8.6 per kilogram to R\$5.3 per kilogram, as a result of the change in the product mix following the acquisition of the Keystone business.

Other Products

Net revenue from other products, which consist mainly of by products, offals, live pigs, scrap, breeders, bone meal and others, increased by 78.6%, from R\$348.7 million in 2009 to R\$622.8 million in 2010, mainly as a result of the 66.2% increase in sales volume from 165.0 thousand tons in 2009 to 274.2 thousand tons in 2010 due to consolidation of O’Kane in August 2010 and the Keystone business in October 2010 and the organic growth in our European operations.

Cost of Goods Sold

Cost of goods sold increased 58.6%, from R\$8,369.4 million in 2009 to R\$13,277.0 million in 2010. The increase was principally due to: (i) a 52.8% increase in purchases of raw material (cattle and grains) from R\$5,780.7 million in 2009 to R\$8,838.6 million in 2010; (ii) a 41.7% increase in costs of packaging due to the consolidation of 100% of the Acquired Seara Business in 2010, which increased the volume of sales of processed and elaborated products, from R\$388.0 million in 2009 to R\$549.9 million in 2010; (iii) a 116.7% increase in direct labor costs and direct expenses, from R\$1,372.3 million in 2009 to R\$2,973.9

million in 2010; and (iv) a 13.6% increase in indirect labor costs and indirect expenses, from R\$511.9 million in 2009 to R\$670.6 million in 2010.

The table below shows the composition of the cost of goods sold:

Cost of Goods Sold	Year ended December 31,			
	2009 (IFRS)	%	2010 (IFRS)	%
	(in millions of R\$, except where indicated)			
Raw Materials.....	5,780.7	69.1%	8,842.0	66.6%
Packages	388.0	4.6%	549.9	4.1%
Electric Power.....	168.4	2.0%	157.5	1.2%
Direct Expenses and Direct Labor	1,372.3	16.4%	2,973.90	22.4%
Indirect Expenses and Outsourcing	511.9	6.1%	670.6	5.1%
IFRS adjustment	148.1	1.8%	83.1	0.6%
Total	8,369.4	100%	13,277.0	100%

Cost of goods sold from our Beef, Lamb and Leather division represented 43.0%, or R\$5,708.7 million, of total costs of goods sold in 2010, and were mainly comprised of cattle, which represented approximately 76.0%, or R\$4,337.6 million, of such costs. Cost of goods sold from our Poultry, Pork and Processed & Elaborated Products — PPP&E division accounted for 57.0%, or R\$7,568.3 million, of total cost of goods sold in 2010, and were mainly comprised of grains and meals, which accounted for approximately 43.7%, or R\$3,307.2 million, of such costs.

Gross Profit

Our gross profit increased 107.4%, from R\$1,254.2 million in 2009 to R\$2,601.4 million in 2010, as a result of the factors described above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 111.6%, from R\$931.2 million, or 9.7% of net sales, in 2009, to R\$1,970.2 million, or 12.4% of net sales, in 2010, due to (i) the increase of R\$221.6 million, or 39.4%, in administrative expenses, due to the higher headcount resulting from consolidation of the operations of Seara, Keystone, Zenda, O’Kane and the new leased beef plants in 2010, (ii) the increase of R\$518.1 million or 36.8% in selling expenses, due to such acquisitions, and (iii) the amount of R\$153.1 million, or 10.9%, in selling expenses (marketing and advertising) representing expenses associated with the development of our brands, particularly the Seara brand.

Other Operating Income (Expenses)

Other operating income increased from R\$81.0 million in 2009 to R\$244.5 million in 2010, reflecting goodwill from our acquisition of the Acquired Seara Businesses of R\$193.6 million and our acquisition of Zenda of R\$53.8 million. See note 11.3 to our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2010 included elsewhere in this offering memorandum.

Net Financial Income (Expenses)

Net financial income (expenses) in 2010 were R\$1,147.2 million, compared to financial income of R\$145.0 million in 2009. This reversal was mainly due to: (i) the increase in interest expenses by 85.9% from R\$424.1 million in 2009 to R\$788.4 million in 2010, resulting from the higher net debt generated by

our investments in working capital in 2009 for the expansion of existing plants and new funding operations for the acquisitions made in 2010; (ii) exchange losses of R\$105.0 million, due to the appreciation of the *real* against the U.S. dollar by 4.3% in 2010 compared an exchange gain of R\$643.5 million in 2009; (iii) net loss in the period from market operations in the amount of R\$218.8 million, due to the hedge instruments contracted for the acquisition of the Acquired Keystone Businesses, an effect that was partially offset by the acquisition price of the Acquired Keystone Businesses; and (iv) an increase in other financial expenses by 89.2%, to R\$184.9 million, reflecting the higher volume of financial operations, fees and charges generated by our transactions in 2010, particularly our acquisitions of the Acquired Seara Businesses and the Acquired Keystone Businesses.

Income and Social Contribution Taxes

We recorded gains from income and social contribution taxes in the amount of R\$411.6 million, due to deferred taxes of R\$296.4 million and deferred social contribution taxes of R\$115.2 million, based on negative base and fiscal loss, caused by accruals related to fiscal provisions and the deferred tax calculated on IFRS adjustments. In 2009, we recorded an expense of R\$6.7 million in income and social contribution taxes.

Net Income (Loss)

Net income in 2010 was R\$140.1 million, a 74.2% decrease from R\$542.4 million in 2009, when we recorded net financial income from currency translations of R\$643.5 million due to the *real*/U.S. dollar exchange rate. Net margin in 2010 was 0.9%, compared to 5.6% in 2009. The main factors adversely affecting our net income in 2010 were the temporary effect caused by foreign exchange variation on debt and the financial impact of investments in working capital.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Operating Revenue

Net operating revenue increased 55.0%, from R\$6,203.8 million in 2008 to R\$9,615.7 million in 2009. The increase was principally due to: (i) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, which in the aggregate increased our revenue by R\$2,896.4 million; and (ii) organic growth of our operations, which increased our net operating revenue by R\$515.5 million.

The tables below show our net operating revenue and sales volumes for each of our segments:

Net Revenue by Segment	Year ended December 31,	
	2008 (Previous BR GAAP)	2009 (Previous BR GAAP)
Segments	(in millions of R\$)	
Beef	1,269.7	1,782.3
Food Service	403.5	430.9
Poultry.....	638.1	1,276.6
Pork	323.7	240.2
Industrialized Products.....	623.7	804.8
Argentina.....	1,048.5	1,116.0
Uruguay.....	1,069.6	944.7
Europe/Tradings.....	827.0	3,020.2
Net Operating Revenue	6,203.8	9,615.7

Volume Sold by Segment

Segments	Year ended December 31,	
	2008	2009
	(Previous BR GAAP)	(Previous BR GAAP)
	(in metric tons)	
Beef	386,376	490,309
Food Service	68,711	85,587
Poultry.....	202,535	403,184
Pork	98,317	112,111
Industrialized Products.....	114,979	173,741
Argentina.....	285,580	320,846
Uruguay.....	220,970	218,365
Europe/Tradings.....	103,299	382,100
Total Volume	1,480,767	2,186,243

Domestic Markets

Our net operating revenue from sales in our domestic markets increased 79.4%, from R\$3,312.8 million in 2008 to R\$5,943.3 million in 2009. The increase was principally due to: (i) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, which in the aggregate increased our net operating revenue by R\$2,256.6 million; and (ii) the organic growth of our operations through increased market share, representing an increase of R\$374.0 million in our net operating revenue.

Export Markets

Our net operating revenue from sales in our export markets increased 27.0%, from R\$2,891.0 million in 2008 to R\$3,672.4 million in 2009. The increase was principally due to: (i) the positive effect of resumed exports from Argentina during the first half of 2009 (the Argentine government had imposed export restrictions in the first half of 2008 and again in the second half of 2009); (ii) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul, Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, which in the aggregate increased our revenue by R\$639.9 million; and (iii) our organic growth from increased export sales of both chicken, to the Middle East and Asia, and beef, to new markets such as Chile, where the import of meat from Brazil had been restricted until April 2009, which represented an increase of R\$141.5 million.

Net operating revenue in 2009 was adversely affected by the global crisis and associated price corrections in January and February of 2009, with decreases in volumes and prices. Since March 2009, while the world economy has improved, with an increase in volumes and prices in the domestic and export markets in which we operate, prices have not yet reached the levels of 2008.

In 2009, our export markets were influenced by a slow recovery in the international market. In this period, our export markets showed a decrease in average prices, which was substantially offset by a 25.5% appreciation of the *real* against the U.S. dollar, resulting in a 13.6% decrease in average prices in *reais*. Our net operating revenue linked to the U.S. dollar during the period represented approximately 31.5% of our net operating revenue in our export markets. Part of the depreciation of the U.S. dollar was offset by the geographic diversification of our businesses and revenues effect of the currency in other currencies which were not as affected, as was the case with the pound, which for the year ended December 31, 2009 accounted for approximately 31.4% of our net operating revenue.

We discuss below the changes in net operating revenue by business segment.

Beef and Food Service—Brazil

Net operating revenue from beef in Brazil increased 35.7%, from R\$1,690.2 million in 2008 to R\$2,293.0 million in 2009. The volume of sales reached 663.0 thousand metric tons and increased 25.6% in 2009 compared to 528.0 thousand metric tons in 2008. Since the beginning of 2008, we have implemented a strategy to privilege the best distribution channels, which led to an average price increase of 6.1%, reaching R\$4.04/kg in 2009, compared to R\$3.81/kg in 2008.

Net operating revenue from the food service segment increased 23.8%, from R\$467.2 million in 2008 to R\$578.2 million in 2009. The variation was due to the increase of 13.7% in volume of metric tons sold, from 84.2 thousand metric tons in 2008 to 95.8 thousand metric tons in 2009 and to the 8.98% increase in average prices, from R\$5.54/kg in 2008 to R\$6.03/kg in 2009.

Poultry, Pork and Processed & Elaborated Products — PPP&E

Net operating revenue from chicken operations (Brazil) increased 85.3%, from R\$733.0 million in 2008 to R\$1,358.0 million in 2009. This increase is principally due to the acquisition of the Brazilian operations of OSI Group (Braslo, Penasul and Agrofrango) in the last quarter of 2008 and the acquisitions of DaGranja and Penapaulo, most of which were included in our results in April 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009. Metric tons sold increased 75.5% and average prices decreased 13.9% from 2008 to 2009.

Net operating revenue from pork decreased 17.0%, from R\$368.3 million in 2008 to R\$305.7 million in 2009. The decrease was principally due to (i) the 27.1% decrease of the average price (23.3% decrease in the domestic markets and a 27.6% decrease in the export markets) and (ii) a decrease in the demand of export markets, especially due to the effects of the world financial crisis in the Russian economy (Russia was responsible for approximately 50% of the exports of pork from Brazil, according to ABIPECS). This was partially offset by (i) the 25.5% appreciation of the *real* against the U.S. dollar during 2009 compared to 2008, (ii) the increase of 20.0% in volume of metric tons sold in the Brazilian domestic market.

Argentina

Net operating revenue from the Argentine segment increased 6.4%, from R\$1,048.5 million in 2008 to R\$1,116.0 million in 2009. The increase was due in part to a 12.3% increase in volume of metric tons sold, partially offset by a 5.3% decrease in the average price (8.3% increase in the Argentine domestic market and a 34.8% decrease in the export markets).

Uruguay

Net operating revenue from the Uruguayan segment decreased 11.7%, from R\$1,069.6 million in 2008 to R\$944.7 million in 2009. The decrease was principally due to (i) a 1.2% decrease in volume of metric tons sold and (ii) a 10.6% decrease in the average price (2.0% decrease in the Uruguayan domestic market and a 15.0% decrease in the export markets).

Europe

Net operating revenue from the European segment increased 265.2%, from R\$827.0 million in 2008 to R\$3,020.2 million in 2009, contributing 31.4% of the net operating revenue of the Marfrig Group during the period. The increase is principally due to the acquisitions of Moy Park and Kitchen Range, which we consolidated in the financial statements for the last quarter of 2008. Metric tons sold also increased 269.9%, due to the aforementioned acquisitions, reaching 382.100 metric tons in 2009. Despite the global crisis, internal levels of consumption in Europe remained stable in 2009.

Cost of Goods Sold

The cost of goods sold increased 68.8%, from R\$4,876.8 million in 2008 to R\$8,234.3 million in 2009. The increase was principally due to (i) the acquisitions of Moy Park, Kitchen Range, Braslo, Penasul,

Agrofrango, DaGranja, MBL and Penapaulo, most of which were included in our results beginning late in 2008, and the acquisition of the assets of Doux Frangosul in the turkey meat segment, which were included in our results beginning in August 2009, accounting in the aggregate for an increase of R\$2,686.6 million, or 32.6%, in the cost of goods sold; and (ii) costs associated with increased sales at the other companies in our group, which affected our costs by R\$670.9 million.

In terms of the composition of the costs of goods sold the increase was due to: (i) the 37.1% increase in purchases of carcasses from third parties, from R\$314.5 million in 2008 to R\$431.1 million in 2009; (ii) the 20.1% increase in purchases of grain and soy bean, from R\$55.1 million in 2008 to R\$66.2 million in 2009; (iii) the 30.4% increase in direct labor costs, from R\$240.5 million in 2008 to R\$313.5 million in 2009; and (iv) the 13.6% increase in indirect labor costs, from R\$98.5 million in 2008 to R\$111.9 million in 2009.

Depreciation and amortization expenses increased 145.6%, from R\$103.1 million in 2008 to R\$253.1 million in 2009. The increase was principally due to the consolidation of the acquisitions that occurred from the first quarter through the last quarter of 2008, which in the aggregate represented an increase of R\$107.3 million in depreciation and amortization expenses.

Gross Profit and Gross Margin

Gross profit increased 4.1%, from R\$1,327.0 million in 2008 to R\$1,381.4 million in 2009, while gross margin decreased from 21.4% in 2008 to 14.4% in 2009.

The increase in gross profit was principally due to the consolidation of the acquisitions that occurred from the first quarter through the last quarter of 2008, increasing gross profit by R\$98.0 million

The decrease in our gross margin was due to (i) lower volumes exported as well as lower average export prices, stemming from the global crisis; (ii) the 25.5% appreciation of the *real* against the U.S. dollar in 2009, compared to 2008; (iii) consolidation of the aforementioned acquisitions, representing a 5.7% decrease in our gross margin; and (iv) a change in the mix of our portfolio products.

Without considering the effects of our acquisitions in 2008 and 2009, our gross margin was 20.1% at the end of 2009. We believe that there will be opportunities to increase our gross margin from the synergies we will obtain from the companies we acquired.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 62.1%, from R\$573.1 million, or 9.2% of net operating revenue, in 2008, to R\$929.0 million, or 9.7% of net operating revenue, in 2009, due to:

- an increase of R\$107.8 million, or 60.0%, in administrative expenses, due to (i) increased labor costs, up from R\$59.7 million in 2008 to R\$75.1 million in 2009; and (ii) increased costs of third party service providers, from R\$17.0 million in 2008 to R\$23.5 million in 2009. The consolidation of administrative expenses from the acquisitions that occurred from the first quarter through the last quarter of 2008 as well as from companies partially consolidated in the financial statements as of and for the year ended December 31, 2008 increased administrative expenses by R\$95.7 million, or 33.3%;
- an increase of R\$248.1 million, or 63.1%, in selling expenses, due to: (i) the consolidation of the selling expenses from the acquisitions that occurred from the first quarter through the last quarter of 2008 as well as from the companies partially consolidated in 2008, which in the aggregate increased selling expenses by R\$194.8 million, or 30.4%; and (ii) freight expenses, which increased from R\$115.7 million in 2008 to R\$149.7 million in 2009; and
- an increase of R\$1.2 million, or 6.0%, in depreciation and amortization expenses relating to assets that we use in our administrative and selling activities, which increased from R\$20.1 million in 2008 to R\$21.3 million in 2009.

Other Operating Revenues (Expenses)

Amortization of goodwill for the year ended December 31, 2008 was R\$37.1 million. This amount represented amortization of the premium paid for expected future profits of acquisitions made in 2007 and in

the first half of 2008. For the year ended December 31, 2009 there was no amortization of goodwill because of changes in Law No. 11,638, dated December 28, 2007 and Law No. 11,941, dated May 27, 2009, which modified Brazilian accounting standards, prohibiting the amortization of goodwill.

In 2009, we recorded a gain in the amount of R\$68.5 million, which resulted from a new settlement that we entered into with the tax authorities relating to taxes due under the new Tax Recovery Program (REFIS) established by Law No. 11,941/09. In 2008, we did not record a similar gain.

Financial Income (Expenses)

The *real* appreciated sharply against the U.S. dollar in 2009. On December 31, 2009, the U.S. dollar was trading at R\$1.7412 to U.S.\$1.00, compared to R\$2.3370 to U.S.\$1.00 on December 31, 2008, representing an appreciation of 25.5% in the period. Since most of our debt is denominated in U.S. dollars (approximately 76% as of December 31, 2009), the appreciation of the Brazilian currency relative to the U.S. dollar generated net exchange gains of R\$643.5 million, resulting in a positive financial result of R\$23.4 million for the year ended December 31, 2009. In 2008, high exchange rate volatility caused net exchange losses of R\$743.6 million, which contributed to a negative financial result of R\$961.1 million.

The 37.9% increase in financial expenses reflects the increase of 19.5% in our debt in 2009 compared to 2008. The increase in our indebtedness was principally due to (i) the loans we contracted to finance our acquisitions and (ii) the consolidation of debt of the companies we acquired.

The table below shows the breakdown of our net financial result:

	Year ended December 31,	
	2008	2009
	(Previous	(Previous
	BR GAAP)	BR GAAP)
	(in millions of R\$)	
Financial income	234.1	172.0
Financial expenses	(451.6)	(622.4)
Equity capital interest.....	—	(169.7)
Exchange gains	479.2	728.7
Exchange losses	(1,222.8)	(85.2)
Net financial result	(961.1)	23.4

Income and Social Contribution Taxes

We recorded income and social contribution taxes in the amount of R\$51.1 million representing 0.5% from net sales in 2009, due to the recording of (i) current income tax in the amount of R\$28.2 million; (ii) tax gain in other countries of R\$25.4 million; (iii) deferred taxes of R\$31.1 million and (iv) deferred social contribution tax of R\$17.0 million. Since we had a loss in 2008, we recorded deferred taxes, which generated revenue of R\$211.8 million in 2008.

Net Income (Loss)

Net income in the amount of R\$679.1 million represented 7.1% of net sales in 2009 compared to a net loss of R\$35.5 million in 2008, principally due to (i) increased sales of higher value-added products and (ii) greater efficiency in our production during the period of 2009 compared to 2008. In addition, in 2009 the positive financial result deriving from the appreciation of the *real* against the U.S. dollar resulted in an exchange gain for the year ended December 31, 2009, while in 2008 there was a depreciation of the *real* against the U.S. dollar.

Liquidity and Capital Resources

Sources and Uses of Cash

Our main sources of cash are (i) our cash flow from operations, and (ii) our long- and short-term indebtedness. Our main uses of cash are costs and expenses related to our operations, cash requirements for capital expenditures related to investments in expansion and/or modernization of our plants, and repayment of debt.

Our cash flows provided by operations in the year ended December 31, 2009 and 2010 were R\$285.1 million and R\$59.1 million, respectively. In addition to cash to finance our operations, we needed cash to acquire new businesses, make investments and pay our debts. Our cash needs in these periods were mainly supplied by short- and long-term indebtedness and the issuance mandatorily convertible debentures issued in 2010.

The table below shows our cash flows for the periods indicated:

	Year ended December 31,	
	2009 (IFRS)	2010 (IFRS)
	(in millions of R\$)	
Net cash provided by (used in) operations	285.1	59.1
Net cash used in investments	(828.0)	(3,938.1)
Net cash provided by (used in) financing activities	2,572.6	4,747.4
Exchange rate effect on cash and cash equivalents	(67.9)	(25.5)
Increase (decrease) in available cash	1,961.8	842.9

Cash Used for Investments

Cash used for investments, purchases of fixed assets, intangibles and deferred assets in the years ended December 31, 2009 and 2010, were R\$828.0 million and R\$3,938.1 million, respectively.

In 2009 and 2010, our allocations of resources were directed mainly to the expansion of our operations. In 2009 and 2010, we invested R\$538.6 million and R\$1,119.1 million, respectively, in the construction, acquisition, maintenance, modernization and/or expansion of our plants. In 2009 we did not invest in acquiring companies in Brazil and abroad. In 2010, we invested R\$2,819.0 million in acquiring companies in Brazil and abroad, mainly on the acquisitions of O’Kane, Keystone, Zenda and Seara.

On January 4, 2010, we completed the acquisition of the Acquired Seara Businesses for a purchase price of R\$1,291.5 million.

On January 20, 2010, we completed the acquisition of 51% of Gideny S.A. (“Gideny”), the holding company of Zenda, for a purchase price was R\$49.4 million.

On August 3, 2010, through our subsidiary Moy Park, we acquired 100% of O’Kane, for a purchase price of R\$73.5 million, with 50% of the purchase price paid on the date of the acquisition and the rest to be paid in June of 2011.

On October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses, the cash payment was R\$1,525.2 million.

Other Applications of Funds

In the year ended December 31, 2009, we accrued interest on equity capital in the amount of R\$146.1 million. In the year ended December 31, 2010, we accrued the interest on equity capital in the amount of R\$29.8 million.

Indebtedness

Our outstanding indebtedness as of December 31, 2010 was R\$9,227.8 million, compared to R\$5,111.7 million as of December 31, 2009, representing an increase of 80.5% in the period. This debt was composed of R\$2,852.6 million in short-term debt (or 30.9% of the total, compared to 28.0% as of December 31, 2009) and R\$6,375.2 million of long-term debt (or 69.1% of the total, compared to 72.0% as of December 31, 2009).

In 2010, our consolidated gross debt increased by R\$4,116.1 million, while cash and cash equivalents increased by R\$842.9 million, reflecting the consolidation of debt of the companies that we acquired, the acquisition of the Acquired Seara Businesses funded through equity raised in 2009, the investment in working capital to increase capacity utilization rates at our beef plants and increase sales at Seara.

As of December 31, 2010, 24.8% of our gross debt was denominated in Brazilian currency (25.1% as of December 31, 2009) and 75.2% in foreign currency (74.9% as of December 31, 2009). The average cost of our U.S. dollar-denominated debt increased to 8.1% annually, compared to 7.6% as of December 31, 2009, and the average cost of our *real*-denominated debt increased to 11.1% annually in 2010 compared to 10.8% annually as of December 31, 2009. The average cost of our debt increased to 8.9% as of December 31, 2010 compared to 8.4% as of December 31, 2009.

Our net debt as of December 31, 2010 was R\$5,351.4 million, compared to net debt of R\$2,078.3 million as of December 31, 2009. This increase was due to an investment of R\$3.94 billion made in 2010, including the Acquired Seara Businesses in January 2010, and the investment in working capital made to increase utilization rates at our beef plants, as well as to increase sales at Seara. The ratio of net debt to EBITDA for 2010 was 3.56x, as shown in the table below:

Indebtedness and Cash	Year ended December 31,	
	2009 (IFRS)	2010 (IFRS)
	(in millions of R\$)	
Gross Debt.....	5,111.7	9,227.8
Cash and cash equivalents.....	3,033.4	3,876.4
Net Debt.....	2,078.3	5,351.4
Net Debt/EBITDA (last 12 months).....	2.87	3.56

The table below describes our consolidated debt as of December 31, 2010, as well as changes in our loans and financings for the years indicated:

		Average	Average	As of
Charges (% per year)		Interest Rate	Maturity	December 31, 2010
		(per year)	(years)	(in millions of R\$)
Credit Facility				
Domestic currency				
FINAME ⁽¹⁾	TJLP ⁽⁵⁾ + Fixed Rate	6.75	2.75	9.9
BNDES Finem ⁽²⁾	TJLP + 1.80%	7.64	3.00	14.8
FINEP ⁽³⁾	TJLP + 1%	7.25	2.79	39.7
NCE.....	Fixed Rate + % CDI	12.37	2.32	1,109.1
Working Capital (R\$).....	Fixed Rate + % CDI	12.29	2.32	475.5
Rural Bank Note (R\$).....	Fixed Rate	6.92	0.82	276.9

	Charges (% per year)	Average Interest Rate (per year)	Average Maturity (years)	As of December 31, 2010 (in millions of R\$)
Pre-payment (interest)	% CDI	12.34	0.25	2.0
FCO ⁽⁴⁾	Fixed Rate	10.00	3.00	8.6
Procer	Fixed Rate	11.25	1.82	204.8
BNDES Exim	Fixed rate	7.00	1.77	149.5
Total Domestic Currency		11.09	—	2,291.0
Foreign Currency				
Advances for Foreign Exchange				
Contracts (U.S.\$)	Fixed Rate + V.C.	4.69	0.59	712.3
Financing Industrial Estate	LIBOR ⁽⁶⁾ + Fixed Rate + V.C.	5.23	1.37	28.4
Pre-payment (U.S.\$)	LIBOR + Fixed Rate + V.C.	7.6	4.12	2,629.2
Bonds (U.S.\$)	Fixed Rate + V.C.	9.55	8.5	1,423.9
BNDES Finem	Basket of currencies + 1.30 %	1.30	2.12	1.5
NCE (U.S.\$)	% CDI + Fixed Rate + V.C. (U.S.\$) + LIBOR	8.48	3.83	1,092.9
Working Capital (U.S.\$)	Fixed Rate + LIBOR	4.93	0.84	186.8
Working Capital (Pesos)	Furtherance Unit	5.90	0.20	1.9
Bank Loan (U.S.\$)	Fixed Rate	3.09	2.29	773.9
PAE (U.S.\$)	Fixed Rate	2.20	0.20	7.5
Financings (U.S.\$)	Fixed Rate	11.00	4.00	0.02
Current Account Overdrafts (U.S.\$) ..	LIBOR + Fixed Rate	2.00	0.24	2.1
Negotiable Obligations	Fixed Rate	7.06	3.22	76.5
Total Foreign Currency		8.08	—	6,936.8
Total Indebtedness		8.95	—	9,227.8
Current Liabilities		—	—	2,852.6
Noncurrent Liabilities		—	—	6,375.2

Notes:—

- (1) Finance for Machinery and Equipments (*Financiamento de Máquinas e Equipamentos*, or “FINAME”).
- (2) BNDES Financing for Undertakings (*Financiamento a Empreendimento*, or “BNDES FINEM”).
- (3) Studies and Projects Financing Entity (*Financiadora de Estudos e Projetos*, or “FINEP”).
- (4) Fund for the Central-Western Region (Fundo Constitucional do Centro-Oeste, or “FCO”).
- (5) Long-term interest rate.
- (6) London Interbank Offered Rate (“LIBOR”).

The table below shows the maturity of our consolidated short-term and long-term debt as of December 31, 2010:

Maturity Schedule	Consolidated December 31, 2010 (in millions of R\$)
Domestic Currency	
<i>Current</i>	
First quarter 2011	218.8
Second quarter 2011.....	345.2
Third quarter 2011	366.5
Last quarter 2011	323.8
<i>Non-current</i>	
2012.....	568.5
2013.....	279.3
2014.....	128.1
2015.....	58.8
2016.....	1.9
	2,291.0
Foreign Currency	
<i>Current</i>	
First quarter 2011	811.5
Second quarter 2011.....	272.5
Third quarter 2011	325.1
Last quarter 2011	189.1
<i>Non-current</i>	
2012.....	765.2
2013.....	975.6
2014.....	1,317.6
2015.....	702.9
2016.....	763.5
2017.....	0.0
2018.....	—
2019.....	—
2020.....	813.7
	6,936.8
Total Indebtedness	9,227.8

Contractual Obligations

As of December 31, 2010, our contractual obligations amounted to R\$9,690.7 million, of which (i) R\$9,227.8 million was bank indebtedness; and (ii) R\$462.9 million consisted of outstanding balances for acquisitions of plant or other investments.

The table below sets forth the outstanding balance of our contractual obligations as of December 31, 2010:

	Maturity by period				From 2014 to 2020
	Total	2011	2012	2013	
	(in millions of R\$)				
Bank indebtedness.....	9,227.8	2,852.6	1,333.7	1,254.9	3,786.6
Outstanding balances for acquisitions...	462.9	155.4	—	—	307.5
Total contractual obligations.....	9,690.7	3,008.0	1,333.7	1,254.9	4,094.0

Ability to Pay Our Debts

We currently have significant indebtedness and we may incur more debt in the future. As of December 31, 2010 our outstanding indebtedness was R\$9,227.8 million, of which 24.8% or R\$2,291.0 million was denominated in *reais* and 75.2% or R\$6,936.8 million was denominated in other currencies.

Over the three years ended December 31, 2010, we financed part of our activities with debt, and our ability to pay our debt is linked to our ability to raise capital through debt or equity issuances. The inability to incur additional debt may limit our ability to invest in our business and to make necessary or advisable capital expenditures, which may cause a decrease in our future sales, adversely affecting our financial condition. Moreover, the resources we will have to spend to pay our outstanding debt may reduce the amount available for capital expenditures, which may negatively affect our results of operations.

If for any reason our operating cash flow decreases, slows down or does not grow as we expect, we may not be able to pay our debts. If we cannot pay our debt we may have to renegotiate our debt, look for additional capital or even sell assets. We may be unable to obtain new financing or sell our assets at a fair price or at all, which would negatively affect our results of operations.

As of December 31, 2010, we had R\$3,876.4 million in cash and cash equivalents, compared to R\$2,852.6 million of short-term debt. Considering our indebtedness profile and our historical ability to raise capital and generate cash in U.S. dollars, pounds and *reais*, we believe we will not face obstacles in paying our debts, by using a combination of different capital resources, such as our cash, the cash generated from our operating activities, debt and equity issuances and credit lines with our suppliers.

We also believe that the investments we made in past years, together with the investments we plan to make in future years will allow us to increase our generation of cash. This, in turn, may gradually enhance our cash and credit flow metrics and will improve our ability to repay our financial obligations.

Material Contracts

The table below shows our financing agreements as of December 31, 2010 that, individually or in the aggregate, represents indebtedness above U.S.\$50.0 million:

Financial Institution	Type of Operation	Original Amount	Date of Agreement	Cost (per year)	Outstanding Balance
		(in millions)			(in millions of R\$)
Banco Bradesco.....	Pre-payment	U.S.\$300.0	12/21/2009	8.75%	501.2
Banco Santander.....	Pre-payment	U.S.\$200.0	10/01/2007	7.30%	321.7
Banco Itaú	Export Credit Note	U.S.\$170.0	09/20/2010	8.05%	287.3
Banco Itaú	Export Credit Note	U.S.\$160.0	09/20/2010	8.20%	270.3
Banco do Brasil	Pre-payment	U.S.\$160.0	09/08/2009	LIBOR+5.5%	267.5

<u>Financial Institution</u>	<u>Type of Operation</u>	<u>Original Amount</u>	<u>Date of Agreement</u>	<u>Cost (per year)</u>	<u>Outstanding Balance</u>
		(in millions)			(in millions of R\$)
Deutsche Bank.....	Pre-payment	U.S.\$135.0	11/09/2010	7.00%	227.6
BNDES.....	Working Capital	R\$200.0	07/15/2010	11.25%	204.8
Banco Itaú	Export Credit Note	U.S.\$120.0	09/20/2010	7.75%	202.6
CEF	Working Capital	R\$200.0	09/30/2010	122% CDI	200.0
Banco do Brasil	Export Credit Note	R\$250.0	05/29/2009	11.25%	178.3
Banco Santander.....	Pre-payment	U.S.\$100.0	03/10/2008	LIBOR+2.75%	168.6
Credit Suisse.....	Pre-payment	U.S.\$100.0	08/31/2009	116% CDI	168.4
Rabobank.....	Pre-payment	U.S.\$100.0	04/19/2010	8.25%	168.3
Rabobank.....	Pre-payment	U.S.\$20.0	04/19/2010	7.35%	33.6
Credit Suisse.....	Pre-payment	U.S.\$100.0	03/31/2008	LIBOR + 3.00%	166.8
Banco do Brasil	Export Credit Note	R\$150.0	09/21/2010	12.316%	150.1
Banco do Brasil	Pre-payment	U.S.\$100.0	09/08/2009	LIBOR+5.16%	148.6
Credit Suisse.....	Export Credit Note	R\$140.0	09/29/2010	8.58%	138.9
Citibank	Pre-payment	U.S.\$75.0	12/06/2010	LIBOR+4.85%	125.4
Banco Bradesco.....	Pre-payment	U.S.\$75.0	07/05/2009	LIBOR+7.25%	106.8
Banco do Brasil	Export Credit Note	U.S.\$100.0	09/14/2010	14.88%	103.8
HSBC	Export Credit Note	R\$81.9	08/27/2008	121.5% CDI	85.8
Banco do Brasil	Export Credit Note	U.S.\$100.0	12/30/2009	118% CDI	80.1
Citibank	Pre-payment	U.S.\$45.0	12/06/2010	LIBOR+5.50%	75.3
Banco Santander.....	Export Credit Note	R\$72.7	09/20/2010	122% CDI	75.3
Banco do Brasil	Pre-payment	U.S.\$40.0	09/27/2010	LIBOR+5.00%	67.6
CEF	Working Capital	R\$50.0	11/19/2009	129.5% CDI	48.1
Banco do Brasil	Export Credit Note	R\$60.0	09/23/2008	124.95% CDI	61.8
Banco Safra	Export Credit Note	U.S.\$30.0	08/19/2008	16.21%	53.1
Banco Itaú	Export Credit Note	R\$50.0	12/09/2010	120% CDI	50.4
Total.....					<u>4,738.1</u>
Subsidiaries					
Bonds.....	Bonds	U.S.\$500.0	05/04/2010	9.50%	805.9
Bonds.....	Bonds	U.S.\$375.0	11/16/2006	9.625%	618.1
Banco do Brasil	Export Credit Note	R\$265.0	03/31/2010	118% CDI%	265.3
BNDES.....	Working Capital	R\$200.0	07/15/2010	11.25%	204.6
ING Bank/ Rabobank	Revolving Line of Credit	U.S.\$500.0	11/17/2006	LIBOR+2.38 ⁽¹⁾ %	201.3
ING Bank/ Rabobank	Term Loans	U.S.\$100.0	10/07/2008	LIBOR+2.89 ⁽¹⁾ %	166.9
BNDES.....	EXIM	R\$100.0	06/09/2010	7.00%	119.0
Credit Suisse.....	Pre-payment	U.S.\$50.0	06/04/2008	LIBOR+3.00%	64.1
Rabobank.....	Term Loan	U.S.\$45.0	11/30/2009	LIBOR+4.75 ⁽¹⁾ %	58.5
Total.....					<u>2,503.5</u>

Note:—

(1) Based on pricing grids for extending and non-extending lenders.

The loans and financings set forth above can be described as follows:

Export Credit Note (Nota de Crédito de Exportação—NCE)

The export credit note is an export facility agreement with tax benefits. This kind of transaction is used mainly for working capital and it may be *real*-denominated or denominated in foreign currencies. As of December 31, 2009, we had executed the main export credit notes as described below:

- *Export credit notes with Banco do Brasil S.A.* We executed an export credit note with Banco do Brasil in September 2008. Repayment of the principal amount under the note will be made in one installment in September 2011, accruing interest at a rate of 124.95% of the CDI per year. We executed two additional export credit notes with Banco do Brasil in May and December 2009. Repayment of the principal amount under the first note will be made in 12 successive monthly installments, ending in May 2011, accruing interest at a rate of 11.25% per year, and the repayment of the principal amount under the last note will be made in five successive annual installments, ending in December 2014, incurring interest at a rate of 118% of the CDI per year. Two additional agreements were executed on September and December of 2010, on which interest will accrue at a rate of 14.88% and 12.32% per year, respectively, and will be repaid in two annual installments beginning on September 2012 and December 2012, respectively. Our subsidiary Seara also entered into an agreement in March 2010, in which it will pay interest at a rate of 118% CDI per year and repay principal in five annual installments, beginning in March 2011. As of December 31, 2010, the aggregate outstanding amount under the notes was R\$839.3 million.
- *Export credit notes with HSBC Bank.* Repayment of the principal amount will be made in one installment, ending in August 2011, accruing interest at a rate of 121.5% of the CDI per year. As of December 31, 2010, the aggregate outstanding amount under the note was R\$85.8 million.
- *Export credit note with Banco Safra.* Repayment of the principal amount will be made in one installment in August 2011, accruing interest at a rate of 16.21% per year. As of December 31, 2010, the aggregate outstanding amount under the note was R\$53.1 million.
- *Export Credit Note with Banco Itaú BBA.* We executed three export credit notes with Banco Itaú BBA S.A. in September 2010. Repayment of the principal amount under the notes will be made in October 2013, 2014 and 2015 accruing interest at a rate of 7.70%, 8.05% and 8.20% per year, respectively. We executed an additional export credit note with Banco Itaú BBA in September 2010. Repayment of the principal amount will be made in one installment, accruing interest at a rate of 120% of the CDI per year. As of December 31, 2010, the aggregate outstanding amount under the notes was R\$810.7 million.
- *Export Credit Note with Banco Santander.* Repayment of the principal amount will be made in one installment accruing interest at a rate of 122% of the CDI per year. As of December 31, 2010, the aggregate outstanding amount under the note was R\$75.3 million.
- *Export Credit Note with Credit Suisse.* Repayment of the principal amount will be made every three months, beginning in 2015, accruing interest at a rate of 8.58% per year. As of December 31, 2010, the aggregate outstanding amount under the note was R\$138.9 million.

As of December 31, 2010, the average interest rate of the export credit notes was 10.44% per year and the average maturity was 3.07 years.

Working Capital

We have also entered into an agreement to raise working capital with Caixa Econômica Federal. As of December 31, 2010, the aggregate outstanding amount was R\$248.1 million.

Advances for Foreign Exchange Contracts (Adiantamento de Contrato de Câmbio—ACC)

Advances for foreign exchange contracts are also lines of credit designed to finance our exporting activities. These transactions are denominated in foreign currencies, and are paid with resources deriving from exports.

As of December 31, 2010, the average interest rate of the advances for foreign exchange contracts was 4.69% per year, the average maturity was 0.59 years and the balance was R\$712.3 million.

Pre-export Payment Agreements (Pré-Pagamento)

Pre-payment agreements are also lines of credit designed to finance our exporting activities. These transactions are denominated in foreign currencies. As of December 31, 2010, we had executed the main pre-export payment agreements as described below:

- *Pre-export payment agreements with Santander.* Repayment of the principal amount will be made in 21 quarterly installments, ending in October 2015, or in one installment in February 2012, depending on the terms of the agreement. The principal amount accrues interest at a rate of 7.30% and LIBOR plus 2.75%, depending on the terms of the agreement. As of December 31, 2010, the aggregate outstanding amount was R\$490.2 million.
- *Pre-export payment agreements with Banco Bradesco.* Repayment of the principal amount of the first agreement will be made in 20 quarterly installments, beginning in June 2010 and ending in March 2015. The principal amount accrues interest at a rate of LIBOR plus 7.25% per year. Repayment of the principal amount of the second agreement will be made in 16 quarterly installments, beginning in March 2013 and ending in December 2016. The principal amount accrues interest at a rate of 8.75% per year. As of December 31, 2010, the aggregate outstanding amount was R\$608.0 million.
- *Pre-export payment agreements with Banco do Brasil.* The first two agreements have the following characteristics: repayment of the principal amount will be made in semi-annual installments, beginning in September 2010 and September 2011, respectively. There is a two-year grace period in both agreements and the principal amount accrues interest at a rate of LIBOR plus 5.5% and LIBOR plus 5.16% per year, depending on the terms of the agreement. The third agreement calls for repayment of principal twice a year beginning in 2013 and accrues interest at a rate of LIBOR plus 5.00% per year. As of December 31, 2010, the aggregate outstanding amount was R\$483.7 million.
- *Pre-export payment agreements with Credit Suisse.* Under the first agreement, repayment of the principal amount will be made in five semi-annual installments, beginning in March 2011 and ending in March 2015. The principal amount accrues interest at a rate of 102% of the CDI per year. Under the second agreement, repayment of the principal amount will be made in five years, with a two-year grace period. The principal amount accrues interest at a rate of 116% of the CDI per year. Our subsidiary DaGranja also entered an agreement with Credit Suisse, with quarterly interest payments and amortization as part of the repayment schedule, with an interest rate of LIBOR plus 3.00% per year. As of December 31, 2010, the aggregate outstanding amount was R\$399.3 million.
- *Pre-export payment agreements with Citibank.* Repayment of the principal amount will be made in semiannual installments, depending on the terms of the agreement. The principal amount accrues interest at a rate of LIBOR plus 4.85% and LIBOR plus 5.50% per year, depending on the terms of the agreement. As of December 31, 2010, the aggregate outstanding amount was R\$200.7 million.
- *Pre-export payment agreements with Deutsche Bank.* Repayment of the principal amount will be made in quarterly installments. The principal amount accrues interest at a rate of 7.00% per year. As of December 31, 2010, the aggregate outstanding amount was R\$227.6 million.
- *Pre-export payment agreements with Rabobank.* Repayment of the principal amount will be made in semiannual installments. The principal amount accrues interest at a rate of 8.25% per year. As of December 31, 2010, the aggregate outstanding amount was R\$168.3 million.

As of December 31, 2010, the average interest rate of the pre-payment agreements was 7.60% per year and the average maturity was 4.12 years.

BNDES

We have entered into several lines of credit agreements with BNDES, including Finem/Exim, Procer and, FINAME/FINEP. The material agreements are described below:

- *Exim*: Line of credit dedicated to national exporters of goods and services. In September 2010, our subsidiary Seara executed an Exim agreement in which principal would be paid in one installment, with an interest rate of 7.00% per year. As of December 31, 2010, the aggregate outstanding amount was R\$119.0 million.
- *Procer*: Line of credit dedicated specifically for national companies from the agricultural sector. In July 2010 Marfrig and Seara entered in agreements in which quarterly or monthly, depending on the agreement, interest payments will be paid. The interest rate of these loans is 11.25% and as of December 31, 2010, the aggregate outstanding amount was R\$409.4 million.

Revolving Loans

Our subsidiary Keystone Foods entered into a credit agreement arranged by ING and Rabobank which provided Keystone Foods with a multicurrency revolving loan facility in the amount of U.S.\$500.0 million. The rate of interest applicable to this facility varies based on the consolidated leverage of Keystone Foods, with a maximum interest rate of LIBOR plus 3.25% per year. As of December 31, 2010, the aggregate principal amount outstanding under this facility was R\$201.3 million.

Term Loans

Our subsidiary Keystone Foods entered into credit agreements arranged by ING and Rabobank which provided Keystone Foods with term loan facilities. The rates of interest applicable to these facilities vary based on the consolidated leverage of Keystone Foods, with a maximum interest rate of LIBOR plus 3.75% per year. As of December 31, 2010, the aggregate principal amount outstanding under these facilities was R\$225.3 million.

Senior Notes

On November 16, 2006, our subsidiary Marfrig Overseas, an exempted company incorporated under the laws of the Cayman Islands, issued U.S.\$375 million in aggregate principal amount of senior notes due November 16, 2016. The 2016 Notes were issued to finance our acquisitions in Argentina and Uruguay. The 2016 Notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non U.S. persons in offshore transactions in reliance on Regulation S. The 2016 Notes bear interest of 9.625% per year and interest payments are made in semi-annual installments on May 16 and November 16 of each year, beginning on May 16, 2007. The 2016 Notes are unconditionally and irrevocably guaranteed by us, Unifred, Marfrig Holdings and Seara.

On March 16, 2010, we and Marfrig Overseas solicited consents from the holders of the 2016 Notes to (i) amend certain of the restrictive covenants and definitions in the indenture governing the 2016 Notes and (ii) waive any past non-compliance by Marfrig Overseas, we and our subsidiaries with certain covenants under the indenture that would otherwise be permitted by the amendments that we and Marfrig Overseas solicited. We also solicited waivers of non-compliance with covenants under, and amendments to, certain other debt instruments of the Marfrig Group. On March 25, 2010, we executed a supplemental indenture to the indenture governing the 2016 Notes after obtaining the required consents from the holders of the 2016 Notes. Simultaneously, we executed the waiver and amendments related to the other debt instruments.

In late 2009, we determined that we were in breach of covenants under the indenture governing the 2016 Notes. In particular, we failed to comply with covenants by incurring indebtedness at certain subsidiaries without causing them to become guarantors, and by incurring indebtedness secured by liens upon the property and assets of Marfrig and certain subsidiaries in violation of the indenture. In March

2010, we obtained waivers from a majority of the holders of the 2016 Notes and amended the terms of the related indenture, and we obtained waivers under the instruments governing other indebtedness of potential consequences of the breaches of the 2016 Notes and of breaches under these instruments. We have implemented procedures to monitor compliance with our covenants, but there can be no assurance that these procedures will be successful in preventing breaches in the future.

On May 4, 2010, our subsidiary Marfrig Overseas Limited, an exempted company incorporated under the laws of the Cayman Islands, issued U.S.\$500 million in aggregate principal amount of senior notes due May 4, 2020. The 2020 Notes were issued for general corporate purposes, including to repay part of our indebtedness maturing in 2010 and 2011, extending our debt maturity profile, and to fund working capital needs. The 2020 Notes were offered to QIBs in the United States in reliance on the exemption from registration provided by Rule 144A and to certain non U.S. persons in offshore transactions in reliance on Regulation S. The 2020 Notes bear interest of 9.50% per year with semi-annual interest payments due on May 4 and November 4 of each year, beginning on November 4, 2010. The 2020 Notes are unconditionally and irrevocably guaranteed by us, Unifred, Marfrig Holdings and Seara.

Mandatorily Convertible Debentures

On July 15, 2010, we completed a second issuance of unsecured mandatorily convertible debentures, convertible into our shares on July 15, 2015, for an aggregate amount of R\$2,500 million, divided into 250,000 debentures bearing interest at a rate of 100% CDI plus 1%, which we registered as capital reserve. The proceeds of the issue were used mainly for the acquisition of Keystone. The debentures were subscribed on various dates in September 2011, with BNDES Participações S.A. acquiring the largest portion of the debentures (249,892 debentures). Subject to certain conditions, once the mandatory conversions take place at final maturity, the conversion price will be the lowest of (i) R\$21.50, plus the interest paid to the debentureholders on the nominal value of the issue, less the remuneration distributed per share, both restated by the CDI overnight rate, and (ii) the greater of the market price or R\$24.50 (not adjusted for remuneration or monetary restatement). A voluntary conversion may take place in case an event of default occurs and is not cured. In this event, the price shall be R\$24.50 plus the adjustment based on interest accruing between the voluntary conversion date and July 15, 2015, which is the final maturity date of the debentures.

Covenants

We are subject to restrictive covenants under the debt agreements evidencing or governing our outstanding indebtedness, such as limitations on additional incurrence of debt, limitation on liens, limitation on restricted payments, such as payment of dividends and investments, among other restrictive covenants that are standard in the types of debt instruments that we executed.

Loans and Financings since December 31, 2010

Since December 31, 2010, we have not pre-paid any loans. We have continued to service our debt in the first quarter and make scheduled payments of principal and interest. In addition, in the first quarter of 2011, we have entered into additional material loan and financing agreements totaling R\$804.9 million, as described below:

Debentures. On March 4, 2011, we completed an issuance of R\$610 million non-convertible debentures subject to restricted selling efforts under Instrução CVM 476. The Debentures were issued in two tranches: the first paying interest of 127.6% of CDI and the second paying interest of IPCA plus 9.5%. We made a full swap of both principal and interest linking them to US dollar plus 6.98%. These debentures mature on January 18, 2015, principal will be paid in three yearly installments and they are guaranteed by receivables and corporate guarantees of Unifred, Seara and Marfrig Holdings.

Export Credit Note with Banco Bradesco. We executed a R\$194.9 million export credit note with Banco Bradesco in March 2011. Repayment of the principal amount under the note will be made in six annual installments beginning in March 2013, accruing interest at a rate of 105.26% of the CDI per year.

Off Balance Sheet Arrangements

We do not have any operations, contracts, obligations or other types of agreements in unconsolidated companies or other operations generating material current or future effects on our financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are not recorded on our balance sheet.

EBITDA and EBITDA Margin

The table below sets forth our EBITDA and our EBITDA margin for the stated periods:

	Year ended December 31,				
	2008	2009			
	(Previous	(Previous	2009	2010	2010
	BR	BR	(IFRS)	(IFRS)	(IFRS)
	GAAP)	GAAP)			
	(R\$)	(R\$)	(R\$)	(R\$)	(U.S.\$)
	(in millions)				
Net income (loss)	(35.5)	679.1	534.4	146.1	87.7
Interest on equity capital	—	(169.7)	—	—	—
Income tax and social contribution tax	(211.9)	51.1	6.7	(411.6)	(247.0)
Non-operating income	—	—	—	—	—
Financial income	961.1	(23.4)	(145.0)	1,147.2	688.5
Depreciation and amortization	159.8	274.5	320.9	626.8	376.2
Minority interest	10.8	8.0	8.0	(6.0)	(3.6)
EBITDA ⁽¹⁾	<u>884.3</u>	<u>819.6</u>	<u>725.0</u>	<u>1,502.5</u>	<u>901.8</u>
EBITDA margin ⁽²⁾	14.3%	8.5%	7.5%	9.5%	9.5%
Net debt ⁽³⁾	3,241.8	2,120.7	2,078.3	5,351.4	3,211.7
Total Debt/EBITDA (last 12 months)	4.9	6.3	7.1	6.1	6.1
Net Debt/EBITDA (last 12 months)	3.7	2.6	2.9	3.6	3.6

Notes:—

(1) See “Presentation of Financial and Other Information—EBITDA.”

(2) EBITDA divided by net operating revenue.

(3) Short-term debt plus long-term debt, less cash and equivalents. Short-term debt and long-term debt exclude notes payable of R\$313.6 million (short-term) and R\$380.5 million (long-term) at December 31, 2010.

Qualitative and Quantitative Disclosure about Market Risks

We are exposed to market risks arising from the ordinary course of our business. These market risks, which are beyond our control, mainly involve the possibility that changes in interest rates, exchange rates and inflation will adversely affect the value of our financial assets and liabilities or future cash flows and earnings.

Exchange Rate Risk

A substantial portion of our debt is denominated in U.S. dollars, which exposes us to foreign currency exchange rate risk. To partially offset the risk of any devaluation of the *real* against the U.S. dollar and for risk management purposes, we attempt to reduce our foreign exchange exposure by exporting beef products, which generates receivables payable in foreign currencies. We also occasionally enter into derivative contracts to hedge exchange rate variations related to specific contractual obligations.

We do not enter into leveraged transactions with derivatives or similar instruments. We only use derivatives or similar instruments to provide protection against floating interest rates and our exposure to debts denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments transactions that could jeopardize our financial position.

With approximately 68.0% of our net operating revenue generated in currencies other than the *real* in 2010, we believe we have a natural hedge against maturities of our future obligations in foreign currencies. Furthermore, we have a solid financial policy, maintaining high balances of cash and short-term financial investments with first-rate institutions.

Commodity Price Risk

The availability and prices of cattle and beef fluctuate significantly due to unpredictable factors, such as weather, worldwide government agricultural programs and policies, changes in global demand, fluctuations in the amount of cattle offered by the producers, the relative cost of feed, cattle diseases and changes in standards of living.

Interest Rate Risk

Part of our debt is subject to variable interest rates, such as TJLP, CDI and LIBOR, which can raise the cost of our financing. Accordingly, our results of operations are affected by the changes in these rates to the extent that a possible increase in the rates would result in increased costs and debt service.

Derivatives

We are exposed to market risks related to exchange rate, interest rate and commodity price fluctuations of a nature considered normal to our business. In order to minimize these risks, we maintain certain policies and procedures and may use hedging instruments, as long as they have been previously approved by our board of directors.

Among these policies, we highlight the following: monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of our debt, cash flows and interest rates.

Our management is authorized to take the actions mentioned below, up to the amount equivalent to 10% of our equity based on the last publicly-available financial statements. In the case of amounts higher than 5%, an additional authorization from our finance committee is necessary.

Our management is authorized to: (i) guarantee the liabilities of our wholly-owned subsidiaries and/or controlled companies; (ii) approve acquisitions and/or disposals of permanent asset items; (iii) approve financial transactions, including leases; and (iv) approve a transaction or group of transactions involving us and related parties, whether directly or indirectly.

We do not enter into leveraged transactions with derivatives or similar instruments. We use derivatives or similar instruments only to provide protection against our exposure to debt denominated in foreign currencies, and we have a conservative policy of not entering into derivative or similar instruments transactions that could jeopardize our financial position.

We also have a sound financial policy, maintaining a high level of cash balances and short-term financial investments. At the same time, the maturity of our long-term indebtedness is such that it does not affect a single year or period.

Interest Rate Risk Management

Interest rate risk refers to our risk of incurring economic losses due to negative changes in interest rates. This exposure refers to changes in market interest rates that affect our assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR or CDI (interbank deposit rate).

In order to reduce debt service costs, we monitor market interest rates on a continuous basis to assess the need to enter into new derivative contracts to hedge our operations against the risk of fluctuations of these rates. The internal controls used when managing the risk and the cover are made through calculation spreadsheets with appropriate follow-up on transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

In order to minimize the effects of exchange rate fluctuations on the settlement of loans and financings, we entered into non-speculative swap contracts, as described in the table below:

									12/31/2010	12/31/2009
									Fair value receivable (-) payable ⁽¹⁾	Fair value receivable (-) payable ⁽¹⁾
Instrument	Register	Maturity	Receivable	Payable	Consideration for principal amount	Notional value in U.S.\$	Notional value in R\$	R\$ in thousand	R\$ in thousand	
Company.....	Interest rate swap	CETIP	08/02/2012	High LIBOR 2.02%	Low LIBOR 2.02%	BB London	16,800 ⁽²⁾	28,463	(359)	(453)
Company.....	Interest rate swap	CETIP	02/25/2011	High LIBOR 1.83%	Low LIBOR 1.83%	BB London	20,000 ⁽²⁾	33,884	(219)	(418)
Company.....	Interest rate swap	CETIP	02/22/2012	High LIBOR 2.08%	Low LIBOR 2.08%	BB London	30,000 ⁽²⁾	50,826	(995)	(1,015)
Company.....	Interest rate swap	CETIP	02/14/2013	High LIBOR 2.40%	Low LIBOR 2.40%	BB London	39,500 ⁽²⁾	66,921	(2,550)	(1,234)
Company.....	Interest rate swap	CETIP	03/20/2013	High LIBOR 2.38%	Low LIBOR 2.38%	BB London	10,500 ⁽²⁾	17,789	(647)	(274)
Company.....	Interest rate swap	CETIP	03/06/2015	High LIBOR 0.65%	Low LIBOR 2.18%	BB London	75,000 ⁽²⁾	127,065	(2,233)	(364)
Company.....	Interest rate swap	CETIP	12/24/2012	High LIBOR 2.10%	Low LIBOR 2.10%	BB London	30,000 ⁽²⁾	50,826	(678)	(667)
Company.....	Interest rate swap	CETIP	08/14/2014	High LIBOR 1.94%	Low LIBOR 1.94%	Citibank	88,889 ⁽²⁾	169,420	(2,836)	229
Company.....	Interest rate swap	CETIP	08/14/2014	High LIBOR 2.00%	Low LIBOR 2.00%	Citibank	160,000 ⁽²⁾	271,072	(6,032)	(1,081)
Company.....	Interest rate swap	CETIP	11/09/2015	High LIBOR 2.75%	Low LIBOR 2.75%	Citibank	45,000 ⁽²⁾	75,762	(3,154)	—
Company.....	Interest rate swap	CETIP	11/12/2014	High LIBOR 3.30%	Low LIBOR 3.30%	Citibank	75,000 ⁽²⁾	126,270	(6,034)	—
Subtotal							590,689	1,018,298	(25,737)	(3,185)
Controlled Company.....	Interest rate swap	(3)	11/16/2012	Low LIBOR 2.26%	High LIBOR 2.26%	ING	50,000	83,310	(2,548)	—
Controlled Company.....	Interest rate swap	(3)	11/16/2012	Low LIBOR 2.21%	High LIBOR 2.21%	Sun Trust Bank	50,000	83,310	(2,531)	—

									12/31/2010	12/31/2009
Instrument	Register	Maturity	Receivable	Payable	Consideration for principal amount	Notional value in U.S.\$	Notional value in R\$	Fair value receivable (-) payable ⁽¹⁾	Fair value receivable (-) payable ⁽¹⁾	
								R\$ in thousand	R\$ in thousand	
Controlled Company.....	Interest rate swap	(3)	03/16/2013	Low LIBOR 2.56%	High LIBOR 2.56%	Sun Trust Bank	25,000	41,655	(2,098)	—
Controlled Company.....	Interest rate swap	(3)	03/16/2011	Low LIBOR 2.41%	High LIBOR 2.41%	The Bank of Nova Scotia	25,000	41,655	(225)	—
Controlled Company.....	Interest rate swap	(3)	04/01/2011	Low LIBOR 2.9%	High LIBOR 2.9%	Sovereign Bank	50,000	83,310	(554)	—
Subtotal						200,000	333,240	(7,956)	—	
Total						790,689	1,351,538	(33,693)	(3,185)	

Notes:—

- (1) The amount informed is calculated through the mark-to-market (MtM) method plus the existing premium, which consists of calculating future value based on the conditions agreed and determining the present value based on market curves from Bloomberg and MB&FBovespa data bases.
- (2) The notional value is not linked to a hedge transaction. This value is the basis of payment flows, which bear interest at LIBOR, which is fixed.
- (3) Bilateral/over-the-counter transaction. Not registered with a clearing and depositary chamber.

Commodity Price Risk Management

In the course of our activities, we purchase commodities, such as corn, soybean meal and live cattle, which are the biggest individual components of our production costs and are subject to certain variables.

The price of cattle acquired from third parties is directly related to market conditions, and is influenced by domestic availability and export markets demand.

Corn and soybean meal are subject to volatility resulting from weather conditions, crop yield, transportation costs, warehousing costs, agricultural policy, exchange rates, and international prices, among others.

So as to reduce fluctuation of the prices we pay for commodities, we manage inventory levels, keep cattle confined and, when we deem appropriate, we enter into cattle sale agreements at the Brazilian securities, commodities and futures exchange, BM&FBOVESPA.

Exchange Risk Management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading us to incur losses and causing a reduction in the value of our assets or an increase in the value of our liabilities. Our main current exchange rate exposure relates to the U.S. dollar fluctuating against the Brazilian *real*.

In 2010, approximately 68.1% of our revenues were denominated in currencies other than the Brazilian *real*. Therefore, we have a natural hedge against the maturities of future obligations in foreign currencies.

We enter into hedging operations in the ordinary course of business, principally to cover exchange rate risks related to receivables denominated in foreign currencies, our financings and loans, and investments, through derivative instruments such as currency and interest rate swap contracts (U.S. dollar to *real*, U.S. dollar to CDI, LIBOR to CDI) and futures contracts.

Our outstanding derivatives as of December 31, 2010 are set out below:

										12/31/2010	12/31/2009
										Fair value receivable (-) payable ⁽¹⁾	Fair value receivable (-) payable ⁽¹⁾
	Instrument	Registration	Maturity	Forward	Consideration for principal amount	Purchase d Currency	Sold currency	Notional amount U.S.\$	Notional amount R\$		
R\$ in thousand											R\$ in thousand
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7591	Itau BBA	USD	BRL	450,000	749,790	(41,259)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7583	Itau BBA	USD	BRL	150,000	249,930	(13,644)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7583	Itau BBA	USD	BRL	150,000	249,930	(13,649)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7583	Itau BBA	USD	BRL	50,000	83,310	(4,545)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7619	Itau BBA	USD	BRL	100,000	166,620	(9,449)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7583	Itau BBA	USD	BRL	50,000	83,310	(4,552)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7664	Itau BBA	USD	BRL	100,000	166,620	(9,891)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7588	Itau BBA	USD	BRL	100,000	166,620	(9,136)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7528	Itau BBA	USD	BRL	300,000	499,860	(25,687)	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7210	Itau BBA	USD	BRL	100,000	166,620	5,158	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7210	Itau BBA	USD	BRL	100,000	166,620	3,780	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7038	Itau BBA	USD	BRL	150,000	249,930	5,404	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.7030	Itau BBA	USD	BRL	50,000	83,310	1,725	—
Company.....	Non Deliverable Forward	(2)	01/03/2011	1.6915	Itau BBA	USD	BRL	100,000	166,620	2,565	—
Controlled Company.....	Forward	(2)	01/03/2011	1.3912	Citibank	USD	EUR	1,000	1,666	(116)	—
Controlled Company.....	Forward	(2)	01/18/2011	1.3133	Citibank	USD	EUR	6,000	9,997	(1,222)	—
Controlled Company.....	Forward	(2)	01/24/2011	1.3110	Citibank	USD	EUR	1,000	1,666	(238)	—
Controlled Company.....	Forward	(2)	01/31/2011	1.3255	Citibank	USD	EUR	3,000	4,999	(41)	—

										12/31/2010	12/31/2009
	Instrument	Registration	Maturity	Forward	Consideration for principal amount	Purchase d Currency	Sold currency	Notional amount U.S.\$	Notional amount R\$	Fair value receivable (-) payable ⁽¹⁾	Fair value receivable (-) payable ⁽¹⁾
R\$ in thousand											R\$ in thousand
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/05/2011	1.3235	NBC	USD	EUR	1,000	1,666	(16)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/24/2011	1.3076	Itau	USD	EUR	1,000	1,666	(24)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/03/2011	486.5000	BBVA	USD	CLP	1,000	1,666	(68)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/05/2011	481.1000	BBVA	USD	CLP	2,000	3,332	(98)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/06/2011	477.6000	BBVA	USD	CLP	1,000	1,666	(36)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/18/2011	473.7500	BBVA	USD	CLP	3,000	4,999	(55)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/21/2011	471.0000	BBVA	USD	CLP	2,000	3,332	(16)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/25/2011	473.1000	BBVA	USD	CLP	1,000	1,666	(15)	—
	Non Deliverable										
Controlled Company.....	Forward	(2)	01/26/2011	471.4500	BBVA	USD	CLP	5,000	8,331	(44)	—
	Non Deliverable										
Controlled Company	Forward	(2)	01/13/2011	475.0000	BBVA	USD	CLP	500	833	(13)	—
Total								1,978,500	3,296,577	(115,182)	

Notes:—

- (1) The amount informed is calculated through the mark-to-market (MtM) method plus the existing premium, which consists of calculating future value based on the conditions agreed and determining the present value based on market curves, from Bloomberg and MB&FBovespa data bases.
- (2) Bilateral/over-the-counter transaction. Not registered with a clearing and depositary chamber.

INDUSTRY OVERVIEW

The Global Beef and Veal Industry

Consumption

Beef is a source of nutrition rich in protein and is the world's third most consumed type of meat, after pork and poultry. According to the USDA, in 2010, approximately 56.5 million metric tons of beef and veal were consumed globally. The largest consumer of beef and veal in the world is the United States, followed by the European Union, Brazil and China. Argentina is the fifth largest consumer of beef and veal in the world, but in per capita terms, is the second largest consumer, at approximately 55.8 kilograms of beef and veal per person, in 2010, according to the USDA. Uruguay is the largest per capita consumer of beef and veal in the world, at approximately 62.1 kilograms of beef and veal per person in 2010, according to the USDA. The table below shows the largest consumers per capita of beef and veal in the indicated countries from 2006 through 2011 (estimated):

Country	Beef and Veal Consumption Per Capita					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in Kilograms per year)					
Uruguay.....	53.4	51.7	50.6	58.4	62.1	53.9
Argentina.....	64.4	69.2	67.5	66.5	55.8	54.0
Brazil.....	36.4	36.8	36.9	37.1	37.8	37.6
United States	43.0	42.6	41.0	39.8	38.8	37.4
Paraguay	24.7	26.2	31.9	35.3	36.6	37.0
Australia	36.5	34.7	35.0	35.0	35.3	34.2
Hong Kong.....	14.8	15.0	18.9	24.0	23.8	32.3
Canada.....	31.3	32.4	31.2	30.4	29.6	29.2
New Zealand	31.1	29.8	29.5	28.5	29.2	28.0
Kazakhstan.....	25.7	27.1	27.3	26.7	26.8	26.5
Chile.....	21.6	23.3	21.9	22.5	23.6	25.9
Uzbekistan.....	20.7	20.4	21.5	21.4	21.5	21.7
Colombia.....	18.3	16.7	15.2	18.0	19.2	19.0
Venezuela.....	17.1	20.8	23.1	18.8	18.2	18.8
Mexico	17.4	17.9	18.3	17.6	17.2	17.8
European Union ⁽³⁾	17.7	17.7	17.0	16.8	16.6	16.6
Russia	16.3	17.3	18.6	16.8	16.6	15.7
South Africa	15.5	14.5	14.0	14.1	14.0	14.1
South Korea.....	10.3	10.8	11.1	11.3	12.5	12.9
Iran	7.1	7.3	7.7	7.6	9.8	10.0
Japan	9.1	9.3	9.2	9.5	9.7	9.6
Ukraine.....	11.7	10.9	10.5	8.4	8.5	8.4
Pakistan	8.0	8.1	8.1	8.4	8.4	8.1
Egypt	10.2	8.7	6.7	6.8	7.7	6.6
Taiwan.....	4.8	4.7	4.8	5.2	6.0	6.4
China	4.3	4.6	4.6	4.3	4.1	4.0
Philippines.....	3.8	3.9	4.0	3.5	3.7	3.9
India	1.5	1.5	1.6	1.6	1.6	1.8

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Despite having remained stable in recent years, world beef and veal consumption is expected to grow in the medium-and long-term according to the FAO. This growth is expected to be driven by the growing world population and higher incomes in developing countries since beef consumption per capita is strongly correlated with economic growth. In addition, beef and veal consumption is expected to increase worldwide as sanitary concerns over beef, including Bovine Spongiform Encephalopathy (“BSE”), and Foot and Mouth Disease (“F&M disease”), have generally been allayed and health concerns have diminished, and because beef’s nutritional benefits are now established in most major consumer markets.

The following table illustrates beef and veal consumption in the indicated countries from 2006 through 2011 (estimated):

Country	Global Beef and Veal Consumption					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
United States	12,833	12,830	12,452	12,239	12,040	11,715
European Union ⁽³⁾	8,649	8,690	8,352	8,262	8,185	8,180
Brazil	6,969	7,144	7,252	7,374	7,592	7,645
China	5,692	6,065	6,080	5,749	5,589	5,441
Argentina	2,553	2,771	2,731	2,727	2,305	2,255
Russia	2,361	2,452	2,616	2,347	2,307	2,216
India	1,694	1,735	1,880	1,905	1,930	2,195
Mexico	1,894	1,961	2,033	1,971	1,994	2,033
Pakistan	1,333	1,363	1,394	1,461	1,491	1,460
Japan	1,159	1,182	1,173	1,211	1,224	1,210
Canada	1,023	1,068	1,035	1,019	997	995
Others	10,814	10,872	10,976	10,406	10,938	11,026
Total	56,974	58,113	57,975	56,668	56,544	56,371

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Production

In 2010, Brazil had 185.1 million head of cattle. The table below shows the significant herds of cattle worldwide, by country and year:

Country	Head of Cattle by Country					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousand head)					
India.....	290,000	297,700	304,148	309,900	316,400	304,000
Brazil.....	172,111	173,830	175,437	179,540	185,149	191,000
China.....	109,908	104,651	105,948	105,722	105,430	105,060
United States.....	96,342	96,573	96,035	94,521	93,881	92,550
European Union ⁽³⁾	89,672	88,463	89,043	88,837	88,300	87,500
Argentina.....	54,266	55,664	55,662	54,260	49,057	48,656
Colombia.....	28,452	29,262	30,095	30,775	31,171	31,871
Australia.....	27,782	28,400	28,040	27,321	27,907	28,280
Mexico.....	23,669	23,316	22,850	22,666	22,192	21,697
Russia.....	19,850	21,562	21,546	21,040	20,677	16,919
Venezuela.....	14,232	13,831	13,515	13,269	13,126	12,771
Others.....	89,740	88,617	82,464	71,783	53,255	51,908
Total.....	1,016,024	1,021,869	1,025,053	1,019,634	1,006,555	992,212

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

The United States is the largest producer of beef and veal in the world. Beef and veal production is expected to increase worldwide to meet demand. The table below illustrates the global production of beef and veal in the indicated countries, from 2006 through 2011 (estimated):

Country	Global Beef and Veal Production					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
United States.....	11,980	12,097	12,163	11,891	11,828	11,556
Brazil.....	9,025	9,303	9,024	8,935	9,115	9,410
European Union ⁽³⁾	8,150	8,188	8,090	7,913	8,085	7,850
China.....	5,767	6,134	6,132	5,764	5,600	5,450
India.....	2,375	2,413	2,552	2,514	2,830	2,920
Argentina.....	3,100	3,300	3,150	3,380	2,600	2,550
Australia.....	2,183	2,172	2,159	2,129	2,087	2,050
Mexico.....	1,550	1,600	1,667	1,700	1,751	1,775
Pakistan.....	1,300	1,344	1,388	1,457	1,486	1,450
Russia.....	1,430	1,430	1,490	1,460	1,435	1,270
Canada.....	1,329	1,278	1,289	1,252	1,272	1,275
Others.....	9,542	9,359	9,496	8,961	9,014	9,107
Total.....	57,731	58,618	58,600	57,356	57,323	56,663

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

The slaughter rate is the ratio of the number of slaughtered cattle to the size of the herd for a one-year period. The table below sets forth the annual slaughter rates in the indicated countries between 2006 and 2011 (estimated):

Country	Cattle Slaughter Rate					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in %)					
Russia	36.9%	34.8%	35.5%	39.9%	34.9%	35.2%
China	38.4%	41.7%	42.0%	40.1%	39.0%	38.6%
United States	35.9%	36.5%	37.0%	36.5%	37.6%	37.5%
European Union ⁽³⁾	32.6%	32.6%	32.5%	32.0%	32.5%	32.3%
Australia	31.7%	31.5%	31.3%	31.2%	29.7%	29.5%
Argentina	25.2%	27.3%	26.6%	29.7%	24.1%	22.7%
Mexico	23.1%	24.4%	25.4%	26.0%	27.3%	28.7%
Brazil	24.0%	24.4%	23.0%	22.0%	21.3%	21.0%
South Africa	23.9%	22.4%	22.1%	22.2%	—%	—%
Colombia	13.7%	13.6%	13.9%	14.5%	13.4%	13.1%
India	8.1%	8.0%	8.4%	8.2%	9.1%	9.4%

Source: USDA.

Notes:—

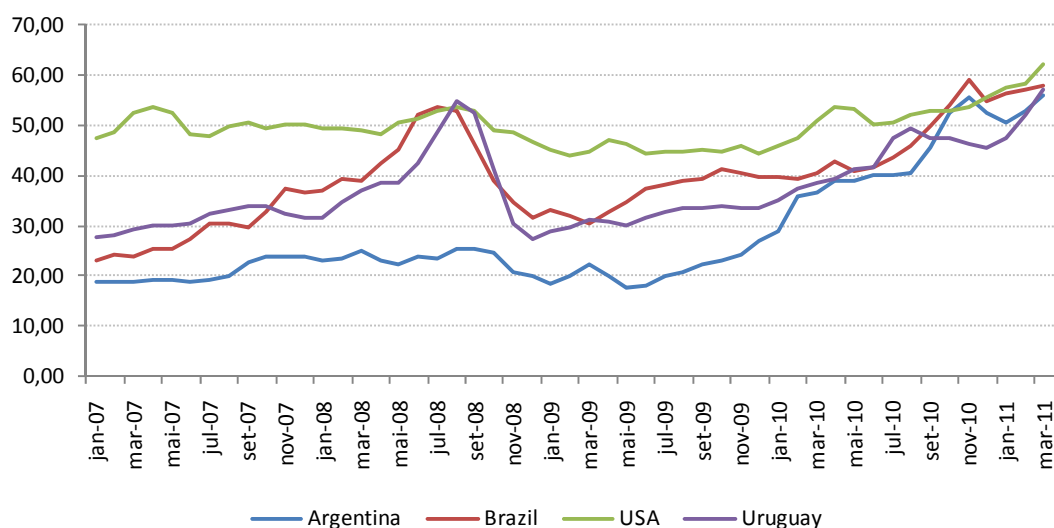
(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

The graph below presents historical data on the price of cattle in the principal beef producing countries in the world. The prices were converted into U.S. dollars for comparison purposes, and therefore reflect the influence of exchange rate variations.

Price of Cattle U.S.\$/arroba (Carcasses)



Exports

According to a report issued by the FAO, exports of beef will increase in the next years to meet the increasing global demand, especially in developing countries. Since 2004, Brazil has been the largest exporter of beef in the world, followed by the United States and Australia. The following table sets forth the world's leading beef and veal exporting countries from 2006 through 2011 (estimated):

Country	World's Leading Beef and Veal Exporting Countries					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
(in thousands of metric tons)						
Brazil	2,084	2,189	1,801	1,596	1,558	1,810
Australia	1,430	1,400	1,407	1,364	1,368	1,325
United States	519	650	856	878	1,043	1,002
India.....	681	678	672	609	700	725
Canada.....	477	457	494	480	523	530
New Zealand	530	496	533	514	530	496
Uruguay.....	460	385	361	376	347	390
Argentina.....	552	534	423	655	300	300
Paraguay	240	206	233	254	296	310
European Union ⁽³⁾	218	140	204	148	336	160
Mexico.....	68	42	42	51	103	72
Others	243	393	464	397	307	248
Total.....	7,502	7,570	7,490	7,322	7,609	7,408

Notes:— Source: USDA.

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Imports

The United States and Russia are currently the world's largest beef and veal importers. Over the next few years, the European Union, which is currently the fourth largest importer of beef and veal in the world, is expected to increase its beef and veal imports as farmers in the European Union are required to reduce their production in accordance with European Union regulations. The following table sets forth the world's leading beef and veal importing countries from 2006 through 2011 (estimated):

Country	World's Leading Beef and Veal Importing Countries					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
United States	1,399	1,384	1,151	1,191	1,024	1,152
Russia	939	1,030	1,137	895	877	950
Japan.....	678	686	659	697	721	704
European Union ⁽³⁾	717	642	466	497	436	490
South Korea.....	298	308	295	315	366	350
Mexico.....	383	403	408	322	296	330
Iran	93	103	131	133	287	305
Vietnam	29	90	200	270	275	290
Canada.....	180	242	230	247	235	245
Egypt	292	293	166	180	290	210
Chile	124	151	129	166	190	205
Others		1,826	1,927	1,784	1,761	1,869
Total.....	6,815	7,158	6,899	6,697	6,779	7,100

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Competition

The competitiveness of a beef producer in the international market is significantly affected by its cost structure. The two main components of the overall cost structure are raw materials and industrialization costs. The net effective cost of a producer takes into account revenues generated from the sale of by-products from beef production, such as wet blue finished hides and offal. The competitiveness of a plant servicing the international market is also affected by transportation and distribution costs. According to ABIEC, Brazil has one of the lowest cost structures among its competitors, an important competitive advantage.

The revenues generated from sales of the edible and non edible by-products extracted from cattle following slaughter are an important factor that reduces a beef producer's net operating costs. Revenues from these products, generally known as the "fifth quarter," can be substantial, and in certain cases can cover a significant portion of the fixed costs of operating a slaughterhouse. Fifth quarter products can be divided into the following categories: white sausage meat, red sausage meat (liver, heart and tongue), other sausage meat (pancreas, intestine and stomach), inedible fats and others (blood, bone and hides).

Trade Restrictions and Sanitary Risks

The international beef market is divided into the Pacific block (North and Central America, Oceania and the Far East) and the Atlantic block (Europe, Africa, the Middle East and South America). This division reflects historical and geographical ties and also certain sanitary criteria. The Pacific block prohibits imports of beef (except for pre-cooked and industrial products) from countries or regions where there are active F&M disease vaccination programs. Europe allows imports of fresh meat from certain regions within countries that have been affected by F&M disease if those regions have not been directly affected. However, the European Union has restricted the free trade of fresh meat through an import quota system and also has banned the import of U.S. beef, which is treated with hormones used to promote growth, citing health concerns.

In 2008, the European Union restricted the import of Brazilian beef, alleging problems in the tracking system, the system of registration and identification of cattle and buffalo herds on national territory, which makes it possible to track an animal from birth to slaughter, making reports available for decision-making on the quality of domestic and international herds. During 2008, European technical inspectors visited Brazil several times to inspect and evaluate the Brazilian tracking system. According to ABIEC, through July 2010, approximately 1,800 ranches were qualified to supply fresh meat for export to the European Union, which is a much lower number of ranches than were exporting before the embargo.

Sanitary risks include outbreaks of illnesses in cattle. Bilateral sanitation agreements vary from country to country. Outbreaks can result in the imposition of trade barriers between countries. The main outbreaks in cattle are the following:

F&M disease: F&M disease is a contagious illness affecting cattle and pork. The virus is transmitted by air, water and food. Affected animals have a high fever and lesions in the mouth and on their hooves. Although it does not affect people, when detected, an outbreak of F&M disease can lead to sanitary barriers being imposed by some countries. Santa Catarina is the only Brazilian state categorized as free of F&M disease without vaccination. Argentina and Uruguay are free from F&M disease through vaccination.

BSE: According to OIE, the risks of countries, such as Brazil, Argentina and Uruguay to be exposed to BSE are under control and are viewed as less vulnerable to the disease because their cattle herds graze freely in pastures or are fed with vegetable based feed free of animal byproducts. In addition, Brazil is classified by the Scientific Steering Committee (“SSC”) of the European Commission (Regulation (EC) No 999/2001) as a Level II country for the occurrence of BSE. This classification means that the occurrence of BSE in Brazil is “improbable, but not impossible.”

The Brazilian Beef Industry

Consumption

According to the USDA, Brazil has a very large domestic market, which currently consumes approximately 80% of the country’s beef production. Domestic market sales increase revenue through an optimization of the value of the carcass. However, the growth of Brazilian exports has driven the overall increase in domestic production.

Production

The USDA estimates that Brazil had 185.1 million head of cattle in 2010, making it the largest cattle herds in the world for commercial purposes. India has the largest cattle herd in the world, but does not raise significant numbers of cattle for commercial purposes due to religious reasons.

The productivity of Brazilian cattle farmers, as measured by the slaughter rate, has increased in recent years. According to the USDA, it reached 21.3% in 2010. The slaughter rate represents the percentage of the entire Brazilian herd that has reached the required maturity for slaughter in a given year. However, this percentage is low when compared to other countries. Russia, China, the United States and the European Union have slaughter rates above 30%.

The cutbacks and closures at certain companies in the industry enabled the remaining companies to gain significant market share. 2010 was also marked by mergers and acquisitions between large companies, reinforcing the move to consolidate installed capacity in Brazil.

According to preliminary data from MAPA in 2010, 21.7 million head of cattle were slaughtered (only counting animals inspected by the Federal Inspection Services of the Ministry of Agriculture), compared to 21.6 million in 2009. The increase of 0.4% reflects the lower supply of animals and higher price of arroba (a weight measure used in the Brazilian beef industry equal to approximately 14.7 kilograms) in the sector. In the last quarter of 2010, the average price of beef increased approximately 35% compared to the last quarter of 2009, to an average of R\$80.82 per *arroba* in 2010 (average of 17 markets). In 2009, the average price per *arroba* was R\$72.15 in the same markets, according to CEPEA/ESALQ.

Exports

Over the last years, the Brazilian beef industry has undergone intense internationalization. Brazil's market share of global beef exports increased from approximately 5% in the early 1990s, to approximately 23% in 2010.

According to ABIEC, Brazil's beef exports have decreased approximately 19% in volume and increased 22% in revenue in six years from 2006 through 2010 as a result of:

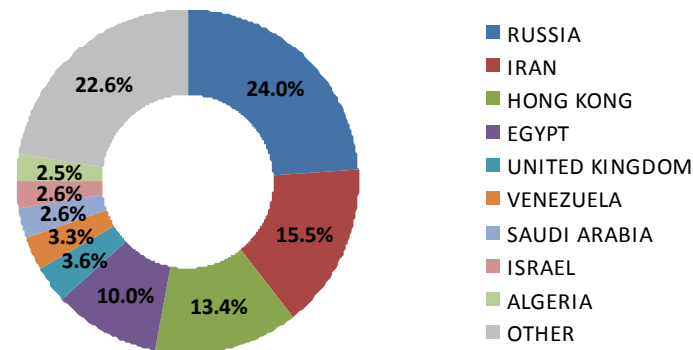
- increased productivity in the Brazilian beef sector and decreased production costs;
- expanded marketing and advertising efforts;
- an increased number of export destinations; and
- a reduction in sanitary and trade barriers.

In the international markets, the slow recovery and the appreciation in the U.S. dollar against the Brazilian *real* affected exports, reducing beef export volumes by 1% to 1.2 million metric tons in 2010. According to ABIEC, the average export price in 2010 was U.S.\$3,897/metric ton, a 18% increase from 2009 (U.S.\$3,308/metric ton).

Evolution of Brazilian Beef Exports					
	2006	2007	2008	2009	2010
Volume (in thousand metric tons)	1,523	1,615	1,384	1,245	1,231
Revenue (in millions of U.S.\$).....	3,923	4,425	5,325	4,118	4,795
Price (U.S.\$/ton).....	2,576	2,740	3,848	3,308	3,897

Source: ABIEC.

The graph below shows the principal export markets for Brazilian beef in 2010:



Source: ABIEC

Competitive Advantages

Brazil offers several competitive advantages in producing beef when compared to its competitors in the international market, including:

- Disease resistant breeding practices: unlike most other major beef producers (including the United States, the European Union and Australia), the Brazilian cattle are grass fed, which is a factor that reduces the risk of an outbreak of BSE disease in the country.
- Health and quality advantages: raising cattle on the fields, which is the most common practice in Brazil, has been viewed as one of the most nutritious cattle raising practices, according to data from ABIEC. The meat of cattle raised on fields has less fat than cattle raised in confinement. Several studies have concluded that Brazilian beef has significant concentrations of substances that are favorable to human health.

Trade Restrictions and Sanitary Risks

The same factors that confer one of the most important competitive advantages to Brazil are also the main reasons why Brazilian beef is subject to trade restrictions in some of the most important international markets. Despite being the largest exporter of beef in the world, Brazil's products are substantially available in only ten of the 20 largest importing markets. Countries like the United States, Mexico, Canada, Japan and South Korea are among the most important markets where Brazilian beef is still not sold.

Sanitary risks are very important factors that are taken into consideration by any country's meat sector. Brazil currently has sanitary regulations that take into account regional distinctions. This method of sanitary regulation is called zoning (or regionalization) and establishes that in the case of the occurrence of a disease in the territory of a certain country, the geographical location of the disease is taken into consideration, so that the country can continue to export products (from animal and vegetable sources) from the regions that are free of the disease. Zoning has been recognized by, for example, the European Union, Egypt, Argentina, the Philippines, Romania, Russia and Hong Kong. Zoning has not yet been accepted, however, by other important beef importers, and, as a consequence, Brazil does not export fresh meat to those countries.

F&M Disease

Brazil is divided into zones with respect to the presence of F&M disease. In the last seven years, Brazil made significant progress in its control of F&M disease, especially when considering that practically the entire Brazilian territory was affected by the disease in 1998. According to MAPA, almost 75% of Brazilian

cattle are free of F&M disease. This success is due to the Brazilian government's efforts to increase vaccination (in 2010, it is expected that Brazil will vaccinate approximately 97.4% of its cattle). MAPA developed the National Program of Eradication or Prevention of F&M Disease with the goals of the limitation in the South American. F&M disease does not affect human beings. Exports of fresh meat during outbreaks are restricted to avoid economic damages in the export markets.

The Argentine Beef Industry

Consumption

According to the USDA, Argentina is the fifth largest consumer of beef in the world. From 2006 through 2009, Argentines were the largest per capita consumers of beef in the world. In 2010, Argentina had the second highest rate of beef consumption in the world, averaging 55.8 kilograms per capita in 2010.

Production

According to the USDA data, Argentina has a substantial cattle herd for commercial purposes, with an estimated 49.1 million head of cattle in 2010, more than Mexico and Russia. Argentina has been an important player in the international beef market for many years and currently ranks eighth in the ranking of beef exporting countries. According to OIE, Argentine cattle are currently classified as free of F&M disease with vaccination.

The price of cattle has increased in recent years due to global commodities inflation.

Exports

Export volume was 300,000 metric tons in 2010, a decrease of 54% from 655,000 metric tons in 2009. The average price in 2010 was U.S.\$6,484/metric tons, an increase of 61.2% from U.S.\$4,023/metric tons. Germany was the main destination of Argentina's beef, representing around 27.6% of exports.

Competitive Advantages

- Argentina had the second highest per capita consumption of beef in the world in 2010, according to the USDA;
- Approximately 49.1 million head of cattle, according to the USDA;
- Slaughter rate of approximately 24.1% in 2010, lower than the rate in the United States, the European Union and Australia, according to the USDA;

Trade Restrictions and Sanitary Risks

- Sanitary risks: an outbreak of disease such as F&M disease can lead to trade barriers and affect exports from Argentina;
- Trade barriers: the economic crisis has led to increased protectionism by some governments seeking to protect their local economies. Trade barriers and industry subsidies by importing countries can affect Argentine exports and diminish the competitive advantage of its products.

The Uruguayan Beef Industry

Consumption

Uruguay's production is substantially oriented towards the export market, and has in recent years been among the top ten beef exporters in the world. From 2005 through 2009, Uruguayans were the second largest consumer of beef in the world and in 2010 they were the largest consumer of beef in the world, averaging 62.1 kilograms per capita in 2010, according to the USDA.

Production

According to INAC, Uruguay, with an estimated 11.1 million head of cattle in 2010, is also an important beef exporter.

Increases in price for beef in the international markets were accompanied by increases in prices for cattle in 2008. However, the effects of the global crisis established a new level of prices in the fourth quarter, in which cattle prices trended downward.

In 2009, although Uruguay's beef consumption remained stable, the lower international demand for beef caused by the global financial crisis and the depreciation of the U.S. dollar against other currencies affected Uruguay more than Argentina, since Uruguay exports approximately 61% of its production.

In 2010, cattle prices increased to highest historical levels, accompanied by international inflation of commodities.

Exports

According to the USDA, export volume was 380 thousand metric tons in 2010, an increase of 1.1% from 376 thousand metric tons in 2009.

Competitive Advantages

- Approximately 11.1 million head of cattle, according to INAC;
- Free of F&M;
- The country is allowed to export fresh beef to Pacific North, including countries such as USA, Canada and Mexico;
- Strong domestic market with the second largest per capita consumption of beef in the world.

Trade Restrictions and Sanitary Risks

- Sanitary risks: an outbreak of disease such as F&M disease can lead to trade barriers and affect exports from Uruguay.
- Trade barriers: the economic crisis has led to increased protectionism by some governments seeking to protect their local economies. Trade barriers and industry subsidies by importing countries can affect Uruguayan exports and diminish the competitive advantage of Uruguayan products.

The North American Beef Industry

Consumption

During the past several decades, consumer demand for beef products in the United States has been driven by population growth, which is the primary driver of aggregate demand. Historically, consumer demand for beef products in the United States has remained relatively stable during economic downturns and has also remained relatively stable during the recent recession. Export demand has varied, but it has been growing since the reopening of certain international markets in 2005, which has been closed to North American beef imports following the discovery of isolated cases of BSE, in 2003. According to the USDA, North American beef exports reached 1.04 million tons in 2010, representing an increase of more than 18% over 2009.

Exports

The United States is the top global producer of beef. This is mainly due to the high quality of meat from the confined and grain-fed cattle, which is sold to both the domestic and foreign markets.

Production

In 2010, the United States produced 11.8 million tons of beef. The North American beef industry is characterized by daily price oscillations based on patterns of seasonal consumption and on the supply and demand for beef and other sources of protein in the United States and other countries. Cattle prices vary over time and are influenced by stock levels, production cycles, weather and cattle feeding costs, among other factors.

Beef processors include vertically integrated companies, who own and raise cattle on feed for use in their processing facilities, and pure processors, who do not own cattle on feed. Pure U.S. beef processors generally buy cattle raised in confinement on the spot market or pursuant to market-priced supply agreements. They process the cattle in their own facilities and sell the beef at spot prices. Cattle are normally purchased at market prices and kept for less than one day before slaughter. Thus, such processors are typically exposed to oscillations in market prices for less than two weeks. Pure beef processors are primarily “spread” operators, and their operating profit is largely determined by the operational efficiency of their facilities and not by fluctuations in the market prices for cattle and beef.

The Global Chicken Industry

Consumption

According to the USDA, chicken is the second most consumed meat in the world, following pork. In 2010, approximately 73 million tons of chicken were consumed, an increase of 3% over 2009. The largest consumers of chicken are the United States, China, the European Union, Brazil and Mexico. The table below shows the largest chicken consumers in the world:

Country	Global Chicken Consumption					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
United States	13,671	13,582	13,428	12,940	13,463	13,670
China	10,371	11,415	11,954	12,210	12,457	12,890
Brazil	6,853	7,384	7,792	8,032	9,132	8,301
European Union ⁽³⁾	7,656	8,358	8,564	8,692	8,779	8,870
Mexico	3,010	3,061	3,281	3,264	3,344	3,388
Russia	2,373	2,630	2,834	2,966	2,923	2,720
India	2,000	2,239	2,489	2,549	2,649	2,699
Japan	1,970	1,945	1,926	1,978	2,063	2,035
Iran	1,326	1,464	1,460	1,542	1,660	1,680
South Africa	1,369	1,394	1,428	1,443	1,514	1,515
Argentina	1,109	1,200	1,270	1,327	1,395	1,505
Others	12,677	13,636	14,606	14,917	15,748	15,954
Total	64,385	68,308	71,032	71,860	75,127	75,227

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Production

According to the USDA, the United States is the largest producer of chicken, followed by China, Brazil and the European Union. The table below shows global chicken production in the indicated countries from 2006 through 2011 (estimated):

Country	Global Chicken Production					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
United States	15,930	16,226	16,561	15,935	16,563	16,637
China	10,350	11,291	11,840	12,100	12,550	13,000
Brazil	9,355	10,305	11,033	11,023	12,312	11,750
European Union ⁽³⁾	7,740	8,320	8,594	8,756	9,095	9,000
Mexico.....	2,592	2,683	2,853	2,781	2,809	2,850
India.....	2,000	2,240	2,490	2,550	2,650	2,700
Russia	1,180	1,410	1,680	2,060	2,310	2,125
Argentina.....	1,200	1,320	1,430	1,500	1,600	1,800
Iran	1,327	1,423	1,450	1,525	1,600	1,650
Thailand.....	1,100	1,050	1,170	1,200	1,280	1,380
South Africa	1,113	1,159	1,240	1,250	1,290	1,300
Others	10,609	11,098	11,377	11,613	11,932	12,017
Total.....	64,496	68,525	71,718	72,293	75,991	76,209

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Exports

Since 2004, Brazil has been the largest exporter of chicken in the world. In 2010, Brazilian exports represented approximately 39% of global chicken exports. The second largest exporter is the United States, followed by the European Union. The table below shows the main exporters from 2006 through 2011 (estimated):

Country	World's Leading Chicken Exporting Countries					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
Brazil	2,502	2,922	3,242	2,992	3,181	3,450
United States	2,361	2,678	3,157	3,093	3,072	3,016
European Union ⁽³⁾	689	635	742	783	992	840
Thailand.....	261	296	383	379	432	440
China	322	358	285	291	379	410
Argentina.....	94	125	164	178	214	300
Canada.....	110	139	152	147	147	155
Chile	64	39	63	87	79	70

World's Leading Chicken Exporting Countries						
Country	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
Kuwait.....	38	60	70	70	70	70
Ukraine.....		6	8	19	33	25
Australia.....	16	25	27	30	26	30
Others.....	85	98	120	144	168	148
Total.....	6,542	7,381	8,413	8,213	8,793	8,954

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Imports

Russia used to be the largest importer of chicken in the world until 2009, but lost its position to Japan, that represented nearly 10% of global imports in 2010, according to the USDA. Saudi Arabia and the European Union are the second and third largest importers, respectively. The Middle East, and mainly Saudi Arabia and the United Arab Emirates, have increased imports of chicken in recent years. The table below shows the main importers of chicken from 2006 through 2011 (estimated):

World's Leading Chicken Importing Countries						
Country	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
Japan.....	716	696	737	645	789	760
Saudi Arabia.....	423	470	510	605	678	680
European Union ⁽³⁾	605	673	712	719	676	710
Mexico.....	419	380	433	492	549	550
Russia.....	1,189	1,222	1,159	913	618	600
Hong Kong.....	243	215	236	253	295	325
Vietnam.....		110	211	201	291	250
Iraq.....	119	176	211	374	319	340
United Arab Emirates.....	182	238	289	297	288	315
Venezuela.....	124	163	352	181	237	300
Others.....	1,991	2,714	2,920	2,932	3,215	3,126
	(without Vietnam)					
Total.....	6,011	7,085	7,806	7,652	7,999	8,000

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Competition

The competitiveness of a chicken producer in the international market depends on its cost structure. The main production cost of poultry is grains, accounting for approximately 69% of the total cost, according to the National Supply Company (*Companhia Nacional de Abastecimento*, or “CONAB”). Other factors include transport and distribution costs, as well as trade barriers imposed by importing markets.

Trade Barriers and Sanitary Risks

Trade barriers range from import quotas for Brazilian products (e.g. Russia), protective tariffs (e.g. the European Union), direct and indirect subsidies to local producers, licensing requirements (e.g. China) and complete import bans. Most countries demand sanitary agreements from Brazil before importing Brazilian products (as the United States, which does not have such agreements in place with Brazil for poultry or pork products).

Sanitary risks involve outbreaks of disease in poultry. Bilateral sanitary agreements vary from country to country. Outbreaks of disease can lead to trade barriers between countries. The main outbreaks of disease among poultry are as follows:

- Newcastle diseases: a contagious disease, affecting birds at any age. The virus can affect and cause lesions in the digestive tract and respiratory and nervous systems, leading to the death of the bird. The disease is combated with vaccinations.
- Bird flu: this contagious disease affects birds and can infect people that consume contaminated chicken. Currently, cases of the disease are concentrated in Southeast Asia. The bird flu virus can be destroyed through cooking meat or eggs to 71°C. Some poultry-producing countries such as Thailand responded to outbreaks of bird flu by changing production to cooked products. Global chicken sales can be negatively affected by the development of the more virulent H1N1 bird flu virus. Since the beginning of 2003, there have been more than 549 confirmed cases of bird flu in people and more than 320 deaths, according to the World Health Organization. Human cases were reported in various Asian countries, in the Middle East and in Africa in 2006. Various European countries reported cases of bird flu in birds. Currently the bird flu has not been detected in Brazil or anywhere else in the Americas.

The Brazilian Chicken Industry

Consumption

According to the USDA, Brazilian chicken consumption totaled 8.1 million metric tons in 2010, an increase of 18% compared to 2006. Brazil is the fourth largest consumer of chicken in the world, accounting for approximately 11% of global consumption. In 2010, Brazil consumed approximately 71% of its chicken production.

Production

Brazil is the third largest producer of chicken (in terms of metric tons produced), and the largest exporter of poultry, in the world. The volumes of production, consumption and export of poultry have increased considerably in the last five years, since Brazil became the largest exporter in the world in 2004. In 2010, Brazilian chicken production reached 11.4 million metric tons, an increase of 22% compared to 2006.

Brazil's domestic market proved flexible in relation to chicken consumption, though the higher domestic supply resulting from lower exports and the strong appreciation in the U.S. dollar also increased domestic prices.

Exports

According to *União Brasileira de Avicultura*, or UBABEF, chicken exports totaled 3.8 million metric tons in 2010, an increase of 5% compared to 2009. Revenue was U.S.\$6.8 billion, an increase of 17% from 2009, as a result of the 11% increase in the average price. In addition to the slow economic recovery in certain important destinations, the high exchange rate volatility also led to a protracted recovery in the poultry export market.

The charts below show the evolution of Brazilian chicken exports, in million metric tons:

	Evolution of Brazilian Chicken Exports				
	2006	2007	2008	2009	2010
Volume (in thousand metric tons)	2,713	3,284	3,645	3,634	3,819
Revenue (in millions of U.S.\$).....	3,203	4,963	6,948	5,814	6,808
Price (U.S.\$/ton).....	1,181	1,511	1,906	1,600	1,783

Source: ABEF.

Competitive Advantages

The main competitive advantages of Brazilian chicken producers are as follows:

- Potential growth in the domestic and export markets;
- Improved margins relative to other large producers such as Europe, the United States and Thailand, due to the combination of (i) ample access to the grain used to feed poultry (in terms of both quantity and price) and (ii) lower labor costs than more developed countries.

Trade Barriers and Sanitary Risks

Brazilian chicken producers reported increased experiences with protectionism in early 2009. This year, there were attempts to ban Brazilian meat from Spain, South Africa, Canada and the European Union.

The United States does not have sanitary agreements with Brazil related to poultry and pork products. With regards to sanitary risks, Brazil currently does not have Newcastle Disease or bird flu, although ANVISA is increasingly concerned about abuses of antibiotics.

The Chicken Industry in Europe

The European Union has an important role in the global chicken industry. According to the USDA, the European Union is the third largest consumer of chicken in the world, after the United States and China, with an annual consumption of 8.8 million metric tons in 2010. In the European Union market, chicken consumption has increased 14% from 2006 to 2010, according to the USDA. The European Union is the fourth largest producer of poultry (8.9 million metric tons in 2010), the second largest importer and the third largest exporter of poultry in the world.

A material aspect of the European Union market is the concern with the environment and with animal well-being. In recent years, concerns with the climate change led to an intensification in the use of bio-fuels, which caused an increase in the price of grain. The European Commission has been adopting measures to standardize the productive process, assuring the well-being of the animals, the quality of the products and avoiding plague spreads.

The North American Poultry Industry

Production

The North American poultry sector is characterized by daily price alterations based on seasonal consumption patterns and overall supply and demand for poultry and other meats in the country and abroad. The prices for poultry vary over time and are affected by inventory levels, production cycles, weather conditions and animal feeding costs, among other factors. Large-scale poultry processors are typically vertically integrated. They own and raise brood hens to lay eggs for incubation. Once hatched, the chicks are transported to independently contracted growth farms where they develop until they reach the age of seven to nine weeks. The processor supplies the hired farmers with the chicks, feed and veterinary services. Vertically integrated poultry processors may be significantly affected by demands for working capital, since the chicks are fed for between seven and nine weeks and generate no revenue until they are processed.

Additionally, since chicks consume feed (meal produced from corn and soybean meal) with a replacement price that is subject to variations in market price, vertically integrated poultry processors have direct financial exposure to the volatility in such feed prices.

Consumption

The poultry industry is comprised principally of chicken and turkey products. Chicken products are the most commonly consumed source of meat protein in the United States and the second most consumed meat in the world by volume. According to the USDA, the United States is the world's largest producer of poultry products.

Despite being affected by seasonal consumption patterns, the demand for poultry has remained consistently stable. During the last few decades, demographic changes in work-forces, dietary tendencies and the growing demand for food services are the main driving force behind the increased demand for poultry products in the United States. It is likely that consumer demand from emerging nations for North American exports is driven by the growth in population compounded with economic growth. As consumers' economic circumstances improve, they tend to change their diets to include more protein.

Exports

The United States is the world's second largest exporter of poultry products, after Brazil, according to the USDA. The largest importers of North American poultry products are Russia, China and Mexico, who together account for almost half of total North American exports of poultry products.

The Global Pork Industry

Consumption

According to the USDA, pork is the most consumed protein in the world. In 2010, more than 101 million metric tons of pork were consumed globally, compared to 73.3 million metric tons of chicken and 56.4 million metric tons of beef. The largest consumers of pork in the world are the Chinese, representing approximately 49% of all pork consumption in 2010, followed by the European Union, the United States, Russia and Brazil. The table below shows the largest consumers of pork in the world:

Country	Global Pork Consumption					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
China	46,014	42,710	46,691	48,823	51,097	51,590
European Union ⁽³⁾	20,631	21,507	21,024	21,057	21,271	20,600
United States	8,643	8,965	8,806	9,013	8,653	8,485
Russia	2,639	2,534	2,789	2,688	2,773	3,159
Brazil	2,191	2,260	2,390	2,423	2,577	2,620
Japan.....	2,452	2,473	2,486	2,467	2,485	2,444

Country	Global Pork Consumption					
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
Vietnam	1,731	1,855	1,880	1,876	1,881	1,900
Mexico.....	1,489	1,523	1,605	1,770	1,774	1,789
South Korea.....	1,420	1,502	1,519	1,480	1,539	1,550
Philippines.....	1,239	1,275	1,270	1,298	1,358	1,360
Ukraine.....	585	715	828	713	795	840
Others	6,419	6,530	6,565	6,660	6,750	6,778
Total.....	95,453	93,849	97,853	100,268	102,953	103,115

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Production

According to the USDA, China is the largest consumer and producer of pork in the world, producing almost all of its domestic consumption. The European Union is the second largest producer, followed by the United States and Brazil. The table below illustrates global pork production in the countries indicated from 2006 through 2011 (estimated):

Country	Global Pork Production					
	2006	2007	2008	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
China	46,505	42,878	46,205	48,905	51,070	51,500
European Union ⁽³⁾	21,791	22,858	22,596	22,434	23,000	22,120
United States	9,559	9,962	10,599	10,442	10,187	10,204
Brazil.....	2,830	2,990	3,015	3,130	3,195	3,260
Russia	1,805	1,640	1,736	1,844	1,920	2,310
Vietnam	1,713	1,832	1,850	1,850	1,870	1,900
Canada.....	1,748	1,746	1,786	1,789	1,772	1,720
Japan.....	1,247	1,250	1,249	1,310	1,291	1,290
Philippines.....	1,215	1,250	1,225	1,240	1,255	1,260
Mexico.....	1,109	1,152	1,161	1,162	1,165	1,184
Taiwan.....		828	784	779	768	778
Others	5,201	5,627	5,537	5,514	5,730	5,866
	(without Taiwan)					
Total.....	94,723	94,013	97,743	100,399	103,223	103,392

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Exports

Currently, the United States is the largest exporter of pork in the world. The USDA estimates that the United States exported 2 million metric tons of pork in 2010, or 33% of global exports. The second largest exporter is the European Union, followed by Canada and Brazil. The table below shows the main exporters from 2006 through 2011 (estimated):

World's Leading Pork Exporting Countries						
Country	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
(in thousands of metric tons)						
United States	1,359	1,425	2,117	1,857	1,917	2,121
European Union ⁽³⁾	1,285	1,286	1,727	1,415	1,754	1,550
Canada	1,081	1,033	1,129	1,123	1,159	1,175
Brazil	639	730	625	707	619	640
China	544	350	223	232	278	280
Chile	130	148	142	152	130	140
Mexico	66	80	91	70	78	85
Australia	60	54	48	40	41	40
Vietnam	20	19	11	13	13	15
Norway	6	2	1	3	6	6
Croatia		2	3	4	3	3
Others	34	32	31	26	15	13
	(without Croatia)					
Total	5,221	5,161	6,148	5,642	6,013	6,068

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

(3) Includes data from the 27 member countries of the European Union in all of the years indicated.

Imports

According to the USDA, Japan is the largest importer of pork in the world, representing approximately 20% of all pork imports in 2010, followed by Russia, Mexico and United States. The table below shows the main pork importers from 2006 through 2011 (estimated):

World's Leading Pork Importing Countries						
Country	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
(in thousands of metric tons)						
Japan	1,154	1,210	1,267	1,138	1,198	1,157
Russia	835	894	1,053	845	854	850
Mexico	446	451	535	678	687	690
United States	449	439	377	378	385	397
South Korea	410	447	430	390	382	410
China	53	182	709	270	355	370

World's Leading Pork Importing Countries						
Country	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
	(in thousands of metric tons)					
Hong Kong	277	302	346	369	347	380
Canada.....	146	171	194	180	183	230
Australia	109	141	152	176	183	205
Ukraine.....	62	82	238	186	146	110
Singapore.....		97	91	97	104	100
Others	920	657	804	805	929	906
	(without Singapore)					
Total.....	4,861	5,073	6,196	5,512	5,758	5,805

Source: USDA.

Notes:—

(1) Preliminary results.

(2) Estimates.

Competition

The competitiveness of a pork producer in the international market depends on its cost structure. The main cost in raising pigs is feed, accounting for more than 75% of costs, according to data from CONAB. Other factors affecting competitiveness are transport and distribution costs, and trade barriers imposed by import markets.

Trade Barriers and Sanitary Risks

As with cattle and chicken, trade barriers and the risk of disease in pigs threaten the performance of companies in the industry. Trade barriers range from import quotas on Brazilian products, protectionist tariffs, direct and indirect subsidies to local producers, licensing requirements and complete ban on imports. Most countries demand sanitation agreements with Brazil before accepting Brazilian products (as is the case with the United States, which does not have sanitation agreements with Brazil for pork products or poultry).

- The H1N1 flu or flu A: This virus is highly transmissible between people, and since the media does not always explain that the consumption of properly prepared pork does not transmit the flu, people have immediately curtailed in the short term their consumption of pork products.
- F&M disease: Brazil's territory is divided in zones according to the identification of F&M disease in a certain location. In the last seven years, Brazil made significant progress in the control of F&M disease, especially taking into account that practically the entire territory was affected by F&M disease in 1998. F&M disease does not affect human beings. Exports of fresh meat during outbreaks are restricted to avoid economic damages in the export markets.
- Porcine Reproductive and Respiratory Syndrome ("PRRS"), also called Blue Ear Disease: PRRS is a sickness that can cause prenatal abortions, premature births, fetal mummification, weak and dead piglets, infertility and respiratory symptoms in various age groups, and is endemic (persisting for much time in a population) in various countries. Brazil does not have any evidence of the presence of this disease, but should undertake measures to prevent its introduction, most likely through imported animals, the disease is on the list of the World Organization for Animal Health (combining old lists A and B) requiring mandatory reporting.
- Classic Swine Plague ("CSP"): CSP, also known as swine fever or pig cholera, is a contagious disease that is frequently fatal to pigs. It was first recognized in the 19th century and its viral

etiology was established in the beginning of the 20th century. Currently, some of the most important pork-producing areas or countries are CSP free, but despite eradication efforts, the disease remains endemic or recurring in other areas. The probability of propagation of the disease is highest in areas densely populated with pigs. In countries where CSP is endemic, vaccines are generally extensively utilized to prevent losses, although it is ineffective to eradicate the disease.

The Pork Industry in Brazil

Consumption

According to the USDA, Brazilian pork consumption was 2.5 million metric tons in 2010, an increase of 16% compared to 2006. Brazil is the fifth largest consumer of pork in the world, representing approximately 3% of global pork consumption. Data from the USDA shows that pork consumption has increased in Brazil. In 2010, Brazil consumed approximately 80% of its production of pork. In the domestic market, per capita consumption has been increasing in recent years reaching 14.76 kg per capita per year, according to the ABIPECS.

Production

According to data compiled by the USDA, Brazil is the fourth largest producer and exporter, and fifth largest consumer of pork in the world, and despite being highly competitive in its production processes, Brazil suffers from sanitary restrictions in the principal markets. As an alternative, Brazil mainly exports to other markets, such as Russia and Hong Kong.

Brazil's domestic market proved flexible in relation to chicken and pork consumption, though the higher domestic supply resulting from lower exports and the strong depreciation in the U.S. dollar also reduced domestic prices in the first half of the year.

Exports

Pork exports reached 540,000 metric tons in 2010, a decrease of 11% from 2009. Export revenue was U.S.\$1.3 billion, an increase of 9% from 2009 due to the 23% increase in the average price. The main importers of Brazilian pork continue to be Russia, Hong Kong and Angola.

	Total Brazilian Pork Exports				
	Year ended December 31,				
	2006	2007	2008	2009	2010
Volume (in thousand metric tons)	528	607	529	607	540
Revenue (in Millions of U.S.\$)	1,037	1,231	1,479	1,226	1,341
Price (U.S.\$/ton).....	1,964	2,030	2,794	2,019	2,481

Source: SECEX

Trade Barriers and Sanitary Risks

According to ABIEC and pursuant to directives established by OIE, Brazil is divided into zones relating to the presence of F&M disease. Over the last seven years, Brazil has made much progress in controlling F&M disease, especially considering that nearly the whole country was affected in 1998.

Global demand for Brazilian poultry, pork and beef is significantly affected by trade barriers, sanitary requirements and barriers related to diseases, religious matters and economic conditions, among other factors, depending on the market to which the product is exported. Trade barriers range from import quotas on Brazilian products, licensing requirements and complete bans on imports. Most countries demand sanitation agreements with Brazil before accepting its products.

In addition, outbreaks of animal diseases can lead to import barriers (as is the case in Russia, which banned Brazilian pork products after F&M disease affected cattle in two Brazilian states). The Middle East, an active region for Brazilian poultry producers, does not import pork products because of Islamic religious restrictions. Above all else, economic conditions in a particular export market (national or regional) influence demand for all types of pork, beef and poultry products, as well as processed products.

BUSINESS

Introduction

We are a multinational diversified food company, founded and based in Brazil that produces, processes, sells and delivers a diversified range of food products, focusing on food derived from animal protein. We have more than two decades of experience in the food industry. We were recognized in 2010 by the magazine *Exame* as the “Best Agribusiness Company in Brazil” and by the magazine *Isto É Dinheiro* as the “Best Company in Financial Sustainability.”

We have built an integrated and geographically diversified business model, consisting of production facilities in locations that offer significant cost advantages, combined with a distribution network that covers more than 150 countries and accesses the world’s principal consumer channels and markets. We have a vertical business model in poultry and pork in Brazil, Europe (Moy Park) and the United States (Keystone), while in other regions we acquire poultry and pork raw material from third parties. Most of our cattle is acquired from third parties, providing us with a wide and varied portfolio of proteins and products. We also have a strong and growing presence in the processed foods segment, which we believe will be one of our main drivers of growth in volumes and margins in coming years.

Our business is organized strategically into the following segments, organized in accordance with the business from which revenue is derived: (i) Beef, Lamb and Leather, which includes operations located in Brazil, Argentina, Chile and Uruguay, and (ii) Poultry, Pork and Processed & Elaborated Products — PPP&E, which includes operations in Brazil, Asia, Europe, the Middle East and the United States.

On October 1, 2010, we completed our acquisition of the Acquired Keystone Businesses with a cash payment of R\$1,525.2 million. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry. Keystone is a global distributor and supplier of animal protein (poultry, pork, beef and fish), and has leading market shares in the United States as well as in key European and Asian markets. Keystone supplies protein to branded companies, and has been a key supplier to major fast food restaurants and major food services companies for over 40 years.

We currently operate 150 processing plants and offices in 22 countries in South America, North America, Europe, Asia and Africa and have a daily slaughtering capacity of 29,400 head of cattle, 3,740,000 chickens, 10,400 head of pork, 50,000 turkeys and 13,400 lambs. We have a monthly production capacity of 120,760 metric tons of processed food and 294,000 leather articles. Our annual distribution capacity is more than 200 million cases. Together, this production platform gives us significant growth capacity as well as the ability to hedge against industry risks.

Since our initial public offering in 2007, we have implemented a strategy of deliberate and consistent operational growth based on a global and diversified business model. From our initial public offering in 2007 through the end of 2010, our volume of products sold increased by approximately 283.6%. From 2008 through the end of 2010, our volume of products sold increased from 1,480,767 metric tons to 3,648,858 metric tons, representing a compound annual growth rate of 57.0%. At the same time we continued to upgrade our internal processes, seeking both improvements in efficiency and strict cost control, which we believe resulted in an increase in our profitability.

Financial Information

The table below shows financial information derived from our consolidated financial statements for the periods indicated:

	For the year ended December 31,					
	2008	2009	2009	2010	2010	2010 (Pro
	(Previous	(Previous	(IFRS)	(IFRS)	(IFRS)	Forma) ⁽⁴⁾
	BR	BR GAAP)				
	GAAP)					
	(R\$)	(R\$)	(R\$)	(R\$)	(U.S.\$)	(R\$)
(in millions, except as indicated)						
Net operating revenue	6,203.8	9,615.7	9,623.6	15,878.5	9,529.7	19,520.7
EBITDA ⁽¹⁾	884.3	819.5	725.0	1,502.5	901.8	1,768.9
EBITDA margin ⁽²⁾	14.3%	8.5%	7.5%	9.5%	9.5%	9.1%
Net income (Loss) ⁽³⁾	(35.5)	679.1	534.4	146.1	87.7	243.6
Cash and cash equivalents	1,071.7	3,033.4	3,033.4	3,876.4	2,326.4	3,876.4
Short-term debt	1,232.1	1,473.6	1,431.1	2,852.6	1,712.0	2,852.6
Long-term debt	3,081.4	3,680.5	3,680.5	6,375.2	3,826.2	6,375.2
Net debt ⁽⁵⁾	3,241.8	2,120.7	2,078.3	5,351.4	3,211.7	5,351.4
Total Debt/EBITDA (last 12 months)	4.9	6.3	7.1	6.1	6.1	5.2
Net Debt/EBITDA (last 12 months)	3.7	2.6	2.9	3.6	3.6	3.0

Notes:—

- (1) See “Presentation of Financial and Other Information—EBITDA.”
- (2) EBITDA divided by net operating revenue.
- (3) Net income excluding costs associated with issuances of shares or indebtedness.
- (4) For more detail on our pro forma information, see “Unaudited Pro Forma Condensed Consolidated Financial Information.”
- (5) Short-term debt plus long-term debt, less cash and equivalents. Short-term debt and long-term debt exclude notes payable of R\$313.6 million (short-term) and R\$380.5 million (long-term) at December 31, 2010.

On October 1, 2010, we completed the acquisition of the Acquired Keystone Businesses. See “—History of Our Organic Growth and Acquisitions.”

In order to facilitate investors’ analysis of our financial information, we have prepared an unaudited pro forma condensed consolidated income statement for the year ended December 31, 2010, which gives effect to the acquisition of the Acquired Keystone Businesses as if it had been consummated on January 1, 2010. Our audited consolidated balance sheet as of December 31, 2010 reflects the consolidation of the Acquired Keystone Businesses.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not purport to be indicative of what would have occurred had the transaction been consummated on January 1, 2010 or any other date, nor is it necessarily indicative of our future consolidated operating results. For more information, see “Unaudited Pro Forma Condensed Consolidated Financial Information.”

Portfolio of Products

Our portfolio of products includes the production, processing and/or sale of the following:

- Processed products such as cold cuts, sausages, smoked meats, hamburgers, meatballs and keftas, ready-made meals and snacks, empanadas and pasta, among others;

- Specialized, portioned and traditional cuts of non-processed meat (beef, pork, poultry and lamb);
- Processed beef products such as frozen pre-cooked meat, canned meats and dried beef jerky;
- Processed chicken products such as empanadas, ready-made meals, and frozen or refrigerated products, among others;
- Fish such as cod, hake and salmon, among others;
- Pre-cooked potatoes, pulses and frozen vegetables, sourced from the principal producing regions in South America;
- Wet blue, semi-finished, finished and cut leather for the automobile, aviation and upholstery industries;
- Cleaning products; and
- Logistics and distribution services for our clients.

Operating Information

The table below shows certain operating information for our business as of the dates indicated:

	As of December 31,		
	2008	2009	2010
Cattle ⁽¹⁾	21,100	27,850	29,400
Poultry ⁽¹⁾	1,726,000	1,847,000	3,740,000
Pork ⁽¹⁾	4,200	4,200	10,400
Lamb ⁽¹⁾	9,400	10,400	13,400
Processed Foods ⁽²⁾	42,126	47,670	120,760

Notes:—

(1) Slaughtering capacity in heads/day.

(2) Capacity in metric tons/month.

Competitive Strengths

We believe our proven capacity for organic growth and history of quality acquisitions puts us in a privileged position to continue to build out our client base, seize business opportunities in the processed foods, specialized meat cuts and food service segments, and create value for our shareholders. As evidence of this, our monthly processed food capacity increased by 186.6% in the 2008-2010 period. In addition, we believe we have the following strengths:

- *Capacity for organic growth.* Each of our processing facilities has been leased, purchased or constructed in the last ten years and was designed (or is being upgraded) to produce a wide range of beef, pork, lamb and poultry products, including high value-added products such as specialized cuts of beef, frozen pre-cooked beef, and pork in smoked, sausage or salted form. Our modern facilities provide us with ample access to customers such as global supermarket chains that require the highest quality standards from their suppliers. We believe the production capacity of our beef, poultry and pork platform can be substantially increased with investments in existing plants.
- *Proven capacity to successfully identify strategic goals, target assets to complement the needs of local companies and integrate acquired businesses.* We have a history of success in integrating companies and target assets, both in Brazil and elsewhere, carrying out the expansion process

efficiently and generating synergies. In the last three years, we have successfully completed and integrated 20 acquisitions with a high growth potential, including corporations, assets and brands in various segments of our industry. Accordingly, we believe we possess the necessary experience to identify and integrate acquired businesses and assets and generate synergies from each acquisition. We have been able to combine volume growth with operational synergies, driving consistent and increasing profitability. We have also been able to add more brands and products to our portfolio.

- *A diversified global platform.* Our global platform covers five continents and consists of 150 processing facilities and offices in South America, North America, Europe, Asia and Africa together with a distribution network that gives us access to more than 150 countries. The strategic location of our facilities in Brazil, Argentina and Uruguay, countries that have plentiful land and longstanding traditions of animal husbandry, leads to low production costs, competitive pricing and increased export volumes. We believe that these factors, when combined with our market position for value-added processed foods in high-income markets such as Europe and the United States, help us to maintain our margins. Our sales volumes, combining export and domestic markets sales, give us the necessary scale to maintain and expand our activities in competitive markets. In addition, through our diversified product portfolio we are able to offer customers a wide variety of products, which we believe results in increased customer loyalty. Lastly, our strategy of geographic and product diversification creates a natural hedge against industry risks.
- *An established global distribution network.* Through our various acquisitions, we have expanded our logistics and distribution network and have an established network on a global scale. Through this network, we are able to better serve our clients.
- *Strong reputation and well-positioned brands.* We have a portfolio of solid, well-positioned and well-known brands that are symbols of the highest quality and consistency in food products. These include Seara, a poultry and pork brand recognized in Brazil and internationally; Bassi and Montana, which are Brazilian beef brands; Paty, the leading Argentine hamburger brand, Aberdeen Angus, a symbol of quality meat in Argentina; Mirab, an important brand in Argentina for meat snacks such as beef jerky, which exports to a number of countries including the United States, Japan, and the United Kingdom; Pemmican, a major meat snacks brand in the United States; Tacuarembó; and Moy Park. We also have a complete portfolio of products in the food service and retail segments, allowing us to build long-term relationships with our customers.
- *Sustained growth and strong commitment to environmental protection.* We are deeply concerned with pursuing growth in a sustainable fashion, and have therefore taken a number of steps to promote the sustainability of our business and the industries in which we operate. These steps include joining the Task Force for Sustainable Ranching to promote environmental sustainability throughout the chain of cattle raising, an initiative introduced by the World Bank and the IFC; becoming a stakeholder in the Leather Working Group to develop environmental performance protocols for tanneries; signing onto Greenpeace's Minimum Criteria for Operations with Cattle and Beef Products in the Amazon Biome (which fights the invasion of indigenous lands, slave labor, rural violence and land grabbing), signing a pact for the sustainable development of the Amazon; a reduction in packaging and the development of sustainable product chains; and signing the Integrated Pollution Prevention and Control Pact (a set of standards and obligations agreed upon by European companies). We have a commitment to build partnerships with state governments dedicated to promoting the Meat Certificate of Origin program, and we have undertaken not to produce or acquire cattle in areas listed by the Brazilian Institute of Environment and Renewable Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*, or "IBAMA"), and other regulatory agencies as endangered or deforested, or in the Amazon.
- *Experienced and entrepreneurial management.* Our management team has extensive experience, with a combined total of more than 150 years in the food sector, which has given us significant strength when exploring market opportunities and adjusting our business plans to meet demand,

and enabled us to generate value for our shareholders since we were founded through growth as well as solid cash flow. In recent years, our current management team has driven our sales growth, upgraded our operations, successfully integrated our recent acquisitions and implemented our strategic planning. Our international operations benefit from local management with significant experience. Our founder and current CEO, Marcos Molina, has more than 20 years of experience in the food industry.

Our Strategy

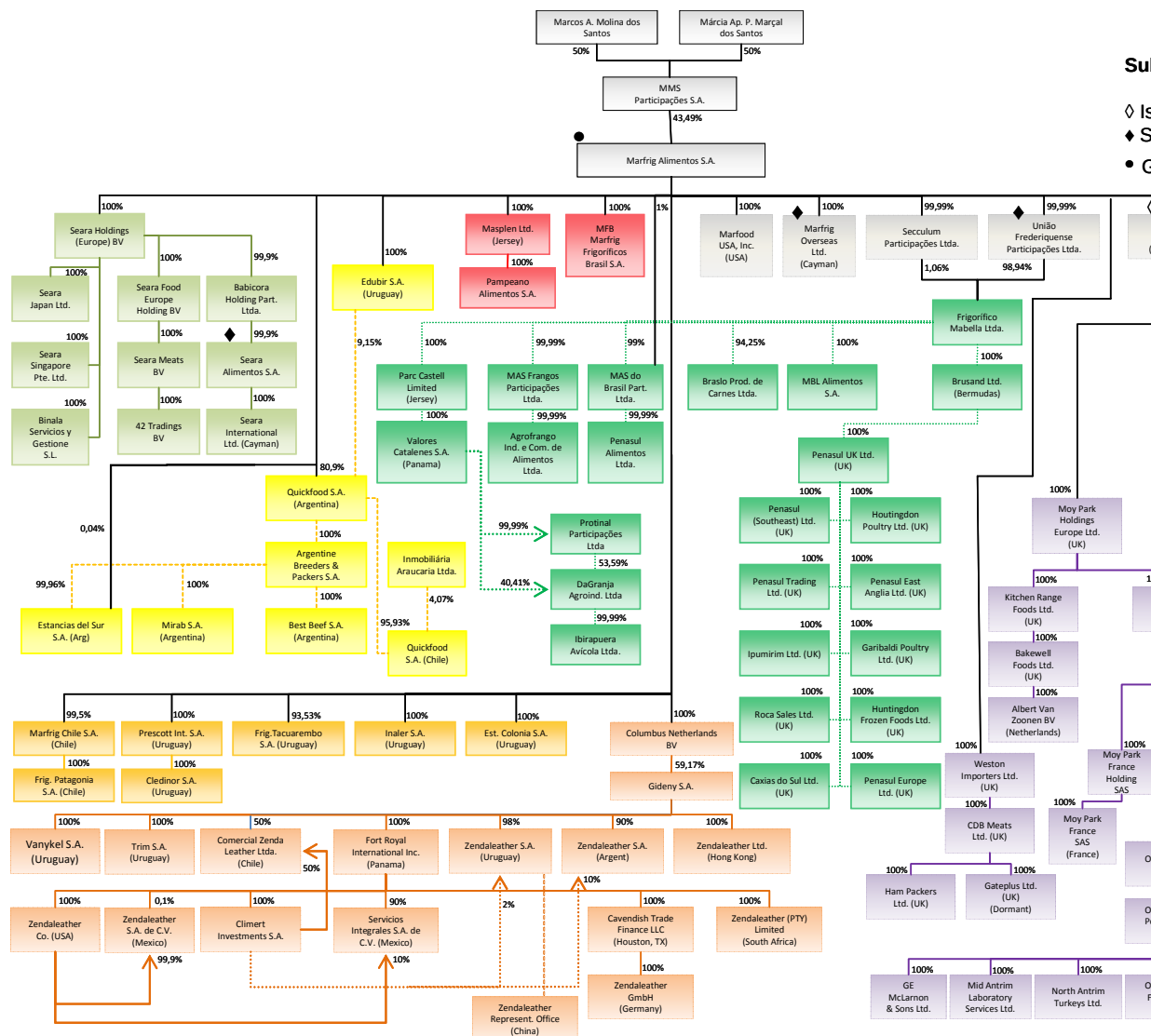
Our goals are (i) to increase our international presence, our share of our current markets and our volume of exports and (ii) to continue to focus on higher value-added products, thereby increasing our margins and profitability. To achieve these goals, we have implemented and will continue to leverage the following strategic objectives:

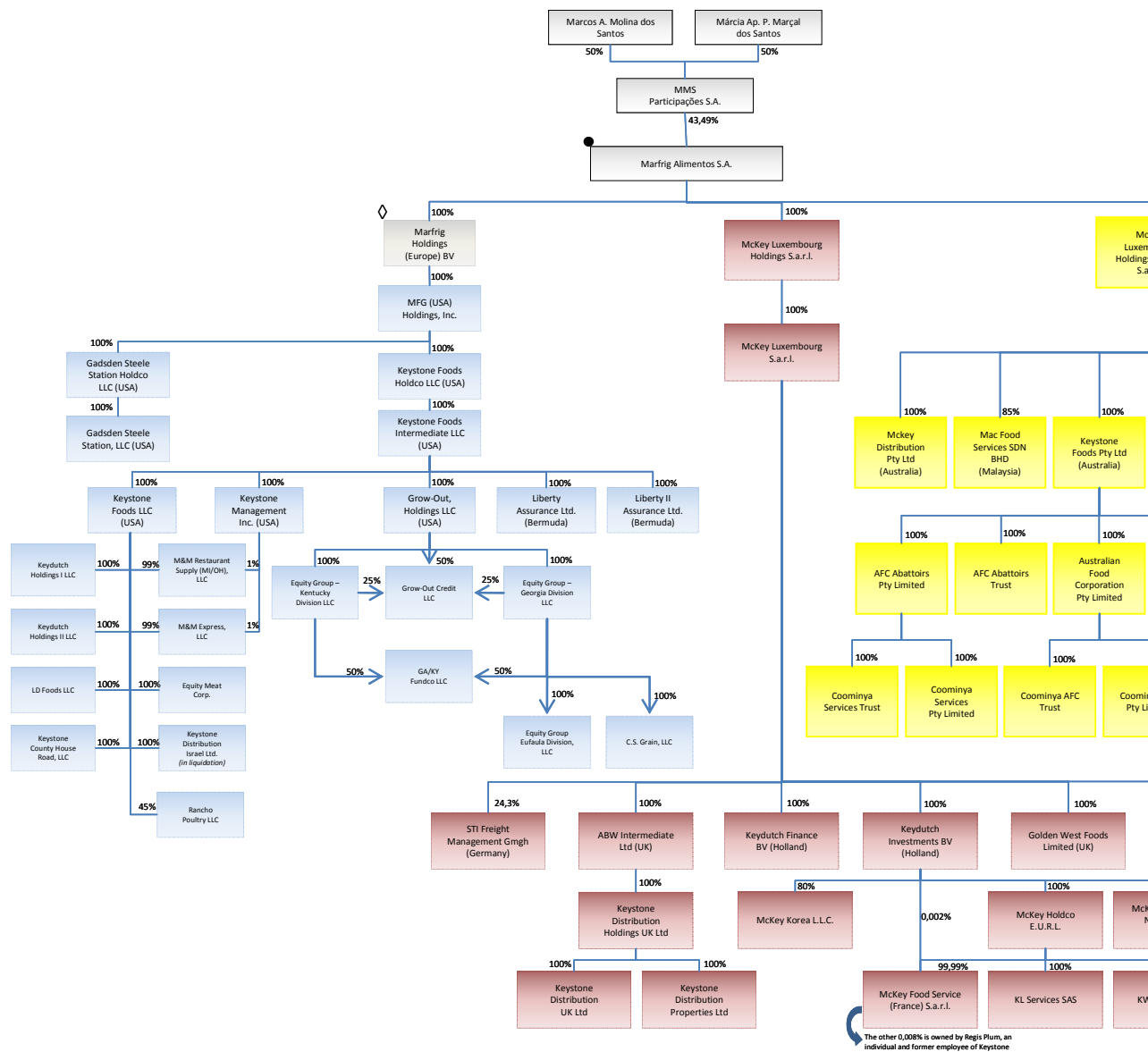
- *Invest in organic growth.* We intend to continue investing in increasing capacity in our poultry and pork processing plants, in order to continue to balance revenue from these segments with revenue from beef products. We believe we can achieve substantial increases in production capacity using our current facilities without the need for major investments. We also intend to invest in the growth of our distribution and logistics network.
- *Continue to pursue partnerships in our industry.* Our industry is fragmented and has undergone a consolidation trend worldwide, and we believe that this trend will continue in the foreseeable future. In the three years ended December 31, 2010 we carried out 20 acquisitions. We recently completed the acquisition of the Acquired Keystone Businesses, among other acquisitions, and the integration of these acquisitions is our focus in 2011. We continue to take advantage of our experience in integrating target businesses at all levels of the chain of production, which we believe will bring us new markets, additional products, economies of scale and operating synergies and expand the reach and distribution of our products.
- *Expand our focus on high value-added products.* We intend to continue to increase our range of processed foods and specialized cuts of non-processed meat, such as cold cuts, sausages, frozen foods, canned meat, hamburgers, pasta and premium cuts, among others. Since these products generate higher added value than non-processed meat, they generally permit us to realize higher margins.
- *Expand our distribution and logistics services.* We intend to expand our clients' access to our logistics and distribution network and broaden the products shipped through the network. This will include expanding services provided to fast food and regular restaurant chains as well as other clients in the retail sector. By distributing products other than our own to our clients in the retail and industrial sectors we intend to extract more value from our distribution channels.
- *Leverage and develop our brands.* In the markets where we operate, we intend to gain market share positions similar to those held by Paty, the leading hamburger brand in Argentina and a reference in its category, Moy Park in the United Kingdom and Seara in the Brazilian and international markets. We are investing to strengthen the Seara brand in the Brazilian market and worldwide, primarily by using it in healthy products and sponsoring sports events, particularly soccer, the main national sport in Brazil.
- *Maximize our global platform and our commercial relationships.* We intend to take advantage of the local presence that we have acquired by offering a larger variety of products in the markets in which we operate, both domestically and internationally, as well as by expanding into new markets. We will also continue to invest in the expansion and consolidation of our position in the domestic markets where we operate. In the other markets where we already operate, whether in South America, Europe, Asia, the Middle East or the United States, we intend to seek out new partnerships and increase our customer base. As of December 31, 2010, we had more than 79,000 customers recorded in our portfolio; we intend to strive continuously to increase this number.

- *Expand our food service activities.* We intend to increase direct sales of our products through restaurants, corporate catering facilities, specialty beef outlets and fast food chains, since these sales generate greater margins. We constantly seek to broaden our product offering in the food service segment and maximize our existing distribution network, so as to provide our food service customers with a “one-stop-shop” option consisting of a complete range of food products for their daily needs.
- *Add value in semi-finished, finished and cut leather.* We intend to increase our sales of semi-finished, finished and cut leather in Europe, the United States, Asia, Africa and the Mercosul region, selling to our customers in the automobile, aviation and upholstery and related industries. This will enable us to cover more value-added stages in leather production and, therefore, in the cattle slaughter value chain.

Corporate Structure

The charts below show our corporate structure as of March 31, 2011.





Our Subsidiaries

The subsidiary and affiliated companies presented in the corporate chart above should be considered within the operational context of the integrated activities of our subsidiaries.

(i) Beef, Lamb and Leather

(i)(a) Brazil

Marfrig Alimentos S.A.

Marfrig Alimentos S.A. comprises ten cattle slaughterhouses and three beef processing units, one leather processing plant, one hygiene and cleaning product plant and four fattening facilities located in the states of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a distribution center in the state of São Paulo.

MFB Marfrig Frigoríficos Brasil S.A.

MFB Marfrig Frigoríficos Brasil S.A., formerly Frigoclass Alimentos S.A., is composed of 13 cattle slaughtering units, of which one is also used for slaughtering lamb, as well as two beef processing and industrialization units, one of which is located in the slaughtering unit of Rio Verde, in the state of Goiás. The slaughtering units are located in the state of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia.

Masplen Ltd. (Isle of Jersey) (“Masplen”)

Masplen owns 100% of Pampeano Alimentos S.A. (Brazil) (“Pampeano”). Pampeano produces canned meats and other industrialized products in the state of Rio Grande do Sul.

Marfrig Overseas Limited

We established Marfrig Overseas Limited, a Cayman Islands entity, in order to conduct bond issues in the international capital markets.

Marfood USA, Inc. (“Marfood USA”)

Marfood USA is a producer and distributor of beef jerky in the United States, and owns the Pemmican brand.

(i)(b) International

(i)(b)(1) Argentina

Quickfood S.A.

Quickfood is a publicly held company that owns the Paty brand, which is the hamburger market leader in Argentina, Uruguay and Chile. It has two slaughterhouses, three processed and industrialized beef product units and a frozen vegetable production plant.

Quickfood is also the sole shareholder of the Argentine Breeders & Packers S.A., or AB&P. AB&P is comprised of three cattle slaughterhouses, including its 100% ownership of Best Beef S.A., Estâncias Del Sur S.A. and Mirab S.A. (Argentina and the United States), which produces and distributes beef jerky for the United States and various other export markets.

(i)(b)(2) Uruguay

Frigorífico Tacuarembó S.A. (“Tacuarembó”)

Tacuarembó operates a cattle slaughterhouse and a beef industrializing plant.

Inaler S.A. (“Inaler”)

Inaler is a cattle and lamb slaughterhouse.

Marfrig Chile S.A. (Chile) (“Marfrig Chile”)

Marfrig Chile operates a lamb refrigerator warehouse in Patagonia and a deboning plant and trading company that operates in the Chilean market.

Prestcott International S.A., (“Prescott International”)

Prescott International owns 100% of Cledinor S.A., which has a cattle and lamb slaughterhouse located in the city of Salto, Uruguay.

Establecimientos Colonia S.A.

Establecimientos Colonia is a cattle refrigerated warehouse located in the city of Colonia.

Columbus Netherlands B.V.

Columbus Netherlands B.V. is a private limited liability company incorporated in The Netherlands that holds 59.17% of Gideny, which in turn holds 100% of Zenda headquartered in Uruguay. Zenda produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries, and has production facilities in Argentina, Mexico, the United States, Germany, South Africa, Chile, Hong Kong and China.

(ii) Poultry, Pork and Processed & Elaborated Products — PPP&E

(ii)(a) Brazil

Seara Holdings (Europe) B.V.

Seara Holdings (Europe) B.V. is private limited liability company incorporated in The Netherlands by Marfrig Alimentos S.A. with the purpose of acquiring the control of Seara Alimentos S.A. and its affiliates in Europe and Asia.

Secculum Participações Ltda. (Brazil), or Secculum and União Frederiquense Participações Ltda. (Brazil)

We own 99.99% of Secculum and 99.99% of União Frederiquense Participações Ltda. (“Unifred”). These companies together hold 100% of Frigorífico Mabella Ltda. (Brazil) (“Mabella”).

Mabella operates a pork-slaughtering unit in the state of Santa Catarina and a pork slaughtering and pork processing unit in the state of Rio Grande do Sul. Mabella is also responsible for Marfrig’s poultry and pork operations, and has the following percentages of ownership interest in the companies as indicated below:

- DaGranja Agroindustrial Ltda. — 94%.
- Braslo Produtos de Carnes Ltda. — 100%.
- MAS Frangos Participações Ltda. — 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda.
- MAS do Brasil Participações Ltda. — 100%, which holds 100% of Penasul Alimentos Ltda.
- MBL Alimentos S.A. (Carroll’s) — 100%. This company is engaged in raising pigs.

(ii)(b) International

Marfrig Holdings (Europe) B.V. (Netherlands) (“Marfrig Holdings”)

Marfrig Holdings owns 100% of Moy Park Holdings (Europe) Limited (headquartered in Northern Ireland), which owns 100% of Moy Park Group (Northern Ireland) and Kitchen Range Foods Ltd.

(England), which operates three poultry slaughterhouses and eight processed products plants in England, Northern Ireland, France and The Netherlands.

Marfrig Holdings also holds 100% of the capital stock of MFG (USA) Holdings, Inc. (“MFG”), an entity incorporated by the issuer with the sole purpose of acquiring the United States operations of Keystone. MFG, in turn, owns Keystone Foods Holdco LLC, the holding company that consolidates the entities that operate Keystone’s distribution and protein products supply operations in the United States, as well as Gadsden Steele Station LLC, a processed products plant located in Alabama, USA.

Weston Importers Ltd. (United Kingdom) (“Weston”)

Weston is a trading company that operates in the European market and owns 100% of CDB Meats Ltd. (United Kingdom), an industrialized meat producer.

Keystone Foods—Non U.S. Operations

Marfrig Alimentos S.A. holds the Keystone non-U.S. operations we acquired through the following of its subsidiaries: (i) McKey Luxembourg Holdings S.à.r.l., which holds the assets of Keystone in Europe; and (ii) McKey Luxembourg Holdings APMEA S.à.r.l., which holds the assets of Keystone in Asia, Australia and the Middle East. These companies operate in the development, production, trading and distribution of chicken, fish, pork and beef, and also specialize in food services.

Marfrig

We are a Brazilian publicly held corporation (*sociedade por ações*), founded in 2000 with an undetermined term and are headquartered at Avenida Chedid Jafet 222, Bloco A – 5th floor, Sala 1, São Paulo, SP, Brazil. We were registered at CVM on September 18, 2007. Our corporate purposes are (i) to explore cold storage activities, the slaughter of cattle, pigs, lamb, birds, fish and the processing and sale of animal products and subproducts, consumable or not, including, but not limited to, the processing and sale of leather products and subproducts, in our own establishments or third parties’ establishments; (ii) the purchase, sale, distribution, representation, import and export of food products in general, including beverages, alcoholic or not, and others; (iii) purchase and sale of live cattle, birds, pigs, fish and lamb; (iv) supply of manpower together with other companies; (v) exploration of agricultural activity; (vi) interest as a partner of shareholder in any business or civil company; (vii) distribution and commercialization of food products in general; (viii) production, distribution and commercialization of soaps, washing preparations, antiseptics, softeners and other cleaning and hygiene products; (ix) cogeneration, production and commercialization of energy and biodiesel; (x) interest in the financial market, as well as carbon credit market; (xi) commercialization and production of products derived from vegetables, as well as of all derivatives and succedaneums thereof; feed, canned food and fats; and (xii) transport of our products and third party’s products; representations and other related transactions necessary to accomplish our corporate purposes.

History of Our Organic Growth and Acquisitions

In 1986, at the age of 16, Mr. Marcos Antonio Molina dos Santos opened his first business. Just two years later, he had already established himself as an important distributor of cuts of beef, pork, poultry and fish, as well as imported frozen beef and vegetables, to a wide array of customers in the state of São Paulo, including well-known restaurants. In 1998 he opened his first distribution center in the city of Santo André, state of São Paulo, to meet the growing demand for those products. In 2000, our founding shareholders established Marfrig Frigoríficos e Comércio de Alimentos Ltda. which would later be transformed into us, and we leased our first slaughterhouse and processing plant (which we later acquired) in the city of Bataguassu, state of Mato Grosso do Sul. Our export business was launched in the following year when we leased our second slaughterhouse and processing plant in the city of Promissão, state of São Paulo, or Promissão I, together with the acquisition of the GJ brand, which is recognized in the international markets.

In 2003, we acquired the Tangará da Serra plant and, in the following year, we leased the Paranatinga plant (which we later acquired). Both plants are located in the state of Mato Grosso. In April 2006, we acquired the plant in Mineiros, state of Goiás. In July 2006 we founded Marfrig Chile, and in September

2006 we bought 50% of the capital stock of Quinto Cuarto. In August 2006, we acquired the plants at Chupinguaia, in the state of Rondônia, and the plant in São Gabriel, in a state of Rio Grande do Sul.

From 2005 to 2007, we focused on increasing our capacity and regional diversification throughout Brazil, Argentina and Uruguay through the acquisition of plants and companies. During 2006 and 2007, we acquired 22 companies in the region. In October 2006, we acquired 75.22% of the company Tacuarembó in Uruguay. Since then, we acquired additional shares of Tacuarembó, increasing our participation in the company to 93.53%.

On November 20, 2007, we completed the acquisition of 70.51% of the shares of the Argentine company Quickfood from its controlling shareholders. Quickfood is one of the most important producers of processed and elaborated foods derived from beef in Argentina. Its main activities include the slaughter, production, processing and export of beef and derivative products. During 2008, 2009 and 2010 we acquired additional shares of Quickfood, which increased our ownership interest in Quickfood's capital stock increased from 70.51% to 90.05%.

On November 30, 2007 we entered into a quota purchase and sale agreement through which we acquired 100% control of Mabella, entering into the poultry and pork business and diversifying our operations. At that time, Mabella had two pork slaughterhouses with a total capacity of 4,200 head per day in the states of Santa Catarina and Rio Grande do Sul.

Following our initial public offering in June 2007 through 2009, we focused on diversification in terms of protein, growth in our processed food sector and organic growth in our beef segment. From 2008-2011, we acquired an additional 21 companies. We made various investments and acquisitions during this time, the most significant of which are detailed below.

On April 15, 2008 we acquired all the quotas of DaGranja. With 30 years' experience in the slaughter, refrigerating and marketing of poultry and pork, DaGranja had three chicken slaughterhouses of which two are located in the state of Minas Gerais, in the cities of Uberaba and Passos and one in the state of Paraná, in the city of Lapa with a capacity to slaughter 480,000 chickens a day. DaGranja also had three feed mills, two industrialized products factories, with one in São Jose do Rio Preto, state of São Paulo, and one in the city of Lapa, state of Paraná, one grandparent stock farm, three hen farms and two incubators, as well as a pork farm in the city of Ponta Grossa, state of Paraná.

On November 3, 2008 we completed the acquisition of the companies of the Moy Park group in England, Northern Ireland, France and The Netherlands, and which are controlled by our subsidiary Marfrig Holdings. This acquisition includes 15 plants in the poultry and other animal protein industrialized and processed product segment. This acquisition included the following companies in Brazil: Braslo (an important supplier of value-added meat and poultry products to fast food chains), Penasul (with activities in the poultry and pork industrialized products segment; this company has vertically integrated production and owns the Pena Branca brand in the south of Brazil) and Agrofrango (with activities in the chicken slaughter segment and vertically integrated production). Depending on the financial performance of the European business of Moy Park, we may be required to make an additional payment to the selling shareholders in an amount up to U.S.\$220 million. We would be entitled to choose the method for paying the amount, if it becomes due, either by paying cash or by issuing shares to the selling shareholders of the Moy Park group.

On January 4, 2010, we completed the acquisition of the Acquired Seara Businesses, which were mainly comprised of all of the Brazilian animal protein business (comprised of poultry, pork and processed and elaborated products) of Cargill Inc. ("Cargill"), represented by Seara, plus certain European and Asian businesses of Cargill, as well as eight processing plants that produce value-added processed poultry and pork products, and a port terminal. The purchase price for this acquisition was R\$1,291.5 million.

The Acquired Seara Businesses includes:

- eight industrial units for poultry with a slaughtering capacity of 1,223,000 chickens per day and two industrial units for pigs with a slaughtering capacity of 6,200 head of pork per day;
- three plants for industrialized and value-added processed products with production capacity of approximately 17,160 metric tons per month;

- a private port terminal for meat packing and dried meat (Braskarne) cargo in the city of Itajaí, state of Santa Catarina;
- the Seara brand and other brands;
- international sale and distribution operations, with units located in the United Kingdom, Japan and Singapore, each one holding exporting quotas from Brazil to several other countries;
- nine feed mills, located in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul; and
- six hen farms in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul with approximately 3,000 integrated producers of poultry and pork.

On January 22, 2010, we completed the acquisition of 51% of Zenda, which is consolidated into a holding company named Gideny S.A., with an option to acquire the remaining 49% by 2014. The total purchase price for this acquisition was initially established on U.S.\$38.1 million and then reduced, on September 2010, to U.S.\$28.4 million. The balance agreed to be paid for the remaining 49% should correspond to seven times the average of the annual EBITDA of Zenda from 2010 to 2012, less its net debt (as defined in the agreement), multiplied by 49%, plus an additional amount (as defined in the agreement). On October 1, 2010, we acquired an additional 8.17% of the capital stock of Gideny, reaching an indirect stake of 59.17% of Zenda's capital stock. The remaining 40.83% will be paid in three annual installments due on January 20, 2012, 2013 and 2014. Zenda produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries. It has production facilities in Argentina, Mexico, the United States, Germany, South Africa, Chile, Hong Kong and China, and is headquartered in Uruguay, with a daily production capacity of 7,000 finished and cut hides.

Since 2010, we have focused our acquisitions on consolidating and expanding our now global platform and worldwide distribution capacity. The most significant of these acquisitions are those of Moy Park and the Keystone businesses, detailed below.

On August 3, 2010, through our subsidiary Moy Park, we completed the acquisition of 100% of O'Kane Poultry Ltd., located in Ballymena, North Ireland, for a purchase price of R\$73.5 million, with 50% of the purchase price paid on the date of the acquisition and the rest to be paid in June of 2011. The purchase price of the company was close to the net assets acquired. O'Kane is a vertically integrated company which brings to the Moy Park brand diversification of products, including turkey and chicken. The assets acquired include an animal feed factory, hatcheries, poultry farms, poultry slaughtering and processing units, and a research laboratory. The O'Kane production units are capable of processing 120 thousand chickens and 5 thousand turkeys per day, and had a revenue of 132 million pounds in 2009.

On June 14, 2010, we announced that we had entered into a membership interest purchase agreement with Lindsay Goldberg LLC, pursuant to which it agreed to sell all of the Keystone related operations (the "Acquired Keystone Businesses") in two related transactions for approximately R\$1,525.2 million cash payment. In the first, MFG, a newly-formed subsidiary of the issuer through an asset purchase and purchase of the equity of an intermediate holding company, would acquire all of the U.S. operations of Keystone Foods Holdings LLC. In the second, Marfrig through the purchase of the equity of an intermediate holding company would acquire all of the non-U.S. operations of Keystone Foods Holdings LLC. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry.

Keystone, headquartered in West Conshohocken, Pennsylvania, is a core, dedicated global distributor and supplier of protein products (beef, chicken, and fish) primarily to major fast food chains and franchises. Keystone operates 54 facilities in 13 countries, including the United States, United Kingdom, France, Australia, New Zealand, the Middle East (United Arab Emirates, Kuwait, Bahrain, Qatar and Oman), and Asia (China, Thailand, Malaysia and South Korea). Keystone began its relationship with key chains in the fast food segment when Keystone developed a technology for cryogenically freezing hamburger patties, and has been a leading supplier to such chains since the 1970s. Keystone is highly valued for its innovation, reliability, food safety and quality, and processes chicken products for several fast food restaurant chains and processed food producers.

On July 15, 2010, we issued 250,000 debentures mandatorily convertibles into shares, worth a total of R\$2,500 million. The 250,000 debentures were subscribed on various dates in September 2011, with BNDES Participações S.A. being the main holder. Based on the characteristics of the operation, we registered the debentures issued as Capital Reserve. As established in the Deed of Issue and notwithstanding the possibility of voluntary conversion, the conversion price will be the lowest of the following items: (i) R\$21.50, plus the interest paid to the holders on the nominal value of the issue, less the remuneration distributed per share, both restated by the CDI overnight rate from the payment date, in the case of interest on the debentures, or the ex-remuneration date, in the case of remuneration, until the date of conversion; and (ii) the greater of the market price or R\$24.50, with this latter figure not adjusted for remuneration in cash or monetary restatement.

On October 1, 2010, we completed our purchase of the Acquired Keystone Businesses described above by making a cash payment of R\$1,525.2 million. During the fourth quarter of 2010, Marfrig further restructured the non-U.S. operations acquired as part of that transaction by placing the Asian, Pacific and Australian operations in a new holding company thereby separating them from the vehicle holding the operations in Europe.

On April 11, 2011, we announced that, through our subsidiaries Keystone CLJV and McKey VI, we have formed two joint ventures in China with COFCO, China's largest food producer, and Chinwhiz, a private company located in Weifang in the province of Shandong, respectively. With these investments, our operations in China will be expanded, ranging from processing to distribution to clients. The COFCO JV will be owned 45% by Keystone CLJV and 55% by COFCO. Keystone and COFCO have been developing a partnership since 1990. The COFCO JV, with operations projected to start in 2012, provides for the construction of six distribution centers, transportation fleets and information-support technological platforms in several strategic cities, including Beijing, Chengdu, Shanghai, Shenyang, Wuhan and Shenzhen (where Keystone's processing plant in China is located). The total investment in the COFCO JV is estimated to be approximately U.S.\$252 million over 10 years and will be split between each participant, pursuant to its respective stake in the joint venture. The Chinwhiz JV will be owned 60% by McKey VI and 40% by Chinwhiz. The Chinwhiz JV will consist of vertical integration in the supply chain, which should result in improved cost visibility, guaranteed supply, improved food safety and socially responsible production. The Chinwhiz JV will initially have the capacity to process 200,000 chickens per day and will be able to supply 50% of the raw material needs of Keystone's processing unit in China, which serves restaurants in China, Hong Kong and Japan. The total investment in the Chinwhiz JV is estimated to be approximately U.S.\$57 million by the end of 2013 and will be split between each participant pursuant to its respective stake in the joint venture.

In the last two years, we did not launch any tender offer to acquire another company and we were not subject to any offer to change of control.

Geographic Presence

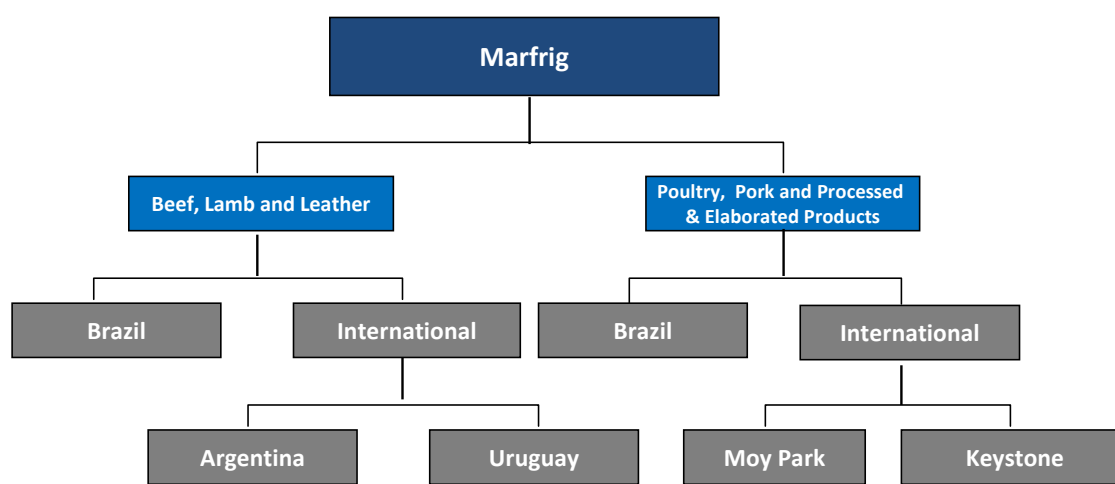
As of the date of this offering memorandum, we operate the following units, as illustrated on the map below:

- 43 beef and mutton production and processing units (26 in Brazil, 9 in Argentina, 5 in Uruguay, 1 in the United States and 2 in Chile);
- 58 pork and poultry production and processing units (24 in Brazil, 18 in Europe, 10 in the United States, 1 in China, 1 in Thailand, 1 in Malaysia, 2 in South Korea, 1 in Australia);
- 13 leather production units and commercial offices (2 in Brazil, 4 in Uruguay, 1 in Germany, 1 in the United States, 1 in Argentina, 1 in Mexico and 3 in South Africa);
- 28 distribution centers (8 in France, 6 in Australia, 4 in the United States, 4 in the Middle East, 3 in England, 1 in New Zealand, 1 in Malaysia and 1 in South Korea) and a complete distribution chain in South America with own and third-party units;
- 2 trading units (1 in Chile and 1 in England);

- 3 integrated poultry and animal feed production units in the United States; and
- 5 own and 12 third-party finishing feedlots (8 in Argentina, 5 in Brazil and 4 in Uruguay).

Description of Our Business Divisions

Our business is organized strategically into the following segments, organized in accordance with the business from which revenue is derived: (i) Beef, Lamb and Leather, which includes our Brazil, Argentina, and Uruguay (including Chile) operations, and (ii) Poultry, Pork and Processed & Elaborated Products — PPP&E, which includes operations in Brazil, Asia, Europe, the Middle East and the United States, as shown in the chart below:



(i) Beef, Lamb and Leather

(i)(a) Brazil

The beef segment is directly connected to the beginning of our operations. We began our activities in this segment in 2000 with a beef refrigerated warehouse through the lease of a slaughterhouse and processing plant in the city of Bataguassu, state of Mato Grosso do Sul.

We have 22 cattle slaughterhouses in Brazil, distributed throughout eight states (Rio Grande do Sul, São Paulo, Goiás, Mato Grosso do Sul, Mato Grosso, Pará, Paraná and Rondônia). We have a total slaughter capacity in Brazil of 21,600 head of cattle per day. We also have a production capacity of 11,970 metric tons of industrialized and processed products a month in six different plants and two tanneries in the city of Promissão, in the state of São Paulo and in Bataguassu, in the state of Mato Grosso do Sul, with daily capacity of 147,000 hides per month. Our plants are capable of producing frozen cooked beef, meat in portions, canned meats, ready-made meals and beef jerky. Since April 2009, we also have conducted the slaughter of lamb in the city of Promissão, in the state of São Paulo, with a capacity of 1,000 head of lamb per day.

Our cattle plants are fully integrated and designed to carry out slaughter, deboning, butchering (traditional, premium and export cuts), packing and transportation both to our own distribution centers and directly to our customers.

Our plants are strategically located close to cattle suppliers and near the largest consumer markets and export channels. This geographic diversity is important in mitigating the risks related to restrictions and trade barriers imposed by importing countries.

The principal brands of our Brazilian business unit, which we believe are recognized for their high quality, include Bassi (haute cuisine), Palatare (traditional products), GJ (for export) and Pampeano (canned meat). In 2010, we also started producing beef products under the Seara brand.

In addition to distribution directly from operational plants, we have a distribution center in the city of Santo André, in the state of São Paulo, which handles approximately 300 metric tons per day with its own fleet of refrigerated trucks. Our trucks have modern logistics systems to optimize routes and allocate products based on the delivery schedule. The Santo André distribution center also has an operational production capacity of five metric tons a day of industrialized and processed products. Our retail chain customers include Wal-Mart, Pão de Açúcar, Tesco, Carrefour, Waitrose, Sainsbury's, Sodexo, Sendas, Echo and Accor, and our industrial customers include Kraft, ConAgra Foods, Nestle, Heinz, Marba and Hormel Foods.

We believe we are one of the leaders in the food service segment, with a diverse portfolio of brands that are recognized and respected in Brazil and abroad. We believe we are one of the leaders in importing and distributing premium beef cuts and other food products (lamb cuts, premium beef cuts (such as rump cover steak, ancho steak, chorizo steak), salmon and fish, etc.) to retailers, as well as being one of the largest distributors of pre-cooked, frozen potatoes. We supply more than 600 products, with a strong presence in the states of São Paulo and Rio de Janeiro and in the South and Northeast of Brazil. Our customer base in this business unit includes restaurants and fast food chains.

We have also entered into partnerships with food distributors, such as the Santista and Canaã Groups, to increase the presence of our products throughout almost all of the Northeast of Brazil.

We hire third-party carriers to deliver containers with our products to port facilities for export. We export through the port of Santos in São Paulo and, to a lesser extent, through the ports of Paranaguá and Itajaí in the states of Paraná and Santa Catarina, respectively.

(i)(b) International

Our international Beef, Lamb and Leather division comprises our operations in Argentina and Uruguay.

(i)(b)(1) Argentina

As part of our geographical diversification strategy, in 2007 we acquired 70.51% of the capital stock of Quickfood, one of the most-recognized beef slaughter, production and marketing companies in Argentina. Quickfood is the market leader in hamburgers in Argentina. It also exports frozen cuts to more than 40 countries, including high-quality meat and hamburgers for the demanding Asian market. Quickfood is listed on the Buenos Aires Stock Exchange and trades under the symbol "PATY."

Our acquisition of Quickfood consolidated our position in Argentina, where in 2006 we had already acquired AB&P, providing a gateway to an important beef-producing country that is known worldwide for its excellent products and which has ideal conditions for raising cattle. In 2007, AB&P acquired Estancias del Sur and Best Beef, increasing its cattle slaughter capacity and, through Best Beef, increasing its portfolio of industrialized products in Argentina.

In 2008, we acquired Mirab, a producer of meat snacks in Argentina (including beef jerky) that exports its products to countries such as the United States (where its subsidiary Mirab USA operates), Japan and the United Kingdom. Through this acquisition we were able to increase our presence in the United States market, by incorporating into our business a solid importer and distributor, with access to major retail chains.

Also in 2008, through Marfood USA, we bought Pemmican from ConAgra Foods. Pemmican is a well-known meat snack brand in the United States. In addition to the acquisition, an agreement was entered into for the distribution of Pemmican products to ConAgra's customer base for five years.

In November 2010, Marfrig conducted a capital increase in Quickfood and paid up for its subscribed shares through the contribution of its equity stake in AB&P, Estancias del Sur, Best Beef and Mirab. As a result of this transaction, Marfrig increased its stake in the capital stock of Quickfood from 70.51% to 90.05%.

Our Argentine operation is the largest company in Argentina for the slaughter, sale and export of beef. Our operation in Argentina has five slaughterhouses with a slaughter capacity of 3,900 head a day and five industrialized product plants with a capacity of 5,418 metric tons a month.

Our brands in Argentina include Paty, which led the Argentine meat snacks and hamburgers market with a 64.2% market share as of October 2010, according to AC Nielson, and is present in several other South American countries, as well as the La Morocha brand. We believe that these brands are all known in Argentina as being of the highest quality.

(i)(b)(2) Uruguay

We began diversifying geographically in 2006 in Uruguay, when we acquired Tacuarembó which produces frozen cooked beef, beef jerky, bresaola (a product made for the Italian community in the United States) and organic meat (a certified product produced to meet demand mainly from the United States). Also in 2006, we strengthened this business unit with the acquisition of Inaler to begin our Uruguayan lamb operations.

Our expansion continued in 2007 with the acquisitions of the La Caballada refrigerated warehouse, for the slaughter of cattle and lamb, and Colonia, with the Paty brand. In 2008, we began producing canned industrialized products and beef jerky in a new unit leased from Fray Bentos in Uruguay, with a slaughtering capacity of 20 metric tons a day.

In September 2009, we further diversified our operations by completing the acquisition of 51% (later increased to 59.17%) of Zenda (consolidated into the Gideny holding company), with an option to acquire the remaining shares of its capital stock by 2014. See “—History of Our Organic Growth and Acquisitions.” Zenda produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries. It has production facilities in Argentina, Mexico, the United States, Germany, South Africa, Chile, Hong Kong and China, with a daily production capacity of 147,000 finished and cut hides per month.

Our Uruguayan operation also encompasses our operation in Chile, which includes one of Chile’s largest importers of beef cuts, and one lamb slaughterhouse. Our production capacity in Chile is 3,000 head of lamb per day.

The Uruguayan operation has four beef slaughterhouses, two lamb slaughterhouses, and one lamb slaughterhouse in Chile and three industrialized products plants. The slaughtering capacity of our Uruguay operation is of 3,900 head of cattle per day and 8,400 head of lamb per day, and industrialization capacity is 1,943 metric tons a month. In 2010, we were responsible for approximately 23% of all beef slaughter in Uruguay and approximately 30% of all beef export from Uruguay.

The excellent sanitary conditions in Uruguay give the country, and consequently us, the status of a producer that is able to export fresh meat from South America to practically every location around the world.

Our main brands in Uruguay are Tacuarembó, Viva, Paty and Bernina.

(ii) Poultry, Pork and Processed & Elaborated Products — PPP&E

(ii)(a) Brazil

In 2008 we took our first step toward establishing a structured and diversified production base of animal protein (cattle, poultry, pork and lamb) with our entry into the chicken market. We also consolidated our position in the pork market. Our operations in this segment are currently 100% verticalized and integrated. Through our plants in Brazil, we export chicken and pork meat to more than 100 countries.

In this segment, we have 14 chicken slaughterhouses located in six states with a slaughter capacity of 2.4 million chickens per day. We also have one turkey slaughterhouse located in the state of Rio Grande do Sul with a slaughter capacity of 30,000 turkeys per day; four pork slaughterhouses located in three states with a slaughter capacity of 10,400 pigs per day; 9 plants for processed and elaborated products with a production capacity of 35,596 metric tons a month. We have a 100% integrated chicken operation with

chicken farms, hatcheries and feed mills. In this segment, we own the brands Seara, DaGranja, Pena Branca and Mabella.

We entered the chicken market with the acquisition of the companies DaGranja and Penapaulo (owner of the Pena Branca brand in the Southeast) in the second quarter of 2008. Our acquisition of Moy Park in Europe and of the assets of the OSI Group in Brazil was announced to the market in June 2008, and their activities were incorporated into our business beginning October 2008. In Brazil, our poultry segment was strengthened by the acquisition of Penasul (the owner of the Pena Branca brand in the South of Brazil), Braslo (a supplier of industrialized chicken and beef to fast food chains), and Agrofrango, which slaughters and processes chickens.

Our activity in the pork market began in 2007, with our acquisition of Mabella, which has a total slaughter capacity of 4,200 head of pork per day. Mabella focuses on adding value with sausages, smoked and salted meat products and has a significant export presence. We strengthened our participation in the pork segment with the acquisition of Carroll's in February 2008. We were able to vertically integrate Mabella's slaughter of fresh pork and manufacture of industrialized products with Carroll's raising and marketing high-quality pork.

On January 4, 2010, we completed the acquisition of Seara, which, together with our acquisition of Keystone, have made us one of the world's largest food processors. This acquisition included the Acquired Seara Businesses, which is mainly comprised of (i) all of the Brazilian animal protein business (comprised of poultry, pork and processed and elaborated products) of Cargill Inc., or Cargill, represented by Seara, and certain European and Asian businesses of Cargill, (ii) 12 processing plants that produce value-added processed poultry and pork products, and (iii) a port terminal. See "—History of Our Organic Growth and Acquisitions."

In 2010, we focused on the merger of the Seara operations into our Poultry and Pork—Brazil division, by standardizing the platform and systems for the entire division with a focus on improving processes along the production chain, management and overall organization. In addition, we invested in reestablishing the Seara brand in Brazil and internationally, primarily by using this brand in healthy products and sponsoring sport events. We also expanded our prepared and processed products line and invested in improvements to our logistics operations to expand the availability of Seara products in Brazil.

(ii)(b) International

Our international Poultry, Pork and Processed & Elaborated Products — PPP&E division comprises our operations in Europe, the United States and APMEA, mainly through Moy Park and Keystone.

(ii)(b)(1) Moy Park

The acquisition of Moy Park at the end of 2008 (which previously belonged to the OSI Group that later became one of our shareholders) was an important step in our strategy to diversify geographically and in the animal proteins segment.

Moy Park is well-known in the United Kingdom as the largest integrated, industrialized, fresh meat products and added-valued chicken business, and in Northern Ireland as its largest private company. The subsidiaries Moy Park France SAS (France), Dungannon Proteins Ltd. (Republic of Ireland) and Kitchen Range Foods Ltd., also of the United Kingdom, produce and distribute industrialized and processed food products, including frozen foods, vegetables and breads. The Albert Van Zoonen B.V. subsidiary in The Netherlands produces and distributes higher added-value frozen products. We operate in Europe under the Moy Park brand. Moy Park is a leader in the chicken segment, with a market share of approximately 30% of the United Kingdom market as of October 2008 according to the appraisal report of the OSI Group companies prepared by Banco Rabobank International Brazil. Following the acquisition of O'Kane in August 2010, the Moy Park brand has expanded and further diversified in terms of chicken and turkey products.

Moy Park operates four chicken slaughterhouses (two in England and two in Northern Ireland) with a daily capacity of 767,000 head of chicken, one turkey slaughterhouse with a daily capacity of 20,000 head of

turkey, 10 elaborated and processed products plants in four countries (five in England, two in France, two in Northern Ireland and one in The Netherlands) with a monthly industrialized product capacity of 14,758 metric tons; one import and distribution unit in England; one canning factory in England; and sales of our European operations are concentrated in large retailers and distributors in the United Kingdom such as Tesco, Sainsbury's and Waitrose, as well as fast food chains such as KFC.

Our European operations also include CDB, a United Kingdom-based producer and distributor of food products, with a capacity to produce 42 metric tons of industrialized products a month; and the trading company Weston, which distributes food products throughout the United Kingdom.

(ii)(b)(2) Keystone—U.S.

In October 2010, we completed our acquisition of the Acquired Keystone Businesses. Keystone is a worldwide leader in food manufacturing and custom distribution services to the food industry. As a result of this acquisition, and our earlier acquisition of the Acquired Seara Businesses, we are now one of the world's largest food processors.

Keystone, headquartered in West Conshohocken, Pennsylvania, is a core, dedicated global distributor and supplier of protein products (beef, chicken, and fish) primarily to major fast food chains and franchises. Keystone operates 54 facilities in 13 countries, including the United States, United Kingdom, France, Australia, New Zealand, the Middle East (United Arab Emirates, Kuwait, Bahrain, Qatar and Oman), and Asia (China, Thailand, Malaysia and South Korea). Keystone began its relationship with key chains in the fast food segment when Keystone developed a technology for cryogenically freezing hamburger patties. Keystone has been a key supplier to major fast food restaurants and food companies for over 40 years. Keystone is highly valued for its innovation, reliability, food safety and quality, and processes chicken products for several fast food restaurant chains and processed food producers. Keystone is the largest private corporation engaged in animal protein processing in the United States, according to Forbes 2009 America's Largest Private Companies of October 28, 2009.

Sales

(i) Beef, Lamb and Leather

(i)(a) Brazil

In order to reduce our exposure to any specific country or customer, we try to balance our sales to the domestic and export markets and to limit the participation of any single country and customer in our income.

(i)(a)(1) Domestic Markets

Domestic market net revenue increased by 109.8%, from R\$1,286.1 million in 2009 to R\$2,698.8 million in 2010. This increase was due to (i) higher sales volume, which increased 66.0% from 218.7 thousand tons in 2009 to 363.1 thousand tons in 2010, due mainly to the increase in the domestic demand and (ii) the 26.4% increase in the average price from R\$5.9 per kg. in 2009 to R\$7.4 per kg. in 2010 due to the pass-through of part of the higher cattle costs.

(i)(a)(2) Export Markets

We have exported fresh meat since 2001. In 2004 we began to export frozen cooked beef that allowed us to penetrate international markets that had imposed sanitary restrictions on fresh Brazilian beef exports, such as the markets in the United States and European Union. We are one of the largest beef exporters in Brazil. We export fresh, cooked, processed and industrialized beef. Our principal export brand is GJ, which is internationally recognized for the quality of the meat.

The main export destinations of our Brazilian operation are Russia, Europe and the Middle East. In 2010, more Brazilian farms were approved by European authorities, increasing fresh meat exports. At the beginning of 2009 Russia had reduced its demand due to the global financial crisis, but starting from November 2009, Russia's demand began to increase gradually. In addition to fresh meat, we export industrialized, cooked and frozen meat.

Exports net revenue increased by 25.4% from R\$1,007.3 million in 2009 to R\$1,263.6 million in 2010. This increase was principally due to higher sales volume, which increased 21.1% from 143.1 thousand tons in 2009 to 173.4 thousand tons in 2010, taking advantage of the gradual recovery in consumption in the international markets.

(i)(b) International

(i)(b)(1) Domestic Markets

Domestic market net revenue increased by 5.1%, from R\$888.1 million in 2009 to R\$933.7 million in 2010. This increase was principally due to the 22.1% increase in the average price from R\$4.7 per kg. in 2009 to R\$5.7 per kg. in 2010, mainly as a result of the pass-through of part of the higher cattle costs. This increase was partially offset by a lower sales volume, which decreased 13.9% from 190.0 thousand tons in 2009 to 163.6 thousand tons in 2010, due to domestic pricing control and export restrictions in Argentina and high cattle prices and low availability of livestock in Uruguay.

Argentina

Since our entry into Argentina in 2007, we have focused on developing our domestic market operations. In particular, we have developed a strong presence in prepared and processed products, which are less susceptible to variations in cattle prices and are not subject to price controls by the government, unlike fresh meat cuts.

Our Argentina operation faced a challenging scenario in 2010, with high cattle costs, price controls in the domestic market and restrictions on exports. However, our strategy enabled us to offset these difficulties and close the year with average capacity utilization of approximately 60%. As of December 31, 2010, we had a market share of 64.2% in the hamburger market and 20.6% in the wiener market with the brand Paty in Argentina.

Uruguay

As in Argentina, 2010 was a challenging year for our Uruguay operation due to the low supply of finished cattle and increase in raw material prices, due to the cattle cycle, exports of live cattle and the drought in 2009. In light of these developments, we opted to conduct maintenance stoppages at some of our plants in the second half of 2010, with the aim of optimizing our performance and operational structure. At the end of 2010, the sector began to show signs of recovery, with a higher supply of finished cattle and declines in raw material prices. As a result, although our plants in Uruguay recorded an average utilization of 50% in 2010.

(i)(b)(2) Export Markets

Exports net revenue decreased by 22.4%, from R\$977.9 million in 2009 to R\$759.2 million in 2010, due mainly to a lower sales volume, which decreased 37.9% from 121.1 thousand tons in 2009 to 75.3 thousand tons in 2010, due to export restrictions in Argentina and higher cattle prices and lower availability of livestock in Uruguay. This decrease was partially offset by higher average prices of R\$10.1 per kg. in 2010, compared to R\$8.1 per kg. in 2009.

Argentina

Argentina is an important player in the global beef market that is internationally recognized due to the quality and flavor of its meat. We have exported Argentine meat since 2007, when we began operating in that country.

Since 2006, the government in Argentina has imposed restrictions on beef exports in order to control price increases and to guarantee domestic supply. During the first six months of 2008 there were conflicts between farmers and the government and changes in export regulations. After the implementation of Resolution No. 6,687/2009, the government adopted new procedures relating to the Registration of Export Transactions ("Roe Rojo"). Previously, the tax on exported products was up to 65%, but the current limit is up to 30%. The following seven cuts of meat remain tax-exempt: striploin, tenderloin, cube roll, rump, rump

cover, topside cap on, and knuckle. The following are also tax exempt: offal, intestines and high-quality processed beef products.

We export fresh meat, including cooked frozen beef, which contributes to increasing our margins due to its higher added value. Following our acquisition of Mirab, we began exporting beef jerky to the United States through Mirab USA, which distributes to large North American retail chains, including through its own brands Pecos Bill's, Farmers Market and Ranchers Brand.

Uruguay

We have exported meat from Uruguay since 2006, when we entered the lamb segment in that country. In 2007, we also entered the beef market. Uruguay is not subject to trade or sanitary restrictions and is able to export beef throughout the world. We are currently the largest private company in Uruguay.

We export fresh and processed beef and lamb meat to more than 50 countries, including the NAFTA region (United States, Canada and Mexico).

(i)(c) Lamb, Leather and Other Products

In September 2009, we diversified our operations by completing the acquisition of 51% of Zenda, with an option to acquire the remaining 49% by July 31, 2013. See “—History of Our Organic Growth and Acquisitions.” Zenda produces and sells semi-finished, finished and cut leather, supplying products for the upholstery, automobile and aviation industries. It has production facilities in Argentina, Mexico, the United States, Germany, South Africa, Chile, Hong Kong and China, with a daily production capacity of 7,000 finished and cut hides.

Net revenue from lamb, leather and other products increased by 146.6%, from R\$490.5 million in 2009 to R\$1,209.7 million in 2010. This increase was due to (i) the higher sales volume, which increased 38.0% from 460.8 thousand tons in 2009 to 636.1 thousand tons in 2010, mainly as a result of the consolidation of the operations of Zenda in January 2010 and increased slaughtering in Brazil, and (ii) the 78.7% increase in the average price from R\$1.1 per kg. in 2009 to R\$1.90 per kg. in 2010, mainly as a result of a change in the product mix with the addition of more value added products.

(ii) Poultry, Pork and Processed & Elaborated Products — PPP&E

(ii)(a) Brazil

(ii)(a)(1) Domestic Markets

In 2010, we merged the Seara business with our operations in this segment. We also continued to standardize our platform and operational system, focusing on improving our processes, management and organization; investing in our brand, particularly on the availability of Seara products; and expanding our prepared and processed products line.

Domestic market net revenue increased 80.9%, from R\$933.4 million in 2009 to R\$1,688.8 million in 2010. This increase was driven by the 51.7% increase in sales volume from 362.8 thousand tons in 2009 to 550.4 thousand tons in 2010 due to the consolidation of the Seara business in January 2010, which in particular increased our sales volume of processed and elaborated products and improved our delivery, distribution and storage logistics in Brazil.

(ii)(a)(2) Export Markets

We have exported pork and poultry from Brazil since 2007 and 2008, respectively. According to the USDA data, pork and chicken meat are the two most consumed proteins worldwide. We export fresh cuts, industrialized meat, sausages, smoked meats, breaded meat, ready-made meals and byproducts.

Exports net revenue increased 239.6%, from R\$933.1 million in 2009 to R\$3,168.5 million in 2010. This increase was driven by the 232.7% increase in sales volume from 249.0 thousand tons in 2009 to 828.6 thousand tons in 2010 due to the consolidation of the Seara business in January 2010, which in particular increased our exports of fresh poultry and pork.

(ii)(b) International

(ii)(b)(1) Domestic Markets

Since 2006, we have operated in Europe through our trading subsidiary in the United Kingdom. Our operations in the poultry segment began at the end of 2008 through Moy Park in the United Kingdom, France and The Netherlands. Moy Park produces fresh and processed poultry, including breaded chicken and ready-made meals. Following the O’Kane acquisition in August 2010, the Moy Park brand has expanded and further diversified in terms of chicken and turkey products. With the acquisition of Keystone in October 2010, we started selling processed products in the following countries: the United States, France, United Kingdom, Australia, New Zealand, United Arab Emirates, Kuwait, Bahrain, Qatar, China, Thailand, Malaysia and South Korea.

Domestic market net revenue increased by 36.3% from R\$2,112.9 million in 2009 to R\$2,880.9 million in 2010, mainly as a result of the increase in sales volume from 200.3 thousand tons in 2009 to 513.4 thousand tons in 2010 due to the consolidation of O’Kane in August 2010 and the Keystone business in October 2010. This increase was partially offset by the 46.8% decrease in the average price from R\$10.55 per kilogram to R\$5.61 per kilogram, as a result of the change in the product mix following the acquisition of the Keystone business.

(ii)(b)(2) Export Markets

Europe

Moy Park exports fresh and processed poultry, breaded chicken and ready-made meals, mainly to other European countries. With the acquisition of Keystone in October 2010, we increased our exports to European countries and started exporting processed products from the United States, Europe and Asia to Japan and several countries from the Middle East and Asia.

Exports net revenue increased slightly by 1.1% from R\$645.7 million in 2009 to R\$652.5 million in 2010, as a result of the increase in sales volume by 63.0% from 75.2 thousand tons in 2009 to 122.6 thousand tons in 2010, due to consolidation of O’Kane in August 2010 and the Keystone business in October 2010, which was nearly completely offset by the 38% decrease in the average price from R\$8.6 per kilogram to R\$5.3 per kilogram, as a result of the change in the product mix following the acquisition of the Keystone business.

Raw Materials

(i) Beef, Lamb and Leather

(i)(a) Cattle

We only purchase cattle for slaughter in South America. These purchases accounted for approximately 80.0% of our cost of goods sold in cattle operations for 2010. Except for our activities in our termination feedlots (a feedlot is used for fattening cattle in the last three or four months before slaughter), we do not raise cattle. We purchase cattle from more than 20,000 cattle ranchers in Brazil, Argentina and Uruguay. Cattle is then transported in a combination of proprietary and third-party trucks to our plants, where they are slaughtered, deboned, processed and industrialized. We purchase cattle from ranchers located within a radius of 300 km of our slaughtering facilities to minimize transportation costs and to improve meat quality by reducing stress on cattle.

Our cattle purchasers are located throughout the principal cattle producing areas in South America. These purchasers visit ranches and buy cattle on the open spot market. They are trained to select high-quality, disease-free animals, and their performance is continually monitored by us. We purchase cattle only from select, registered producers based on a rigorous animal selection process. Our cattle suppliers are required to document the quality of their operations and verify that their use of antibiotics and agricultural chemicals follows the respective manufacturer’s standards.

Cattle purchases are paid within a 30-day period from delivery, or with cash upon delivery with a discount of up to 4% on the price, depending on market conditions at the time of purchase. Our strategy is to

lower our purchase costs by favoring purchases made with cash as long as the discount is financially attractive to us. In line with industry practice, we do not enter into long-term arrangements for the purchase of cattle. Historically, cattle prices have been subject to substantial fluctuations. Cattle supplies and prices are affected by factors such as land prices, weather and farmers' access to capital. Supply is also affected by cycles, when there is a high rate of the slaughtering of cows causing a fall in the supply of calves in the next period. During these periods there is a tendency for cattle prices to increase, and when the cattle restocking process begins until the equilibrium returns to normal.

We also carry out feedlot of termination activities in South America. During this operation, the cattle is bought thin, approximately three months before it is slaughtered. The animal is kept confined for approximately three months and fed to reach its fit-for-slaughter weight. The feedlots provide a greater supply of cattle and improved price control during drought periods when pasture lands dries up, which reduces the supply of cattle of a weight fit for slaughter.

Moreover, we acquire cattle carcasses from third parties. In this operation, cattle are slaughtered by a third party and we acquire only the animal carcass. The decision to acquire carcasses from third parties is essentially a financial-economic decision that we make when it is the most profitable option.

We believe we are able to pass on increased cattle prices to the end consumer in each of our markets because our beef product prices tend to mirror cattle prices.

(i)(b) Lamb

We do not raise lamb at our properties. We acquire lamb used in our products from third parties. Lamb are usually slaughtered between October and March. We produce fresh and industrialized lamb for sale domestically and on the export markets. In April 2009, we began lamb slaughtering activities in Brazil, thereby increasing our existing capacity in Uruguay and Chile.

(ii) Poultry, Pork and Processed & Elaborated Products — PPP&E

(ii)(a) Poultry

Most of our chicken operations are 100% integrated. We raise poultry and hens, and we have incubators and animal feed plants. We also produce fresh and industrialized chicken meat for sale in the domestic and export markets. We buy eggs and chicks at the beginning of the poultry production cycle. The eggs are sent to our incubators while the chicks go to our grandparent stock poultry farms. The complete cycle, from when the chick is born until it reaches its ideal weight for slaughtering takes approximately 42 days. The parent stock produce eggs for incubating from which chicks that will one day be used in our poultry products are hatched. The farms are located close to the slaughterhouses. The chicken is slaughtered and can be sold whole or in pieces. All products are sold in the domestic and export markets. In some locations, we purchase poultry raw materials for our processing plants in the spot market (domestic or imports). In order to sell poultry raw materials to our processing plants, third parties must form part of a list of previously approved suppliers. To form part of this list, suppliers must submit to periodic audits and comply with high safety and quality standards. We believe that this strategy can deliver high quality products with competitive costs to our clients.

(ii)(b) Pork

Our pork operations are approximately 70% integrated. We purchased the remaining 30% from third parties from the open spot market. The production process in the pork segment begins in three ways: (i) we raise pigs in our pig breeding farms and we send them to our partners for fattening; (ii) our partners produce and fatten the pigs, or (iii) the pig producer units (*Unidades Produtoras de Leitão*, or "UPLs")—farms contracted by us—produce the pigs and send them to our partners for fattening. We believe that this diversified portfolio for the in-house production of pigs and the purchase of animals from third parties allows us to reduce transportation and raw material costs. It also allows us to benefit from the abundant supply of pigs that exceeds domestic demand. This strategy therefore avoids excessive cost increases being passed on to our consumers. We produce fresh and industrialized pork for the domestic and export markets.

The cost of raw materials for pork follows the same trends as that for chickens because they eat almost the same feeds. We buy soy and corn from third parties to produce the feed for our chickens. We acquire grain from the spot cash or from BM&FBOVESPA futures market. The grain is sent to our feed plants and the end product (feed) is sent to the farms. Buying grain on the spot or futures markets is an economic decision based on cost and benefit. The decision is made taking into account supply and demand, price changes, the economic scenario, weather conditions and other variables.

Production Facilities

Our processing plants use modern equipment or equipment that is being modernized that can customize the processing and packaging of our products. We also customize the production and packaging of products for several large domestic and international customers. The design of our facilities emphasizes work safety to ensure compliance with all regulations and to reduce work-related injuries. Our processing plants are also designed to reduce waste and dispose of waste materials in accordance with applicable environmental standards.

Our entire animal protein production is subject to controls on animal husbandry and food safety procedures. Our processing plants operate under strict food safety rules and quality assurance requirements to comply with domestic and international customer requirements and Brazilian and foreign governmental safety standards. We maintain rigorous quality control measures at each stage of our production process and are committed to the humane treatment and slaughter of animals.

The table below shows our slaughtering capacity as of the dates indicated:

	As of December 31,		
	2008	2009	2010
Cattle ⁽¹⁾	21,100	27,850	29,400
Poultry ⁽¹⁾	1,726,000	1,847,000	3,740,000
Pork ⁽¹⁾	4,200	4,200	10,400
Lamb ⁽¹⁾	9,400	10,400	13,400
Processed Products ⁽²⁾	42, 126	47,670	120,760

Notes:—

(1) Slaughtering capacity in heads/day.

(2) Capacity in metric tons/month.

(i) Beef, Lamb and Leather

(i)(a) Cattle

As of December 31, 2010, we had a slaughtering capacity of approximately 29,400 head of cattle per day in 33 slaughterhouses and 14 processed and industrialized product plants located in Brazil, Argentina and Uruguay. In Brazil, our plants are located in the states of São Paulo, Mato Grosso, Mato Grosso do Sul, Rio Grande do Sul, Rondônia, Pará, Paraná and Goiás. Our plants are located near our cattle suppliers and close to major consumer markets and export channels. We believe that this geographical diversity helps to limit the adverse impact on our revenue stream caused by import restrictions imposed by countries as a result of outbreaks of diseases or trade barriers.

The processing plants are designed to perform the full range of activities related to our fresh meat products: slaughtering, deboning, preparation of traditional, premium and exports cuts, packaging and shipping, either to our distribution centers or directly to customers. In addition, our processing plants are capable of producing frozen cooked beef, beef in portions, canned meats, ready-made meals and beef jerky.

The processing plants also permit the removal of cattle hides, which are then sold to local tanneries. Since 2007, we developed two tanneries, one in the city of Promissão, in the state of São Paulo and the other

launched in 2010, in Bataguassu, in the state of Mato Grosso do Sul, with a total monthly capacity of 147,000 hides.

The table below set forth the growth of our cattle slaughtering capacity from 2004 through 2010, taking into account our processing plants in Brazil, Argentina and Uruguay:

Slaughtering Capacity - Heads/Day	As of December 31,						
	2004	2005	2006	2007	2008	2009	2010
Brazil	3,500	4,300	7,700	13,300	13,300	20,050	21,600
Argentina	—	—	700	700	3,900	3,900	3,900
Uruguay	—	—	1,750	3,900	3,900	3,900	3,900
Total	3,500	4,300	10,150	17,900	21,100	27,850	29,400

Source: Internal data from Marfrig.

The production capacity of our plants results from slaughter capacity, deboning capacity, storage capacity and the availability of trained workers. Typically a plant can have its output increased not only by having its deboning capacity increased but also by increasing slaughter capacity or buying carcasses from third parties. During 2010 we had an average utilization of approximately 65% of our capacity for cattle (Brazil, Argentina and Uruguay). Since 2008, Brazil has suffered from a lack of cattle ready for slaughter because the bovine cycle normally takes between two and three years. The increased rate of the slaughter of cows during low cattle prices causes a reduction in cattle supply in the following period. At the end of 2010, we have already identified a greater supply of cattle and we believe we may increase our capacity to mirror improving cattle supplies.

Our beef production process follows the Brazilian Ministry of Agriculture monitoring system requirements. This system allows for the tracking of cattle from their birth to their slaughter. In addition, the Brazilian Ministry of Agriculture has established regulations to closely monitor each step of the production process and to ensure that all cattle are vaccinated and inspected by a veterinarian prior to being shipped for slaughter. According to Brazilian law, we must have inspectors from the Brazilian Ministry of Agriculture on site in each of our plants on a permanent basis. These inspectors are responsible for determining the minimum required sanitary conditions, including those related to the traceability of the meat and the sealing of containers at the plant in order to expedite export procedures at the ports. Approximately 80% of our plants are authorized by the Brazilian Ministry of Agriculture to export. Our plants located in Promissão, Bataguassu, Tangará da Serra, Paranatinga, Capão do Leão and Mineiros, also have European Union sanitation certificates allowing us to export to members of the European Union. The Promissão plant, located in the state of São Paulo, is also authorized to export frozen cooked beef to the United States, Canada and Japan, countries that do not impose these restrictions.

Our plant in Promissão has an electric generating unit that can provide up to 60% of the plant's electricity requirements and is fueled by waste sugar cane. Our other plants buy electricity directly from local electricity distributors.

All plants have boilers to generate steam and supply the hot water that is required for our production. The boilers do not produce electricity, but they reduce our consumption. We intend to install electricity generators that consume gases from by-products of our production in all of our plants, which would reduce our dependence on local electricity distributors.

In addition to fresh and processed beef meat that we produce for sale to domestic and export markets, we use every other part of the cow. The products we sell include:

Product	Purpose
Tallow (fat)	Tanning; chemical, cosmetic and pharmaceutical industries; feed
Meal (meat or bone)	Mineral salt, feed
Offal	Cosmetics, footwear and food industries
Hide and horns	Grinding, chemical and artisanal industries
Tripe	Sausage, sporting and surgical product industries
Blood	Pharmaceutical industry, feed, biodigester

(i)(b) Lamb

As of December 31, 2010, we had a slaughter capacity of 13,400 heads of lamb per day in our five slaughterhouses in Brazil, Uruguay and Chile. Our processing plants are located near lamb producing regions such as the Chile's Patagonia region, Brazil and Uruguay. They are also located in the major consumer markets and export channels. They are designed for breeding, slaughtering, deboning, preparation of cuts, packaging and transportation to our distribution centers or directly to our customers.

(ii) Poultry, Pork and Processed & Elaborated Products — PPP&E

(ii)(a) Poultry

As of December 31, 2010, we had a slaughtering capacity of 2,443,000 chickens per day in our 14 slaughterhouses in the states of São Paulo, Minas Gerais, Paraná, Santa Catarina, Mato Grosso do Sul and Rio Grande do Sul. In 2009, we began our operations in the turkey meat segment, with the acquisition of a processing plant in the state of Rio Grande do Sul, with slaughter capacity of 30,000 turkeys per day. In addition, we have 9 processing plants that together produce 35,596 metric tons of processed and elaborated poultry products a month. Our plants are located near the major consumer markets, export channels and/or regions with a good supply of grain.

Our slaughtering capacity in Moy Park is 767,000 chickens per day and 14,758 metric tons a month of processed and elaborated products, using our 10 processing plants in four countries (Northern Ireland, England, France and The Netherlands). In 2009, we started our operations in the turkey meat in Europe, with the acquisition of O'Kane, with a capacity of 20,000 turkeys per day.

Our slaughtering capacity in Keystone is 530,000 chickens per day and 50,760 metric tons a month of processed and elaborated products, using our 13 processing plants in seven countries (United States, France, China, Thailand, Malaysia, South Korea and Australia). We believe that this geographical diversity helps to limit the adverse impact on our revenue stream caused by import restrictions imposed by countries as a result of outbreaks of diseases or trade barriers.

Our plants are designed to raise grandparent stock, parent stock and hatcheries as well as for slaughtering, deboning, preparation of cuts (traditional, premium and for export), packaging and transportation to our distribution centers or directly to our customers. Processing plants produce breaded and deep-frozen chicken.

(ii)(b) Pork

As of December 31, 2010, we had a slaughtering capacity of 10,400 heads of pig per day in our four slaughterhouses located in the states of Rio Grande do Sul, Santa Catarina and Mato Grosso do Sul. Our plants are located near the major consumer markets and export channels. They are designed for the breeding, slaughtering, deboning, preparation of cuts, packaging and transportation to our distribution centers or directly to our customers. They are also able to produce processed and elaborated products such

as cold cuts, sausages, smoked meats, ready-made meals and pork meat derivatives. The processing plants produce ham, bologna, salami, sausages and smoked meats.

In addition to our slaughterhouses, we have two pig farms in the state of Mato Grosso with a capacity of 15,000 breeding sows and 1,250 pigs per day.

Customers

We have a base of more than 79,000 customers. This diversification enables us to reduce market risks by selling our products to different niches and by quickly shifting the allocation of our production in case of sanitary or economic restrictions in any particular market.

In 2010, we sold our products to wholesale and food service customers in Brazil and through exports to more than 100 other countries.

In 2009, our ten largest export customers accounted for approximately 12.7% of our export sales, or approximately 4.9% of our total net revenues. In 2010, our ten largest customers accounted for approximately 12.2% of our net export sales, or approximately 4.9% of our revenues. We did not have any export customer that individually represented more than 0.9% in 2009 or 0.8% in 2010.

In 2009, our ten largest domestic customers accounted for approximately 34.5 % of our domestic sales, or approximately 21.3% of our total net revenues. In 2010, our ten largest customers accounted for approximately 28.6% of our domestic sales, or approximately 17.1% of our net revenues. We did not have any domestic customer that individually represented more than 7.0% in 2009 or 6.0% in 2010.

We currently balance our domestic market sales against export sales in order to maintain the flexibility that protects us against adverse external conditions, including sanitary restrictions and potential commercial barriers.

Seasonality

In the domestic markets, although our net sales are not subject to significant seasonal variation, generally the first quarter is the weakest quarter, while the fourth quarter is the strongest quarter because of the relative demand in these quarters for our products. Our export markets as a whole are not materially affected by seasonality, in part because seasonality varies across our export markets. However, net sales in specific export markets sometimes vary according to the season. In the Middle East, for example, net sales slow during Ramadan and the summer months.

In general terms, we see the following seasonal variations:

Cattle

In countries where cattle are raised extensively, such as in Brazil, Argentina and Uruguay, the seasonal period is usually connected with climatic conditions. During the dry months there is normally a decrease in the supply of cattle for slaughter because of the reduced pasture area. This decrease has been partially offset by using cattle fattened in feedlots of termination. Although there is seasonality in our purchase of raw material, this does not have a material effect on our sales.

Lamb

Lamb slaughter is typically seasonal in Uruguay and Chile, where it takes place in the warmer months of the year, from October through March. During the colder months of April through September, the pasture area is reduced and there is no slaughter.

(ii) Poultry and Pork

Seasonality occurs during the periods between corn and soy harvests since these are the raw materials used to produce animal feed.

There is also a seasonal increase for special poultry and pork products around Christmas.

Marketing

Since 2007 our focus has been on increasing sales and introducing convenience products, which have a higher added value for the consumer. In addition, we have also invested in strengthening our brands to increase the confidence our customers have in our products. Our marketing areas in each division directed their efforts toward a strong business policy aligned with results of operations.

Our brand and the work to develop it will be carried out as a search for synergies to leverage our products' sales growth. We will create a standard visual identity, develop marketing strategies through packaging and conduct institutional advertising, promoting our value-added products in the United States and in countries in which we already have significant sales in South America and Europe.

Information Technology

In 2007 we implemented an ERP software system that gives us better internal controls and improves our decision-making capacity. More recently we have implemented distribution planning software that optimizes deliveries for our retail customers by efficiently organizing cargo in delivery trucks and managing our fleet using GPS monitoring. In 2007, we implemented our own data center, which gives us greater security and speed in processing information from our production facilities through two data links maintained with different operators, thereby avoiding production stoppages.

We currently have latest generation servers that are also available online in an effort to optimize space and energy. All our software is licensed and we have active support for all server operating systems.

We use highly developed software to control all our administrative, financial, accounting and tax operations. On the industrial side, we use software to automate and manage our processes.

Our information security policy is part of our code of ethics and is known and practiced by all users. Additionally, we have made constant investments to develop a cost system that complies with corporate and tax law and allows us to track the cost of our products from slaughter. The system monitors the receipt and shipping of merchandise and the average cost of purchases or production.

To manage warehousing and retail distribution we use routing software that allows greater control and speed in our deliveries throughout Brazil and organizes the cargo efficiently in delivery trucks.

Competition

Brazil

In Brazil our main competitors are: BRF (Sadia/Perdigão), JBS/Bertin and Frigorífico Minerva.

Argentina

In Argentina our main competitors are JBS and Cargill.

Uruguay

In Uruguay our main competitors are JBS/Bertin, through Canelones freezing plant, Pulsa, San Jacinto Nirea and Matadero Carrasco.

Europe

In Europe our main competitors are the French group Doux, Grampian in the United Kingdom and AIA in Italy.

United States

In the United States our main competitors are OSI, Golden State Food, Cargill, Havi and Martin Brower.

International Markets

In the international markets, we compete with numerous producers, including Cargill, Tyson Foods, Smithfield Foods and Swift & Co. (JBS) in the United States and Australian Meat, Teys Bros and Nippon Meat Packers in Australia.

Employees

Due to our growth in recent periods, our human resources activities have been focused on integrating new employees with the objective of seeking excellence in our workforce and infusing it with our values. Our investment in training and development and encouragement of participatory management encourage our employees to become leaders and add value to the personnel assets of the companies we acquire. As of December 31, 2010, we had 90,625 employees worldwide, a 91% increase from our employees as of December 31, 2009, due mainly to the consolidation of the businesses of Seara, O’Kane, Keystone and the new beef plants leased during 2010.

The following table shows the allocation of our employees for the periods indicated:

	As of December 31,	
	2009	2010
Marfrig (head office) ⁽¹⁾	238	104
Beef—Brazil	15,476	20,390
Beef—International	8,039	9,965
PPP&E—Brazil.....	14,366	36,435
PPP&E —International	8,865	23,731
Total	46,984	90,625

Notes:—

- (1) The employees of our shared service teams allocated at the holding company were transferred to the Beef, Lamb and Leather division – Brazil.

We have a stock option plan directed to our management, employees and service providers. See “Management—Stock Option Plan.”

Private Pension Plan

We sponsor (through Seara) a private pension plan managed by a closed-end private pension entity, CargillPrev. The plan is primarily intended to provide our employees and its beneficiaries a benefit plan in addition to social security benefits granted upon retirement. The plan is defrayed by the contribution made by the participants and the company. The participants make the following contributions: (i) Basic Contribution (corresponding to 0% to 4.5% of the participant’s salary of contribution); (ii) Additional Contribution (corresponding to a percentage freely chosen by the participant, applied in the participant’s salary of contribution); and (iii) Contribution (a non-mandatory contribution by the participant that can be made anytime in any amount). We make the following contributions: (i) Normal Contribution (corresponding to 200% of the participant’s basic contribution, limited to 9% of the participant’s salary of contribution); (ii) Special Contribution (paid every month to the participants eligible in January 1994, through 240 months); and (iii) Extraordinary Contribution. The plan grants the following benefits: benefit upon early retirement, benefit upon retirement, benefit in case of disability, pension upon death and proportional benefit.

Unions and Human Resources

In 2010, the Marfrig Group continued to work on unifying its Human Resources practices and policies, focusing this year primarily on consolidating Seara, O'Kane and Zenda and beginning the process of integrating Keystone.

The guidelines of the workplace health and safety system were enhanced to mitigate worker exposure to the risks of accidents and occupational illnesses. In Brazil, Marfrig conducted various internal campaigns to combat H1N1, programs to educate people on driving safely and campaigns to collect donations for the victims of natural disasters.

Marfrig's Code of Ethics was inspired by moral values that beyond merely complying with the law and formalizes the Marfrig Group's relations with its clients, consumers, employees, shareholders, suppliers, government authorities and society. The Code of Ethics was implemented in all divisions of the Marfrig Group.

Marfrig also seeks to be a company recognized for its citizenship, with its management practices focused on its employees and surrounding communities putting it in a vanguard position in the approach adopted for its myriad relationships at the national and international levels. The company complies with all resolutions of the World Labor Organization (WLO), as well as the laws of the countries where it operates, developing safety awareness campaigns, training on the adequate use of personal protection equipment and registering all workplace accidents and illnesses. In 2010, a corporate sustainability department was created to develop global programs to promote the issues cited above.

Plant, Property and Equipment

We have lease-back arrangements for our plants in Mineiros, São Gabriel and Paranatinga until 2012, when we have the option to purchase them at the residual values. We also have an option to purchase our plants in Alegrete and Bagé, which are currently leased from third parties. Such option may be exercised between December 2012 and October 2014.

Our Promissão I and Capão do Leão plants (which commenced operations after the six-month period ended June 30, 2009) are owned by a third party and operated by us as rural lessee. Our São Mateus, Anhanguera and Frai Bentos plants are also owned by a third party and operated by us as rural lessee, being São Mateus and Anhanguera operated by our Poultry and Pork division and Frai Bentos, in Uruguay, operated by our operations in Uruguay. We also lease the plants from Margen, Mercosul, 4 Rios and Boivi.

Approximately 5% of our properties are encumbered. The table below shows some of our plants that are encumbered:

Company	Destination	Creditor/Beneficiary	Status
Marfrig	Santo André Distribution Center		We acquired the distribution center in a judicial auction. However, motion to stay judicial sale filed by a third party is pending.
Marfrig	Refrigerated warehouse—Tangará da Serra (state of Mato Grosso)	Lower civil court of Mineiros (state of Goiás)	The refrigerated warehouse guarantees the injunction given in a state of protest proceeding, in the amount of approximately R\$4.0 million.
MBL	Pork farm—Diamantino (state of Minas Gerais)	Banco Real S.A.	First-priority mortgage that guarantees the export credit certificate No. 4919/07, in the original amount of R\$5.5 million with maturity on August 22, 2011.
Mabella	Refrigerated warehouse—Frederico Westphalen (state of Rio Grande do Sul)	Banco ABN AMRO Real S.A.	First-priority mortgage that guarantees the bank credit certificate No. 106.82566/01-0, in the original amount of R\$1.3 million with maturity on December 15, 2011.
Mabella	Refrigerated warehouse—	Banco do Brasil S.A.	First-priority mortgage that guarantees the industrial

Company	Destination	Creditor/Beneficiary	Status
	Frederico Westphalen (state of Rio Grande do Sul)		credit certificate No. 40/01312/X, in the original amount of R\$1.2 million and maturity on August 15, 2012.
DaGranja	Poultry slaughterhouse— Passos unit (state of Minas Gerais)	National Institute of Social Security (<i>Instituto Nacional de Seguridade Social</i> , or “INSS”)	Attachment in connection with judicial execution filed by the INSS in the amount of R\$4.5 million. Attachment in connection with judicial execution filed by the INSS in the amount of approximately R\$5.6 million.
DaGranja	Curitiba Distribution Center	INSS	Attachment in connection with judicial execution filed by the INSS, in the original amount of R\$11.5 million.
Seara	Slaughterhouse— Nuporanga (state of São Paulo)	Banco do Brasil	First-priority mortgage that guarantees the industry credit certificate No. 40/00665-4, in the original amount of R\$10.5 million with maturity on November 1, 2018.

As of December 31, 2010, we had invested the total amount of R\$1,119.1 million in the expansion or modernization of four of our plants, as well as the other assets of Marfrig. We expect to conclude the expansion and modernization processes during 2010. See “—Environmental Matters.”

Insurance

We are currently insured against a variety of risks in Brazil and elsewhere, including losses and damages relating to our slaughter, processing and industrializing plants and fleet of trucks. We also carry a directors and officers policy issued by Chubb Brazil, which included all of our units in Brazil and elsewhere, with coverage in the amount of R\$50.0 million. We believe our level of insurance coverage is appropriate for a company of our size and that the type of insurance we have is appropriate for our activities.

Regulatory Matters

One of our top priorities is strict compliance with all Brazilian sanitary and environmental laws at the federal, state and municipal levels. This includes keeping our permits up to date.

We believe we are in compliance with substantially all Brazilian sanitary and environmental laws. We have adopted practices in accordance with environmental and labor laws, including by executing an agreement to observe the National Pact for the Eradication of Slave Labor, in March 2008.

Sanitary Regulations

Our slaughter activities and meat processing operations in Brazil are subject to extensive regulation by the Brazilian Ministry of Agriculture and by other state or local authorities regarding the processing, packaging, storage, distribution, advertising and labeling of products, including our adherence to safety standards. In recent years, sanitation practices and procedures in the meat processing industry have been subject to more intensive scrutiny and oversight by the Brazilian Ministry of Agriculture. Each of our sites in which these activities are performed must be previously licensed by the authorities and we must maintain a technician responsible for each site. The labels of products of animal origin must be registered with the Brazilian Ministry of Agriculture. For further information, see “Risk Factors—Risks Relating to Our Business and Industry —We are subject to extensive governmental legislation and regulations in Brazil and in the international markets in which we operate, as well in countries to which we export our products.”

With respect to the sanitary licenses, we hold all necessary sanitary authorizations for us to operate and exercise our activities. Also, there are no material administrative proceedings currently in progress against us for non-compliance with sanitary regulation, and we have not been penalized for any infringement.

Environmental Matters

Environmental Laws

To control the environmental impact of our operations, we maintain a preventive maintenance process for our equipment and filters, as well as programs for the efficient use of water.

We periodically evaluate the environmental impact of our products, processes, operations and services to identify those that cause or could cause material environmental harm. Through our environmental management programs, we seek to identify opportunities for improving production processes, as well as preventing the occurrence of negative environmental impact and lawsuits.

In regard to environmental responsibility, we have always followed strict rules about acquiring cattle only from ranches that are properly registered with IBAMA and have observed the MTE slave labor blacklist. We act proactively when producers fail to comply with the law by immediately removing them from our list of authorized suppliers of animals for slaughter.

The procedures we have adopted include requesting an environmental license, to assure that the properties are properly registered with IBAMA (including daily monitoring of the list of blocked ranches), checking the rural property registration form and other environmental documents when necessary, as well as establishing internal environmental committees at all of our units that operate on the principle of access to information and prevention of environmental problems.

In addition, in December 2007 we implemented a Code of Ethics that establishes guidelines for our relationship with suppliers and includes detailed verification of its implementation. We hold periodic meetings with employees and suppliers, as well as meetings with evaluation committees, to guarantee that these rules are known and complied with. We have also created a hot line to report problems as an additional way to monitor our commercial relationship with our partners.

Environmental Licenses

Brazilian environmental laws require licenses for any activity that causes an actual or potential harm to the environment. These licenses are required for the initial installation, the operation and any expansion of our activities and have to be periodically renewed. According to the Resolutions 1/1986 and 237/1997 of the National Council on Environment (*Conselho Nacional do Meio Ambiente*, or “CONAMA”), in order to obtain a license for certain specific activities, it is necessary to present an environmental impact study (*Estudo Prévio de Impacto Ambiental*, or “EIA”), and an environmental impact report (*Relatório de Impacto Ambiental*, or “RIMA”). In addition, Law 9,985/2000 regulates the National System of Conservation Units (*Sistema Nacional de Unidades de Conservação*, or “SNUC”). According to this law and Decree 6,848/2009, any activity that will cause a significant environmental impact may only be licensed if the party requesting the license implements and maintains conservation units by paying an amount that is proportionate to the impact. The IBAMA will calculate the compensation and its amount will vary, from 0% to 0.5% of the total cost of the investment made for the installation of the project.

In case of state or local environmental impact, state or local authorities have authority to license any activity. IBAMA has the authority to license any activity that will cause a regional or national environmental impact.

The environmental licensing process consists of three licenses with determined terms: the previous license, the installation license and the operation license. Each license is granted according to the phase of the activity and its total term will depend on the adherence to the requirements made by the regulator. Failure to obtain a license is considered an environmental crime, even if the activity has not caused any actual environmental damage, and may lead to the suspension of all activities and to a penalty of up to R\$10.0 million (at the federal level), doubled or tripled in case of reoccurrence.

The un-timely renewal of these licenses or the failure to obtain or renew them, as well as the inability to adhere to the regulators' requests during the licensing process may harm, or even suspend, the installation and operation of our plants. For further information on the risk related to non-compliance with environmental laws, see "Risk Factors—Risks Relating to Our Business and Industry—Environmental laws and regulations may require increased expenditures for compliance, and non-compliance with these laws and regulations may result in civil, criminal and administrative penalties."

The environmental regulation imposes other additional burden on us, including the requirement of an appropriate destination to our disposals and the authorization requirements for water capture and effluents disposal.

Based on the advice of our internal counsel, we believe that we are in substantial compliance with all material Brazilian governmental environmental laws and regulations, and all material environmental permits and licenses necessary to our operations are in full force and effect.

The operating environmental licenses for our Paranatinga (Cold-storage building), Promissão (Tanning and Soap), Mineiros (Confinement) and Sidrolândia (animal food) plants expired on November 16, 2009, April 3, 2011, April 2, 2011 and December 28, 2010, respectively.

We applied for the renewal of such licenses, but not before 120 days of their expiration date, as required under applicable laws, and we are currently awaiting the competent environmental authority's approval. According to applicable laws and regulations, a company operating without an environmental license may be subject to administrative penalties, such as warnings, fines of up to R\$10.0 million, partial or total suspension of activities and other restrictions. Also, according to Brazilian law, operating without an effective environmental license may, in certain cases, also be understood as an environmental crime, subjecting both the company and its officers to penalties. We have no reason to believe that the renewals will not be duly granted by their respective environmental authorities.

For each cattle purchase, we check the National Register of Legal Entities (CNPJ) of the supplier, as well the Taxpayer's Card No. (CPF) on the list published by the Ministry of Labor and Employment. We also are in compliance in the following areas:

- 100% of our suppliers regarding areas seized by IBAMA.
- 100% of our suppliers regarding conflicts in indigenous areas.
- 100% of our suppliers regarding slave labor.
- 80% of our animal supply regarding preservation areas.
- 80% of our animal supply regarding deforestation.

In the 1st quarter of 2010, 108 of our suppliers located in the Amazon were prevented from selling their products to us until their situation was regulated, due to the following reasons:

- 97 suppliers were included on the list of IBAMA.
- 7 suppliers were nonconforming regarding requirements of preservation areas.
- 2 suppliers were included in the list of the Ministry of Labor.
- 2 suppliers took part in conflicts in indigenous areas.

Intellectual Property

Under the applicable Brazilian laws, the exclusive right to use a trademark, patent or industrial design in the territory of Brazil is acquired when the Brazilian Patent and Trademark Office ("INPI") grants its registration. Until the grant of the registration, the applicant has only a contingent right over the trademark, patent or industrial design.

We own several trademark applications and registrations in Brazil, which are mainly related to commercialization of food. Our main trademarks, such as "DAGRANJA" and "MARFRIG", are currently duly registered before INPI.

We also own several internet domain names duly registered in Brazil, including “seara.com.br”, “agrofrango.com.br”, “chickenitos.com.br” “dagranja.com.br” “mabella.com.br” and “marfrig.com.br.”

We currently do not own patents or industrial designs. All copies of third party-software we use are currently duly licensed.

Investments and Divestments

The chart below sets forth, except for transactions related to Marcos Molina dos Santos and Márcia Ap. Pascoal Marçal dos Santos, the transactions between us and our wholly-owned subsidiaries in the three years ended December 31, 2010 that we do not consider related-party transactions because they are made in the ordinary course of business, integrate our consolidated financial information and have no impact on our results.

Investments of the Company	Year ended December 31,									
	2008			2009			2010			
	Investment	Capital	Total	Investment	Capital	Total	Investment	Divestment	Capital	Total
		Increase			Increase				Increase	
		(in thousands of R\$)								
Argentine Breeders & Packers S.A. (Argentina)	—	30,774	30,774	—	21,588	21,588	—	(145,971)	81,257	(64,714)
Marfrig Chile S.A. (Chile).....	—	2,109	2,109	—	—	—	—	—	—	—
Weston Importers Ltd. (United Kingdom)	—	22,769	22,769	—	—	—	—	—	—	—
União Frederiquense Partic. Ltda (Frigorífico Mabella Ltda) (Brazil).....	—	90,680	90,680	—	—	—	—	—	453,582	453,582
Blue Horizon Trading Co. LLC (Quick Food S.A.) (Argentina)	7,166	—	7,166	1,211	—	1,211	115,264	—	-	115,264
Marfrig Holdings (Europe) B.V.....	—	—	—	—	638,325	638,325	—	—	276,157	276,157
Marfood USA, Inc.....	—	—	—	—	—	—	8,446	—	—	8,446
Seara Holdings (Europe) B.V.	—	—	—	—	—	—	1,262,804	—	—	1,262,804
Columbus Netherlands B.V....	—	—	—	—	—	—	71,456	—	—	71,456
Keystone Foods International Holdings LLC.	—	—	—	—	—	—	483,941	—	—	483,941
Total	7,166	146,332	153,498	1,211	659,913	661,124	1,941,911	(145,971)	810,996	2,606,936

Note:—

(1) Frigoclass Alimentos S.A. (Brazil).

Investments of the Controlled Companies	Year ended December 31,								
	2008			2009			2010		
	Capital			Capital			Capital		
	Investment	Increase	Total	Investment	Increase	Total	Investment	Increase	Total
(in thousands of R\$)									
Dagranja Agroindustrial Ltda. (Brazil)	58,000	—	58,000	—	—	—	—	—	—
Penasul Alimentos Ltda. (Marca Penabraca) (Brazil).....	53,000	—	53,000	—	—	—	—	—	—

Investments of the Controlled Companies	Year ended December 31,								
	2008			2009			2010		
	Investment	Capital	Total	Investment	Capital	Total	Investment	Capital	Total
		Increase			Increase			Increase	
		(in thousands of R\$)							
Moy Park Group e MAS do Brasil Participações Ltda. (Europe and Brazil)	680,000	—	680,000	—	—	—	—	—	—
Keystone U.S.	—	—	—	791,000	—	—	388,227	—	388,227
Total	791,000	—	791,000	—	—	—	388,227	—	388,227

For further information on our current capital investments, see “Summary—Recent Developments” and “—History of Our Organization Growth and Acquisitions.”

We did not make any material divestment over the three fiscal years ended December 31, 2010.

Material Contracts

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts” for information on our material contracts.

Legal and Administrative Proceedings

We are party to lawsuits and administrative proceedings incidental to the normal course of our business. Our policy is to provision 100% of the liabilities for which the risk of losses is evaluated as probable. We do not make provisions when the risk of losses is evaluated as possible or remote. We classify each lawsuit into one of these three categories based upon the opinion of outside counsel and specialized technical advisors responsible for each matter.

For further information on material lawsuits with a possible risk of loss, see note no. 19 to our financial statements included elsewhere in this offering memorandum.

As of December 31, 2010, we had a provision of R\$223.7 million related to (i) lawsuits and administrative proceedings in which we were a defendant, including tax, labor and civil matters and other matters, and (ii) certain non materialized tax contingencies.

Tax and Social Security Proceedings

As of December 31, 2010, the Brazilian legal entities of the Marfrig group were party to 457 tax judicial and administrative proceedings for which the risk of losses was evaluated as probable and possible, involving the estimated total amount, also evaluated as a possible and probable risk of loss of R\$482 million.

In relation to the tax contingencies of the Brazilian legal entities of the Marfrig Group, an amount of R\$138 million was provisioned for tax proceedings for which the risk of losses was evaluated as probable and certain non materialized tax contingencies. Our main tax and social security proceedings are:

Social Security Contributions

We have been discussing their obligation to withhold and pay a contribution to the Fund for the Assistance of the Rural Worker (*Fundo de Assistência ao Trabalhador Rural*), on behalf of individual producers of agricultural goods, including our cattle suppliers. To date, no decision has been issued by the superior court by Marfrig in our favor to allow them not to withhold and pay the contribution. We cannot assure you that Marfrig will not to be subject to social security penalties or claims related to our non-

withholding and non-payment of the contribution. An unfavorable decision may adversely affect our business and results of operations.

We, along with some of our subsidiaries, have filed a lawsuit seeking recognition of our right to use PIS/COFINS export credits to set off our social security debts, for which we already obtained a favorable appealable decision. The export credits derive from our contributions to the social participation program (*Programa de Integração Social*, or “PIS”), and contributions for the financing of social security (*Contribuição para o Financiamento da Seguridade Social*, or “COFINS”). In addition to the tax proceedings provision described above, we have provisioned a value of R\$190.2 million for this, as discussed in note no. 14 to our financial statements.

Federal Taxes and Contributions

As of December 31, 2010, Marfrig was a party to 22 administrative and judicial proceedings, in the original value of R\$72 million, with an estimated total amount of R\$45 million. These proceedings relate to (i) corporate income tax and CSLL, PIS and COFINS, due to alleged inconsistencies in our declared income and our supplier’s invoices, (ii) differences in the amount paid for PIS and COFINS and (iii) exclusion of ICMS from the calculation base of PIS and COFINS. The amount involved in the first two types of proceedings is approximately R\$21.3 million, for which we made no provision because we believe the likelihood of loss is possible based on the opinion of external counsel responsible for this matter. The claims related to the ICMS from the calculation base of PIS and COFINS are the most relevant ones, involving an amount of approximately R\$21.7 million, for which we made no provision, because we believe the likelihood of loss is possible based on the opinion of external counsel responsible for this matter. We filed administrative defenses, which are still under review. Based on the opinion of external counsel, we believe that losses are possible.

Our subsidiary Seara has filed administrative proceedings contesting the rejection of refund requests of PIS/COFINS credits, totaling R\$64 million. These credits relate to depreciation expenses, on goods acquired for resale, freight expenses, transportation of cargo, deemed PIS and COFINS credit of agribusiness activities, rent expenses and commission expenses. Seara has also filed administrative proceedings contesting the rejection of the refund requests related to the IPI credits, totaling R\$13 million.

Seara has recorded a tax provision in the amount of R\$52.4 million, related to the following issues: (i) rejection of PIS/COFINS credits, (ii) IPI credits, and (iii) other tax contingencies. Seara has also recorded a tax provision in the amount of R\$21.8 million, of which R\$15.5 million corresponds to administrative proceedings referring to: (i) IRPJ/CSLL for the deductibility of expenses on allowance for doubtful accounts and court deposits (CPMF) in the amount of R\$7.8 million; (ii) rejection of PIS/COFINS credits on inputs taxed at a zero rate, monophasic products, freight expenses and deemed credits of agribusiness activities amounting to R\$7.3 million; (iii) ICMS on transfer margins in the amount of R\$0.2 million; (iv) ITR (real estate tax) on the value of bare land corresponding to R\$0.2 million; and R\$6.3 million of tax risks that have not yet materialized to date.

PIS and COFINS Taxes on Imports

In November 2004, Marfrig filed a lawsuit against the charge of PIS and COFINS on imports and requested a deduction of these contributions. A preliminary injunction was granted in their favor and later confirmed. The Brazilian government appealed and a decision is currently pending. The existing injunction has a favorable effect on our cash flow, as it allows Marfrig to pay these taxes only when their products are sold. The PIS and the COFINS taxes on imports are different from the PIS and the COFINS taxes on income, even though they are related for offsetting purposes. In order to formalize any debt due to the PIS and COFINS taxes on imports that Marfrig is currently not paying, the tax authority will have to file a tax assessment (*auto de infração*). Marfrig is not aware of the amount of the contingency related to the PIS and COFINS taxes on imports. If the injunction that currently allows Marfrig not to pay these taxes is later retracted, Marfrig will have 30 days to pay the amount without any penalty. The payment of PIS and COFINS taxes on imports generates a credit for other PIS and COFINS payments, unless it is barred by the statutes of limitations.

Installment Payment Plan for Federal and Social Security Taxes

On September 30, 2009, Marfrig, DaGranja and Seara applied to the special installment payment plan, established by Law No. 11.941/09 (“REFIS”), and cancelled other tax payment programs. The social security tax debts, which Marfrig, DaGranja and Seara incurred after they had applied to the tax payment programs, totaled R\$312.3 million. To date, the tax debts have not been consolidated by the Brazilian Tax Authorities. The companies have regularly paid the installments under the New Refis. The Federal Revenue Service approved Marfrig and Seara’s requests to join REFIS. Debts will be assessed and consolidated according to Joint Administrative Act PGFN/RFB No. 3, issued on April 29, 2010.

Although the amounts of the REFIS had not been approved as of December 31, 2010, we recorded the declared debt, assuming its acceptance by authorities and considering the settlement period established under the plans. The total amount of the obligations will only be confirmed when the authorities complete their analyses of the declared debts, but our management does not expect that material adjustments will be required. Please see note 15 to our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2010 for further details on REFIS. Management does not expect material adjustments arising from that case. If we fail to fulfill certain auxiliary procedures related to the REFIS, the full amount of the debts included in this installment payment plan will be charged by the Brazilian Tax Authorities, without considering the discounts granted by the legislation of the REFIS on the interest and fines.

If Marfrig, DaGranja and Seara fail to fulfill certain auxiliary procedures related to the REFIS, the full amount of the debts included in this installment payment plan will be charged by the Brazilian Tax Authorities, without considering the discounts granted by the legislation of the REFIS on the interest and fines.

ICMS Tax

Value-added tax on goods and services (*Imposto sobre Circulação de Mercadorias e Serviços*, or “ICMS”), is a state, non-cumulative tax levied on the value of the good at each stage of the production and distribution chain at rates that range from 7.0% to 19.0%, depending on the product and on the state of Brazil in which it is sold.

The discussions related to ICMS involving Marfrig address the administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia, Rio Grande do Sul and Ceará that question the credits from the transfer of good, non-fulfilment of accessory obligations, wrong issuance of invoices and credit granted, which amount that is evaluated as a possible or probable chance of loss is R\$19.7 million. From such amount, the amount of R\$7.6 million was the object of a legal claim on the credit granted by the State of São Paulo, with an interim relief that suspended its mandatory payment. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R\$0.7 million. In the State of Mato Grosso, the actions refer to the disregard of the tax regimen established with the State and the absence of issuance of electronic invoice, corresponding to R\$5.8 million evaluated as possible or probable chance of loss.

The principal proceedings relating to ICMS were filed by the Finance Department of State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branch located in the State of Mato Grosso do Sul to the branches in the State of São Paulo (a “tax war”). The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution centre and that paid to the State of origin. The amount considered as a possible risk of loss is approximately R\$91 million. Subsidiary Dagranja is a party to administrative proceedings also filed by the Finance Department of the State of São Paulo claiming the ICMS on the tax benefit granted by the States of Minas Gerais and Paraná. The total amount considered a possible chance of loss is R\$20 million, and are in the discussion at the administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

Based on our external counsel’s advice, we have not made a provision for this proceeding.

Labor Proceedings

As of December 31, 2010, there were 66 infraction notices filed against the Company by the Regional Labor and Employment Office. The main matters involved in these infraction notices are related to overtime and occupational health and safety. There were also 34 administrative proceedings filed against the Company by the Public Labor Prosecutor Office. The main matters involved in these infraction notices are related to occupational health and safety, overtime, among others. While we believe that the amounts involved in the infraction notices and administrative proceedings are not material, any adverse decision in any of the infraction notices or administrative proceedings that requires us to take certain remediation measures may adversely affect us.

As of December 31, 2010, we were defendants in 5,602 labor lawsuits, in the estimated total amount of R\$773.2 million. Based on the history of payments made by the Company in the last two years, we have made a provision of R\$46.4 million in connection with these lawsuits. Our management and external counsel believe that the provision is enough to cover potential losses. A large percentage of the labor lawsuits filed against us relate to issues commonly alleged against other meat producers, such as discussions about good cause termination, breaks for employees who work in refrigerated environments and demands for in itinerant hours, among others.

Civil Proceedings

As of December 31, 2010, we were defendants in 763 civil lawsuits in the historic amount of R\$91.4 million, for which we provisioned approximately R\$38.9 million based on the assessment of a probable risk of loss by our management and external counsel. Our civil lawsuits typically involve claims related to our commercial dealings or damages claims.

Antitrust and Administrative Proceedings

On October 5, 2009, we notified CADE of the purchase agreement regarding the acquisition of Seara. The filed transaction (Concentration Act No. 08012.007955/2009-15) is currently under the analysis of Secretary of Economic Monitoring ("SEAE").

On October 9, 2009, we filed with CADE the lease agreements entered into with the Margen Group and Mercosul S.A. (Concentration Act Nos. 08012.008129/2009-85 and 08012.008130/2009-18, respectively). The Margen Group transaction was formally approved by CADE on November 24, 2010. The Mercosul transaction remains under the analysis of SEAE.

THE ISSUER

Marfrig Holdings (Europe) B.V., or Marfrig Holdings, a wholly-owned subsidiary of Marfrig organized and existing under the laws of The Netherlands, was incorporated as a private limited liability company on October 8, 2007 and registered with the Ministry of Justice under number BV 1451284 and with the Trade Register of the Chamber of Commerce for Amsterdam under file number 28117368. The registered office of the issuer is at Naritaweg 165 Telestone 8, 1043 BW Amsterdam, The Netherlands.

The purposes for which Marfrig Holdings is established are (i) to incorporate, participate in, conduct the management of and take any other financial interest in other companies and enterprises, (ii) to render administrative, technical, financial, economical or managerial services to other companies, persons or enterprises, (iii) to acquire, dispose of, manage and exploit real and personal property, including patents, marks, licenses, permits and other industrial property rights and (iv) to borrow and or lend monies, act as surety or guarantor in any other manner, and bind itself jointly and severally or otherwise in addition to or on behalf of others, the foregoing whether or not in collaboration with third parties, and inclusive of the performance and promotion of all activities which directly and indirectly relate to those objects, all of this in the broadest sense.

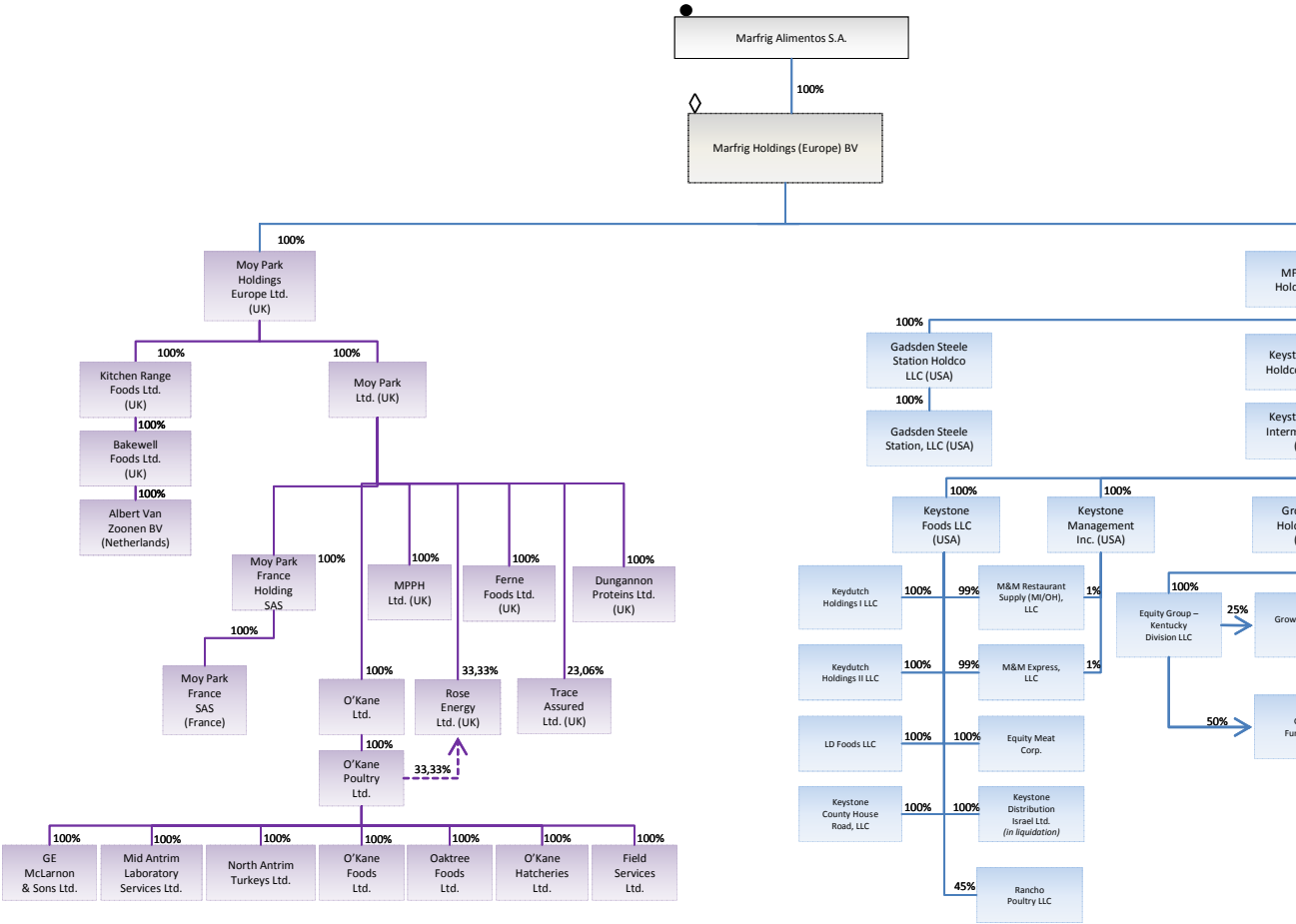
Marfrig Holdings' constitutional documents and any other documents referred to in this offering memorandum concerning Marfrig Holdings can be inspected at Marfrig's headquarters in Brazil. The articles of association of the issuer have most recently been amended by a deed of amendment, dated December 22, 2009.

The issued and fully paid up share capital of Marfrig Holdings amounts to a total of €240,380,600, divided into 2,403,806 common shares, each with a nominal value of €100. Marfrig Holdings' authorized capital amounts to €750 million, divided into 7,500,000 common shares, each with a nominal value of €100.

The managing director of the issuer is Trust International Management (T.I.M.) B.V., a private limited liability company organized and existing under the laws of The Netherlands, having its corporate seat in Amsterdam, registered with the Trade Register of the Chamber of Commerce for Amsterdam under file number 33160097. In accordance with article 19 of the articles of association of the issuer, its board of managing directors has the authority to represent Marfrig Holdings.

As shown in the corporate chart below, Marfrig Holdings is the sole shareholder of (i) Moy Park Holdings Europe Ltd., a holding company headquartered in Northern Ireland, which owns 100% of Moy Park Ltd. and Kitchen Range Foods Ltd., the entities that consolidate a material part of the Marfrig Group's international operations in the poultry segment, and (ii) MFG (USA) Holdings Inc., a holding company that consolidates the operations of the Acquired Keystone Businesses in the United States.

Corporate structure as of March 31, 2011:



Marfrig Holdings' financial year corresponds to the calendar year. Management of the issuer prepares unaudited unconsolidated financial reports of the issuer for filing with the Dutch trade register and is required to file such financial statements within 13 months of the end of the relevant financial year. As a result, the issuer has filed its unaudited financial report for the calendar years 2008 and 2009 and shall file its unaudited financial report for the calendar year 2010 with the Dutch trade register by January 31, 2012. The issuer is not required to prepare and does not prepare consolidated financial reports or interim financial reports.

Pursuant to the Dutch Civil Code, the issuer is also not required to audit its financial reports. However, solely for purposes of the application to listing of the notes on the official list of the Luxembourg Stock Exchange and trading on the EuroMTF, the issuer has prepared audited unconsolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010, which are included elsewhere in this offering memorandum. See "Presentation of Financial Information."

As of the date of this offering memorandum, the issuer acts as a guarantor of the following debts of the Marfrig Group:

Debt Instrument	Issuer/Borrower	Guarantors	Principal Amount
9.625% Senior Notes Due 2016	Marfrig Overseas Limited	– Marfrig Alimentos S.A. – União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$375,000,000
9.50% Senior Notes Due 2020	Marfrig Overseas Limited	– Marfrig Alimentos S.A. – União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$500,000,000
Export Prepayment Agreement – Credit Suisse 313BB1	Marfrig Alimentos S.A.	– União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$100,000,000
Export Prepayment Agreement – Credit Suisse CSBRR2010040011	Marfrig Alimentos S.A.	– União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$100,000,000
Export Prepayment Agreement – Credit Suisse – 46BB1	DaGranja Agroindustrial Ltda.	– Marfrig Alimentos S.A. – União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$50,000,000
Export Prepayment Agreement – Deutsche Bank	Marfrig Alimentos S.A.	– União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$135,000,000
Export Credit Note – Credit Suisse	Marfrig Alimentos S.A.	– União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	U.S.\$82,488,805.09

Debt Instrument	Issuer/Borrower	Guarantors	Principal Amount
Non-convertible Debentures	Marfrig Alimentos S.A.	– União Frederiquense Participações Ltda. – Marfrig Holdings (Europe) B.V. – Seara Alimentos S.A.	R\$610,000,000

For more information on the indebtedness described above, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts.”

THE GUARANTORS

The notes are unconditionally and irrevocably guaranteed by Marfrig, the guarantor, and by Marfrig Overseas, Seara and Unifred, the subsidiary guarantors. See “Description of the Notes” for further information on the guarantees. This section summarizes certain aspects of the business of each of the guarantors. As of December 31, 2010, the issuer, on a consolidated basis, represented approximately 16.6% of the total assets and approximately 20.7% of the net revenues of the Marfrig Group; the guarantor, on an individual (i.e., non-consolidated) basis, represented approximately 40.0% of the total assets and approximately 24.6% of the net revenues of the Marfrig Group; and the subsidiary guarantors, considered together and in each case on a consolidated basis, represented approximately 40.9% of the total assets and approximately 38.2% of the net revenues of the Marfrig Group. As of that same date, the issuer and the guarantors considered together as described above, represented approximately 97.5% of the total assets and approximately 83.5% of the net revenues of the Marfrig Group.

Guarantor – Marfrig Alimentos S.A.

Marfrig Alimentos S.A. is a Brazilian publicly held corporation (*sociedade por ações*), founded in 2000 with an undetermined term and is headquartered at Avenida Chedid Jafet 222, Bloco A – 5th floor, Sala 1, São Paulo, SP, Brazil. We were registered at CVM on September 18, 2007. Our corporate purposes are (i) to explore cold storage activities, the slaughter of cattle, pigs, lamb, birds, fish and the processing and sale of animal products and subproducts, consumable or not, including, but not limited to, the processing and sale of leather products and subproducts, in our own establishments or third parties’ establishments; (ii) the purchase, sale, distribution, representation, import and export of food products in general, including beverages, alcoholic or not, and others; (iii) purchase and sale of live cattle, birds, pigs, fish and lamb; (iv) supply of manpower together with other companies; (v) exploration of agricultural activity; (vi) interest as a partner of shareholder in any business or civil company; (vii) distribution and commercialization of food products in general; (viii) production, distribution and commercialization of soaps, washing preparations, antiseptics, softeners and other cleaning and hygiene products; (ix) cogeneration, production and commercialization of energy and biodiesel; (x) interest in the financial market, as well as carbon credit market; (xi) commercialization and production of products derived from vegetables, as well as of all derivatives and succedaneums thereof; feed, canned food and fats; and (xii) transport of our products and third party’s products; representations and other related transactions necessary to accomplish our corporate purposes. For more information regarding our business, see “Business.”

Subsidiary Guarantors

Marfrig Overseas Limited

Marfrig Overseas is a wholly-owned subsidiary of Marfrig and was incorporated in the Cayman Islands as an exempted company with limited liability on October 25, 2006 with Registration Number 175913 for an unlimited period. The registered office of Marfrig Overseas is located at P.O. Box 309, Ugland House, Grand Cayman, KY1 -1104, Cayman Islands. As of December 31, 2010, the assets of Marfrig Overseas comprised approximately 6% of the total assets of our Group and, in the year ended December 31, 2010, its net revenues comprised 0% of the net revenues of our Group.

The purpose of Marfrig Overseas includes, among other things as further detailed in its memorandum of association, to engage in financing transactions involving Marfrig or its subsidiaries. Marfrig Overseas does not have subsidiaries or equity participation in any undertaking. Marfrig Overseas’ authorized share capital is U.S.\$50,000, divided into 50,000 shares of U.S.\$1.00 par value each. The issued share capital of Marfrig Overseas is one share which has been fully paid up.

As of the date of this offering memorandum, Marfrig Overseas principal business activities have consisted of the issue of U.S.\$375 million notes issued on November 16, 2006 and the U.S.\$500 million notes issued on May 4, 2010. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Material Contracts—Senior Notes.” Other than these notes, Marfrig Overseas has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but

unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Seara Alimentos S.A.

Seara (formerly Seara Alimentos Ltda.) was incorporated under the laws of Brazil and converted from a limited liability company into a *sociedade por ações* with unlimited duration on January 4, 2010. Seara is registered with the Corporate Taxpayer Registry (CPNJ) under number 02.914.460/0001-50 and its registered office is located at Avenida Chedid Jafet, 222 – Bloco A, 3rd Floor (part), Vila Olímpia, 04551-065, São Paulo, SP Brazil. As of December 31, 2010, the assets of Seara comprised approximately 20% of the total assets of our Group and, in the year ended December 31, 2010, its net revenues comprised approximately 23% of the net revenues of our Group.

Seara became part of our group on January 4, 2010, when we completed the acquisition of the Acquired Seara Businesses, which include (i) eight industrial units for poultry with a slaughtering capacity of 1,223,000 chickens per day and two industrial units for pigs with a slaughtering capacity of 6,200 head of pork per day; (ii) three plants for industrialized and value-added processed products with production capacity of approximately 17,160 metric tons per month; (iii) a private port terminal for meat packing and dried meat (Braskarne) cargo in the city of Itajaí, state of Santa Catarina; (iv) the Seara brand and other brands; (v) international sale and distribution operations, with units located in the United Kingdom, Japan and Singapore, each one holding exporting quotas from Brazil to several other countries; (vi) nine feed mills, located in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul; and (vii) six hen farms in the states of Santa Catarina, Paraná, São Paulo and Mato Grosso do Sul with approximately 3,000 integrated producers of poultry and pork. See “Business—History of Our Organic Growth and Acquisitions”, “—Corporate Structure” and “—Our Subsidiaries.” As of January 4, 2010, we have consolidated the Acquired Seara Businesses in our financial statements

União Frederiquense Participações Ltda.

Unifred was established on October 10, 2001 as a limited liability company, with unlimited duration, organized under the laws of Brazil. Unifred is registered with the Corporate Taxpayer Registry (CPNJ) under number 04.853.500/001-27 and its registered office is located at Rua Dr. Tranquilo Damo, 209, 98400-000, Frederico Westphalen, Rio Grande do Sul, Brazil. As of December 31, 2010, the assets of Unifred comprised approximately 15% of the total assets of our Group and, in the year ended December 31, 2010, its net revenues comprised approximately 15% of the net revenues of our Group.

Unifred is a holding company that owns 98.94% of Mabella. We acquired Mabella in November 2007, marking our entering into the poultry and pork business. Mabella operates a pork-slaughtering unit in the state of Santa Catarina and a pork slaughtering and pork processing unit in the state of Rio Grande. Mabella has a total slaughter capacity of 4,200 head of pork per day and focuses on adding value with sausages, smoked and salted meat products and has a significant export presence. Mabella also holds ownership interests in several subsidiaries of the Marfrig Group that operate in the poultry and pork segments. See “Business—History of Our Organic Growth and Acquisitions”, “—Corporate Structure” and “—Our Subsidiaries.”

MANAGEMENT

Pursuant to our bylaws, our management is composed of a board of directors (*conselho de administração*) and a board of executive officers (*diretoria*). Our bylaws also provide for a permanent fiscal council.

Board of Directors

Our board of directors is a collective decision-making body responsible for the formulation and monitoring for implementation of overall business policies, including our long-term strategy. It is also responsible, among its other functions, for the appointment and supervision of our executive officers. Under Brazilian corporate law, the board of directors is also responsible for the hiring of independent auditors.

All board of director's decisions are made by majority vote of those members present at the relevant meeting.

Pursuant to our bylaws, our board of directors must be composed of a minimum of five and a maximum of 11 members. Each member must be a shareholder of our company, although no minimum shareholding is stipulated. The directors are elected at our annual shareholders' meeting, for a unified, two-year term of office. The members of our board of directors can be re-elected and removed at any time by our shareholders in a shareholders' meeting. Under the *Novo Mercado* listing segment regulation, a minimum of 20% of the members of our board of directors should be independent. Our directors are required to sign, prior to taking office, the administrators' instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* listing segment regulation.

In addition, under Brazilian corporate law, the members of our board of directors are prohibited from acting in any transaction or business in which their interests conflict with our own.

The current members of our board of directors were elected at the annual shareholders' meeting held on April 30, 2011, for a unified two-year term, which is set to expire at the date of our annual shareholders' meeting to be held in 2013.

The table below sets forth the name, age, title and date of election of the members of our board of directors:

Name	Age	Position	Date of Election
Marcos Antonio Molina dos Santos	41	Chairman	4.30.2011
Márcia Ap. Pascoal Marçal dos Santos	38	Director	4.30.2011
Rodrigo Marçal Filho.....	37	Director	4.30.2011
David G. McDonald.....	47	Director	4.30.2011
Carlos Geraldo Langoni.....	67	Independent Director	4.30.2011
Marcelo Maia de Azevedo Correa	55	Independent Director	4.30.2011
Antonio Maciel Neto	53	Independent Director	4.30.2011
Alain Emile Henry Martinet	68	Director	4.30.2011

Below is a brief biographical description of each member of our board of directors:

Marcos Antonio Molina dos Santos. Mr. Molina dos Santos is the chairman of our board of directors. He has extensive experience in the sectors we operate in. He has worked in the beef sector since the age of 16, when he started his own business. Since the incorporation of the Company, Mr. Marcos Molina has been our chief executive officer. Mr. Molina dos Santos is also shareholder and Chief Executive Officer of MMS Participações S.A., our controlling shareholder. Mr. Molina dos Santos holds a high school degree.

Márcia Ap. Pascoal Marçal dos Santos. Ms. Santos has been a member of our board of directors since March 26, 2007. She has extensive experience in the beef sector and was in charge of our financial team from 2000 to 2006 and of our internal audit team from 2000 to 2006. Since November 12, 2010, she has been a member of our internal audit committee. Ms. Santos holds a high school degree.

Rodrigo Marçal Filho. Mr. Marçal Filho has been a member of our board of directors since March 26, 2007. His professional life has been connected to the agribusiness area, having worked as farm manager until May 2000, when he joined us. He was responsible for the purchase of cattle and later became our officer in charge of infrastructure. Mr. Marçal Filho holds a high school degree.

David G. McDonald. Mr. McDonald has been a member of our board of directors since December 1, 2008. He joined our board of directors in 2008 after we acquired the OSI Group's operations in Europe and Brazil. Mr. McDonald is currently member of the board of directors and chief executive officer of the OSI Group. Mr. McDonald graduated in animal science from Iowa State University in 1987, when he began working in the industrial area of the OSI Group, which is a multinational food processing company.

Carlos Geraldo Langoni. Mr. Langoni has been our independent director since May 7, 2007. He is currently a member of the board of directors of Souza Cruz, member of the consulting council of Guardian Industries, president of Projeta Consultoria Econômica Ltda. and senior consultant of Companhia Vale do Rio Doce. He has also held the position of chairman of the Central Bank of Brazil from 1980 to 1983. Mr. Langoni graduated from the Universidade Federal do Rio de Janeiro (UFRJ) with a degree in Economics and has a Ph.D. in Economics from the University of Chicago.

Marcelo Maia de Azevedo Correa. Mr. Correa has been our independent director since May 7, 2007. He is currently chief executive officer of Grupo Neoenergia S.A. and director of the following companies: ONS—Operador Nacional do Sistema Elétrico, Coelba, Cosern, Celpe, Itapebi, Termopernambuco, PCH I, Afluente, Goiás Sul and Baguari I. He held the position of chief executive officer of VBC Energia S.A. from 1997 to 2004 and of chairman of the board of directors of CPFL—Piratininga from 2001 to 2002. He also held the position of the fiscal council of RGE—Rio Grande Energia from 1997 to 1999 and of CPFL—Paulista in 2000. Mr. Correa holds a degree in civil engineering from PUC-RJ and an MBA in finance from IBMEC.

Antonio Maciel Neto. Mr. Maciel has been our independent director since May 20, 2007. He was president of Ford do Brasil in South America, and also corporate vice chairman of Ford from 1999 to 2006. He was the chairman of the Grupo Itamarati, from 1997 to 1999 and of CECRISA—Revestimentos Cerâmicos, from 1993 to 1997. Between 1990 and 1993, he held various positions in the Brazilian government, such as: adjunct executive officer of the Industry and Commerce Department and national adjunct secretary of Economics in the Ministry of the Economy; vice-minister in the Ministry of Industry, Commerce and Tourism. He was the technical coordinator of the Brazilian Quality and Productivity Program (*Programa Brasileiro de Qualidade e Produtividade*). He began his professional career at Petrobrás in 1980, where he worked for ten years. Since 2006, he has been the CEO of Suzano Papel e Celulose. He is currently a member of the global board of directors of Archer Daniels Midland Company. Mr. Maciel holds a degree in mechanical engineering from Universidade Federal do Rio de Janeiro (UFRJ).

Alain Emilie Henry Martinet. Mr. Martinet has been working in the beef industry for more than 30 years. From 1978 to 1984 he worked as the manager of the international area of the beef division of Louis Dreyfus Corporation USA. From 1985 to 1991 he was the general manager and from 1991 to 1992 the commercial officer of Frigorífico Rio-Platense. He served as an officer of SWIFT Argentina for five years, starting on 2001. He joined our Company in October 2006, and previously held the position of the Chief Executive Officer of our Argentina operations, our trading companies and our United States operations.

Advisory Committees to our Board of Directors

Our bylaws provide for the creation of technical and consulting committees to assist our board of directors. These committees may be comprised of members of our board of directors, our executive committee or external service providers. Once installed, our board of directors will determine the attributes of our committees, as well as their goals. We currently have the following committees:

Audit Committee

Our audit committee rules were approved at a meeting of our board of directors held on July 16, 2007. Our audit committee assists our board of directors in conducting internal and external audit procedures, in matters involving accounting and disclosure of financial information, and in evaluating our legal and internal financial compliance controls.

Finance Committee

Our finance committee rules were approved at a meeting of our board of directors held on July 16, 2007. This committee is responsible for periodically examining our investment and financing plans and their impacts on our capital structure, as well as determining parameters for monitoring liquidity and predetermined capital structures.

By resolution of our board of directors, our finance committee is responsible for analyzing and approving financial transactions in amounts between 5% and 10% of our net worth, based on our most recent publicly disclosed financial statements.

Corporate Governance and Compensation Committee

Our committee for corporate governance and compensation is the deliberative body in charge of assessing and reviewing management compensation. This committee meets monthly and focuses on strategic human resources issues.

Sales Advisory Committee

Our sales advisory committee was created at a meeting of our board of directors held on October 31, 2008. This committee is responsible for advising our board of directors regarding the management of our commercial activities, especially in regard to our relationship with our customers.

Board of Executive Officers

The members of our board of executive officers are our legal representatives and are responsible mainly for the day-to-day management of our business and for implementing up the general policies and directives established by our board of directors.

Pursuant to Brazilian corporate law, each member of our board of executive officers must reside in Brazil, and may or may not be one of our shareholders. In addition, up to, at most, one third of the members of our board of directors may hold a position in our board of executive officers.

Our executive officers are elected by our board of directors for a three-year term of office. Our executive officers can be reelected and removed by our board of directors at any time.

Our bylaws provide that our board of executive officers will have a minimum of two, and a maximum of seven members with the following positions: chief executive officer, chief operating officer, investor relations officer and chief administrative and financial officer, while the remaining officers do not have specific titles. The executive officers must, prior to taking office, sign an instrument of consent (*Termo de Anuência dos Administradores*), as established in the *Novo Mercado* listing segment regulation. Currently, our board of executive officers is composed of four members, for a three-year term of office, reelection being permitted.

The table below sets forth the name, age, position and date of election of the members of our board of executive officers:

Name	Age	Position	Date of Election
Marcos Antonio Molina dos Santos	41	Chief Executive Officer	03.25.2010
James David Ramsey Cruden	61	Chief Operating Officer	03.25.2010
Ricardo Florence dos Santos.....	56	Investor Relations Officer	03.25.2010
Alexandre José Mazzuco	39	Chief Financial and Administrative Officer	03.25.2010

Below is a brief biographical description of the members of our executive committee (except for Mr. Marco Antonio Molina dos Santos, who is also chairman of the board of directors):

James David Ramsey Cruden. Mr. Cruden is our chief operating officer. He has been working in the beef industry since 1970. From 1970 to 1973 he had worked at Angliss Co. Australia, a company owned by the Vestey Group Ltd. (the “Vestey Group”), a traditional British food company. In 1974, he came to Brazil to work for Anglo Alimentos S.A., or Anglo, a slaughterhouse owned by the Vestey Group. From 1980 to 1982, he worked as the general manager of the Vestey Group office in The Netherlands. Mr. Cruden returned to the Vestey Group’s companies in Brazil in 1982 as vice-president, sales director and superintendent director, successively, until 1986. He worked at Frigorífico Bordon from 1986 to 1989 and was chief executive officer of Pampeano until 1992. From 1993 to 1996, he was an officer of Anglo. From 1996 to 1998, he managed his own business as a cattle raiser. In 1998, he returned to Anglo and in 2000 became the general manager of BF Produtos Alimentícios Ltda., one of the largest Brazilian beef companies for the production of processed, cooked beef. He remained at BF Produtos Alimentícios Ltda. until 2004, when he joined us as operations officer, responsible for our industrial process and wholesale and export activities. He is currently responsible for the operations of our beef division and food service—Brazil. Mr. Cruden holds a high school degree.

Ricardo Florence dos Santos. Mr. Florence dos Santos is our planning and investor relations officer. He worked at Grupo Pão de Açúcar from 1984 to 2000, as the financial planning executive officer and the Investor Relations statutory executive officer. He worked for two years at UOL Inc. (*Grupo Folha de São Paulo*) as an investor relations executive officer. He worked from 2006 to 2007 as an adjunct investor relations executive officer at Brasil Telecom. He was a member of the board of Grupo Pão de Açúcar from 1995 to 1999; of UOL Inc. (*Grupo Folha de São Paulo*) in 2001; of Dentalcorp Sand from 2002 to 2006. Mr. Florence dos Santos also holds the position of President of the Brazilian Institute of Investor Relations (*Instituto Brasileiro de Relações com Investidores*), or IBRI. Currently, Mr. Santos is also responsible for our strategic planning department. Mr. Florence dos Santos holds a degree in chemical engineering from the Escola Politécnica da Universidade de São Paulo and in business from Universidade Presbiteriana Mackenzie. He holds an MBA from IBMEC São Paulo.

Alexandre José Mazzuco. Mr. Mazzuco is our chief financial and administrative officer. He has worked in the finance area since 1985, with experience in the office of the controller and market relations at companies that have undergone major turnarounds, including operational restructuring and capital restructuring. He began his career at Companhia Paulista de Fertilizantes in 1985, where he worked for 12 years. After that he worked as controller for Fábrica Nacional de Vidros de Segurança Ltda.—FANAVID, from 1999 to 2002. He led the negotiations for acquisition of an ownership interest in FANAVID by Grupo Asahi Glass (one of the largest groups in the world in this sector). He also led the ISO 9000 certification process and the implementation of ERP software at that company. He joined us in 2002. Mr. Mazzuco holds a degree in finance and controllership from IMES—Instituto Municipal de Ensino Superior and a degree business administration from IMES—Instituto Municipal de Ensino Superior. He also holds MBA degree in corporate management from Fundação Getúlio Vargas.

Board of Executive Officers of Our Divisions

Our management is organized by a board of executive officers by division. This board of executive officers is comprised of experienced professionals in each area.

The names, dates and positions of each of the members of our board of executive officers by division are presented below:

Name	Position Held	Age
James David Ramsey Cruden.....	Head of Beef, Lamb and Leather—Brazil division	63
José Mayr Bonassi	Head of Poultry, Pork and Processed & Elaborated Products — PPP&E division	60

Name	Position Held	Age
Martin Carignani.....	Head of Argentina division	43
Martin Secco Arias.....	Head of Uruguay division	44
Nigel Wallace Boyd Dunlop.....	Head of Europe division	53
Larry S. McWilliams.....	Head of Keystone division	54

The heads of our divisions can remain in their respective offices indefinitely or may be removed at any time. Below is a brief biographical description of the heads of our divisions (except for those officers who are also members of our board of directors or of our board of executive officers):

José Mayr Bonassi. Mr. Bonassi has worked in the agribusiness industry throughout his career. He has managed poultry, pork, feed and the soy crushing and industrialization process. He worked for over 20 years at Sadia, where he held executive committee positions in the operational, commercial and administrative areas. He was also a founding partner of Buona Itália, in partnership with a large Italian food company. In 2001 he was one of the founding partners of Mabella, where he was president until the end of 2007. He holds a degree in business administration from the West Santa Catarina University and a graduate degree in accounting from the Universidade do Oeste de Santa Catarina, as well as having completed the following international specialization courses: Total Quality Management at Juse in Japan; Advanced Management Program at Insead in France; and Management Strategy at the Kellogg School at Northwestern University in the United States. He has also attended the course for directors at IBGC in Brazil.

Martin Carignani. Mr. Carignani is the head of our operations in Argentina. He has more than 15 years of experience in the beef sector. In 1994, he joined the production department of Frigorífico CEPA S.A., becoming responsible for its production costs and management area in 1995 and its planning manager in 1996. He joined us in 2000 as the planning manager of Quickfood, becoming the general manager of Quickfood in 2011. Mr. Carignani holds a degree in Agronomy Engineering from the Universidad Católica de Córdoba, a graduate degree in management from Universidad del ESADE y UCC, an MBA in agrobusiness from the Universidad del CEMA, and has completed a corporate finance course at IAE.

Martin Secco Arias. Mr. Arias is the head of our operations in Uruguay. From 1987 to 1992, he was an executive officer of Frigorífico Brincofor S.A. in Uruguay. From 1992 to 2007 he has worked at Tacuarembó as an industrial and commercial executive officer. He joined us in 2006. Mr. Arias holds a degree in business administration from the Universidade Católica do Uruguai and a post-graduate degree in management from Universidade de Montevideo.

Nigel Dunlop. Mr. Dunlop is the head of our operations in Europe. He initiated his career as a trainee in the 1980s at Gallagher Group plc, where he became an executive officer in 2002 and helped to transform Gallagher into one of the largest companies in the tobacco industry. In September 2007 he joined the Moy Park group as officer general. After our acquisition of the Moy Park group, Mr. Dunlop was appointed head of European operations. He was educated at the Royal Military Academy Sandhurst in the United Kingdom, from which he graduated in 1977. He pursued a military career for three years, becoming a captain in 1980. That year he began his career as an executive.

Larry S. McWilliams. Mr. McWilliams is the head of the Keystone division. He joined our group in 2011 after spending 10 years at Campbell Soup, where he served as Senior vice president of sales and chief customer officer, president of North America Soup, senior vice president and president at Campbell USA, senior vice president at Campbell Soup Company and president at Campbell International division. Prior to Campbell, he held positions at Coca-Cola from 1995 to 2001 and the Pillsbury Company from 1993 to 1995. Mr. McWilliams is a graduate of Texas A&M University. Mr. McWilliams also serves on the board of governors of St. Josephs University Food Marketing Council and formerly served on the Grocery Manufacturers' Association Industry Affairs Council

Fiscal Council

Pursuant to Brazilian corporate law, the fiscal council (*Conselho Fiscal*) is a body independent of the management and the company's independent auditors. The primary responsibilities of the fiscal council are

monitoring management activities, reviewing the company's financial statements, and reporting its findings to the company's shareholders.

Our fiscal council is a permanent body composed of three effective members, who are appointed for a one-year term of office with the possibility of reelection.

Name	Age	Position	Date of Election
Estefan George Haddad	61	Effective Member	04.30.2011
Marcílio José da Silva.....	48	Effective Member	04.30.2011
Roberto Lamb.....	63	Effective Member	04.30.2011
Peter Vaz da Fonseca.....	44	Alternate Member	04.30.2011
Marcelo Silva.....	38	Alternate Member	04.30.2011
Carlos Roberto de Albuquerque Sá.....	61	Alternate Member	04.30.2011

Whenever established, the fiscal council will be composed of a minimum of three and a maximum of five members with an equal number of alternates. Only residents of Brazil who hold a university degree or who have served in the position of company manager or on a fiscal council may be elected. The members of our fiscal council must also sign, prior to taking office, the instrument of consent of members of the fiscal council, as established in the *Novo Mercado* listing segment regulation.

The fiscal council may not be composed of members who are also members of our board of directors, board of executive officers or work in a subsidiary or a company of the same group. This prohibition extends to our administrators' spouses or close family member. In addition, Brazilian corporate law established that members of the fiscal council will be compensated with at least 10% of the average salary paid to each executive officer, excluding benefits, expenses and profit sharing.

Below is a brief biographical description of the current members of our fiscal council:

Estefan George Haddad. Mr. Haddad is an accountant. He has a degree in accounting, audit and taxes from the DEA USP Foundation — Ribeirão Preto. He was a partner and manager of BDO Trevisan from 1997 to 2009 and he has extensive experience working in the food industry, for highway concessionaires and in the sugar and alcohol sector.

Marcílio José da Silva. Mr. da Silva is an accountant. He has a degree from FACEC Candido Rondon — Cuiabá. Mr. da Silva has extensive experience working with the meat-packing industry.

Roberto Lamb. Mr. Lamb holds a masters degree in finance management from Universidade Federal do Rio Grande do Sul (UFRGS). He worked for several years at Banco do Brasil, where he currently gives lecture courses for the bank's personnel. Mr. Lamb is a professor of finance management at the Management School of UFRGS and has published various articles in the area of finance management. Mr. Lamb is also a consultant.

Peter Vaz da Fonseca. Mr. Vaz da Fonseca is an accountant. He graduated with a master's degree in business economics from São Paulo University (USP) and with a degree in auditing and forensics from Fundação Escola de Comércio Álvares Penteado (FECAP). He is partner-manager of Privh – Accounting Consultant and is responsible for several companies in several segments of the market. He also works as external quality auditor in various segments of the food industry.

Marcelo Silva. Mr. Silva graduated with a law degree from Paulista University (UNIP); with an accounting technician degree from SENAC/SP and with a graduate degree in tax law from the Brazilian Institute of Tax (IBET). He has also taken several professional actualization courses. He has 18 years of experience in tax planning in mid-to-large companies, focusing on analyzing and recovering of tax credits.

Carlos Roberto de Albuquerque Sá. Mr Sá is an accountant and an economist. He has an MBA in finance from PUC/RJ and gives lectures on finance at the MBA course of FAAP. Mr Sá is a Risk Management, Internal Audit and Corporate Governance Director at KPMG. Mr Sá is certified as director and fiscal council member by the *Instituto Brasileiro de Governança Corporativa* (IBGC).

Ownership of Shares

The table below sets forth the number of shares issued by us and held directly or indirectly by our directors and executive officers on the date of this offering memorandum:

Name	Number of Common Shares	(%)
Marcos Antonio Molina dos Santos ⁽¹⁾	75,751,918	21.75
Márcia Ap. Pascoal Marçal dos Santos ⁽¹⁾	75,751,918	21.75
Rodrigo Marçal Filho	1	—
David G. McDonald	1	—
Marcelo Maia de Azevedo Correa	1	—
Carlos Geraldo Langoni	1	—
Antonio Maciel Neto	1	—
Alain Emile Henry Martinet	1	—

Note:—

- (1) Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Ap. Pascoal Marçal dos Santos are the indirect holders of our controlling power. See “Principal Shareholders.”

Compensation

Pursuant to Brazilian corporate law, our shareholders are responsible for establishing, at a shareholders’ meeting, on an annual basis, the total amount of compensation of the members of our management. Our board of directors is responsible for deciding how to allocate the amount fixed between its members and those of our board of executive officers.

For the year ended 2010, the aggregate compensation of the members of our management totaled R\$9.1 million. At our general shareholders’ meeting held on April 30, 2011, our shareholders approved an aggregate compensation to the members of our management of up to R\$16.0 million, including benefits and charges for the year ended 2011.

The table below sets forth the aggregate compensations that our directors and officers received during 2010:

	Fixed	Variable	Total
	(in thousands of R\$)		
Board of Directors.....	2,194	—	2,194
Management.....	4,393	2,233	6,626
Audit Committee.....	321	—	321
Total	<u>6,908</u>	<u>2,233</u>	<u>9,141</u>

Stock Option Plan

We have a stock option plan (the “Plan”), which was originally approved on May 7, 2007 at a special shareholders’ meeting. The Plan was revised and consolidated on May 29, 2009 at a special shareholders’ meeting.

The Plan establishes that our board of directors may create stock option programs with specific conditions regarding its participants, number of options granted, performance targets or performance achieved, exercise price and other conditions, which may be different from the general conditions established in the Plan (the “Specific Programs”).

Four Specific Programs have been developed within the framework of the Plan. They were analyzed by our compensation and corporate governance committee, and submitted to our board of directors. The Specific Programs and contract model were prepared with the assistance of a Brazilian law firm to assure compliance with Brazilian corporate law. The Specific Programs are: (i) Specific Executive Program I (2007/2008)—Long-Term; (ii) Specific Executive Program II (2008/2009)—Short-Term; (iii) Specific Executive Program III (2008/2009), and (iv) Specific Executive Program IV (2009/2010).

The beneficiaries must follow our Securities Trading Policy, which is available on our investor relations website.

The total of shares held in treasury (balance) is 394,198. Our board of directors approved, in February 2, 2011, a share buyback plan (the “Share Buyback Plan”). The shares purchased under the Share Buyback Plan shall be held in treasury to cover the exercise of options to purchase shares by beneficiaries of the Plan and/or subsequent cancellation or sale.

Share Acquisitions Through Our Repurchase Program for the Stock Option Plan and Our Treasury Stocks

On April 9, 2008, our board of directors authorized the acquisition of up to 699,489 of our shares, equivalent to 1% of our shares in circulation on the market, to be held in treasury and later released to the directors who are participants in the long term bonus stock and stock option program, within the limits already approved at the special shareholders’ meeting held on May 29, 2007. This share repurchase program was later ratified at the board of directors meeting held on October 2, 2009. According to the board decision, any purchase pursuant to this authorization would have to be made through one of the following institutions: Credit Suisse Hedging Griffo CTVM S.A., Banco Bradesco BBI S.A. or ABN AMRO Real S.A. The authorization was in compliance with the CVM Instruction 10/80 and its effectiveness expired on December 31, 2008.

All purchases were made through Credit Suisse Hedging Griffo CTVM S.A. On May 2, 2008, we acquired 205,600 shares, for the amount of R\$3,885.8 million. In the third quarter of 2008 we acquired another 490,000 shares for R\$9,080.0 million, for a total in 2008 of 695,600 shares acquired for the amount of R\$12,966.0 million, for an average total cost of R\$18.6401 per share. The maximum average daily trading price in these transactions was R\$18.9355 per share on August 14, 2008, and the lowest was R\$16.8504 per share on August 27, 2008. The average amounts above include the regular brokerage and fee expenses for the transactions.

We transferred 110,600 shares, 124,101 shares and 177,300 shares to our directors and officers in 2008, 2009 and 2010, respectively, according to the terms of our Plan. As of December 31, 2010, there were 394,198 shares held in treasury (balance) registered in our financial statements in the amount of R\$7,348 million.

We do not foresee any dilution for our current shareholders at the time the Plan is exercised on its vesting date up until the limit of shares held in treasury for this purpose.

On February 7, 2011, our board of directors approved the use of R\$100,000,000.00 to repurchase of up to 5,800,000 common shares issued by us, with the objective of maximizing value creation for shareholders through an efficient management of the capital structure. The limit of shares we may acquire under the Share

Buyback Plan represents 2.97% of total outstanding shares. The final deadline for the purchase of shares under the Share Buyback Plan is February 7, 2012. The shares purchased under the Share Buyback Plan shall be held in treasury to cover the exercise of options to purchase shares by beneficiaries of the Plan and/or subsequent cancellation or sale. Share repurchases shall be conducted at market prices on the trading floor of the BM&FBOVESPA through Credit Suisse (Brasil) S.A. Corretora de Títulos e Valores Mobiliários. At the date of this offering memorandum no repurchases have been made.

Stock Option Grant

In 2008, 55,200 stock options were granted to our board of directors under the Plan. The exercise price for these stock options was established on the basis of the weighted average of the last 20 trading sessions before March 4, 2008, (R\$15.097 per share), with a discount of 10% on the average mentioned above (R\$13.588 per share). These options will be exercised at a rate of 25% a year over four years, with 25% at the end of the first year; 25% at the end of the second year; 25% at the end of the third year; and 25% at the end of the fourth year, in accordance with the rules that were approved. In addition, 212,676 stock options were granted to 21 members of our board of executive officers, which were subject to termination and substitution as a result of the reformulation of the Plan approved at the annual shareholders' meeting held on May 29, 2009, and the granting of Specific Plan I (2007/2008) approved at the meeting of our board of directors held on July 28, 2009.

The granting of 165,800 stock options in 2009 (relative to 2008) to our board of directors established by contract was also re-ratified, at the value per share of R\$6.7783, based on the weighted average from the last 20 trading sessions before March 3, 2009, which is the grant date for the Plan. These options will be exercised for the amount above between 2010 and 2013 at the rate of 25% each year.

The granting of stock options of four Specific Programs was approved by our compensation and governance committee on June 29, 2009, and by our board of directors on July 28, 2009, as authorized by our shareholders, at the shareholders' meeting held on May 29, 2009, under the following terms:

- For the 2007/2008 period, which is to be exercised in four installments of 25% each, one per year, with the first one to be exercised by November 30, 2009, and the other three as follows: from March 3, 2010 through September 2, 2010; from March 3, 2011 through September 2, 2011; and from March 3, 2012 through September 2, 2012.
- For the 2008/2009 period (short-term)—exercise by November 30, 2009 (100%).
- For the 2008/2009 period (long-term)—exercise in four installments of 25% each, as follows: from March 3, 2010 through September 2, 2010; from March 3, 2011 through September 2, 2011; from March 3, 2012 through September 2, 2012; and from March 3, 2013 through September 2, 2013.
- For the 2009/2010 period (long-term)—exercise in four installments of 25% each, as follows: from March 3, 2011 through September 2, 2011; from March 3, 2012 through September 2, 2012; from March 3, 2013 through September 2, 2013; and from March 3, 2014 through September 2, 2014.

The exercise prices are:

- R\$0.75485 for the grant in regard to the 2007/2008 period;
- R\$1.03823 for the short-term grant regarding the 2008/2009 period;
- R\$0.67783 for the long-term grant regarding the 2008/2009 period; and
- R\$11.02605 for the long-term grant regarding the 2009/2010 period.

The following criteria were adopted for purpose of exercise of stock options in 2008, 2009 and 2010:

- **2008:** R\$15.097 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2008;

- **2009:** (a) Specific Plan I—long-term 2007/2008 - R\$15.097 strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2008; (b) Specific Plan II—short-term 2008/2009 - R\$10.3823 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before May 11, 2009; and (c) Specific Plan III—long-term 2008/2009 - R\$6.7783 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2009;
- **2010:** Specific Plan IV—long-term 2009/2010 - R\$11.02605 - strike price calculated based on the weighted average of the last 20 trading sessions immediately before March 3, 2010.

The stock options granted under these four programs in 2010 totaled 1,024,330 shares. Of this total, 113,800 options will expire in 2009, 160,133 in 2010 and the remainder by 2014. The total stock options granted under these four plans correspond to 0.26% of our capital stock, and is therefore within the limit of 0.5% established by our shareholders at the shareholders' meeting held on May 29, 2009, for approval by our board of directors.

As of December 31, 2010, there were 147 participants in our stock option program.

In 2010, we transferred 173,608 shares to our directors and officers, according to the terms of our Plan. These transfers caused a negative impact in the amount of R\$3,013 in our results of operations for the year ended December 31, 2010.

Participants Rights Under the Plan

All dividends and distributions or their equivalent (whether in cash, shares or another form) for unexercised restricted shares are rights of the participant and will be credited by us to their account for release when the restrictions terminate.

We will have the option to pay these credits for accumulated dividends or distributions or their equivalent in cash, in our shares in lieu of cash or by other means. If the payment is made in shares, their conversion will be made at the weighted average price from the previous 20 trading sessions on the BM&FBOVESPA before the payment date, adjusted for the net income tax amount levied on the credit granted.

The rights will elapse if the participant ceases to be our employee or to provide services to us for any reason other than death, disability, retirement or involuntary termination that is not for cause. In these cases, all restricted shares will terminate and those not exercised will become released amounts, fully exercised.

When our capital is increased, the participants will have the right to exercise their subscription rights with their own funds for the total of the amount granted, and the shares subscribed will be immediately released to the participant.

Stock Option Plan Movements and its Effects in Our Income Statement as if We Had Accounted for the Stock Option Plan Movements on December 31, 2010

The table below sets forth a demonstration of the bonuses paid through restricted shares to our executive officers and through stock options to our directors. The table also contemplates the effects of these payments on our income statement as if we had accounted for the payments on December 31, 2010:

[illegible]

Family Relationship Among Management, as well as Between Managers and Our Shareholders

Mr. Marcos Antonio Molina dos Santos, the chairman of our board of directors and our chief executive officer, and his wife Ms. Márcia Ap. Pascoal Marçal dos Santos, a member of our board of directors, hold, directly and indirectly, as of the date of this offering memorandum, 43.49% of our capital stock. Mr. Rodrigo Marçal Filho, a member of our board of directors, is Ms. Márcia Ap. Pascoal Marçal dos Santos's brother.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The table below sets forth information relating to the ownership of our common shares by each holder of 5% or more of our capital stock, as well as by the members of our board of directors as of the date of this offering memorandum.

Shareholders	Number of Common Shares	(%)
MMS Participações	150,903,836	43.49
Treasury Stock	394,198	0.11
Management.....	135,608	0.04
BNDESPAR.....	48,200,827	13.89
OSI Group	20,117,637	5.80
GWJ Asset Management S.A.	18,128,300	5.22
Templeton Asset Management.....	17,407,331	5.02
Others	91,696,217	26.43
Total	346,983,954	100.0

The table below sets forth the beneficial ownership structure of MMS Participações S.A.

MMS Participações S.A.	Number of Common Shares	(%)	Total capital stock	(%)
Marcos Antonio Molina dos Santos	102,817,625	50.0	102,817,625	50.0
Márcia Ap. Pascoal Marçal dos Santos	102,817,625	50.0	102,817,625	50.0
Total	205,635,250	100.0	205,635,250	100.0

Information on Our Principal Shareholders

MMS Participações S.A.

MMS Participações S.A. is a corporation organized under the laws of Brazil, with registered office in the city of São Paulo, state of São Paulo. MMS Participações' corporate purpose is to manage its own assets, acquire interests in companies in Brazil and elsewhere and make investments in general. As of the date of this offering memorandum, MMS Participações holds the controlling power, and is controlled by Marcos Antonio Molina dos Santos and Márcia Ap. Pascoal Marçal dos Santos.

BNDES Participações S.A.—BNDESPAR

BNDESPAR is a publicly held corporation organized under the laws of Brazil. BNDESPAR is a wholly-owned subsidiary of the BNDES. Its registered office is located in Brasília, Federal District. BNDESPAR's corporate purpose is to invest in the corporate sector, manage investment portfolios and finance private undertakings.

On August 10, 2010, Marfrig Alimentos S.A. announced the existence of a shareholders' agreement between MMS Participações S.A., and BNDESPAR, under which BNDESPAR undertook an investment in the

Marfrig by means of subscription and payment of the debentures (as described below, see “Related Party Transactions”), upon which BNDESPAR is the holder of 48,200,827 common shares issued by Marfrig, representing 13.89% of Marfrig’s share capital.

OSI International Holding Limited

OSI International Limited belongs to the OSI Group, which is comprised of several companies, including OSI Group, LLC and OSI Brazilian Holdings LLC, each with subsidiaries in Europe and in Brazil. The Brazilian subsidiaries include Braslo, OSI do Brasil Participações Ltda., OSIfrangos Participações Ltda., Agrofrango, and Penasul. The European subsidiaries include Moy Park, Kitchen Range, Albert van Zoonen B.V. and Moy Park France Holdings S.A.S. OSI International Limited became our shareholder on September 29, 2007.

GWI Asset Management

GWI Asset Management is specialized in the Brazilian equity market and its investments are focused on large cap companies in the sectors of power, metals and mining, infrastructure, financial services and retail as well as in opportunistic sectors that stand out for dividend policy, corporate governance and upside potential. GWI Asset Management was founded in June 1995 by Mu Hak You, and is a privately-owned São Paulo-based investment firm consisting of two divisions: GWI Asset Management and GWI Real Estate.

Templeton Asset Management, Ltd.

Templeton Asset Management Ltd. is a privately owned investment manager. The firm primarily provides its services to investment companies. It also manages accounts for pension and profit sharing plans and state or municipal government entities. The firm manages mutual funds for its clients. It invests in the public equity and fixed income markets around the world. The firm operates as a subsidiary of Templeton International, Inc. Templeton Asset Management was founded in 1990 and is based in Singapore.

RELATED PARTY TRANSACTIONS

According to our bylaws, our board of directors has to approve any transaction or group of transactions intended to be carried out with any member of our management, employee or shareholder holding more than 10% of our capital stock, either directly or indirectly, in amounts exceeding 10% of our total net worth. Below such threshold, approval by our board of executive officers shall suffice.

On July 15, 2010, we completed a second private issuance of mandatorily convertible debentures, with a term of five years and including a right of first refusal to our current shareholders, for an aggregate amount of up to R\$2,500 million, divided in 250,000 debentures, which we registered as capital reserve. The proceeds of the issue were used mainly for the acquisition of Keystone. The debentures were subscribed on various dates in September 2011, with BNDESPAR, one of our shareholders, acquiring the largest portion of the debentures (249,892 debentures). Subject to certain conditions, the conversion price of the debentures shall be the lowest of (i) R\$21.50, plus the interest paid to the debentureholders on the nominal value of the issue, less the remuneration distributed per share, both restated by the CDI overnight rate from the payment date, in the case of interest on the debentures, or the ex-remuneration date, in the case of remuneration, until the date of conversion, and (ii) the greater of the market price or R\$24.50 (not adjusted for remuneration or monetary restatement).

On February 7, 2011, our board of directors approved the use of R\$100,000,000 to purchase up to 5,800,000 common shares issued by Marfrig through a share buyback plan, which represented 2.97% of our outstanding shares at such date. The final deadline for the purchase of shares is February 7, 2012. See “Management—Stock Option Plan.”

The table below sets forth the transactions involving Mr. Marcos Molina dos Santos and Ms. Márcia Ap. Pascoal Marçal dos Santos, controlling shareholders of MMS Participações, the holder of our controlling power, as of December 31, 2010, in thousands of reais.

Marfrig Alimentos S.A.

December 31, 2010	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Marcos Antonio Molina dos Santos	—	5,983.6	—	—	41,056.8	—
Márcia Aparecida Pascoal Marçal dos Santos	—	3,887.8	—	—	17,034.2	—
Total	—	9,871.4	—	—	58,091.0	—

These transactions involve purchase and sale of *in natura* meat, and cattle, poultry, lamb and pork processed products, which are made at market value.

Our controlling shareholder, MMS Participações S.A., and its sole partners, are guarantors of several of our financial agreements, for which they receive no consideration. Upon default under any of these agreements, the guarantors may be called to perform our obligations, in which case they would have recourse against us by operation of law. For additional information on our indebtedness, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness.”

Mr. Marcos Antonio Molina dos Santos and Ms. Márcia Ap. Pascoal Marçal dos Santos, through Maremar - Administração de Bens S/C Ltda., own real estate property located in the state of São Paulo that operates a cattle confinement facility for approximately 7,800 head of cattle. Mr. Marcos Antonio Molina dos Santos is responsible for the operating activities of this property, as authorized by Maremar - Administração de Bens S/C Ltda. Cattle raised at the property are slaughtered at our slaughterhouse units. The sales of cattle follows the market prices for cattle weight (*arroba*) that we regularly use and that are based on the parameters set forth and published by the ESALQ.

For further information on related party transactions, see note no. 9.1 to our financial statements as of and for the years ended December 31, 2009 and 2010.

DESCRIPTION OF THE NOTES

The following summary describes certain provisions of the notes and the Indenture. This summary is subject to and qualified in its entirety by reference to the provisions of the Indenture and the notes. Capitalized terms used in the following summary and not otherwise defined herein shall have the meaning ascribed to them in the Indenture. You may obtain copies of the indenture and specimen notes upon request to Marfrig as set forth under “Listing and General Information.”

The notes (the “Notes”) are to be issued under and governed by an Indenture, to be dated as of May 9, 2011 (the “Indenture”), among Marfrig Holdings (Europe) B.V., Marfrig Alimentos S.A., União Frederiquense Participações Ltda., Marfrig Overseas Limited and Seara Alimentos S.A., The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent, and The Bank of New York Mellon, as trustee, registrar, transfer agent and New York paying agent (the “Trustee”) and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg special paying agent and transfer agent (the “Luxembourg Special Paying Agent”). The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture. Copies of the Indenture are available for inspection during normal business hours at the Company’s principal office and at the Corporate Trust Office of the Trustee in New York City, New York. The holders of the Notes are entitled to the benefits of, are bound by, and are deemed to have notice of, all the provisions of the Indenture. Wherever defined terms of the Indenture are referred to, such defined terms are incorporated herein by reference. Certain terms used in this description are defined under the subheading “—Certain Definitions.” For purposes of this “Description of the Notes,” the term “the Company” means Marfrig Alimentos S.A. and its successors under the Indenture, in each case excluding its Subsidiaries; “Issuer” means Marfrig Holdings (Europe) B.V., and its successors under the Indenture, in each case excluding its Subsidiaries; and “Subsidiary Guarantors” means certain subsidiaries of the Company that are from time to time guarantors of the Notes pursuant to the provisions described below under “—Subsidiary Guarantors,” unless the context indicates otherwise. As of the date hereof, União Frederiquense Participações Ltda., Marfrig Overseas Limited and Seara Alimentos S.A. are Subsidiary Guarantors of the Notes.

General

The Indenture does not limit the aggregate principal amount of the debt securities that may be issued under the Indenture, although the issuance of notes in this offering will be limited to U.S.\$750,000,000. The Issuer may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the “Additional Notes”), which shall have identical terms as the Notes issued on the date of issuance, other than with respect to the date of issuance and issue price, either of which shall be confirmed to the Trustee pursuant to an Officers’ Certificate and an opinion of counsel. The Issuer will only be permitted to issue such Additional Notes if at the time of such issuance, the Company and the Issuer are in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes that the Issuer is currently offering and will vote on all matters with the holders of the Notes.

The Notes will be issued in fully registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof and will be issued as one or more Global Notes. Principal is to be payable, and the Notes will be transferable and exchangeable, at the Issuer’s office or agency maintained for such purposes in New York City, New York, which initially will be the Corporate Trust Office of the Trustee; provided that the Global Notes will be exchangeable only in the manner and to the extent set forth under “—Form and Registration.” The Notes may be transferred, combined or divided without payment of any charge other than taxes or other governmental charges.

The initial outstanding principal amount of the Notes will be U.S.\$750,000,000. The Notes will mature on May 9, 2018 (the “Maturity Date”), and the aggregate principal amount of Notes outstanding at such time will become due and payable. On such date, the Issuer will pay the registered Holder(s) of the Notes principal in an amount in U.S. dollars equal to the outstanding principal amount of the Notes. The Notes will bear interest at the rate per annum of 8.375% from May 9, 2011, the date of issuance, or from the most

recent interest payment date to which interest has been paid or provided for. Interest on the Notes will be payable semi-annually on May 9 and November 9 of each year, commencing on November 9, 2011, to the person in whose name a Note is registered at the close of business on the preceding April 22 or October 22 (each a “Record Date”), as the case may be. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Holders of the Notes must surrender the Notes to any paying agent for the Notes to collect principal payments. Except as described under “—Form and Registration,” the Issuer will pay principal and interest at the office or agency of the Issuer maintained for that purpose in New York City, New York.

The principal of and interest on the Notes will be payable in U.S. dollars or in such other coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

The Guarantee

The Company and each Subsidiary Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of the principal of, and interest and Additional Amounts on, the Notes, as well as any other amounts whatsoever owed under the Indenture.

Neither the Notes nor the guarantees will be secured by any of the assets or properties of the Company, the Issuer or the Subsidiary Guarantors. As a result, if the Company or the Subsidiary Guarantors are required to pay under the guarantees, Holders of the Notes would be unsecured creditors of the Company and the Subsidiary Guarantors.

Ranking

The Notes will be the Issuer’s senior unsecured obligations. The Notes will rank equally in right of payment with all other existing and future unsecured Senior Indebtedness of the Issuer.

The Guarantee will constitute the unconditional, senior unsubordinated obligation of the Company and each Subsidiary Guarantor ranking *pari passu* with all of the Company’s and each Subsidiary Guarantor’s existing and future senior unsecured obligations (except those obligations preferred by statute or operation of law).

As of the date of this offering memorandum, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance credits, mortgages, charges or guarantees or other contingent liabilities other than as described in “The Issuer.”

Subsidiary Guarantors

If, at any time, any of the Company’s Restricted Subsidiaries constitutes a Significant Subsidiary, then the Company shall promptly cause such Significant Subsidiary to guarantee, on an unsecured basis, all of the obligations of the Company under the Notes and the Indenture by executing a supplemental indenture.

Notwithstanding the foregoing, each guarantee of the Notes will be limited to the maximum amount that (1) would not render such Significant Subsidiary’s obligations subject to avoidance under applicable law, including applicable fraudulent conveyance laws or (2) would not result in a breach or violation by such Significant Subsidiary of any then-existing agreement to which it is a party.

The guarantee of a Subsidiary Guarantor may be terminated upon:

- (i) a sale or other disposition (including by way of consolidation or merger) by the Company of all or a portion of the Capital Stock of such Subsidiary Guarantor, or the sale or disposition of assets of such Subsidiary Guarantor, in each case following which such Subsidiary Guarantor is no longer a Significant Subsidiary;
- (ii) defeasance or discharge of the Notes, as described in “—Satisfaction and Discharge” and “—Defeasance”; or,

(iii) the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

Unifred, Marfrig Overseas and Seara will be Subsidiary Guarantors at the time of the issuance of the Notes. The Luxembourg Stock Exchange will be notified by the Company in the event a Significant Subsidiary becomes a Subsidiary Guarantor.

Optional Redemption

Except as set forth below, the Issuer will not be entitled to redeem the Notes at its option prior to maturity.

The Issuer may at its option on one or more occasions redeem Notes (which includes Additional Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (which includes Additional Notes, if any) originally issued prior to the redemption date at a redemption price (expressed as a percentage of principal amount) of 108.375%, plus accrued and unpaid interest to the redemption date, with the Net Cash Proceeds from one or more Equity Offerings; *provided, however*, that

- (1) at least 65% of such aggregate principal amount of Notes (which includes Additional Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Notes held, directly or indirectly, by the Issuer or the Company or their Affiliates); and
- (2) each such redemption occurs within 90 days after the date of the related Equity Offering.

The Issuer will also be entitled at its option to redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date). Notice of such redemption must be mailed by first class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date.

"Adjusted Treasury Rate" means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H. 15 (519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after May 9, 2018, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date, plus 0.50%.

"Applicable Premium" means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note on such redemption date and (2) the excess, if any, of (A) an amount equal to the present value at such redemption date of (i) the principal amount of such Note on such redemption date plus (ii) all required remaining scheduled interest payments due on such Note through the Maturity Date (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate, over (B) the principal amount of such Note on such redemption date.

"Comparable Treasury Issue" means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes from such redemption date to May 9, 2018, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to May 9, 2018.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (2) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Quotation Agent, Reference Treasury Dealer Quotations for such redemption date.

“Quotation Agent” means the Reference Treasury Dealer selected by the Company.

“Reference Treasury Dealer” means Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. and their respective successors and assigns and two other nationally recognized investment banking firms selected by the Issuer that are primary U.S. Government securities dealers.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as calculated by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

Selection and Notice of Redemption

If the Issuer is redeeming less than all the Notes at any time, the Notes shall be redeemed on a pro rata basis according to methods commonly accepted by the relevant international central securities depositories and stock exchanges.

No Notes of a principal amount of \$1,000 or less may be redeemed in part and Notes of a principal amount in excess of \$1,000 may be redeemed in part in multiples of \$1,000 only. The Issuer will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each Holder to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. The Issuer will issue a new Note in a principal amount equal to the unredeemed portion of the original Note in the name of the Holder upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Optional Tax Redemption

The Notes may be redeemed at the Issuer’s election, as a whole, but not in part, by the giving of notice as provided in the Indenture, at a price in U.S. dollars equal to the outstanding principal amount thereof, together with any Additional Amounts and accrued and unpaid interest to the redemption date, if, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Brazil, The Netherlands, or any political subdivision or taxing authority thereof or therein, or any change in the official application, administration or interpretation of such laws, regulations or rulings in Brazil or The Netherlands, the Issuer has or will become obligated to pay Additional Amounts on the Notes, if such change or amendment is first announced on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided, however*, that (1) for the avoidance of doubt, reasonable measures shall not include changing the jurisdiction of the Issuer or the incurrence of material out-of-pocket costs by the Issuer or an Affiliate thereof and (2) no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts, were a payment in respect of the Notes then due.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed.

Prior to the giving of notice of redemption of such Notes pursuant to the Indenture, the Company or the Issuer will deliver to the Trustee an Officers’ Certificate and a written opinion of recognized Brazilian or Dutch counsel, as the case may be, independent of the Company and the Issuer, to the effect that all governmental approvals necessary for the Issuer to effect such redemption, including any required approvals from the Central Bank of Brazil, the central bank of The Netherlands or the Luxembourg Stock Exchange, if applicable, have been or at the time of redemption will be obtained and in full force and effect and that the

Issuer is entitled to effect such a redemption pursuant to the Indenture, and setting forth, in reasonable detail, the circumstances giving rise to such right of redemption.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes.

Restrictive Covenants

Limitation on Restricted Payments

(1) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to:

- (a) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any Subsidiary of the Company) or similar payment to the direct or indirect holders of its Capital Stock except dividends or distributions payable solely in the form of its Capital Stock (other than Disqualified Stock) and except dividends or distributions payable to the Company or any Restricted Subsidiary (and, if such Restricted Subsidiary has shareholders other than the Company or any other Restricted Subsidiary, to its other shareholders on a *pro rata* basis);
- (b) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than the Company or another Restricted Subsidiary (other than a purchase, redemption, retirement or other acquisition for value that would constitute a Permitted Investment);
- (c) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase, redemption, defeasance or other acquisition of Subordinated Obligations made in anticipation of satisfying a sinking fund obligation, a principal installment or a final maturity, in each case, due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition); or
- (d) make any Investment (other than a Permitted Investment) in any Person;
(the actions described in clauses (a) through (d) above being herein referred to as “Restricted Payments” and each, a “Restricted Payment”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:
 - (i) an Event of Default will have occurred and be continuing;
 - (ii) after giving effect to the Restricted Payment, the Net Debt to EBITDA Ratio would be greater than 4.75:1; or
 - (iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the management of the Company or the applicable Restricted Subsidiary) declared or made subsequent to the Closing Date would exceed the sum of, without duplication:
 - (A) 100% of Consolidated Net Income accrued during the period (treated as one accounting period) from December 31, 2010 to the end of the most recent fiscal quarter for which financial statements are available prior to the date of such Restricted Payment (or, in case such Consolidated Net Income will be a deficit, *minus* 100% of such deficit); *plus*
 - (B) the aggregate Net Cash Proceeds, and the Fair Market Value of any property, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Closing Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Restricted Subsidiary of the Company or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Company or any Restricted Subsidiary

unless such loans have been repaid with cash on or prior to the date of determination);
plus

- (C) (1) the amount of a Guarantee of the Company or any Restricted Subsidiary upon the unconditional release in full of the Company or such Restricted Subsidiary from such Guarantee if such Guarantee was previously treated as a Restricted Payment; and

(2) in the event that the Company or any Restricted Subsidiary makes an Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Company's or such Restricted Subsidiary's existing Investment in such Person;

provided that any amount added pursuant to clauses (1) and (2) of this clause (C) shall not exceed the amount of such Investment or Guarantee, respectively, previously made and treated as a Restricted Payment and not previously added pursuant to this clause (iii); *provided, however*, that no amount will be included under this clause (C) to the extent it is already included in Consolidated Net Income; *plus*

- (D) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's balance sheet or the balance sheet of any Restricted Subsidiary, in each case, upon the conversion or exchange (other than for Indebtedness held by the Company or any Restricted Subsidiary) subsequent to the Closing Date of any such Indebtedness for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash or the Fair Market Value of other property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange); *plus*

- (E) the amount equal to the net reduction of Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in any Person resulting from repurchases or redemptions of such Investment by such Person, proceeds realized upon the sale of such Investment, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Company or any Restricted Subsidiary; *provided* that any amount added pursuant to this clause (E) shall not exceed the amount of such Investment previously made and treated as a Restricted Payment; *provided, however*, that no amount will be included under this clause (E) to the extent it is already included in Consolidated Net Income.

- (2) The provisions of clause (1) above will not prohibit:

- (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Restricted Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any of its Restricted Subsidiaries to the extent that such sale to an employee stock ownership plan or other trust was financed by loans from or Guaranteed by the Company or a Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); *provided, however*, that (x) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (y) the Net Cash Proceeds from such sale of Capital Stock, to the extent such Net Cash Proceeds are used for such purchase, repurchase, redemption, defeasance, acquisition or retirement, will be excluded from clause (1)(iii)(B) of this covenant;
- (b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Company that is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" below; *provided, however*, that such purchase, repurchase, redemption, defeasance or other acquisition or

retirement for value will be excluded in the calculation of the amount of Restricted Payments pursuant to clause (1)(d)(iii) above;

- (c) so long as no Default has occurred and is continuing, any purchase or redemption of Subordinated Obligations at a purchase price of up to 101% of the principal amount thereof (together with accrued and unpaid interest) in the event of the occurrence of a Change of Control; *provided, however*, that prior to such purchase or redemption, the Company (or a third party to the extent permitted by the Indenture) has made the Change of Control Offer described under “—Repurchases at the Option of the Holders of the Notes upon Change of Control” and has purchased all Notes validly tendered and not withdrawn pursuant thereto; and *provided further* that any such purchase shall be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(d)(iii) above;
- (d) dividends paid in accordance with applicable law after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; *provided, however*, that the payment or declaration, but not both the payment and the declaration, of such dividend will be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(d)(iii) above;
- (e) as long as no Default or Event of Default has occurred and is continuing, any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted by the covenant described under “—Limitation on Sales of Assets”; *provided, however*, that such purchase or redemption shall be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(d)(iii) above; and
- (f) the payment of the Minimum Legally Required Dividends; *provided, however*, that such payment shall be included in the calculation of the amount of Restricted Payments pursuant to clause (1)(d)(iii) above.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred, issued, purchased, repurchased, redeemed, retired, defeased or otherwise acquired by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment, provided, that if such Restricted Payment or related series of Restricted Payments involves aggregate consideration in excess of U.S.\$10 million, as determined by the management of the Company, such determination shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized standing.

Limitation on Indebtedness

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; *provided, however*, that the Company or any Restricted Subsidiary may Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto and the application of the proceeds therefrom, the Net Debt to EBITDA Ratio would be no greater than 4.75:1.
- (2) Notwithstanding clause (1) above, the Company or any Restricted Subsidiary may Incur the following Indebtedness:
 - (a) intercompany Indebtedness between or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided, however*, that:
 - (i) if the Company or any Restricted Subsidiary is the obligor on such Indebtedness Incurred, such Indebtedness must be expressly subordinated to the Notes in right of payment, in the case of the Company, or any applicable Subsidiary Guarantee; and
 - (ii) any subsequent issuance or transfer of Capital Stock or any other event that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Restricted Subsidiary will be deemed, in each case, to constitute an

incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (a);

- (b) Indebtedness:
- (i) represented by the Notes and the Subsidiary Guarantees (other than any Additional Notes);
 - (ii) outstanding on the Closing Date;
 - (iii) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (b) or in clause (1) above; or
 - (iv) consisting of Guarantees of any Indebtedness permitted under clause (1) above and subclauses (a) and (b) of this clause (2);
- (c) (i) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of, or was otherwise acquired by, the Company); *provided, however*, that on the date that such Restricted Subsidiary is acquired by the Company, the Company would have been able to Incur U.S.\$1.00 of additional Indebtedness pursuant to clause (1) above after giving effect to the Incurrence of such Indebtedness pursuant to this subclause (i); and
- (ii) Refinancing Indebtedness Incurred by the Company or a Restricted Subsidiary in respect of Indebtedness Incurred pursuant to this clause (c);
- (d) Indebtedness in respect of bankers' acceptances, deposits, promissory notes, letters of credit, self-insurance obligations, performance, surety, appeal or similar bonds and Guarantees provided by the Company or any Restricted Subsidiary in the ordinary course of its business;
- (e) Purchase Money Obligations, which may include Capitalized Lease Obligations, in an aggregate principal amount not in excess of U.S.\$20 million at any time outstanding and Refinancing Indebtedness Incurred in respect of Indebtedness Incurred pursuant to this clause (e);
- (f) Hedging Obligations of the Company or any Restricted Subsidiary in the ordinary course of business or directly related to Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary pursuant to the Indenture;
- (g) (i) Indebtedness of another Person Incurred and outstanding on or prior to the date on which such Person consolidates with or merges with or into the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Person consolidates with or merges with or into the Company); *provided, however*, that on the date that such transaction is consummated, the Company would have been able to Incur U.S.\$1.00 of additional Indebtedness pursuant to clause (1) above after giving effect to the Incurrence of such Indebtedness pursuant to this subclause (i); and (ii) Refinancing Indebtedness Incurred by the Company or any successor thereof, which successor is in compliance with the covenant described under "—Consolidation, Merger, Conveyance, Sale or Lease" below in respect of Indebtedness Incurred pursuant to this clause (g);
- (h) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of its Incurrence;
- (i) Indebtedness incurred to pay all or a portion of the purchase price or lease of: (A) equipment, vehicles and trucks used to transport cattle to the Company's or a Restricted Subsidiary's slaughterhouses or containers or other shipments of its beef and other products destined for export or domestic sale, and (B) aircraft up to an aggregate amount not to exceed U.S.\$15.0 million;

provided that in each case (A) and (B), the equipment, vehicles, trucks or aircraft are used in the ordinary course of business of the Company or its Restricted Subsidiaries;

- (j) Indebtedness of the Company that is convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company, *provided* that such convertible indebtedness must be subordinate in terms of payments to the Notes and, as such, no payments of interest on such convertible indebtedness may be made in any given year until all payments of interest and Additional Amounts, if any, are paid on the Notes, and no payments of principal on such convertible indebtedness may be made until the Notes have been paid in full; and
 - (k) Indebtedness in an aggregate principal amount at any time outstanding not to exceed the greater of (i) U.S.\$50.0 million (or the equivalent amount thereof at the time of determination) and (ii) 25% of Consolidated EBITDA of the Company for the period of four consecutive fiscal quarters ending on or most recently prior to such date for which financial statements are available.
- (3) For purposes of determining compliance with this covenant:
- (a) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including clause (1) above, the Company, in its sole discretion, may classify, and from time to time may reclassify, such item of Indebtedness in one of the types of Indebtedness described above, including clause (1) above; and
 - (b) the Company will be entitled to divide and classify, and from time to time may reclassify, an item of Indebtedness in more than one of the types of Indebtedness described above, including clause (1) above.

Notwithstanding any other provision of this covenant, neither the Company nor any Restricted Subsidiary shall, with respect to any outstanding Indebtedness Incurred, be deemed to be in violation of this covenant solely as a result of fluctuations in the exchange rates of currencies.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated calculated based on the relevant currency exchange rates as calculated in the first sentence of this paragraph.

In connection with an acquisition or disposition of a company, division or line of business (an “Acquired Entity”) for which audited or reviewed financial statements are not available, EBITDA for such Acquired Entity shall be calculated in good faith by the Company based upon management reports or other similar information (“Initial EBITDA”). Notwithstanding any other provision of this covenant, neither the Company nor any Restricted Subsidiary shall, with respect to any Indebtedness Incurred pursuant to this Initial EBITDA calculation (the “New Indebtedness”), be deemed to be in violation of this covenant; *provided however* that the Company shall be required by the date that is 90 days following the consummation of the acquisition of the Acquired Entity to recalculate EBITDA, for the period of four consecutive fiscal quarters for which financial statements of the Company are publicly available (or a period most closely coinciding with such period to the extent that the fiscal year of the Acquired Entity does not correspond to the fiscal year of the Company), using financial statements of the Acquired Entity that have been audited or subjected to a limited review (“Recalculated EBITDA”). If (1) the Recalculated EBITDA is less than the Initial EBITDA and (2) as a result, the Company or any Restricted Subsidiary Incurred New Indebtedness that exceeded (by an amount in excess of U.S.\$15.0 million) what it would have been permitted to Incur using Recalculated EBITDA, then the Company or any Restricted Subsidiary within 90 days thereafter shall be required to repay such amount of New Indebtedness that would ensure that it would have been in compliance with this covenant had it used Recalculated EBITDA to determine the amount of Indebtedness it was permitted to Incur thereunder.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to issue or assume any Indebtedness secured by a Lien (the "Initial Lien") upon any property or assets of the Company or any Restricted Subsidiary without effectively providing that the Notes (together with, if the Company so determines, any other Indebtedness or obligations then existing or thereafter created) shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured; *provided, however*, that any Lien created for the benefit of the holders of the Notes (and, if applicable, holders of such other Indebtedness or obligations) pursuant to the foregoing shall provide by its terms that such Lien will be automatically and unconditionally released and discharged upon release and discharge of the Initial Lien; except that the foregoing provisions shall not apply to (without duplication):

- (a) Liens which secure only Indebtedness owing by any Restricted Subsidiary to the Company and/or by the Company to one or more Restricted Subsidiaries;
- (b) Liens on any property or assets acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Liens on the property or assets of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction; *provided* that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary;
- (c) any Lien on any property or assets existing at the time of acquisition thereof and which is not created as a result of or in connection with or in anticipation of such acquisition; *provided* that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary;
- (d) Liens for taxes, assessments, governmental charges, levies or claims which are not yet due or thereafter can be paid without penalty or are being contested in good faith by appropriate proceedings or the period within which such proceedings may be initiated has not expired;
- (e) pledges or deposits in connection with workers' compensation laws, unemployment insurance laws or similar legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which the Company or any Restricted Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which the Company or any Restricted Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;
- (f) any Lien in favor of issuers of surety or performance bonds or letters of credit issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of business;
- (g) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens, on the property or assets of the Company or any Restricted Subsidiary arising in the ordinary course of business and securing payment of obligations that are not yet due or are being contested in good faith by appropriate proceedings;
- (h) easements, rights of way, restrictions, defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company or any Restricted Subsidiary, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary, and which are made on customary and usual terms applicable to similar properties;
- (i) Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that such deposit account is not a dedicated cash collateral account and is not intended by the Company or any Restricted Subsidiary to provide collateral to such depository institution;

- (j) any rights of set-off of any Person with respect to any deposit account of the Company or any Restricted Subsidiary arising in the ordinary course of business;
- (k) Liens granted to secure borrowing from (i) *Banco Nacional de Desenvolvimento Econômico e Social —BNDES* or any other Brazilian governmental development bank or credit agency, or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;
- (l) judgment Liens not giving rise to an Event of Default so long as such Lien is bonded in accordance with applicable law and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (m) any Liens on the inventory or receivables of the Company or any Restricted Subsidiary (and all intangibles related thereto and proceeds thereof), securing the obligations of such Person under any credit facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of Indebtedness Incurred that is secured by receivables that shall fall due in any calendar year shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Company's consolidated gross revenues from export sales for the 12-month period ending on the last day of the Company's most recently completed fiscal quarter or (ii) with respect to transactions secured by receivables from non-export sales, 80% of the Company's consolidated gross revenues from non-export sales for the 12-month period ending on the last day of the Company's most recently completed fiscal quarter; and *provided, further*, that (x) Advance Transactions shall not be deemed transactions secured by receivables for purpose of the above calculation and (y) pro forma effect shall be given in the calculation of the Company's consolidated gross revenues in (i) and (ii) above to an Investment in any Person that is merged with or into the Company or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets as if such Investment or acquisition of assets occurred on the first day of the 12-month period ending on the last day of the Company's most recently completed fiscal quarter;
- (n) Liens on property or assets (including Capital Stock) of any Person that secure Indebtedness Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of such property or asset and which attach within 365 days after the date of such purchase or the completion of construction or improvement;
- (o) Liens in existence on the Closing Date;
- (p) other Liens securing obligations in an aggregate amount not to exceed 20% of Consolidated Net Tangible Assets;
- (q) any Lien securing Hedging Obligations so long as such Hedging Obligations are entered into for bona fide, non-speculative purposes; and
- (r) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the clauses (b), (c), (n) or (o) above or of any Indebtedness secured thereby, *provided* that the principal amount of Indebtedness so secured shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement (plus premiums, interest and reasonable expenses incurred in connection therewith), and that such extension, renewal or replacement Lien shall be limited to all or part of the property which secured the Lien extended, renewed or replaced (plus improvements on or additions to such property).

Liens or deposits required by any contract or statute or other regulatory requirements in order to permit the Company or a Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of a governmental entity or any department, agency or instrumentality thereof, or to secure partial progress, advance or any other payments to the Company or any Restricted Subsidiary by a governmental

entity or any department, agency or instrumentality thereof pursuant to the provisions of any contract or statute shall not be deemed to create Indebtedness secured by Liens.

Limitation on Sales of Assets

- (1) The Company will not, and will not permit any Subsidiary to, make any Asset Disposition unless the following conditions are met:
 - (a) The Asset Disposition is for Fair Market Value;
 - (b) At least 75% of the consideration consists of all or part of any of the following, received at closing, (i) cash and Temporary Cash Investments or (ii) Additional Assets;
 - (c) Within 360 days after the receipt of any Net Available Cash from an Asset Disposition, the Net Available Cash may be used:
 - to permanently repay Indebtedness, other than Subordinated Obligations, of the Company or of any of its Restricted Subsidiaries, in each case owing to a Person other than the Company or any Subsidiary;
 - to acquire all or substantially all of the assets of a Related Business, or a majority of the Voting Stock of another Person that thereupon becomes a Restricted Subsidiary engaged in a Related Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Related Business; or
 - to acquire Additional Assets for the Company or its Restricted Subsidiaries;
 - (d) The Net Available Cash of an Asset Disposition not applied pursuant to paragraph (c) above within 360 days of the Asset Disposition shall constitute "Excess Proceeds." Excess Proceeds of less than U.S.\$20.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds U.S.\$20.0 million, the Issuer must, and the Company shall cause the Issuer to, within 30 days, make an Offer (as defined in clause (2) below) having a principal amount equal to:
 - accumulated Excess Proceeds, multiplied by
 - a fraction (x) the numerator of which is equal to the then outstanding principal amount of the Notes and (y) the denominator of which is equal to the then outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Disposition, rounded down to the nearest U.S.\$1,000.

Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero and the Company shall be entitled to use any remaining proceeds for any corporate purposes to the extent permitted under the Indenture.

- (2) In the event of an Asset Disposition that requires the purchase of Notes pursuant to clause (d) above, the Issuer will, and the Company shall cause the Issuer to, (a) make an offer (an "Offer") to purchase Notes (and any other Senior Indebtedness), at a purchase price, in U.S. dollars, of 100% of their principal amount *plus* accrued and unpaid interest (including Additional Amounts, if any) thereon, to the date of purchase; and (b) if the aggregate purchase price of the Notes (and any other Senior Indebtedness) tendered pursuant to the Offer exceeds the Net Available Cash allotted to their purchase, the Company shall select the Notes and other Senior Indebtedness to be purchased on a pro rata basis but in round denominations, which in the case of the Notes will be denominations of U.S.\$1,000 principal amount or multiples thereof.
- (3) The Issuer and the Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with any repurchase of Notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, each of the Issuer and the

Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

Limitation on Transactions with Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate, involving an amount in excess of U.S.\$1 million (each, an “Affiliate Transaction”), unless:

- (a) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary, taken as a whole, than those that would have been obtained in a comparable arm’s-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate; and
- (b) the Company delivers to the Trustee:
 - (i) with respect of any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$5 million, an Officers’ Certificate stating that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by the management of the Company; and
 - (ii) with respect of any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$15 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an investment banking firm of recognized standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (i) transactions between or among the Company and any Restricted Subsidiary or between two or more Restricted Subsidiaries, if any;
- (ii) any agreement in effect as of the Closing Date or any amendment, supplement, restatement, replacement, renewal, extension, refinancing thereof or thereto (so long as the renewed or replaced agreement, when taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original agreement in effect on the Closing Date) or any transaction contemplated thereby; and
- (iii) Restricted Payments that are permitted by the provisions of the covenant described under “—Limitation on Restricted Payments” above.

Limitation on Sale and Lease-Back Transactions

The Company covenants and agrees that neither the Company nor any Restricted Subsidiary will enter into any Sale and Lease-Back Transaction unless either the Company or such Restricted Subsidiary would be entitled:

- (a) (i) pursuant to the provisions of the covenant described under “—Limitation on Indebtedness” above to Incur Indebtedness in a principal amount equal to or exceeding the Attributable Debt in respect of such Sale and Lease-Back Transaction; and
 - (ii) pursuant to the provisions of the covenant described under “—Limitation on Liens” above to Incur a Lien to secure such Indebtedness; or
- (b) the Company, during or immediately after the expiration of three months after the effective date of such Sale and Lease-Back Transaction (whether made by the Company or a Restricted Subsidiary), applies to the voluntary retirement of Funded Debt, an amount equal to the Value of such Sale and Lease-Back Transaction, less an amount equal to the sum of: (i) the principal

amount of Notes delivered, within such three-month period, to the Trustee for retirement and cancellation and (ii) the principal amount of other Funded Debt voluntarily retired by the Company within such three-month period, in each case excluding retirements of Notes and other Funded Debt as a result of conversions or pursuant to mandatory sinking fund or mandatory prepayment provisions or by payment at maturity.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary or with respect of any other interest or participation in, or measured by, its profits;
- (2) pay any Indebtedness owed to the Company or any Restricted Subsidiary;
- (3) make loans or advances to the Company or any Restricted Subsidiary; or
- (4) transfer any of its properties or assets to the Company or any Restricted Subsidiary.

However, the preceding restrictions will not apply to encumbrances or restrictions:

- (i) existing under or by reason of applicable law or governmental rule, regulation or order;
- (ii) on any property or assets acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or by reason of any Liens on the property or assets, or relating to the Indebtedness, of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary, or restriction relating to Indebtedness of any such Person and, in any such case, is not created as a result of or in connection with or in anticipation of any such transaction; *provided* that such Liens and any extensions, renewals, replacements or refinancings thereof may not extend to any other property owned by the Company or any Restricted Subsidiary; and *provided further* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
- (iii) on any property or assets existing at the time of acquisition thereof and which are not created as a result of or in connection with or in anticipation of such acquisition; *provided* that such encumbrances and restrictions and any extensions, renewals, replacements or refinancings thereof may not extend to any other property owned by the Company or any Restricted Subsidiary; and *provided further* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
- (iv) in the case of clause (4) above:
 - (a) that exist by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture;
 - (b) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract or contractual right;
 - (c) contained in mortgages, pledges or other security agreements permitted under the Indenture securing Indebtedness of the Company or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements;

- (d) imposed by Purchase Money Obligations for property acquired in the ordinary course of business or by Capitalized Lease Obligations permitted under the Indenture on the property so acquired, but only to the extent that such encumbrances or restrictions restrict the transfer of the property; or
- (e) arising or agreed to in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company and its Restricted Subsidiaries.
- (v) imposed by the standard loan documentation in connection with loans from (i) Banco Nacional de Desenvolvimento Econômico e Social—BNDES or any other Brazilian governmental development bank or credit agency, or (ii) any international or multilateral development bank, government sponsored agency, export-import bank or official export-import credit insurer;
- (vi) imposed pursuant to a provision in a credit agreement or any other agreement to which a Restricted Subsidiary is party that limits such Restricted Subsidiary's ability to pay more than 50% of the aggregate amount of its net income accrued on a cumulative basis during the period, taken as one accounting period, beginning on the Closing Date and ending on the last day of such Restricted Subsidiary's most recently completed fiscal quarter as dividends or any other distributions on its Capital Stock;
- (vii) existing by reason of Liens that secure Indebtedness otherwise permitted to be incurred under the provisions of the covenant described under “—Limitation on Liens” above and that limit the right of the debtor to dispose of the assets subject to such Liens;
- (viii) imposed with respect of a Restricted Subsidiary pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition; or
- (ix) existing on the Closing Date and any amendments, extensions, renewals, replacements or refinancings thereof; provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being extended, renewed, replaced or refinanced.

Consolidation, Merger, Conveyance, Sale or Lease

Nothing contained in the Indenture prevents the Company from consolidating with or merging into another Person or conveying, transferring or leasing the Company's properties and assets substantially as an entirety to any Person; *provided that,*

- (a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the Company's properties and assets substantially as an entirety is a Person (the “Successor Company”) organized and existing under the laws of Brazil or the United States, any State thereof or the District of Columbia, and expressly assumes, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest, if any, on all the Notes and the performance of every covenant in the Indenture on the part of the Company to be performed or observed;
- (b) immediately after giving effect to such transaction no Default or Event of Default shall have occurred and be continuing;
- (c) immediately after giving effect to such transaction, the Successor Company could Incur at least an additional U.S.\$1.00 of Indebtedness under clause (1) of the covenant described under “—Limitation on Indebtedness” above;

- (d) each Significant Subsidiary (unless it is the other party to the transactions above, in which case clause (a) above shall apply) shall have by supplemental indenture confirmed that its Subsidiary Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes; and
- (e) the Company has delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the Indenture and that all conditions precedent therein relating to such transaction have been complied with.

The Company will not permit the Issuer or any Subsidiary Guarantor to consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to any Person (other than the Company or any Restricted Subsidiary) unless:

- (1) (1)(x) the resulting, surviving or transferee Person (if not the Company or such Subsidiary Guarantor) shall be a Person organized and existing under the laws of the jurisdiction under which such Subsidiary Guarantor was organized or under the laws of Brazil or the United States, any State thereof or the District of Columbia or, in the case of the Issuer, The Netherlands and (y) such Person shall expressly assume, by a Guarantee agreement substantially similar in all respects to the Subsidiary Guarantee to which such Subsidiary Guarantor was a party and in a form satisfactory to the Trustee, all the obligations of such Subsidiary Guarantor, if any, under such Subsidiary Guarantee; *provided* that the foregoing shall not apply in the case of a Subsidiary Guarantor that (A) has been disposed of in its entirety to another Person (other than to the Company or a Restricted Subsidiary), whether through a merger, consolidation or sale of Capital Stock or assets or (B) as a result of the disposition of all or a portion of its Capital Stock, ceases to be a Restricted Subsidiary, in both cases, if in connection therewith the Company provides an Officers' Certificate to the Trustee to the effect that the Company shall comply with its obligations under the covenants described under "—Limitation on Sales of Assets" and "—Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries" in respect of such disposition);
- (2) immediately after giving effect to such transaction or transactions on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default shall have occurred and be continuing; and
- (3) the Company delivers to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such guarantee agreement, if any, complies with the Indenture.

Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, transfer, convey, sell, lease or otherwise dispose of any Voting Stock of any Restricted Subsidiary or to issue any Voting Stock of any Restricted Subsidiary (other than, if necessary, shares of its Voting Stock constituting directors' qualifying shares) to any Person except:

- (1) to the Company or a Restricted Subsidiary; or
- (2) in compliance with the covenant described under "—Limitation on Sales of Assets" above and immediately after giving effect to such transfer, conveyance, sale, lease, other disposal or issuance, such Restricted Subsidiary either continues to be a Restricted Subsidiary or if such Restricted Subsidiary would no longer be a Restricted Subsidiary, then the Investment of the Company in such Person (after giving effect to such transfer, conveyance, sale, lease, other disposal or issuance) would have been permitted to be made under the covenant described under "—Limitation on Restricted Payments" above as if made on the date of such transfer, conveyance, sale, lease, other disposal or issuance.

Other Covenants

In addition, the Indenture will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding permitted lines of business, the performance of the Company's and the Issuer's obligations under the Notes, the maintenance of the Company's and the Issuer's corporate existence, the maintenance of the Company's and any Subsidiary Guarantors' properties, the compliance with applicable laws, maintenance of the Company's, the Issuer's and any Subsidiary Guarantors' governmental approvals, the Company's, the Issuer's and any Subsidiary Guarantors' payment of taxes and other claims, the appointment of the Trustee, the maintenance of insurance, the maintenance of the Company's, the Issuer's and the Subsidiary Guarantors' books and records, the maintenance of an office or agency in the State of New York, the ranking of the Notes, notices of certain events, further actions and the use of proceeds.

Repurchases at the Option of the Holders of the Notes upon Change of Control

If a Change of Control that results in a Ratings Decline occurs, each holder of Notes will have the right to require the Issuer and the Company to repurchase all or any part (equal to U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer (as defined below) on the terms set forth in the Indenture. No such purchase in part shall reduce the outstanding principal amount at maturity of the Notes held by any holder to below U.S.\$200,000. In the Change of Control Offer, the Issuer and the Company will offer a "Change of Control Payment" in U.S. dollars equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased, to the date of purchase (subject to the right of the holders of record on the relevant Record Date to receive interest and Additional Amounts, if any, on the relevant interest payment date).

No later than 30 days following a Change of Control that results in a Ratings Decline, the Issuer and the Company will make a "Change of Control Offer" by notice to each holder of Notes by mailing and publishing such notice in accordance with the provision set out under "—Notices" below, describing the transaction or transactions that constitute the Change of Control that results in a Ratings Decline and offering to repurchase Notes on the date specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

Notwithstanding anything to the contrary contained herein, the Issuer and the Company may make an offer to purchase in advance of a Change of Control and conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the offer to purchase is made.

The Issuer and the Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, each of the Issuer and the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

On the Change of Control Payment Date, the Issuer and the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered, if applicable, to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer and the Company.

The paying agents will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new note will be in a principal amount of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Issuer and the Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer and the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer and the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer and the Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements, set forth in the Indenture, that are applicable to a Change of Control Offer made by the Issuer and the Company and such third party purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

Release of Covenants

If on any date following the Closing Date:

- (1) the Notes have been assigned an Investment Grade Rating by any two Rating Agencies; and
- (2) no Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions will automatically, without any notice of any kind, be suspended (and the Company and its Subsidiaries will have no obligation or liability whatsoever with respect to such covenants):

- (a) “—Limitation on Restricted Payments”;
- (b) “—Limitation on Indebtedness”;
- (c) “—Limitation on Sales of Assets”;
- (d) “—Limitation on Transactions with Affiliates”;
- (e) “—Limitation on Sale and Lease-Back Transactions”;
- (f) “—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”; and
- (g) “—Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries.”

Clauses (a) through (g) above are collectively referred to as the “Suspended Covenants.”

If, during any period in which the Suspended Covenants are suspended, the Notes cease to have an Investment Grade Rating by two Rating Agencies, the Suspended Covenants will thereafter be reinstated and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain an Investment Grade Rating by any two Rating Agencies (in which event the Suspended Covenants will again be suspended for such time that the Notes maintain an Investment Grade Rating by any two Rating Agencies); *provided, however*, that no Default or breach or violation of any kind will be deemed to exist under the Indenture, the Notes or any Subsidiary Guarantee with respect to the Suspended Covenants (whether during the period when the Suspended Covenants were suspended or thereafter) based on, and none of the Issuer, the Company or any of its Restricted Subsidiaries will bear any liability (whether during the period when the Suspended Covenants were suspended or thereafter) for, any actions taken or events occurring after the Notes attain an Investment Grade Rating by any two Rating

Agencies and before any reinstatement of the Suspended Covenants as provided above, or any actions taken at any time (whether during the period when the Suspended Covenants were suspended or thereafter) pursuant to any contractual obligation arising prior to the reinstatement, regardless of whether those actions or events would have been permitted if the applicable Suspended Covenant had remained in effect during such period.

Events of Default

An Event of Default with respect to the Notes is defined in the Indenture as being a:

- default for 30 days in payment of any interest or Additional Amounts on the Notes when the same becomes due and payable;
- default in payment of principal of or premium, if any, on the Notes when the same becomes due and payable, upon optional redemption, upon required purchase, upon declaration of acceleration or otherwise;
- failure by the Company or any Restricted Subsidiary to comply with the provisions described under “—Restrictive Covenants—Consolidation, Merger, Conveyance, Sale or Lease”;
- default in the performance, or breach, of any other covenant or obligation of the Company or any Restricted Subsidiary in the Indenture and continuance of such default or breach for a period of 30 consecutive days after written notice is given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes;
- default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness by the Company or any Restricted Subsidiary (or the payment of which is Guaranteed by the Company or any Restricted Subsidiary) whether such Indebtedness or Guarantee now exists, or is created after the Closing Date, if that default:
 - is caused by a failure to pay principal of or interest or premium (or Additional Amounts) on such Indebtedness within any applicable grace period (a “Payment Default”); or
 - results in the acceleration of such Indebtedness prior to its Stated Maturity,and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates U.S.\$25 million or more;
- except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, shall contest the enforceability thereof in a pleading in any court of competent jurisdiction or similar body;
- the Company Guarantee shall fail to be in full force and effect or is declared null and void or the Company denies that it has further liability under the Indenture and the Company Guarantee, or gives notice to such effect (other than by reason of the termination of the Indenture or the release of the Company Guarantee in accordance with the provisions of the Indenture); and
- certain events of bankruptcy, insolvency or reorganization of the Issuer, Company or any Significant Subsidiary.

The Company will deliver to the Trustee, within thirty business days after obtaining actual knowledge thereof, written notice of any Default or Event of Default that has occurred and is still continuing, its status and what action the Company is taking or proposing to take in respect thereof. The Indenture provides that the Trustee may withhold notice to the holders of the Notes of any Default or Event of Default (except in payment of principal of, or interest or premium (and Additional Amounts), if any, on the Notes) if the Trustee in good faith determines that it is in the interest of the holders of the Notes to do so. The Indenture provides that, if an Event of Default (other than an Event of Default involving a bankruptcy, insolvency or

similar event in respect of the Company) with respect to the Notes specified therein shall have happened and be continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the Notes, by written notice to the Company (and to the Trustee if notice is given by the holders), may declare the principal amount of (and interest on) all the Notes to be due and payable immediately. The Indenture provides that if an Event of Default involving a bankruptcy, insolvency or other similar event in respect of the Company shall have happened, the principal amount of all the Notes will be immediately due and payable without notice or any other act on the part of the Trustee or any holder of the Notes. In this case, the Company will comply with any and all then applicable regulations of the Central Bank of Brazil for remittance of funds outside of Brazil. However, if the Company cures all Defaults (except the nonpayment of principal of and accrued interest or premium (and Additional Amounts) on Notes at maturity or which shall become due by acceleration) and certain other conditions are met, such declaration may be rescinded and annulled by the holders of not less than a majority in aggregate principal amount of the Notes. In addition, past Defaults with respect to the Notes may be waived by the holders of not less than a majority in aggregate principal amount of the Notes except (i) a Default in the payment of principal of (or premium, if any) or interest or premium (and Additional Amounts), if any, on any Note or (ii) in respect of a provision of the Indenture which cannot be amended without the consent of the holder of each outstanding Note affected thereby.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Notes, unless such holders shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee. Subject to such provision for indemnification, the holders of a majority in principal amount of the Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred on the Trustee with respect to the Notes, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed conflicts with any law or the provisions of the Indenture if the Trustee shall determine that such action would be prejudicial to holders of the Notes not taking part in such direction or if the Trustee determines in good faith that such action would involve the Trustee in personal liability and the Trustee is offered indemnity or security satisfactory to it.

No holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

- such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes;
- the holders of not less than 25% in principal amount of the outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee thereunder;
- such holder or holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes,

it being understood and intended that no one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such holders.

Notwithstanding any other provision of the Indenture, the holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest (and Additional Amounts), if any, on such Note and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such holder.

Additional Amounts

All payments of principal and interest by the Issuer or on behalf of the Issuer in respect of the Notes (including pursuant to the Guarantee) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands, Brazil or any other jurisdiction from or through which payments by or on behalf of the Issuer are made or by or within any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event of any such withholding or deduction, the Issuer or the Company (in the case of payments made by the Company) shall pay to holders of the Notes in U.S. dollars such additional amounts ("Additional Amounts") as will result in the payment to such holder of the U.S. dollar amount that would otherwise have been receivable by such holder in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable:

- (a) in respect of any tax that would not have been so withheld or deducted but for the existence of any present or former connection, including a permanent establishment, between the holder or beneficial owner of the Note and any payment in respect of such Note (or, if the holder or beneficial owner is an estate, nominee, trust, partnership or corporation, between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the holder or beneficial owner) in Brazil, The Netherlands, or any other jurisdiction from us through which payments by or on behalf of the Issuer are made or within any political subdivision thereof, other than the mere receipt of such payment or the mere holding or ownership of such Note or beneficial interest or enforcement of rights thereunder;
- (b) in respect of any tax to the extent that such tax would not have been so withheld or deducted if the Note had been presented for payment within 30 days after the Relevant Date (as defined below);
- (c) in respect of any tax that would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the Note to (i) make a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) comply with any reasonable certification, identification, information, documentation or other reporting requirement concerning its nationality, residence, identity or connection with Brazil or The Netherlands or any other jurisdiction from or through which payments by or on behalf of the Issuer are made by or within any political subdivision thereof;
- (d) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;
- (e) in respect of any tax, assessment or other government charge payable other than by withholding or deduction;
- (f) in respect of any payment to a holder of a Note that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such Note;
- (g) in respect of any withholding or deduction imposed on a payment to an individual that is required to be made pursuant to the European Union Directive on the taxation of savings income (the "Directive") implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting on June 3, 2003, or any law implementing or complying with, or introduced in order to conform to, such Directive;

- (h) in respect of any taxes imposed in connection with a Note presented for payment by or on behalf of a holder thereof who is a resident of the European Union for tax purposes and who would have been able to avoid such tax by presenting the relevant Note to another paying agent in a member state of the European Union to whom presentation could have been made; or
- (i) in respect of any combination of (a) through (h) above.

“Relevant Date” means, with respect to any payment due from the Issuer or the Company, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City, New York by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes in accordance with the Indenture.

All references to principal and interest in respect of the Notes shall be deemed also to refer to any Additional Amounts, unless the context requires otherwise, which may be payable as set forth in the Indenture or in the Notes.

At least ten Business Days prior to the first Interest Payment Date (and at least ten Business Days prior to each succeeding Interest Payment Date if there has been any change with respect to the matters set forth in the below-mentioned Officers’ Certificate), the Issuer or the Company, as the case may be, will furnish to the Trustee and each paying agent an Officers’ Certificate instructing the Trustee and each such paying agent whether payments of principal of or interest on the Notes due on such Interest Payment Date shall be without deduction or withholding for or on account of any tax. If any such deduction or withholding shall be required, prior to such Interest Payment Date, the Issuer or the Company, as the case may be, will furnish the Trustee and each such paying agent with an Officers’ Certificate which specifies the amount, if any, required to be withheld on such payment to holders of the Notes and certifies that the Issuer or the Company, as the case may be, shall pay such withholding or deduction. Any Officers’ Certificate required by the Indenture to be provided to the Trustee and any paying agent for these purposes shall be deemed to be duly provided if telecopied to the Trustee and such paying agent, with originals to follow.

The Issuer or the Company shall furnish to the Trustee the official receipts (or a certified copy of the official receipts) evidencing payment of any tax. Copies of such receipts shall be made available to holders of the Notes upon request.

The Issuer and the Company shall promptly pay when due any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of each Note or any other document or instrument referred to herein or therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Brazil or The Netherlands and except, in certain cases, for taxes, charges or similar levies resulting from certain registration of transfer or exchange of Notes.

Reports

The Company shall provide the Trustee and, upon request, the holders of the Notes:

- within 120 days following the end of each fiscal year of the Company after the Closing Date, the annual financial statements (including the notes thereto) of the Company in a form substantially similar to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP and presented in the English language and a report thereon by the Company’s certified independent accountants.
- within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending after the Closing Date, all quarterly financial statements (including the notes thereto) of the Company, prepared in accordance with Brazilian GAAP and presented in the English language.

In addition, the Issuer and the Company will furnish to the holders of the Notes and to prospective investors, upon request of such holders or investors, any information required to be delivered pursuant to

Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely tradable under the Securities Act.

For so long as any of the Notes are outstanding, the above information will be made available at the specified offices of each paying agent. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the above information will also be made available in Luxembourg through the offices of the Luxembourg Special Paying Agent.

Modification of the Indenture

The Indenture contains provisions permitting the Issuer, the Company and the Trustee, with the consent of the holders of a majority in aggregate in principal amount of the outstanding Notes to modify the Indenture or any supplemental indenture or the rights of the holders of the Notes; *provided* that no such modification shall without the consent of the holder of each outstanding Note affected thereby:

- change the stated maturity upon which the principal of or the interest on any Note is due and payable, or reduce the principal amount thereof or the rate of interest thereon (including Additional Amounts) or any premium payable upon the redemption thereof, or change any place of payment or the currency in which, any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after redemption date);
- reduce the percentage of the principal amount of the outstanding Notes whose holders' consent is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture;
- amend or modify any provision of the Guarantee of the Company that would adversely affect holders of the Notes; or
- modify certain other provisions of the Indenture.

The Indenture provides that Notes owned by the Company or any of its Affiliates shall be deemed not to be outstanding for, among other purposes, consenting to any modification.

The Indenture also contains provisions permitting the Issuer, the Company and the Trustee to amend the Indenture in certain circumstances without the consent of the holders of any Notes to evidence the Company's merger, the replacement of the Trustee and for certain other purposes.

No Personal Liability of Directors, Officers, Employees and Shareholders

No past, present or future director, officer, partner, employee, incorporator, shareholder or member of the Issuer, the Company or any Subsidiary of the Company shall have any liability for any obligations of the Issuer, the Company or any Subsidiary of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes, by accepting a Note, waives and releases all such liability. Such waivers and releases are part of the consideration for issuance of the Notes. The waivers may not be effective to waive liabilities under the U.S. federal securities laws or under the Brazilian Corporate Law and Dutch corporate law.

Enforceability of Judgments

Since the Issuer is incorporated in The Netherlands, the Company is incorporated in Brazil and the Subsidiaries of the Company may be incorporated in various non-U.S. jurisdictions, including Brazil, and all their operating assets and the operating assets of their Subsidiaries may be outside the United States, any judgment obtained in the United States against the Issuer, the Company or any Subsidiary of the Company, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any purchase price with respect to the Notes, may not be collectable within the United States. See "Enforceability of Judgments."

Luxembourg Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF market, and the Issuer and the Company will each use commercially reasonable efforts to obtain and maintain listing of the Notes on the Official List of the Luxembourg Stock Exchange; however, the Notes are not yet listed and the Issuer and the Company cannot assure the holders of the Notes that they will be accepted for listing.

In the event that a Significant Subsidiary provides a Subsidiary Guarantee or is released from its obligations under a Subsidiary Guarantee at a time when the Notes are listed on the Official List of the Luxembourg Stock Exchange, the Issuer and the Company will, to the extent required by the rules of the Luxembourg Stock Exchange, publish notice of the granting or release of such Subsidiary Guarantee in the *d'Wort*, send a copy of such notice to the Luxembourg Stock Exchange and, in the case of the granting of a new Subsidiary Guarantee, deposit a copy of the Subsidiary Guarantee with the Luxembourg Stock Exchange and the Luxembourg Special Paying Agent and execute a supplemental indenture and inform the Luxembourg Stock Exchange of such execution.

Luxembourg Listing Agent, Luxembourg Special Paying Agent and Luxembourg Transfer Agent

The Bank of New York Mellon Trust (Japan), Ltd. is the Principal Paying Agent in respect of the Notes. The Bank of New York Mellon (Luxembourg) S.A. is the Luxembourg Listing Agent, Luxembourg Special Paying Agent and Luxembourg Transfer Agent in respect of the Notes. The Issuer and the Company will maintain such agencies so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the exchange so require. The address of the Principal Paying Agent, Luxembourg Listing Agent, the Luxembourg Special Paying Agent and the Luxembourg Transfer Agent are set forth on the inside back cover of this offering memorandum.

Notices

All notices shall be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to the holders of the Notes at their registered addresses as recorded in the Notes register not later than the latest date, and not earlier than the earliest date, prescribed in the Notes for the giving of such notice.

As long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, the Issuer and the Company will also give notices to the holders of the Notes either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or by publication in a daily newspaper of general circulation in Luxembourg. The Issuer and the Company expect that newspaper to be, but it need not be, the *Luxemburger Wort*. If publication in Luxembourg is impracticable, the Issuer and the Company will make the publication elsewhere in Western Europe. By “daily newspaper,” the Issuer and the Company mean a newspaper that is published on each day, other than a Saturday, Sunday or holiday, in Luxembourg or, when applicable, elsewhere in Western Europe. The holders of the Notes will be presumed to have received these notices on the date the Issuer or the Company first publishes them. If the Issuer and the Company are unable to give notice as described in this paragraph because the publication of any newspaper is suspended or it is otherwise impractical for the Issuer or the Company to publish the notice, then the Issuer or the Company, or the Trustee acting on our instructions and at our expense, will give the holders of the Notes notice in another form. That alternate form of notice will be sufficient notice to the holders of the Notes.

Neither the failure to give any notice to a particular holder of Notes, nor any defect in a notice given to a particular holder of Notes, will affect the sufficiency of any notice given to another holder of Notes.

Form and Registration

The Notes will be represented by Regulation S Global Notes (as defined below) and Restricted Global Notes (as defined below) (each sometimes referred to herein as a “Global Note” and together referred to herein as the “Global Notes”).

Notes sold outside the United States in reliance on Regulation S will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, “Regulation S Global Notes”) and will be deposited with the Trustee, as custodian for DTC, and registered in the name of DTC or its nominee for the accounts of Euroclear and Clearstream (as indirect participants in DTC).

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, “Restricted Global Notes”) and will be deposited with the Trustee, as custodian for DTC and registered in the name of DTC or its nominee. Restricted Global Notes will be subject to certain restrictions on transfer and will bear a legend to that effect as described under “Transfer Restrictions.”

Beneficial interests in Regulation S Global Notes may be transferred to a person who takes delivery in the form of an interest in Restricted Global Notes only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in Restricted Global Notes may be transferred to a person who takes delivery in the form of an interest in Regulation S Global Notes only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Global Notes

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them. The Issuer and the Company take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Upon the issuance of Regulation S Global Notes and Restricted Global Notes, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC (“DTC Participants”) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC or its nominee is the registered owner or holder of a Global Note, DTC, or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC’s applicable procedures, in addition to those provided for under the Indenture.

Investors may hold their interests in Regulation S Global Notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in Regulation S Global Notes in customers’

securities accounts in the depositaries' names on the books of DTC. Investors that are qualified institutional buyers may hold their interests in Restricted Global Notes directly through DTC if they are DTC Participants, or indirectly through organizations that are DTC Participants.

Payments of the principal and interest and any Additional Amounts on individual Notes represented by a Global Note registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the Global Note representing such Notes. None of the Issuer, the Company, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests. The Issuer and the Company expect that DTC or its nominee, upon receipt of any payment of principal, interest or Additional Amounts, if any, in respect of a Global Note representing any Notes held by it or its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Issuer and the Company also expect that payments by DTC Participants to owners of beneficial interests in such Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC rules and procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and procedures.

The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks. Accordingly, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of each interest, may be affected by the lack of a physical certificate for such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules and procedures on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels, Belgium time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in Regulation S Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and the credit of any transactions in interests in a Global Note settled during such processing will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

In order to ensure the availability of Rule 144(k) under the Securities Act, the Indenture will provide that all Notes which are purchased or otherwise acquired by the Issuer or the Company or any of their Affiliates may not be resold or otherwise transferred.

DTC has advised the Issuer and the Company that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Notes for transfer, exchange or conversion as described below) only at the direction of one or more DTC Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, in the limited circumstances described herein, DTC will exchange the Global Notes for certificated Notes in definitive form, which it will distribute to DTC Participants and which, if representing interests in the Restricted Global Note, will be legended as set forth under “Transfer Restrictions.” See “—Certificated Notes.”

DTC has advised the Issuer and the Company as follows: DTC will act as the depository for the Notes. The Notes will be issued as fully registered senior notes registered in the name of Cede & Co., which is DTC’s partnership nominee. Fully registered Global Notes will be issued for the Notes, in the aggregate principal amount of the issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes to participants’ accounts, thereby eliminating the need for physical movement of certificates. Direct participants of DTC include securities brokers and dealers, including the initial purchasers of the Notes, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC’s system is also available to indirect participants, which includes securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

To facilitate subsequent transfers, all Global Notes representing the Notes which are deposited with, or on behalf of, DTC are registered in the name of DTC’s nominee, Cede & Co. The deposit of Global Notes with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership.

DTC has no knowledge of the actual beneficial owners of the Global Notes representing the Notes; DTC’s records reflect only the identity of the direct participants to whose accounts the Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Global Notes representing the Notes. Under its usual procedure, DTC mails an omnibus proxy to the Issuer as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.’s consenting or voting rights to those direct participants to whose accounts the Notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Notes are required to be printed and delivered. See “—Certificated Notes.”

Under certain circumstances, the Issuer and the Company may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, certificated Notes will be printed and delivered. See “—Certificated Notes.”

Although DTC, Euroclear and Clearstream have agreed to the procedures described above in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. Neither the Trustee, the Issuer nor the Company will have any liability or responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (i) DTC is at any time unwilling or unable to continue as a depository for the Global Notes and a successor depository is not appointed by the Issuer within 90 days or (ii) an Event of Default shall have occurred and be continuing and the beneficial holder of a Note shall have requested that the Issuer issue to such beneficial holder its proportionate interest in a Global Note, the Issuer and the Company will issue certificated Notes which may bear the legend referred to under “Transfer Restrictions,” in exchange for the Global Notes. Holders of an interest in a Global Note may receive certificated Notes, which may bear the legend referred to under “Transfer Restrictions,” in accordance with DTC’s rules and procedures in addition to those provided for under the Indenture; *provided, however*, that if the Issuer is issuing certificated Notes pursuant to clause (ii) above, the Issuer and the Company shall only be required to issue certificated Notes to the beneficial owners of the Notes who request certificated Notes.

The Holder of a definitive Note may transfer such Note by surrendering it at the office or agency maintained by the Issuer and the Company for such purpose in the Borough of Manhattan, The City of New York, which initially will be the Corporate Trust Office of the Trustee. Upon the transfer, exchange or replacement of definitive Notes bearing the legend, or upon specific request for removal of the legend on a definitive Note, the Issuer and the Company will deliver only definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer, the Company and the Trustee such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Company and the Trustee, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Neither the Trustee, the Luxembourg Special Paying Agent nor any other paying agent, registrar or transfer agent shall be required to register the transfer of or exchange definitive Notes for a period from the record date to the due date for any payment of principal of, or interest on, the Notes or register the transfer of or exchange any Notes for 15 days prior to selection for redemption through the date of redemption. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, in the case of a transfer or exchange of definitive registered Notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such Notes at, and obtaining new definitive registered Notes from the office of the Luxembourg Transfer Agent. In the case of a transfer of only part of a definitive registered Note, a new definitive Note in respect of the balance of the principal amount of the definitive registered Note transferred will be delivered at the office of the Luxembourg Transfer Agent, and in the case of any lost, stolen, mutilated or destroyed definitive registered Note, a holder thereof may obtain a new definitive registered Note from the Luxembourg Transfer Agent.

Prior to presentment of a Note for registration of transfer (including a Global Note), the Issuer, the Company, the Trustee and any agent of the Issuer, the Company or the Trustee may treat the person in whose name such Note is registered as the owner or holder of such Note for the purpose of receiving payment of principal, interest and any Additional Amounts on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuer, the Company, the Trustee or any agent of the Issuer or the Company shall be affected by notice to the contrary.

Satisfaction and Discharge

The Indenture will be discharged and (together with any Subsidiary Guarantee) will cease to be of further effect as to all Notes issued thereunder, when:

- (1) (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or
(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable and the Issuer or the Company or any Restricted Subsidiary has irrevocably deposited or caused to be deposited with the Trustee as funds in trust solely for the benefit of the holders, cash in U.S. dollars, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Issuer, the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound;
- (3) the Issuer, the Company or any Restricted Subsidiary has paid or caused to be paid all other sums payable by it under the Indenture; and
- (4) the Issuer and the Company have delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer and the Company must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Defeasance

The Issuer and the Company, at their option:

- (1) will be discharged from any and all obligations in respect of the Notes and the Guarantee of the Company (except in each case for certain obligations, including to register the transfer or exchange of Notes, replace stolen, lost or mutilated Notes, maintain paying agencies and hold moneys for payment in trust), or
- (2) need not comply with certain covenants of the Indenture,

if the Issuer or the Company irrevocably deposits with the Trustee, in trust:

- money, or
- in certain cases, U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount, or
- a combination thereof,

in each case, sufficient to pay and discharge the principal of each installment of principal and interest, if any, on the outstanding Notes on the dates such payments are due, in accordance with the terms of the Notes, to and including the redemption date irrevocably designated by the Issuer and the Company pursuant to the final sentence of this section on the day on which payments are due and payable in accordance with the terms of the Indenture and of the Notes; and no Default or Event of Default (including by reason of such deposit) shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date.

To exercise any such option, the Issuer and the Company are required to deliver to the Trustee:

- (a) an opinion of recognized U.S. counsel independent of the Issuer and the Company to the effect:
 - that the holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge of certain obligations, which in the case of clause (1) above must be based on a change in law or a ruling by the U.S. Internal Revenue Service, and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred; and
 - that the defeasance trust is not, or is registered as, an investment company under the Investment Company Act of 1940; and
- (b) an opinion of counsel and an Officers' Certificate as to compliance with all conditions precedent provided for in the Indenture relating to the satisfaction and discharge of the Notes.

If the Issuer or the Company has deposited or caused to be deposited money or U.S. Government Obligations to pay or discharge the principal of (and premium, if any) and interest, if any, on the outstanding Notes to and including a redemption date on which all of the outstanding Notes are to be redeemed, such redemption date shall be irrevocably designated by a resolution of each of the board of directors of the Issuer and the management of the Company delivered to the Trustee on or prior to the date of deposit of such money or U.S. Government Obligations, and such resolutions shall be accompanied by an irrevocable request from the Issuer and the Company that the Trustee give notice of such redemption in the name and at the expense of the Issuer and the Company not less than 30 nor more than 60 days prior to such redemption date in accordance with the Indenture.

Governing Law; Consent to Jurisdiction; Service of Process and Currency Indemnity

The Indenture and the Notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York. The Issuer and the Company have each consented to the non-exclusive jurisdiction of the courts of the State of New York and the United States courts located in the Borough of Manhattan, New York City, New York with respect to any action that may be brought in connection with the Indenture or the Notes and have irrevocably appointed National Registered Agents, Inc. as agent for service of process.

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the holder of a Note from U.S. dollars into another currency, the Issuer and the Company has each agreed, and each holder by holding such Note will be deemed to have agreed, to the fullest extent that the Issuer, the Company and they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures such holder could purchase U.S. dollars with such other currency in New York City, New York on the day two Business Days preceding the day on which final judgment is given.

The Issuer and the Company's obligation in respect of any sum payable by it to the holder of a Note shall, notwithstanding any judgment in a currency (the "judgment currency") other than U.S. dollars, be discharged only to the extent that on the Business Day following receipt by the holder of such Note of any sum adjudged to be so due in the judgment currency, the holder of such Note may, in accordance with normal banking procedures, purchase U.S. dollars with the judgment currency; if the amount of the U.S. dollars so purchased is less than the sum originally due to the holder of such Note in the judgment currency (determined in the manner set forth in the preceding paragraph), each of the Issuer and the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of such Note against such loss, and if the amount of the U.S. dollars so purchased exceeds the sum originally due to the holder of such Note, such holder agrees to remit to the Issuer or the Company such excess, *provided* that such holder shall have no obligation to remit any such excess as long as the Issuer or the Company shall have failed to pay such holder any obligations due and payable under such Note, in which case such excess may be applied to the Issuer and the Company's obligations under such Note in accordance with the terms thereof.

Certain Definitions

Set out below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms as well as any other capitalized terms used herein for which no definition is provided. Unless the context otherwise requires, an accounting term not otherwise defined has the meaning assigned to it under and in accordance with Brazilian GAAP.

“Additional Amounts” has the meaning given to it under “—Additional Amounts.”

“Additional Assets” means:

- (1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Related Business;
- (2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

“Additional Notes” has the meaning given to it under “—General.”

“Advance Transaction” means an advance from a financial institution involving either (a) a foreign exchange contract (ACC —*Adiantamento sobre Contrato de Câmbio*) or (b) an export contract (ACE—*Adiantamento sobre Contrato de Exportação*).

“Affiliates” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. For purposes of the provisions described under “—Restrictive Covenants—Limitation on Transactions with Affiliates” only, “Affiliate” of any Person shall also mean any beneficial owner of shares representing 5% or more of the total voting power of the Voting Stock (on a fully diluted basis including all rights or warrants to purchase such Voting Stock (whether or not currently exercisable)) of such Person and any Person known to such Person who would be an Affiliate of any such beneficial owner pursuant to this sentence or the first sentence hereof.

“Asset Disposition” means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a “disposition”), of:

- (1) any shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);
- (2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or
- (3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary,

provided, however, that Asset Disposition will not include:

- (a) a disposition by a Restricted Subsidiary to the Company or another Restricted Subsidiary or by the Company to a Restricted Subsidiary;

- (b) for purposes of the provisions described under “—Restrictive Covenants—Limitation on Sales of Assets” only, a Restricted Payment;
- (c) a disposition of assets with a Fair Market Value of less than U.S.\$20 million;
- (d) (i) a disposition of obsolete equipment or other obsolete assets or other property which is uneconomical and no longer useful for the Company or any Restricted Subsidiary in the ordinary course of business; or (ii) a disposition of assets that are exchanged for or are otherwise replaced by comparable or superior assets within a reasonable period of time;
- (e) the disposition of all or substantially all of the assets of the Company in a manner permitted under the covenant described under “—Restrictive Covenants—Consolidation, Merger, Conveyance, Sale or Lease”;
- (f) the disposition of assets in a Sale and Lease-Back Transaction, if permitted by the covenant described under “—Restrictive Covenants—Limitation on Sale and Lease-Back Transactions”;
- (g) the Incurrence of any Lien permitted by the covenant described under “—Restrictive Covenants—Limitation on Liens”; or
- (h) sales, transfers or other dispositions of assets for non-cash consideration at least equal to the Fair Market Value (as certificated in an Officers’ Certificate) of such assets, to the extent that such non-cash consideration would constitute Additional Assets.

“Attributable Debt” in respect of a Sale and Lease-Back Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the Sale and Lease-Back Transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Lease-Back Transaction (including any period for which such lease has been extended).

“Average Life” means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing:

- (1) the sum of the products of the numbers of years (rounding to the nearest one-twelfth of one year) from the date of determination to the dates of each remaining scheduled principal payment (including the payment at final maturity) of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment, by
- (2) the sum of all such payments.

“Board of directors” means, with respect to any Person, the board of directors of such Person or any committee thereof duly authorized to act on behalf of the board of directors of such Person, or similar governing body of such Person, including any managing partner or similar entity of such Person.

“Brazil” means The Federative Republic of Brazil and any branch of power, ministry, department, authority or statutory corporation or other entity (including a trust) owned or controlled directly or indirectly by it or any of the foregoing or created by law as a public entity.

“Central Bank of Brazil” means the Central Bank of Brazil (*Banco Central do Brasil*).

“Brazilian GAAP” means the accounting practices adopted in Brazil as applicable to public companies (*companhias abertas*), as in effect from time to time, it being understood that the Company’s consolidated financial statements under Brazilian GAAP currently comply with IFRS as adopted by IASB.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York City, New York or São Paulo, Brazil are authorized or required by law to close.

“Capital Stock” of any Person means any and all quotas, shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock and partnership interests, but excluding any debt securities convertible into such equity.

“Capitalized Lease Obligation” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“Change of Control” means any Person (other than a Permitted Holder) directly or indirectly possesses a majority of the Voting Stock of the Company.

“Change of Control Offer” has the meaning given to it under “—Repurchases at the Option of the Holders of the Notes upon Change of Control.”

“Change of Control Payment” has the meaning given to it under “—Repurchases at the Option of the Holders of the Notes upon Change of Control.”

“Change of Control Payment Date” has the meaning given to it under “—Repurchases at the Option of the Holders of the Notes upon Change of Control.”

“Clearstream” means Clearstream Banking, *société anonyme*, Luxembourg.

“Closing Date” means May 9, 2011.

“Company” means Marfrig Alimentos S.A.

“Consolidated EBITDA” means, for any period, the amount equal to the sum of the Company’s and its Restricted Subsidiaries’ net income (loss) of controlling shareholders plus net financial expenses, plus income taxes and social contribution plus depreciation and amortization plus minority interest.

“Consolidated Net Income” means, for any period, the aggregate net income (or loss) of the Company and its consolidated Restricted Subsidiaries, if any, for such period determined on a consolidated basis in conformity with Brazilian GAAP.

“Consolidated Net Indebtedness” means consolidated indebtedness of the Company and its consolidated Restricted Subsidiaries, if any, as set forth on the most recent consolidated quarterly balance sheet of the Company and its consolidated Restricted Subsidiaries, if any, *minus* the sum of cash and cash equivalents and marketable securities recorded as current assets in the Company’s most recent consolidated quarterly balance sheet (except for any Capital Stock in any Person).

“Consolidated Net Tangible Assets” means the total amount of assets of the Company and its consolidated Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from writeups of capital assets subsequent to the Closing Date, after deducting therefrom (i) all current liabilities of the Company and its consolidated Restricted Subsidiaries (excluding intercompany items) and (ii) goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles as set forth on the most recent consolidated quarterly financial statements of the Company.

“Control” means, with respect to any Person, possession, directly or indirectly, of (a) at least a majority of all voting shares of capital stock of such Person, (b) the voting power to elect or cause the election of at least a majority of the board of directors of such Person and (c) the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“CVM” means the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).

“Default” means any event which is an Event of Default or which, after notice or passage of time or both, would be an Event of Default.

“Disqualified Stock” means, with respect to any Person, any Capital Stock that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock; or
- (3) is redeemable at the option of the holder thereof, in whole or in part,

in each case on or prior to the first anniversary of the Stated Maturity of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions of the Indenture.

“DTC Participants” has the meaning given to it under “—Form and Registration—Global Notes.”

“Equity Offering” means any sale of Capital Stock (other than Disqualified Stock).

“Euroclear” means Euroclear Bank, S.A./N.V.

“Event of Default” has the meaning given to it under “—Events of Default.”

“Exchange Act” means the United States Securities and Exchange Act of 1934, as amended.

“Fair Market Value” of any property, asset, share of Capital Stock, other security, Investment or other item means, on any date, the fair market value of such property, asset, share of Capital Stock, other security, Investment or other item on that date as determined in good faith by the management of the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Funded Debt” means Indebtedness of the Company (including the Notes) or any Restricted Subsidiary maturing by the terms thereof more than one year after the original creation thereof.

“Global Notes” has the meaning given to it under “—Form and Registration.”

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of any Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a correlative meaning. The term “Guarantor” shall mean any Person Guaranteeing any obligation.

“Hedging Obligations” of any Person means the obligations of such Person under any agreement relating to any swap, option, forward sale, forward purchase, index transaction, cap transaction, floor transaction, collar transaction or any other similar transaction, in each case, for purposes of hedging or capping against Brazilian inflation, interest rates, currency or commodities price fluctuations.

“IFRS” means International Financing Reporting Standards as adopted by the International Accounting Standards Board.

“Incur” means issue, assume, Guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person is merged or consolidated with the Company or becomes a Subsidiary of the Company (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time of such merger or consolidation or at the time it becomes a Subsidiary of the Company. The term “Incurrence” when used as a noun shall have a

correlative meaning. Neither the accretion of principal of a non-interest bearing or other discount security nor the capitalization of interest on Indebtedness shall be deemed the Incurrence of Indebtedness.

“Indebtedness” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal in respect of indebtedness of such Person for borrowed money;
- (2) the principal and premium, if any, in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables and contingent obligations to pay earn-outs), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;
- (4) all reimbursement obligations of such Person in respect of the face amount of letters of credit or other similar instruments (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person, such as import tax credits and import transactions, to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);
- (5) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding, in each case, any accrued dividends);
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of Indebtedness of such Person shall be the lesser of:
 - (a) the Fair Market Value of such asset at such date of determination; and
 - (b) the amount of such Indebtedness of such other Persons;
- (7) to the extent not otherwise included in this definition, all Hedging Obligations of such Person; and
- (8) all obligations of the type referred to in clauses (1) through (7) above of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to any contingent obligations, the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of such contingent obligations at such date.

“Indenture” has the meaning given to it in the first paragraph of this Description of the Notes.

“Initial Lien” has the meaning given to it under “—Restrictive Covenants—Limitation on Liens.”

“Interest Payment Date” means each May 9 and November 9 of each year, commencing on November 9, 2011.

“Investment” in any Person means any direct or indirect advance, loan (other than advances to customers or suppliers in the ordinary course of business that are recorded as accounts receivable, prepaid expenses or deposits on the balance sheet of the applicable lender) or other extension of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person. For purposes of the definition of “Unrestricted Subsidiary” and the covenant described under “—Restrictive Covenants—Limitation on Restricted Payments”:

- (1) Investment shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that, upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:
 - (a) the Company's Investment in such Subsidiary at the time of such redesignation, *minus*
 - (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and the Company's Investment in such Subsidiary at the time of such redesignation, *minus*
- (2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

"Investment Grade Rating" means a rating equal to or higher than (a) BBB-, by S&P or Fitch and (b) Baa3, by Moody's.

"Issuer" has the meaning given to it in the first paragraph of this Description of Notes.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Maturity Date" has the meaning given to it under "—General."

"Minimum Legally Required Dividend" means, for any Person and any period, an amount equal to the sum of (a) the minimum dividend required to be distributed under applicable Brazilian law by such Person to holders of its Capital Stock during such period and (b) the minimum dividend required to be distributed to holders of Preferred Stock in such Person during such period so as to avoid such holders from acquiring or maintaining any voting rights under Brazilian law.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case *minus*:

- (1) all legal fees and expenses, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability in accordance with Brazilian GAAP, as a consequence of such Asset Disposition;
- (2) all payments, including any prepayment premiums or penalties, made on any Indebtedness that is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) appropriate amounts to be provided by the seller as a reserve, in accordance with Brazilian GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds” with respect to any issuance or sale of Capital Stock or sale or other disposition of any Investment, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable in connection with such issuance, sale or disposition.

“Net Debt to EBITDA Ratio” means at any date (i) Consolidated Net Indebtedness divided by (ii) Consolidated EBITDA for the period of four consecutive fiscal quarters ending on or most recently prior to such date for which financial statements are available; *provided, however*, that:

- (a) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period; *provided* that pro forma effect shall be given to the proceeds applied of the Asset Disposition as if the event had occurred on the first day of such period;
- (b) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Person that is merged with or into the Company or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period;
- (c) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (a) or (b) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period; and
- (d) pro forma effect shall be given to any Indebtedness Incurred (or repaid) since the most recently consolidated quarterly balance sheet of the Company.

To the extent that pro forma effect is to be given to an acquisition or disposition of a company, division or line of business, the pro forma calculation will be (i) based upon the most recent four full fiscal quarters for which the relevant financial information is available and (ii) determined in good faith by a financial or accounting officer of the Company.

“Non-Recourse Debt” means Indebtedness of a Person:

- (1) as to which neither the Company nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and
- (3) the explicit terms of which provide there is no recourse against any of the assets of the Company or any Restricted Subsidiary.

“Notes” has the meaning given to it in the first paragraph of this Description of Notes.

“OECD” means Organisation for Economic Co-operation and Development.

“Offer” has the meaning given to it under “—Restrictive Covenants—Limitation on Sales of Assets.”

“Officers’ Certificate” means a certificate signed by any Officer (as defined in the Indenture) of the Issuer, or, with respect to the Company or any Restricted Subsidiary, by two Officers or by an Officer and the chief financial officer of the Company or such Restricted Subsidiary, respectively.

“Permitted Financial Institution” means any of Banco Bradesco S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Santander S.A. or any of their respective affiliates.

“Permitted Holders” means each of Marcos Molina dos Santos and Márcia Ap. Pascoal Marçal dos Santos, their respective sons and daughters, or any of their respective heirs or any Affiliate of any of the foregoing Persons.

“Permitted Investment” means:

- (1) an Investment by the Company or any Restricted Subsidiary in the Company or any Restricted Subsidiary;
- (2) an Investment by the Company or any Restricted Subsidiary in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary or becomes a Restricted Subsidiary; *provided, however*, that such Person’s primary business is a Related Business;
- (3) Temporary Cash Investments;
- (4) any Investment acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;
- (5) stocks, obligations or securities received in settlement of (or foreclosure with respect to) debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;
- (6) any Investment existing on the Closing Date;
- (7) Hedging Obligations permitted under clause (2)(f) of the covenant described under “—Restrictive Covenants—Limitation on Indebtedness”;
- (8) Guarantees of Indebtedness permitted under the covenant described under “—Restrictive Covenants—Limitation on Indebtedness”;
- (9) Investments which are made exclusively with Capital Stock of the Company (other than Disqualified Stock);
- (10) any acquisition and holding of (a) Brazilian federal and state tax credits acquired solely to pay amounts owed by the Company to Brazilian tax authorities and (b) discounted obligations of any Brazilian governmental authority acquired solely to pay tax amounts owed by the Company to such Brazilian governmental authority; and
- (11) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made in compliance with the covenant described in “—Restrictive Covenants—Limitation on Sales of Assets.”

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“Preferred Stock,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of

assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Purchase Money Obligations” means Indebtedness:

- (1) consisting of the deferred purchase price of an asset, conditional sale obligations, obligations under any title retention agreement and other purchase money obligations, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed; and
- (2) Incurred to finance the acquisition by the Company or a Restricted Subsidiary of such asset, including construction, additions and improvements;

provided, however, that such Indebtedness is Incurred within 360 days before or after the acquisition by the Company or such Restricted Subsidiary of such asset.

“Rating Agency” means Fitch, Moody’s and/or S&P.

“Ratings Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the Company is under publicly announced consideration for possible downgrade by any Rating Agency) after the date of a public notice of a Change of Control or of the Company’s intention or that of any Person to effect a Change of Control, the then-applicable rating of the Company is decreased by two of the Rating Agencies by one or more categories; provided that any such Rating Decline is in whole or in part in connection with a Change of Control.

“Real,” “Reais” or “R\$” means the lawful currency of Brazil.

“Receivables” means all rights of the Company or any Restricted Subsidiary to payments (whether constituting accounts, chattel paper, instruments, general intangibles or otherwise, and including the right to payment of any interest or finance charges), which rights are identified (or, in the case of future rights to payments, are expected to be identified) in the accounting records of the Company or such Restricted Subsidiary as accounts receivable.

“Refinance” means, in respect of any Indebtedness, to refinance, extend (including pursuant to any defeasance or discharge mechanism), renew, refund, repay, replace, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. “Refinanced” and “Refinancing” shall have correlative meanings.

“Refinancing Indebtedness” means Indebtedness that is Incurred to Refinance any Indebtedness of the Company or any Restricted Subsidiary existing on the Closing Date or Incurred in compliance with the Indenture (including Indebtedness that Refinances Refinancing Indebtedness); *provided, however*, that:

- (1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced (plus premiums, interest and reasonable expenses incurred in connection therewith); and
- (3) if the Indebtedness being Refinanced is Subordinated Obligations, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced;

provided, further, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

“Regulation S Global Notes” has the meaning given to it under “—Form and Registration.”

“Related Business” means any business conducted by the Company and the Restricted Subsidiaries on the Closing Date and any business related, ancillary or complementary thereto.

“Relevant Date” has the meaning given to it under “—Additional Amounts.”

“Restricted Global Notes” has the meaning given to it under “—Form and Registration.”

“Restricted Payment” has the meaning given to it under “—Restrictive Covenants—Limitation on Restricted Payments.”

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc., and its successors.

“Sale and Lease-Back Transaction” means any arrangement with any Person (other than the Company or a Restricted Subsidiary), or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary for a period of more than three years of any property or assets which property or assets have been or are to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person (other than the Company or a Restricted Subsidiary) to which funds have been or are to be advanced by such Person on the security of the leased property or assets.

“SEC” means the United States Securities and Exchange Commission. “Securities Act” means the United States Securities Act of 1933, as amended.

“Senior Indebtedness” means all unsubordinated Indebtedness of the Company or of any Restricted Subsidiary, whether outstanding on the Closing Date or Incurred thereafter.

“Significant Subsidiary” means any Restricted Subsidiary either (i) the assets of which, as of the date of the Company’s most recent consolidated quarterly balance sheet at the time of determination, constituted at least 20% of the total assets of the Company and its consolidated Restricted Subsidiaries or (ii) the gross revenues of which, for the twelve-month period ending on the date of the Company’s most recent consolidated quarterly statement of income at the time of determination, constituted at least 20% of the total gross revenues of the Company and its consolidated Restricted Subsidiaries for such period.

“Stated Maturity” means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final payment of principal of such Indebtedness is due and payable, including, with respect to any principal amount which is then due and payable pursuant to any mandatory redemption provision, the date specified for the payment thereof (but excluding any provision providing for the repurchase of any such Indebtedness upon the happening of any contingency unless such contingency has occurred).

“Subordinated Obligation” means any Indebtedness that is subordinate or junior in right of payment to the Notes and Subsidiary Guarantees pursuant to a written agreement.

“Subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with Brazilian GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity:

- (1) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent; or
- (2) that is, as of such date, otherwise controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary Guarantee” means any Guarantee by a Significant Subsidiary of Issuer’s obligations with respect to the Securities, executed pursuant to the provisions of the Indenture.

“Subsidiary Guarantor” means any Subsidiary of the Company that has provided a Subsidiary Guarantee.

“Successor Company” has the meaning given to it under “—Restrictive Covenants—Consolidation, Merger, Conveyance, Sale or Lease.”

“Temporary Cash Investments” means any of the following:

- (1) any investment in direct obligations of the United States or any agency thereof or obligations Guaranteed by the United States or any agency thereof;
- (2) investments in time deposit accounts, certificates of deposit and money market deposits (collectively, “Deposit Accounts”) issued by a bank or trust company that is organized under the laws of the United States, any state thereof or any foreign country recognized by the United States (in all events not excluding Brazil) having capital, surplus and undivided profits aggregating in excess of U.S.\$50.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated “A” (or such similar equivalent rating, including similar equivalent ratings in foreign countries) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;
- (4) investments in commercial paper maturing not more than 90 days after the date of acquisition issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States, Brazil or any other foreign country recognized by the United States with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P (or such similar equivalent rating, including similar equivalent ratings in foreign countries);
- (5) investments in securities with maturities of twelve months or less from the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or “A” by Moody’s (or such similar equivalent rating);
- (6) investments in securities with maturities of twelve months or less from the date of acquisition issued or fully Guaranteed by Brazil;
- (7) certificates of deposit, banker’s acceptances and time deposits issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any Brazilian or United States office of any Permitted Financial Institution;
- (8) certificates of deposit, banker’s acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any other Brazilian bank or Brazilian branch of an OECD bank, *provided* that (i) the aggregate amount of investments permitted under this clause (8) with any single bank and its Affiliates does not at any time exceed U.S.\$10 million, (ii) the aggregate amount of all investments permitted under this clause (8) does not at any time exceed U.S.\$20 million and (iii) the local investment grade rating of such Brazilian bank or Brazilian branch of an OECD bank is AA or higher by S&P and Aa or higher by Moody’s; and
- (9) investments in money market funds substantially all the assets of which are comprised of investments of the types described in clauses (1) through (6) above.

“Trustee” has the meaning given to it in the first paragraph of this Description of the Notes.

“United States” means the United States of America.

“Unrestricted Subsidiary” means:

- (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the management of the Company in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The management of the Company may designate any Restricted Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary pursuant to clause (1) above unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided, however*, that either:

- (a) the Subsidiary to be so designated has total consolidated assets of U.S.\$1,000 or less; or
- (b) if such Subsidiary has consolidated assets greater than U.S.\$1,000, then such Investment and designation would be permitted under “—Restrictive Covenants—Limitation on Restricted Payments.”

The management of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that immediately after giving effect to such designation:

- (i) such designation shall be deemed an Incurrence of Indebtedness by a Restricted Subsidiary and such designation shall only be permitted if such Indebtedness is permitted under “—Restrictive Covenants— Limitation on Indebtedness”; and
- (ii) no Event of Default shall have occurred and be continuing.

Any such designation of a Subsidiary as a Restricted Subsidiary, and any such designation of a Subsidiary as an Unrestricted Subsidiary pursuant to clause (1) above, by the management of the Company shall be evidenced to the Trustee by promptly filing with the Trustee an Officers’ Certificate certifying that such designation complied with the foregoing provisions.

“U.S. Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and that are not callable or redeemable at the issuer’s option.

“Value” shall mean, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of: (1) the net proceeds of the sale or transfer of the property leased pursuant to such Sale and Lease-Back Transaction or (2) the Fair Market Value of such property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

“Voting Stock” of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding that are entitled (without regard to the occurrence of any contingency) to vote in the election of the directors of such Person, but excluding such classes of Capital Stock or other interests that are entitled, as a group in a separate cast, to appoint one director of such Person as representative of the minority shareholders.

TAXATION

The following discussion summarizes certain Brazilian, U.S. and Dutch federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws and regulations now in effect in Brazil, laws, regulations, rulings and decisions now in effect in the United States, and laws, regulations, rulings and decisions now in effect in The Netherlands, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the specific tax consequences of acquiring, holding and disposing of the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Brazilian Tax Considerations

Payments on the Notes Made by Marfrig Holdings and Gains on the Notes

Generally, a holder that is an individual, entity, trust or organization resident or domiciled outside Brazil for tax purposes (“Non-Brazilian Holder”) is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, based on the fact that Marfrig Holdings is considered for tax purposes as domiciled abroad, any income (including interest and original issue discount, if any) paid by Marfrig Holdings in respect of the notes issued by it in favor of Non-Brazilian Holders are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided that* such payments are made with funds held by such entity outside of Brazil.

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil involving assets located in Brazil are subject to tax in Brazil, according to article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad and, thus, will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of the notes made outside Brazil by a Non-Brazilian Holder (other than a branch or subsidiary of a Brazilian resident) to another non-Brazilian resident are not subject to Brazilian taxes. Notwithstanding, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

Gains earned by a Non-Brazilian Holder from the sale or other disposition of the notes to (i) a non-resident in Brazil in case the notes are deemed to be located in Brazil or (ii) a resident in Brazil may be subject to income tax in Brazil at a rate of 15%, or 25% if such Non-Brazilian Holder is located in a country or location which does not impose any income tax or which imposes it at a maximum rate lower than 20% (“Low or Nil Tax Jurisdiction”) or where the local legislation imposes restrictions on the disclosure of the shareholding composition, of the ownership of the investment or of the identity of the effective beneficiary of the income attributed to non-residents, unless a lower rate is provided for in an applicable tax treaty entered into between Brazil and the country where the Non-Brazilian Holder of the payment is resident.

Payments on the Notes Made by Marfrig

If, by any chance, a Brazilian source—such as Marfrig—is required, as a guarantor, to assume the obligation to pay any amount in connection with the notes to a Non-Brazilian Holder, Brazilian tax authorities could attempt to impose withholding income tax at the rate of 15% or 25%, being the rate variable depending on the nature of the payment and the location of the respective Non-Brazilian Holder. In this circumstance, other income tax rate may be provided for in an applicable tax treaty entered into between Brazil and the country of residence of the beneficiary. There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by the guarantor to Non-Brazilian Holder. Although there is an argument according to which such payments made by the guarantor do not convert the nature of the payment from principal into taxable income, there are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions (“IOF/Exchange”), due upon the conversion of Brazilian currency (*reais*) into foreign currency and upon the conversion of foreign currency into *reais*. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38%, including foreign exchange transactions in connection with payments under the guarantee by Marfrig to Non-Resident Holders. However, the Brazilian government is permitted to increase this rate at any time up to 25%. Any such increase in the relevant rate may only apply to future transactions.

Other Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some States of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian States.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of notes by a U.S. Holder (as defined below). This summary deals only with purchasers of notes at their initial issuance for an amount of cash equal to the issue price that are U.S. Holders and that will hold the notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

We intend to treat the notes as debt for U.S. federal income tax purposes.

As used herein, the term “U.S. Holder” means a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, (iv) a trust if a court within the United States

is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes, or (v) otherwise subject to U.S. federal income tax on a net income basis.

The U.S. federal income tax treatment of a partner in a partnership that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of notes by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest and Additional Amounts

General.

Payments of interest on a note (including any additional amounts and withheld taxes therefrom) generally will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by the issuer or guarantor generally constitutes income from sources outside the United States.

It is expected that the notes will not be considered to be issued with original issue discount (“OID”) in excess of a *de minimis* amount. In general, however, if the notes are issued with OID that is more than a *de minimis* amount, regardless of a U.S. Holder’s method of accounting for U.S. federal income tax purposes, such holder will have to include OID in ordinary gross income under a “constant yield method,” before the receipt of cash attributable to such income.

Effect of Withholding Taxes.

Payments are expected to be made by Marfrig Holdings in which case neither Brazil nor The Netherlands would impose withholding tax on such payments (see “—Brazilian Tax Considerations” and “—Netherlands Taxation”). However, if Marfrig as guarantor is required to make payments as a guarantor, as discussed in “—Brazilian Tax Considerations”, under current law payments of interest on the notes to foreign investors may become subject to Brazilian withholding taxes. Marfrig is liable for the payment of additional amounts to U.S. Holders (see “Description of the Notes—Additional Amounts”) so that U.S. Holders receive the same amounts they would have received had no Brazilian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Brazilian taxes withheld by the issuer with respect to a note, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Guarantor with respect to the payment.

Subject to certain generally applicable conditions and limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income if the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year, for Brazilian income taxes withheld by the Guarantor. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets”, and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Interest

and additional amounts generally will constitute foreign source and “passive category income.” In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian taxes imposed on a payment of interest if the U.S. Holder has not held the notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these Brazilian taxes.

Disposition of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a note equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition and such U.S. Holder’s tax basis in the note. A U.S. Holder’s tax basis in a note will generally be its U.S. dollar cost. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognized by a U.S. Holder on the sale or retirement of a note will be capital gain or loss and will be long-term capital gain or loss if the note was held by the U.S. Holder for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential tax rates in respect of long-term capital gain, which rates currently are scheduled to increase on January 1, 2013. The deductibility of capital losses by U.S. Holders is subject to limitations.

Gain or loss realized by a U.S. Holder on the sale or retirement of a note generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilize foreign tax credits attributable to any withholding or income tax imposed on the sale or disposition. Alternatively, a U.S. Holder may be eligible to claim a deduction against its U.S. federal taxable income. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of notes.

Backup Withholding and Information Reporting

Payments of principal, interest and additional amounts on, and the proceeds of sale or other disposition of notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded (or credited against such holder’s U.S. federal income tax liability, if any), provided the required information is properly furnished to the IRS.

Foreign Financial Asset Reporting

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds \$50,000. The notes are expected to constitute foreign financial assets subject to these requirements unless the notes are held in an account at a domestic financial institution. U.S. Holders should consult their tax advisors regarding the application of this legislation.

Netherlands Taxation

The following is a summary of the principal Dutch tax consequences to Holders who are recipients of Payments on the notes made by Marfrig Holdings and gains on the notes and are not resident of The Netherlands, for Dutch tax purposes. The statements set forth below are based on the laws in force as at the date of this offering memorandum and are subject to changes occurring after that date. This summary is not exhaustive of all possible tax considerations which may apply to a particular Holder and each Holder is advised to consult its own tax advisors as to the overall tax consequences to Payments on the notes by

Marfrig Holdings and gains on the notes, including specifically the tax consequences under Dutch law, the laws of any other jurisdiction to which it may be subject and any applicable tax treaty, convention or international agreement.

Withholding Tax

Payments on the notes by Marfrig Holdings may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or thereon.

Taxes on Income and Capital Gains

A Holder of the notes will not be subject to any Dutch income taxes in respect of Payments on the notes made by Marfrig Holdings and gains on the notes, provided that:

- (a) such Holder is neither resident nor deemed to be resident in The Netherlands nor has made an election for the application of the rules of The Netherlands Income Tax Act 2001 (*Wet Inkomstenbelasting 2001*) as they apply to residents of The Netherlands; and
- (b) such Holder does not have, and is not deemed to have, an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the notes are attributable nor is the Holder an individual who derives any income or gain from the notes which income or gain otherwise qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in The Netherlands Income Tax Act 2001; and
- (c) the Holder does not have, nor is treated as having, a substantial interest (*aanmerkelijk belang*) in Marfrig Holdings or in the case that the Holder is a corporate entity, such substantial interest forms part of the assets of an enterprise.

Generally, a Holder will have, or will be treated as having, a substantial interest if one holds, whether directly or indirectly (e.g. also through certain family members), the ownership of, or certain other rights over, shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of Marfrig Holdings, or rights to directly or indirectly acquire shares, whether or not already issued, that represent at any time (and from time to time) 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of Marfrig Holdings or the ownership of certain profit participating certificates that relate to five per cent or more of the annual profit of Marfrig Holdings and/or 5% or more of the liquidation proceeds of Marfrig Holdings.

Dutch Gift and Inheritance Tax

No Dutch gift or inheritance tax will arise in respect of the acquisition of the notes by way of a gift or on the death of a Holder who is neither a resident nor deemed to be resident in The Netherlands, unless;

- (a) such Holder at the time of the gift has, or at the time of his or her death had, an enterprise or an interest in an enterprise that, in whole or in part, is or was carried on through a permanent establishment, deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the notes are or were attributable, or are or were deemed to be attributed; or
- (b) such Holder at the time of the gift is, or at the time of his or her death was, entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the notes are or were attributable, or are or were deemed to be attributable; or

- (c) the Holder does not have, nor is treated as having, a substantial interest (aanmerkelijk belang) in Marfrig Holdings or in the case of the Holder is a corporate entity such a substantial interest forms part of the assets of an enterprise.

Turnover Taxes

No Dutch Turnover tax will arise in respect of any payment in consideration for the issue of the notes or with respect to any payment by Marfrig Holdings of principal, interest or premium (if any) on the notes or gains on the notes.

Other Taxes and Duties

No Dutch registration tax, custom duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the documents relating to the offering memorandum or the performance by Marfrig Holdings thereunder.

A Holder of a note will not be subject to taxation in The Netherlands by reason only of the execution, delivery and/or enforcement of the documents relating to the notes, the performance by Marfrig Holdings of its obligations under the notes or the receipt of payments on the notes by Marfrig Holdings or gains on the notes.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), Member States of the EU are generally required to provide to the tax authorities of another Member State details of payments of interest or other similar income made by a person within its jurisdiction to or for an individual or certain other types of person resident in that other Member State. For a transitional period only, which will end at the end of the first full fiscal year after agreement on exchange of information procedures is reached between the European Union and certain non-EU states, Luxembourg and Austria will instead (but subject to certain exceptions) withhold tax from such payments at rates currently at 20% but which will be increased rising over time to 35% with effect from July 1, 2011. The European Commission has published proposals for amendments to the Savings Directive, which, if implemented, would amend and broaden the scope of the requirements above.

A number of non-EU countries and dependent or associated territories of certain Member States have adopted similar measures to the Savings Directive.

If a payment under a note were to be made by a person in a Member State or another country or territory which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to the Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such note as a result of the imposition of such withholding tax.

ERISA AND CERTAIN OTHER CONSIDERATIONS

The following discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the offering. Each prospective investor should seek advice based on such person's particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on "employee benefit plans" (as defined in, and subject to, Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA plans") and on those persons who are fiduciaries with respect to ERISA plans. Investments by ERISA plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA plan's investments be made in accordance with the documents governing the ERISA plan. The prudence of a particular investment must be determined by the responsible fiduciary of the ERISA plan by taking into account the ERISA plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors."

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended ("the Code"), prohibit certain transactions involving the assets of an ERISA plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA plans, "Plans")) and certain persons (referred to as "parties in interest" for purposes of ERISA or "disqualified persons" for purposes of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Among other possible adverse results, a party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Governmental plans, non-U.S. plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing any notes.

The fiduciary of a Plan that proposes to purchase and hold any notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, Marfrig, the initial purchaser or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the notes on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. We cannot assure you that any exemption will be available with respect to any particular transaction involving the notes, or, if available, that any of these Class Exemptions or any other will cover all possible prohibited transactions.

By its acquisition of any notes or interests in notes, the purchaser thereof, and any transferee thereof, will be deemed to have represented and agreed either that (a) it is not, and for so long as it holds the notes or interests in notes will not be, a Plan, an entity whose underlying assets include the assets of any such Plan or a governmental plan, church plan, non-U.S., or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt

prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law).

The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any notes or interests in notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment and holding will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of notes or interests in notes to a Plan is in no respect a representation by us or the initial purchaser that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with Marfrig Holdings, the Company and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It shall not resell or otherwise transfer any of such notes prior to (a) the date which is one year (or such other period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of original issuance of the notes and (b) such later date, if any, as may be required by applicable laws except:
 - to Marfrig Holdings, the Company or any of their subsidiaries;
 - pursuant to a registration statement which has been declared effective under the Securities Act;
 - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
 - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
 - pursuant to another available exemption from the registration requirements of the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Regulation S Global Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS

THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF MARFRIG OVERSEAS AND THE GUARANTOR THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A) (I) TO MARFRIG OVERSEAS OR THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:

(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND (2) ON WHICH MARFRIG OVERSEAS INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST PARAGRAPH HEREOF) SHALL BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE RELATING TO THIS SECURITY.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH (2)(A)(V) ABOVE, MARFRIG OVERSEAS, THE GUARANTOR AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.*

* This legend (other than the first paragraph hereof) shall be deemed removed from the face of this Security without further action of Marfrig Holdings, the guarantor, the Trustee, or the holders of this Security at such time as Marfrig Holdings and the guarantor to instruct the Trustee to remove such legend pursuant to the Indenture;

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S Global Note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, and that each Regulation S Global Note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

- (7) It is not, and for so long as it holds the notes or interests in notes will not be, (a) a Plan, an entity whose underlying assets include the assets of any such Plan or a governmental plan, church plan, non-U.S. or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law);
- (8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (9) It acknowledges that the Trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to Marfrig Holdings, the Company and the Trustee that the restrictions set forth herein have been complied with; and
- (10) It acknowledges that Marfrig Holdings, the Company, the Trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Marfrig Holdings, the Company, the Trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the notes in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the notes are made. Any resale of the notes in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the notes.

Representations of Purchasers

By purchasing the notes in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the notes without the benefit of a prospectus qualified under those securities laws,
- where required by law, the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under Resale Restrictions, and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action—Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this circular during the period of distribution will have a statutory right of action for damages, or while still the owner of the notes, for rescission against us in the event that this circular contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the notes in their particular circumstances and about the eligibility of the notes for investment by the purchaser under relevant Canadian legislation.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated May 4, 2011, Marfrig Holdings and Marfrig have agreed to sell to the initial purchasers the principal amount of the notes set forth opposite their names in the table below:

Initial Purchasers	Principal Amount of Notes
	(in U.S.\$)
Banco Bradesco S.A. – Grand Cayman Branch.....	150,000,000
Banco Itaú BBA International, S.A. – London Branch.....	150,000,000
BB Securities Limited.....	150,000,000
Deutsche Bank Securities Inc.....	150,000,000
J.P. Morgan Securities LLC.....	150,000,000
Total	<u>750,000,000</u>

Banco Itaú BBA International, S.A. – London Branch is not a broker dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the applicable U.S. laws and regulations. To the extent that Banco Itaú BBA International, S.A. – London Branch intends to elicit any sales of the notes in the United States, Banco Itaú BBA International, S.A. – London Branch will do so only through Itaú BBA Securities, Inc. or one or more registered broker dealers.

BB Securities Limited is not a broker dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the applicable U.S. laws and regulations. To the extent that BB Securities Limited intends to elicit any sales of the notes in the United States, BB Securities Limited will do so only through Banco do Brasil Securities LLC or one or more broker dealers.

Bradesco Securities Inc. will act as agent of Banco Bradesco S.A. – Grand Cayman Branch for sales of the notes in the United States of America. Banco Bradesco S.A. – Grand Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. Persons. Banco Bradesco S.A. – Grand Cayman Branch and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if any of the initial purchasers defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

The initial purchasers propose to offer the notes initially at the offering price on the cover page of this offering memorandum and may also offer the notes to selling group members at the offering price less a concession. After the initial offering, the offering price may be changed.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire the notes for their own propriety accounts. Such acquisitions may have an effect on demand for and the price of the notes.

The notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A. The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes (i) as part of its distribution at any time or (ii)

otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each broker/dealer to which they sell the notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

The initial purchasers have from time to time provided, and may in the future provide, investment banking, financial advisory and other services to us and our affiliates, for which they have received or expect to receive customary fees. J.P. Morgan also acted as a financial advisor to Marfrig in the acquisition of the Acquired Keystone Businesses.

European Economic Area

In any European Economic Area member state that has implemented the Prospectus Directive, this communication is addressed only to and is directed only at qualified investors in that member state within the meaning of the Prospectus Directive.

In relation to each Relevant Member State, with effect from and including the Relevant Implementation Date, no offer of notes which are the subject of the offering contemplated by this offering memorandum has been made or will be made to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, an offer of such notes may be made to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
 - (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant initial purchaser nominated by the Issuer for any such offer; or
 - (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,
- provided that no such offer of notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each of the initial purchasers:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity, within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the

Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Republic of Ireland

The notes are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/7 1/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Italy

This offering of notes has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, or the “CONSOB”) pursuant to Italian securities legislation and, accordingly, the notes may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to the notes or the offer be distributed in Italy except:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Consolidated Financial Services Act”) and Article 34-ter, paragraph 1, letter b), of CONSOB Regulation No. 11971 of May 14, 1999 (the “CONSOB Regulation”), all as amended; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation.

Subject to the foregoing, any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes or the offer in Italy under (a) and (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the “Banking Act”), and CONSOB Regulation No. 16190 of October 29, 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations including any limitation or requirement which may be imposed from time to time, inter alia, by the CONSOB or the Bank of Italy.

Any investor purchasing the notes in the offer is solely responsible for ensuring that any offer or resale of notes it purchased in the offer occurs in compliance with applicable laws and regulations.

This offering memorandum, any other document relating to the notes, and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Spain

Neither the notes nor this offering memorandum have been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the notes may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations (“CO”) and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution.

Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). Any public offering or distribution of the notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration under Law No. 6,385, of December 7, 1976, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to an offering of the notes by this offering memorandum, as well as information contained therein, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1 A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the

entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French *Code Monétaire et Financier* and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*; none of this offering memorandum or any other materials related to the offer or information contained therein relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Germany

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Acts (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*—BaFin) nor any other German authority has been notified of the intention to distribute the notes in Germany. Consequently, the notes may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this document and any other document relating to the offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the notes to the public in Germany or any other means of public marketing. The notes are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

The Netherlands

Any notes offered hereby have not been and will not be offered or sold to persons, in or from The Netherlands, as part of the initial distribution or as part of any reoffering, and neither this offering memorandum nor any other document in respect of the offering may be distributed in or from The Netherlands, other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear upon making the offer and from any documents or

advertisements in which a forthcoming offering of notes is publicly announced that the offer is exclusively made to such individuals or legal entities, or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in or from The Netherlands within the meaning of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*) and the rules promulgated thereunder.

Cayman Islands

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the notes unless the issuer is listed on the Cayman Islands Stock Exchange.

General

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers and their respective affiliates have provided, and may provide in the future, investment banking, commercial banking, financial advisory and lending services for Marfrig Holdings, Marfrig and their affiliates from time to time, for which they have received, or will receive, customary compensation.

We have agreed to indemnify the initial purchasers against certain liabilities or to contribute to payments which it may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. They are not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

We expect that delivery of the notes will be made against payment for the notes on May 9, 2011, which will be the 3rd business day following the date of the pricing of the notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than they would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

VALIDITY OF NOTES

The validity of the notes offered and sold pursuant to this offering and certain other matters under New York law will be passed upon for us by Linklaters LLP. Certain matters under New York law will be passed upon for the initial purchasers by Cleary Gottlieb Steen and Hamilton LLP. Certain matters of Brazilian law relating to the notes will be passed upon for us by Lefosse Advogados and for the initial purchasers by Pinheiro Neto Advogados. Certain matters of Dutch law relating to the notes will be passed upon for us by Baker and McKenzie Amsterdam N.V. Certain matters of Cayman Island law relating to the notes will be passed upon for us by Maples and Calder.

INDEPENDENT AUDITORS

Our consolidated financial statements for the years ended December 31, 2009 and 2010, prepared in accordance with IFRS and our consolidated financial statements for the years ended December 31, 2008 and 2009, prepared in accordance with Previous Brazilian GAAP, have each been audited by BDO Auditores Independentes, independent accountants, as stated in their respective report appearing herein.

The unconsolidated financial statements of Marfrig Holdings for the years ended December 31, 2008, 2009 and 2010, prepared in accordance with Dutch GAAP, have been audited by BDO Audit & Assurance B.V., independent accountants, as stated in their respective report appearing herein.

ENFORCEABILITY OF JUDGMENTS

Brazil

We have been advised by our special Brazilian legal counsel, Lefosse Advogados, that a final conclusive judgment for the payment of money rendered by any New York court or federal court sitting in New York City in respect of the guarantee of the notes would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction), and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action *provided that* such judgment has been previously ratified by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), such ratification being available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;
- the judgment contemplates an order to pay a determined sum of money;
- the judgment is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil, or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- the judgment is final and therefore not subject to appeal;
- the judgment is authenticated by the Brazilian consulate in the State of New York and is accompanied by a sworn translation into Portuguese; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty (as provided in Article 17 of Law number 4,657/42, as amended).

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes.

We have also been advised that:

- original actions may be brought before Brazilian courts in connection with this offering memorandum based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against us (*provided that* provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and *provided further that* Brazilian courts can assert jurisdiction over the particular action); and
- a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil, must post bond to secure the payment of the defendant's legal fees and court expenses. The bond must have a value sufficient to satisfy the payment of court fees and the defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply to claims for collection on a "*título executivo extrajudicial*" (an instrument which may be enforced in Brazilian courts without a review on its merits) to the enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure (*Código de Processo Civil*).

The Netherlands

We have been advised by our Dutch counsel that, in the absence of an applicable convention between the United States of America and The Netherlands providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards and divorce decrees) in civil and commercial matters, a judgment rendered by a court in the United States will not automatically be recognized by the courts of The Netherlands. In principle, the courts of The Netherlands will be free to decide, at their own

discretion, if and to what extent a judgment rendered by a court in the United States should be recognized in The Netherlands. In general terms, Dutch courts tend to recognize foreign judgments if the following three minimum conditions are all met:

- the judgment was rendered by the foreign court that was (based on internationally accepted grounds) competent to take cognizance of the matter;
- the judgment is the outcome of a ‘proper’ judicial procedure (*behoorlijke rechtspleging*); and
- the judgment is not manifestly incompatible with the public policy (*openbare orde*) of The Netherlands.

Without prejudice to the above, in order to obtain enforcement of a judgment rendered by a court in the United States in The Netherlands, a claim against the relevant party on the basis of such judgment should be brought before the competent court of The Netherlands. During the proceedings, such court will assess, when requested, whether a foreign judgment meets the above conditions. In the affirmative, the court may order that substantive examination of the matter shall be dispensed with. In such case, the court will confine itself to an order reiterating the foreign judgment against the party against whom it had been obtained. Otherwise, a new substantive examination will take place in the framework of the proceedings. In all of the above situations, when applying the law of any jurisdiction (including The Netherlands), Dutch courts may give effect to the mandatory rules of the laws of another country with which the situation has a close connection, if and insofar as, under the law of the latter country, those rules must be applied regardless of the law applicable to the contract or legal relationship. In considering whether to give effect to these mandatory rules of such third country, regard shall be had to their nature and purpose and the consequences of their application or non-application. Moreover, a Dutch court may give effect to the rules of the laws of The Netherlands in a situation where they are mandatory irrespective of the law otherwise applicable to the documents or legal relationship in question. The application of a rule of the law of any country that otherwise would govern an obligation may be refused by the courts of The Netherlands if such application is manifestly incompatible with the public policy (*openbare orde*) of The Netherlands.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	56656UAA0	N54468AA6
ISIN	US56656UAA07	USN54468AA65
Common Code	56296808	56296751

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements and copies of the latest annual financial statements of the Issuer may be obtained during normal business hours at our executive offices, the offices of the trustee and any paying agent, including the Luxembourg special paying agent and principal paying agent. Copies of the constitutional documents of the Issuer, Marfrig, Marfrig Overseas, Seara and Unifred, as well as the indenture (including forms of the notes), will be available during normal business hours for inspection at our executive offices, the offices of the trustee and any other paying agent, including the Luxembourg special paying agent and principal paying agent, in each case at the address set out on the back cover of this offering memorandum.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position of the Issuer or in our financial position since December 31, 2010, the date of the latest financial statements included in this offering memorandum.

4. Except as disclosed in this offering memorandum, neither the Issuer, Marfrig, Marfrig Overseas, Seara nor Unifred, is or has been involved in any governmental, legal or arbitration proceedings during the 12-month period immediately preceding the date of this offering memorandum that had or may reasonably be expected to have any material adverse effect on its or the Group's financial position and results of operations.

5. Application will be made to the Luxembourg Stock Exchange for the notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.

6. The creation and issuance of the notes were authorized by Marfrig Holdings' shareholders by means of a written resolution on May 4, 2011 and by its board of managing directors on May 4, 2011.

7. The approval to guarantee the notes was authorized by the board of directors of Marfrig on May 4, 2011, by the board of directors of Marfrig Overseas on April 12, 2011, by the shareholders of Seara on April 19, 2011, and by the quotaholders of Unifred on April 19, 2011.

8. BDO Auditores Independentes and BDO Audit & Assurance B.V. have agreed to the inclusion of its reports in this offering memorandum in the form and context in which they are included.

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MARFRIG ALIMENTOS S.A.

**INDIVIDUAL (COMPANY) AND CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31 2010 AND 2009 AND
INDEPENDENT AUDITORS' REPORT**

BDO Auditores Independentes, an audit partnership organized according to Brazilian law, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

MARFRIG ALIMENTOS S.A.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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Rua Bernardino de Campos, 1.001 - 4º andar
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14015-130

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of
Marfrig Alimentos S.A.
São Paulo - SP

We have audited the accompanying's Company and Consolidated financial statements of Marfrig Alimentos S.A. ("Company"), which comprise the statement of financial position as of 31 December 2010, and the statements of income, comprehensive income, changes in shareholders' equity, cash flows and value added for the year then ended, and a summary of the main accounting practices and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the Company financial statements in accordance with accounting practices adopted in Brazil and the Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and in accordance with accounting practices adopted in Brazil, and for such internal controls as management considered necessary to allow the preparation of financial statements free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



OPINION FOR COMPANY FINANCIAL STATEMENTS

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Marfrig Alimentos S.A. as of 31 December 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the accounting practices adopted in Brazil.

OPINION FOR CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marfrig Alimentos S.A. as of 31 December 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and in accordance with accounting practices adopted in Brazil.

EMPHASIS OF MATTER

As described in explanatory note 2, the Company financial statements were prepared in accordance with accounting practices adopted in Brazil. In case of Marfrig Alimentos S.A. these practices differ from the IFRS applicable to the Company's financial statements, only in relation to the valuation of investment in subsidiaries by the equity method, whereas under IFRS they would be valued by cost or fair value.

OTHER MATTERS

Statement of value added

We also audited the Company and Consolidated statements of value added (DVA) for the year ended 31 December 2010, whose presentation is required by Brazilian corporate law for public companies and as supplementary information under IFRS that do not require the presentation of DVA. These statements were submitted to the auditing procedures described above and, in our opinion, are fairly stated in all material aspects, in relation to the financial statements taken as a whole.

Ribeirão Preto, 28 March 2011

José Luiz Sanches
Engagement partner
CRC 1SP124579/O-0
BDO Auditores Independentes
CRC 2SP013439/O-5

José Luiz de Souza Gurgel
Engagement partner
CRC 1RJ087339/O-4"S"SP
BDO Auditores Independentes
CRC 2SP013439/O-5

EXHIBIT 1

MARFRIG ALIMENTOS S.A.

BALANCE SHEETS AS OF 31 DECEMBER 2010, 2009 AND 1st JANUARY 2009
(in thousands of Brazilian reais - R\$)

		Company			Consolidated			Consolidated				
	Note	31/12/10	31/12/09	01/01/09		31/12/10	31/12/09	01/01/09		31/12/10	31/12/09	01/01/09
LIABILITIES AND SHAREHOLDERS' EQUITY												
Current liabilities												
		341,911	252,596	205,944		341,911	252,596	205,944		341,911	252,596	205,944
		156,892	90,162	100,767		156,892	90,162	100,767		156,892	90,162	100,767
		28,609	22,662	9,297		28,609	22,662	9,297		28,609	22,662	9,297
		1,091,146	890,469	552,765		1,091,146	890,469	552,765		1,091,146	890,469	552,765
		12,857	73,519	36,395		12,857	73,519	36,395		12,857	73,519	36,395
		46,256	47,641	43,914		46,256	47,641	43,914		46,256	47,641	43,914
		4,865	15,222	-		4,865	15,222	-		4,865	15,222	-
		91,769	146,059	-		91,769	146,059	-		91,769	146,059	-
		132,000	-	-		132,000	-	-		132,000	-	-
		181,687	64,431	46,028		181,687	64,431	46,028		181,687	64,431	46,028
		3,497	76,620	2,321		3,497	76,620	2,321		3,497	76,620	2,321
		2,005,469	1,678,811	998,052		2,005,469	1,678,811	998,052		2,005,469	1,678,811	998,052
		6,375,244	6,375,244	6,375,244		6,375,244	6,375,244	6,375,244		6,375,244	6,375,244	6,375,244
		3,483,703	2,830,083	3,483,703		3,483,703	2,830,083	3,483,703		3,483,703	2,830,083	3,483,703
		81,459	37,087	291,686		81,459	37,087	291,686		81,459	37,087	291,686
		142,290	150,061	150,061		142,290	150,061	150,061		142,290	150,061	150,061
		6,558	44,990	233,686		6,558	44,990	233,686		6,558	44,990	233,686
		24,418	68,379	107,603		24,418	68,379	107,603		24,418	68,379	107,603
		107,204	-	-		107,204	-	-		107,204	-	-
		113,646	68,117	-		113,646	68,117	-		113,646	68,117	-
		4,222,483	3,896,035	3,227,941		4,222,483	3,896,035	3,227,941		4,222,483	3,896,035	3,227,941
		9,154,614	9,154,614	9,154,614		9,154,614	9,154,614	9,154,614		9,154,614	9,154,614	9,154,614
		4,061,478	4,061,478	2,525,639		4,061,478	4,061,478	2,525,639		4,061,478	4,061,478	2,525,639
		(74,960)	(74,960)	-		(74,960)	(74,960)	-		(74,960)	(74,960)	-
		2,468,450	(1,748)	-		2,468,450	(1,748)	-		2,468,450	(1,748)	-
		2,500,000	-	-		2,500,000	-	-		2,500,000	-	-
		(12,328)	-	-		(12,328)	-	-		(12,328)	-	-
		(19,222)	(1,748)	-		(19,222)	(1,748)	-		(19,222)	(1,748)	-
		(862,289)	(989,223)	(1,341,028)		(862,289)	(989,223)	(1,341,028)		(862,289)	(989,223)	(1,341,028)
		3,217	3,217	3,217		3,217	3,217	3,217		3,217	3,217	3,217
		(899,417)	(1,031,279)	(1,331,279)		(899,417)	(1,031,279)	(1,331,279)		(899,417)	(1,031,279)	(1,331,279)
		(12,966)	(12,966)	(12,966)		(12,966)	(12,966)	(12,966)		(12,966)	(12,966)	(12,966)
		419,670	504,888	1,005,865		419,670	504,888	1,005,865		419,670	504,888	1,005,865
		268,254	33,374	-		268,254	33,374	-		268,254	33,374	-
		6,333,288	3,772,046	2,223,850		6,333,288	3,772,046	2,223,850		6,333,288	3,772,046	2,223,850
		-	-	-		-	-	-		-	-	-
		6,333,288	3,772,046	2,223,850		6,333,288	3,772,046	2,223,850		6,333,288	3,772,046	2,223,850
		13,181,380	9,346,892	6,446,843		13,181,380	9,346,892	6,446,843		13,181,380	9,346,892	6,446,843
		10,033,979	10,033,979	10,033,979		10,033,979	10,033,979	10,033,979		10,033,979	10,033,979	10,033,979

The accompanying notes are an integral part of these financial statements.

EXHIBIT 2

MARFRIG ALIMENTOS S.A.

STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (In thousands of Brazilian reais - R\$, except data per share)

	Company		Consolidated	
	IFRS adjusted		IFRS adjusted	
	2010	2009	2010	2009
NET SALES	3,900,258	2,632,572	15,878,469	9,623,621
Cost of goods sold	(3,082,652)	(2,041,322)	(13,277,024)	(8,369,433)
GROSS INCOME	817,606	591,250	2,601,445	1,254,188
OPERATING INCOME (EXPENSES)	(836,436)	(3,059)	(2,872,945)	(705,076)
Selling expenses	(265,002)	(169,966)	(1,407,500)	(641,540)
General and administrative expenses	(135,169)	(97,625)	(562,688)	(289,661)
Equity in earnings (losses) of subsidiaries	429,117	41,345	-	-
Other operating income (expenses)	5,192	268	244,485	81,033
Financial income (expenses)	(870,574)	222,919	(1,147,242)	145,092
Financial income	217,149	149,792	253,585	176,678
Exchange gain	170,274	635,247	282,714	728,678
Financial expenses	(962,808)	(508,862)	(1,295,787)	(675,102)
Exchange loss	(295,189)	(53,258)	(387,754)	(85,162)
INCOME (LOSS) FROM OPERATIONS	(18,830)	588,191	(271,500)	549,112
INCOME (LOSS) BEFORE TAXES	(18,830)	588,191	(271,500)	549,112
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	164,924	(53,756)	411,592	(6,696)
Income tax	121,491	(32,789)	296,372	(472)
Social contribution tax	43,433	(20,967)	115,220	(6,224)
NET INCOME	146,094	534,435	140,092	542,416
ATTRIBUTABLE TO:				
Controlling shareholders	146,094	534,435	146,094	534,435
Minority interest	-	-	(6,002)	7,981
	146,094	534,435	140,092	542,416
Diluted and basic earnings per share - common	0.4216	1.9222	0.4216	1.9222

The accompanying notes are an integral part of these financial statements.

EXHIBIT 3

MARFRIG ALIMENTOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(In thousands of Brazilian reais - R\$)

	Attributable to controlling shareholders											Company's comprehensive income	
	Share capital	Share issue expense	Capital reserve	Revaluation surplus	Accumulated losses*	Asset and liability valuation adjustment	Cumulative translation adjustments	Retained earnings	Total	Total controlling interest	Total minority interest		Total shareholders' equity
BALANCES AS OF 31 DECEMBER 2008 - disclosed	2,525,639	-	-	-	155,061	14,534	33,374	-	2,728,608	2,728,608	17,917	2,746,525	
Business Combination	-	-	-	-	(446,957)	-	-	-	(446,957)	(446,957)	-	(446,957)	
Revenue Recognition	-	-	-	-	(1,645)	-	-	-	(1,645)	(1,645)	-	(1,645)	
Inventories	-	-	-	-	(98,066)	-	-	-	(98,066)	(98,066)	-	(98,066)	
Provisions for contingencies	-	-	-	-	(2,401)	-	-	-	(2,401)	(2,401)	-	(2,401)	
Accrual for non recoverable assets	-	-	-	-	(131,570)	-	-	-	(131,570)	(131,570)	-	(131,570)	
Deemed cost	-	-	-	-	-	679,841	-	-	679,841	679,841	-	679,841	
Deferred taxes	-	-	-	-	(332,208)	-	-	-	(332,208)	(332,208)	-	(332,208)	
Discount to present value	-	-	-	-	(18,252)	-	-	-	(18,252)	(18,252)	-	(18,252)	
Write-off non recoverable assets	-	-	-	-	(2,937)	-	-	-	(2,937)	(2,937)	-	(2,937)	
Write-off of negative goodwill	-	-	-	-	(154,190)	-	-	-	(154,190)	(154,190)	-	(154,190)	
Biological assets	-	-	-	-	12,479	-	-	-	12,479	12,479	-	12,479	
Comprehensive income:	-	-	-	-	(8,852)	-	-	-	(8,852)	(8,852)	-	(8,852)	
Exchange gain on net investments	-	-	-	-	-	-	-	-	-	-	1,243	1,243	
ADJUSTED BALANCES AS OF 1 JANUARY 2009	2,525,639	-	-	-	(1,029,538)	694,375	33,374	-	2,223,850	2,223,850	19,160	2,243,010	1,243
Reclassification of private / public share issue expenses	-	-	-	-	-	-	-	-	-	-	-	-	
Capital increase	34,079	(34,079)	-	-	-	-	-	-	-	-	-	-	
Expenses on public issue of shares	1,501,760	-	-	-	-	-	-	-	1,501,760	1,501,760	-	1,501,760	
Acquisition of new shares in subsidiaries	-	(37,524)	-	-	-	-	-	-	(37,524)	(37,524)	-	(37,524)	
Comprehensive income:	-	-	(1,748)	-	-	-	-	-	(1,748)	(1,748)	-	(1,748)	
Exchange gains (losses) on net investments	-	-	-	-	-	(500,977)	-	-	(500,977)	(500,977)	2,679	(498,298)	(498,298)
Exchange gains (losses) from balance sheet translation	-	-	-	-	-	234,880	-	-	234,880	234,880	-	234,880	234,880
Write-off of treasury shares	-	-	-	-	2,312	-	-	-	2,312	2,312	-	2,312	-
Net income for the year	-	-	-	-	-	-	-	534,435	534,435	534,435	-	534,435	534,435
Addition to statutory reserve	-	-	-	-	33,954	-	-	-	(33,954)	-	-	-	-
Dividends	-	-	-	-	-	-	-	(15,222)	(15,222)	(15,222)	-	(15,222)	-
Interest on equity capital	-	-	-	-	-	-	-	(169,720)	(169,720)	(169,720)	-	(169,720)	-
Retained earnings	-	-	-	-	315,539	-	-	(315,539)	-	-	(7,981)	(7,981)	-
ADJUSTED BALANCES AS OF 31 DECEMBER 2009	4,061,278	(71,603)	(1,748)	-	(697,733)	193,398	268,254	-	3,772,046	3,772,046	13,858	3,785,904	271,017
Expenses on private issue of shares	-	(3,357)	-	-	-	-	-	-	(3,357)	(3,357)	-	(3,357)	-
Debentures convertible into shares	-	-	2,500,000	-	-	-	-	-	2,500,000	2,500,000	-	2,500,000	-
Charges on the issue of convertible debentures	-	-	(12,328)	-	-	-	-	-	(12,328)	(12,328)	-	(12,328)	-
Intercompany share transfer	-	-	(12,350)	-	-	-	-	-	(12,350)	(12,350)	-	(12,350)	-
Acquisition of new shares in subsidiaries	-	-	(4,924)	-	-	-	-	-	(4,924)	(4,924)	-	(4,924)	-
Comprehensive income:	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains (losses) on net investments	-	-	-	-	-	(85,218)	-	-	(85,218)	(85,218)	123,265	38,047	38,047
Exchange gains (losses) from balance sheet translation	-	-	-	-	-	72,685	-	-	72,685	72,685	-	72,685	72,685
Write-off of treasury shares	-	-	-	-	3,306	-	-	-	3,306	3,306	-	3,306	-
Business combinations	-	-	-	-	16,931	-	-	-	16,931	16,931	-	16,931	-
Net income for the year	-	-	-	-	-	-	-	146,094	146,094	146,094	-	146,094	146,094
Addition to statutory reserve	-	-	-	-	7,305	-	-	-	(7,305)	-	-	-	-
Dividends	-	-	-	-	-	-	-	(4,865)	(4,865)	(4,865)	-	(4,865)	-
Interest on equity capital	-	-	-	-	-	-	-	(34,532)	(34,532)	(34,532)	-	(34,532)	-
Retained earnings	-	-	-	-	99,392	-	-	(99,392)	-	-	6,002	6,002	-
BALANCES AS OF 31 DECEMBER 2010	4,061,278	(74,960)	2,468,450	-	(590,799)	108,180	340,939	-	6,353,288	6,353,288	143,125	6,496,413	256,826

*Resulting from the adoption of new accounting practices.

The accompanying notes are an integral part of these financial statements.

EXHIBIT 4

MARFRIG ALIMENTOS S.A.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2010	2009	2010	2009
Net income (loss)	146,094	534,435	146,094	534,435
Non-cash items	33,319	(152,258)	1,174,172	278,363
Depreciation	59,896	51,795	441,606	288,109
Amortisation	-	-	185,118	32,854
Minority interest	-	-	(6,002)	7,981
Provision for contingencies and non-realisation of tax credits	8,692	(224)	125,625	225,970
Deferred taxes	(166,935)	53,358	(462,576)	(62,891)
Equity in earnings (losses) of subsidiaries	(429,117)	(41,345)	-	-
Exchange gains (losses) on loans and financing	(91,543)	(610,406)	(49,081)	(702,720)
Exchange gains (losses) on other asset and liability accounts	(33,372)	28,417	(55,958)	59,204
Interest expense on financing debts	518,535	307,024	708,302	372,889
Interest expense on finance lease	25,769	20,530	29,864	21,530
Interest expense on debentures	132,000	-	132,000	-
Financial expenses from other liabilities	9,933	39,843	30,905	52,675
Write-off of property, plant and equipment	(539)	(1,250)	94,369	(17,239)
Changes in shareholders' equity	(1,225,785)	(1,342,304)	(1,261,140)	(527,676)
Trade accounts receivable	237,990	(185,103)	212,200	45,460
Inventories	(19,396)	(194,390)	(537,943)	(85,073)
Court deposits	(3,818)	301	5,432	(1,614)
Accrued payroll and related charges	66,730	14,426	153,855	(8,161)
Trade accounts payable and advances	106,647	63,887	349,600	73,282
Current and deferred taxes	(444,042)	(174,007)	(1,069,209)	(492,348)
Notes receivable and payable	(562,387)	(1,057,078)	28,480	(123,651)
Other asset and liability accounts	(607,509)	189,660	(403,555)	64,429
Net cash provided by (used in) operating activities	(1,046,372)	(960,127)	59,126	285,122
Cash flows from investing activities				
Investments	(1,585,017)	335,187	(1,534,906)	(190,346)
Investments in property, plant and equipment	(192,808)	(175,491)	(1,119,059)	(538,595)
Investments in intangible assets	(398,982)	(3,242)	(1,284,143)	(99,101)
Net cash provided by (used in) investing activities	(2,176,807)	156,454	(3,938,108)	(828,042)
Cash flows from financing activities				
Dividends / interest on equity capital paid in the year	(99,350)	-	(99,350)	-
Debentures	2,487,672	-	2,487,672	-
Loans and financing	526,749	1,255,274	2,428,191	1,173,192
Borrowings	3,664,008	2,923,439	7,326,800	4,218,040
Repayment of loans	(3,137,259)	(1,668,165)	(4,898,610)	(3,044,848)
Issuance of shares	-	-	-	-
Lease payable	(67,545)	(62,585)	(69,057)	(67,140)
New leases	1,679	1,201	25,193	16,866
Discount to present value	1,979	-	1,979	-
Settled leases	(71,203)	(63,786)	(96,229)	(84,006)
Debentures	-	-	-	-
Treasury shares	(3,357)	2,313	(3,357)	2,313
Issuance of shares and share issue expense	3,305	1,464,236	3,305	1,464,236
Net cash provided by financing activities	2,847,474	2,659,238	4,747,404	2,572,601
Exchange gains (losses) on cash and cash equivalents	-	-	(25,503)	(67,907)
Cash flows in the years	(375,705)	1,855,565	842,919	1,961,774
Cash and banks and short-term financial investments				
End of year	2,254,020	2,629,725	3,876,356	3,033,438
Beginning of year	2,629,725	774,160	3,033,437	1,071,664
Variation in the year	(375,705)	1,855,565	842,919	1,961,774

The accompanying notes are an integral part of these financial statements.

EXHIBIT 5

MARFRIG ALIMENTOS S.A.

VALUE ADDED STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2010	2009	2010	2009
1 - REVENUES	4,173,034	2,811,704	17,131,498	10,605,034
1.1) Sales of goods and services	4,173,596	2,813,620	17,073,217	10,540,251
1.2) Other revenues	539	1,250	89,565	80,841
1.3) Allowance for doubtful accounts - Reversal (recognition)	(1,101)	(3,166)	(31,284)	(16,058)
2 - INPUTS PURCHASED FROM OTHER FIRMS (including taxes - ICMS, IPI, PIS and Cofins)	3,255,028	1,948,518	12,548,222	7,676,173
2.1) Cost of goods and services sold	2,509,176	1,537,756	9,325,909	5,712,178
2.2) Materials, power, services and other	745,852	410,762	2,484,816	1,940,615
2.3) Loss / Recovery of assets	-	-	737,497	23,380
2.4) Other	-	-	-	-
3 - GROSS VALUE ADDED (1-2)	918,006	863,186	4,583,276	2,928,862
4 - DEPRECIATION AND AMORTISATION	59,896	51,795	626,724	320,963
5 - NET VALUE CREATED BY COMPANY (3 - 4)	858,110	811,391	3,956,552	2,607,899
6 - VALUE ADDED RECEIVED THROUGH TRANSFER	877,945	1,104,175	616,245	908,950
6.1) Equity in earnings (losses) of subsidiaries	429,117	41,345	-	-
6.2) Financial income	387,423	1,059,235	536,299	905,356
6.3) Other	61,405	3,595	79,946	3,595
7 - TOTAL VALUE ADDED TO BE DISTRIBUTED (5 + 6)	1,736,055	1,915,566	4,572,797	3,516,849
8 - VALUE ADDED DISTRIBUTION	1,736,055	1,915,566	4,572,797	3,516,849
8.1) Employees	302,074	237,351	1,896,791	1,272,029
8.1.1 - Direct compensation	253,388	198,637	1,486,851	1,130,987
8.1.2 - Benefits	31,393	25,253	286,428	111,832
8.1.3 - FGTS (severance pay fund)	17,292	13,461	123,512	29,210
8.2) Taxes	(133,339)	333,043	504,677	591,188
8.2.1 - Federal	53,480	282,086	340,298	441,227
8.2.2 - State	(186,819)	50,957	155,583	139,810
8.2.3 - Municipal	-	-	8,796	10,151
8.3) Cost of debt	1,421,227	810,737	2,025,235	1,119,197
8.3.1 - Interest	1,407,126	789,358	1,938,466	1,055,458
8.3.2 - Rentals	14,100	21,379	86,769	63,725
8.3.3 - Other	-	-	-	14
8.4) Cost of equity	146,094	534,435	146,094	534,435
8.4.1 - Interest on equity capital	34,532	169,720	34,532	169,720
8.4.2 - Dividends	4,865	15,222	4,865	15,222
8.4.3 - Retained earnings / Loss for the year	106,697	349,493	100,695	357,474
8.4.4 - Minority interest in retained earnings	-	-	6,002	(7,981)

The accompanying notes are an integral part of these financial statements.

MARFRIG ALIMENTOS S.A.

INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (In thousands of Brazilian reais - R\$)

1. OPERATIONS

Marfrig Alimentos S.A. (the “Company”) is a publicly-traded Company that carries out foodstuff production and meat packing activities consisting of cattle, pig, lamb and poultry slaughter; industrial processing, distribution, importing, exporting and marketing of animal products and by-products, whether edible or not, at its own or third parties’ facilities.

Marfrig Alimentos S.A. was set up on 6 June 2000 and became a corporation on 26 March 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20.788 on 18 June 2007 and made its initial public offering (*IPO*) on 29 June 2007. Its shares were listed on the New Market of São Paulo Stock Exchange (BM&F Bovespa) under code No. MRFG3. On 28 April 2009 its corporate name was changed to Marfrig Alimentos S.A. As of 31 December 2010, its subscribed and paid-in share capital is represented by 346,983,954 common shares, of which 150,903,836 shares or 43.49% are controlled by MMS Participações S.A., 394,198 shares or 0.11% are in treasury, 135,608 shares or 0.04 are held by the members of the Company’s Management and 195,550,312 shares or 56.36% are outstanding free float shares in capital markets. MMS Participações S.A. is controlled by Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

As a participant in BM&FBOVESPA’s New Market, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to an arbitration clause included in its by-laws.

The Company’s financial and equity position should be considered within the context of the integrated activities of the following divisions, organized according to business from which revenue is derived, with own structures established and segmented into:

- Cattle, Lamb and Leather, with animal slaughtering operations located solely in South America (Brazil, Argentina, Uruguay and Chile) and
- Poultry, Pig and Manufactured and Processed Products, with operations in Brazil, Europe, United States, Middle East and Asia.

CATTLE, LAMB AND LEATHER

Beef and Food Service Divisions - Brazil:

- Marfrig Alimentos S.A. (Brazil) - made up of ten cattle slaughtering units, three beef processing units, one tannery, one factory which produces cleaning and hygiene products and four feedlots, located in the States of São Paulo, Rio Grande do Sul, Goiás,

Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a Distribution Centre in the State of São Paulo;

- MFB Marfrig Frigoríficos Brasil S.A., current name of Frigoclass Alimentos S.A., consists of 13 cattle slaughter facilities, one of them also used for the slaughtering of sheep, as well as two beef processing facilities, one of them located in the slaughter facility of Rio Verde - State of Goiás. Those facilities are in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia - 100%;
- Masplen Ltd (Jersey), (company which holds 100% of Pampeano Alimentos S.A. (Brazil)). Pampeano produces canned meat and other processed products in the State of Rio Grande do Sul - 100%;
- Marfrig Overseas Ltd (the Cayman Islands), company set up for raising funds abroad by issuing Notes. Marfrig's ownership interest is 100%.
- Marfood USA Inc. (USA), producer and distributor of beef jerky for the US market. It holds 100% of the Pemmican trademark. Marfrig's ownership interest is 100%.

Argentine Division:

- Quickfood S.A. (Argentina) is a publicly-traded company, holder of PATY brand and a leader in the Argentine, Uruguayan and Chilean hamburger markets, with two slaughter facilities, three beef processing facilities and one frozen legumes and vegetables plant - 90.05%. Argentine Breeders & Packers S.A. (Argentina), with three cattle slaughter facilities (including positions whereby it holds 100% of Best Beef S.A. companies (Argentina), Estâncias del Sur S.A. (Argentina) and Mirab S.A. (Argentina), producer and distributor of beef jerky in the US market and several other export destinations - Argentine Breeders & Packers S.A. - AB&P (Argentina) is no longer controlled directly by Marfrig Alimentos S.A. and is not controlled by Quickfood S.A., with a capital increase in Quickfood S.A. through subscription and payment of shares in AB&P that were owned by Marfrig Alimentos S.A.

Uruguayan Division:

- Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughter and beef processing facility - 93.53%;
- Inaler S.A. (Uruguay), a cattle and lamb slaughter facility - 100%;
- Marfrig Chile S.A. (Chile), which operates a meat deboning and trading facility, both in the Chilean market - 99.47%. Marfrig Chile took over Quinto Cuanto S.A. and PBP Chile Limitada, which were previously its subsidiaries. In addition, Marfrig Chile S.A. holds 100% of Frigorífico Patagonia S.A. (Chile), which operates a lamb packing plant in Patagonia;

Marfrig Alimentos S.A.

- Prestcott International S.A. (Uruguay), which holds 100% of Cledinor S.A. (Uruguay), a beef and lamb packing facility in the city of Salto - 100%;
- Establecimientos Colonia S.A. (Uruguay), a beef packing plant in the city of Colonia - 100%.
- Columbus Netherlands B.V. (Netherlands), which holds 59.17% of Gidney S.A., which is a holding company that controls 100% of Zenda Group (Uruguay), which in turn produces and sells finished and cut leather, besides its affiliated companies in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

POULTRY, PIG AND MANUFACTURED AND PROCESSED PRODUCTS

Nova Seara Division - Brazil:

- Seara Holdings (Europe) BV, which holds 100% of Babicora Holding Participações Ltda. that holds 100% of Seara Alimentos S.A. (Brazil) besides its affiliated companies in Europe and Asia -100%.
- Secculum Participações Ltda. (Brazil) - 99% and União Frederiquense Participações Ltda. (Brazil) - 99.99%, (companies which together hold 100% of Frigorífico Mabella Ltda. (Brazil)). Mabella operates a pig slaughter facility in the State of Santa Catarina and one pig slaughter and pork processing facility in the State of Rio Grande do Sul. It is also responsible for Marfrig's poultry and pork operations, and has the following percentages of ownership interest in the companies:
 - o DaGranja Agroindustrial Ltda. - 94%;
 - o Braslo Produtos de Carnes Ltda. - 100%;
 - o MAS Frangos Participações Ltda. - 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda.;
 - o Penasul Alimentos Ltda. - 100%.

Poultry operations consist of seven poultry slaughter facilities and seven poultry processing facilities in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and Distrito Federal.

- o MBL Alimentos S.A., company that is engaged in pig raising - 100%.

The poultry and pig division produces and sells products under Pena Branca trademark, which belongs to Marfrig Alimentos S.A.

European Division:

- Weston Importers Ltd. (United Kingdom), trading which operates in the European market and holds 100% of CDB Meats Ltd (United Kingdom), a producer of processed meat. - 100%
- Marfrig Holdings (Europe) - B.V. (Netherlands) which holds 100% of Moy Park Holdings (Europe) Limited (company headquartered in Northern Ireland), which in turn holds 100% of Moy Park Group (Northern Ireland) and Kitchen Range Foods Ltd (England), which operates three poultry slaughter facilities and eight processing facilities in England, Northern Ireland, France and the Netherlands - 100%.

Keystone Foods:

- Marfrig Alimentos S/A, through its subsidiaries (i) MFG (USA) Holding Inc., which holds the assets of Keystone in the United States; (ii) McKey Luxembourg Holdings S.a.r.l., which holds the assets of Keystone in Europe; and (iii) McKey Luxembourg Holdings APMEA S.a.r.l., which holds the assets of Keystone in Asia. Although their operations are segregated, these companies together operate worldwide in the development, production, trading and distribution of chicken, fish, pork and beef food, and are specialised in food services. They serve more than 28,000 restaurants in 13 countries, including USA, France and United Kingdom (Europe), China, Thailand, Malaysia and South Korea (Asia), Australia, New Zealand and United Arab Emirates, Kuwait, Bahrain, Qatar and Oman (Middle East) - 100%

2. PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Consolidated Financial Statements of Marfrig Alimentos S.A. and subsidiaries (collectively referred to as “Company”) were approved by the Board of Directors on 28 March 2011 and no events have occurred after the date of the balance sheet that should be recorded, except those already stated in note 34.

2.1. STATEMENT OF COMPLIANCE

Consolidated financial statements

The consolidated financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, including the statements issued by the Committee of Technical Pronouncements (CPC) and in accordance with International Financial Reporting Standards (IFRS) issued by the IASB.

Company financial statements

The parent company’s individual financial statements were prepared according to the Brazilian accounting practices issued by CPC and published with the consolidated financial statements. The Brazilian accounting practices applied to the Company financial statements are different from the IFRS only for the evaluation of investments in controlled

and affiliated companies through the equity method of accounting, while these investments would be carried at fair value or cost for IFRS purposes.

These consolidated financial statements are the first to be prepared in accordance with IFRS to which CPC 37 has been applied, with the date of transition being 1 January 2009.

The effects of the adoption of the new standards on the previously disclosed shareholders' equity and net income are stated in note 32.

2.2. BASIS OF PREPARATION

The individual (Company) and consolidated financial statements are denominated in Brazilian reais, which is the functional and reporting currency, and all amounts are rounded to thousands of Brazilian reais, unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated, such as certain non-current assets and financial instruments.

The preparation of consolidated financial statements in accordance with IFRS and CPCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the consolidated financial statements are stated in note 3.1.4.

2.2.1. Foreign currency translation

Functional and reporting currency

The Financial Statements of each consolidated subsidiary and those used as a basis for accounting for investments under the equity method are prepared using each entity's functional currency.

Under CPC 02, functional currency is the currency of the primary economic environment in which the entity operates. To define the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of their goods and services and the currency in which most of their production input costs are paid or incurred. The Consolidated Financial Statements are expressed in Brazilian reais (R\$), which is the functional and reporting currency of Marfrig Alimentos S.A.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate in effect at the transaction date. Gains and losses resulting from the difference between the asset and liability balance translation at the year-end and the translation of the transaction balances are recognised in the statement of income.

Group companies

The results of operations and the financial position of all consolidated subsidiaries and investments accounted for under the equity method, whose functional currency differs from the reporting currency, are translated from the reporting currency, as follows:

- i. asset and liability balances are translated using the exchange rate in effect at the date of the Consolidated Financial Statements;
- ii. statement of income accounts are translated using the monthly average exchange rate; and
- iii. all differences arising from the foreign currency translation are recognised in Shareholders' Equity in Consolidated Comprehensive Income under the caption "cumulative translation adjustments".

2.3. TRANSITION TO IFRS

These consolidated financial statements are the first annual financial statements of the Company and its subsidiaries to be prepared in accordance with IFRS, as required by IASB. The Company applied the IFRSs under IFRS 1 *First-time adoption of International Financial Reporting Standards*. The first date on which IFRS was applied was 1 January 2009 ("Transition Date"). In accordance with IFRS, the Company:

- Has presented comparative financial information;
- Has applied the same accounting practices for all the years reported;
- Has applied retrospectively all IFRSs in effect as of 31 December 2010, as required; and
- Has applied certain optional exemptions and mandatory exceptions applicable for the first-time adopters of IFRSs.

The previous consolidated financial statements of the Company have been prepared in accordance with Brazilian accounting practices (BR GAAP).

First-time adoption

Applicable exemptions and exceptions under IFRS 1 for transition from BR GAAP to IFRS are described below.

Optional exemptions in IFRS

1. Business Combinations - IFRS 1 gives the option to apply IFRS 3 (R) *Business Combinations*, retrospectively or prospectively starting from the Transition Date. The retrospective application would require a reclassification of all business combinations that occurred prior to transition to IFRS. The Company opted not to apply IFRS 3 (R) retrospectively to business combinations that occurred prior to the acquisition of Moy Park on 1 October 2008, and these business combinations were not reclassified. The carrying amount of any goodwill arising from business combinations prior to the acquisition of Moy Park, which was previously determined in accordance with BR GAAP, was not adjusted as a result of the application of these exemptions.
2. Foreign currency translation differences - The retrospective application of the IFRSs would require the Company to determine the cumulative translation adjustments under IAS 21 *The Effects of Changes in Foreign Exchange Rates* from the date on which a subsidiary or investee, accounted for under the equity method, was created or acquired. IFRS 1 permits that the gain and loss on translation adjustments may be reset to zero at the date of transition. The Company opted to reset all gains and losses on cumulative translation adjustments to zero at the Transition Date.

Estimates - The retrospective consideration is not used to create or review estimates. The estimates made by the Company under previous BR GAAP were not reviewed for the adoption of IFRS, unless otherwise needed to reflect any difference in accounting practices or for consideration of likelihood of losses, pursuant to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

Changes in accounting practices

In addition to the exemptions discussed above, presented herein are the significant differences between previous BR GAAP and the IFRSs currently applied by the Company.

1. Business combinations

As stated in section "Optional exemptions in IFRS", the Company has applied the exemption in IFRS 1 for business combinations. However, due to the size of the acquisition of Moy Park on 1 October 2008, the Company opted to apply retrospectively IFRS 3 (R) *Business Combinations* to this acquisition. There were no other business combinations between 1 October 2008 and the Transition Date of 1 January 2009.

Accordingly, business combinations that occurred prior to 1 October 2008 were not adjusted and the carrying amount of the goodwill under IFRS as of 1 October 2008 is equal to the carrying amount under BR GAAP as of that date.

The IFRS adjustments below refer to the acquisitions that occurred in 2009 and 2010.

Purchase price allocation adjustment

BR GAAP - There are no purchase price allocation adjustments. The purchase price is compared to the acquiree's equity, without adjustments, and the difference is allocated as goodwill or negative goodwill in intangible assets.

IFRS - If the initial accounting for a business combination can only be determined temporarily, subsequent adjustments in allocation can be recognised if they occur within 12 months from the acquisition date. After 12 months, adjustments are recognised in the statement of income. Adjustments made as a result of the completion of the temporary accounting are recognised retrospectively from the acquisition date. As a result, depreciation and amortization adjustments are recorded retrospectively to reflect the final purchase price allocation.

2. Biological assets

BR GAAP - Previously, all biological assets were stated at cost, except for animals used for reproduction, which were stated at cost and depreciated over their useful lives.

IFRS - Under IFRS, the Company must measure its biological asset inventory at fair value less costs to sell. If the fair value of any group of biological assets cannot be reliably measured, the Company may recognise these assets at the most recent market price.

3. Translation adjustment

As seen in section "Optional exemptions in IFRS", the Company did not apply the exemption to reset the Cumulative Translation Adjustments (CTA) to zero on 1 January 2009. The translation adjustment balance at 1 January 2009 was kept under the caption "Cumulative Translation Adjustment" in Shareholders' Equity, generating no impact.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1. SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted to prepare these financial statements are as follows:

3.1.1. Results of operations

Results of operations are recorded on the accrual basis.

- Revenue

Revenue arising from the sale of goods is recognised when the Group transfers all of the risks and rewards of ownership of the asset to the buyer and it is probable that the Group will receive the agreed payment. These conditions are met when the goods are delivered to the buyer. If the buyer has the right to return the goods, the Group defers revenue recognition until the right of return has expired. However, when the Group retains only insignificant risks of ownership due to the right of return, revenue is not deferred but the Group recognizes a provision based on its past experience and other relevant factors. The same policy applies to warranties.

Revenue is shown net of taxes on returns, rebates and discounts and the consolidated financial statements are also net of intercompany sales eliminations.

- Financial Income

It comprises gains on changes in the fair value of financial assets measured at fair value in income, as well as interest revenue obtained with the effective interest method. They include interest revenue on invested amounts (including financial assets available for sale), gains on the disposal of financial assets available for sale and changes in the fair value of financial assets measured at fair value through income. Interest revenue is recognized in income using the effective interest method.

3.1.2. Segment Information

The information by operating segment is based on internal reporting to the chief operating decision maker. The chief operating decision maker is the Management team, including the chief executive officer, the operating officer and the financial officer.

Management of the Company identified two reportable segments that are strategically organised according to business, the domestic and foreign market, which meet the quantitative and qualitative thresholds for reportable segments.

3.1.3. Government grants

Government grants received for capital expenditures are usually deducted when the carrying amount of the asset acquired is determined. Grants related to income are offset against the related costs incurred by the Group. If there are conditions attached to the retention of a government grant, this retention is initially recognised as deferred income. When the retention conditions are met, the deferred income balance is disclosed in consolidated comprehensive income or offset against the asset acquired.

3.1.4. Accounting estimates

The preparation of the individual (Company) and consolidated financial statements in accordance with Brazilian accounting practices and IFRS requires Management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include, when applicable, the determination of the residual value of property, plant and equipment, allowance for doubtful accounts, inventories, deferred income and social contribution tax assets and provisions for tax, labour and civil contingencies. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its subsidiaries review estimates and assumptions at least quarterly.

Retrospective consideration is not used in estimate creation or review. Estimates made earlier by the Company in accordance with BR GAAP have not been reviewed for the application of IFRS, except when necessary to reflect any difference in accounting policies or in considering the likelihood of losses in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The issues requiring Company's judgment are as follows:

- useful life of property, plant and equipment;
- biological assets;
- impairment of taxes;
- measurement of items arising from business combinations at fair value;
- fair value of financial instruments; and
- losses on doubtful accounts.

3.1.5. Financial instruments

Non-derivative financial instruments include financial investments, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognised at their fair values plus, for instruments which are not recognised at fair value through income, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured according to their respective classification:

- Held-to-maturity

If the Company intends and is able to hold its debt instruments until maturity they are classified as held-to-maturity instruments. Held-to-maturity investments are stated at their amortised cost using the effective interest method, less impairment losses.

- Available-for-sale

The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After initial recognition, they are stated at fair value and changes in fair value, except impairment, and the foreign currency differences of these instruments, are recognised directly in equity, net of tax effects. When an investment fails to be recognised, the accumulated gain or loss in equity is transferred to the statement of income.

- Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- Measured at fair value through income

An instrument is measured at fair value through income if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated at fair value through income if the Company manages these investments and makes decisions to buy and sell the investments based on the investment's fair value according to the Company's investment and risk Management strategy. After initial recognition, transaction costs that are attributable to the acquisition of the investment are recognised in the statement of income when incurred. Financial instruments stated at fair value through income are measured at fair value and changes in fair value are recognised in the statement of income.

- Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, adjusted for impairment, if any.

- Derivative Financial Instruments

Derivative financial instruments measured at fair value are derivative financial instruments that are traded in an active organized market and their fair value is determined based on quoted market prices at the date of the financial statements. Upon initial recognition, they are recognised as other financial assets and/or liabilities against income under the captions “financial income (expenses)”.

3.1.6. Foreign currency

The Company’s Management established that its functional currency, as well as that of its subsidiaries in Brazil, is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 02 - *The Effects on Changes in Foreign Exchange Rates and Translation of Financial Statements*, approved by CVM Resolution No. 640/10. The functional currency of foreign companies is the legal tender of the country in which they operate, except for companies located in Uruguay, whose functional currency is the US dollar. Translations into the reporting currency are also in accordance with CPC Technical Pronouncement No. 02.

Foreign currency transactions, i.e. all transactions not made in the functional currency, are translated using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the closing exchange rate. Gains and losses on exchange rate variations of monetary assets and liabilities are recognised in the statement of income. Non-monetary assets and liabilities acquired or entered into in foreign currency are translated using the exchange rates on the transaction dates or the dates at which they are stated at fair value when fair value is used.

3.1.7. Current and non-current assets

- Cash and cash equivalents

Cash and cash equivalents consist of cash, banks and highly liquid short-term financial investments that are readily converted to known amounts of cash and that are subject to an insignificant risk of changes in value.

- Trade accounts receivable

Trade accounts receivable are recorded at the billed amount and when applicable, discounted to present value.

The allowance for doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realisation of receivables.

- Inventories

Inventories are stated at the average acquisition or production cost, adjusted to market or realisable values.

- Investments

Investments in subsidiaries and affiliates are accounted for using the equity method.

- Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less depreciation calculated using the straight-line method at the rates mentioned in note 12 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements entered into by the Company when property, plant and equipment items are being built are capitalised.

In addition, with the purpose of measuring its property, plant and equipment at fair value, the Company decided to adopt the deemed cost concept, included in CPC 27 and ICPC 10, as described in note 12.

Other costs are capitalized only if the economic benefits associated with the property, plant and equipment item increase. Another type of cost is recognised as an expense when incurred.

- Lease

- o Finance lease

Certain lease agreements transfer substantially all of the risks and benefits of ownership of an asset to the Company. These agreements are finance leases and are initially recognised as property, plant and equipment with an offsetting entry to liabilities at their present or fair values.

- o Operating lease

Certain agreements are classified as operating leases when the substance of the agreement does not meet the finance lease requirements. Payments of these agreements are recognised as expenses in the statement of income on a straight-line basis over the terms of the agreements.

- Intangible assets

Intangible assets consist of assets acquired from third parties, including through business combinations, and those generated internally by the Company. They are stated at acquisition or formation cost, less amortisation calculated using the straight-line method, according to the terms of the exploration rights set forth on lease agreements and goodwill recovery estimated periods.

Intangible assets with indefinite useful lives and goodwill resulting from expected future profitability as from 1 January 2009 are not amortised and are tested annually for impairment.

Goodwill is the excess of the cost of the business combination over, in the case of business combinations that occurred prior to 1 January 2010, the Group's share of the fair value of acquired assets, liabilities and contingent liabilities and, in the case of business combinations that occurred after 1 January 2010, the total fair value on the date of acquisition of assets, liabilities and contingent liabilities.

For business combinations that occurred prior to 1 January 2010, cost includes the fair value of the assets assigned, liabilities assumed and equity instruments issued, as well as all direct acquisition costs. Changes in the estimated value of the contingent consideration resulting from business combinations that occurred by that date are treated as a cost adjustment and then lead to a change in the carrying amount of the goodwill.

For business combinations that occurred after 1 January 2010, cost includes the fair value of the assets assigned, liabilities assumed and equity instruments issued, plus minority interest in the acquiree and, if the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree. The contingent consideration is included in cost at fair value on the acquisition date and, in the case of contingent consideration classified as a financial liability, restated later in the statement of income. For business combinations that occurred after 1 January 2010, direct acquisition costs are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset and any impairment is charged to consolidated comprehensive income. Whenever the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the fair value of the consideration paid, the full difference will be credited to consolidated comprehensive income on the acquisition date.

- Deferred charges

Despite having the option to do otherwise, the Company has written off the balance of its deferred assets as of 1 January 2009 in order to align accounting practices of the parent company Marfrig Alimentos S.A. with the accounting practices under the IFRS for its consolidated financial statements.

3.1.8. Biological assets

Biological assets: according to CVM Resolution No. 596/09, agricultural activity is the Management of the biological transformation of assets (living animals and/or plants) for sale, into agricultural produce or into additional biological assets. The Company classifies living cattle, poultry and pigs as biological assets.

The Company recognises biological assets when it controls these assets as a result of past events and it is probable that future economic benefits will flow to the Company and the fair value of the asset can be measured reliably.

Under CVM Resolution No. 596/09, biological assets should be measured on initial recognition and at the end of each reporting period at fair value less costs to sell, unless fair value cannot be reliably measured.

3.1.9. Impairment

Goodwill and other intangible assets with indefinite useful life are tested for impairment annually at the end of each fiscal year. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the assets may be impaired. If the carrying amount of the asset exceeds the recoverable amount of the asset (i.e., the higher of the asset's fair value less costs to sell and its value in use), the asset is written off.

If it is not possible to estimate the recoverable amount of an individual asset, the impairment test is applied to its cash generating unit (CGU): the smallest group of assets that includes the asset and that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated on initial recognition to each CGU of the Group that is expected to benefit from the synergies of the combination.

Impairment loss is included in income to the extent of the reversal of previously recognised gains in other comprehensive income. Impairment loss recognised for goodwill is not reversed.

3.1.10. Current and non-current liabilities

Current and non-current liabilities are stated at known or estimated amounts, plus the related charges, exchange rate gains (losses) and/or monetary changes incurred through the balance sheet date, when applicable.

3.1.11. Provisions

Provisions are recognised as a result of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognised when losses are considered probable, based on the best estimates of risks involved.

3.1.12. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognised in the balance sheet and the statement of income as contract conditions are met and as commented in note 24.

3.1.13. Income and social contribution taxes

Income tax is calculated on taxable income. Income and social contribution taxes are paid monthly on estimated calculation bases, at the rates and in the manners provided for in prevailing legislation.

Deferred tax assets recognised for income and social contribution tax losses and temporary differences are recognised pursuant to tax legislation and CVM Instruction No. 599/09 - Income Taxes. They take into consideration the Company's history of profitability and the expected future generation of taxable income supported by an annually reviewed technical feasibility study.

The Company and its subsidiaries opted for the Temporary Tax Scheme (RTT) established by Executive Act No. 449/08, converted into Law No. 11.941, of 27 May 2009, declaring their irrevocable option for RTT in the Corporate Income Tax Return of 2009.

Deferred tax assets and liabilities are recognised when the carrying amount of an asset or liability differs from their tax base, except for the differences that arise from:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither book income or taxable income; and
- the investments in subsidiaries and joint ventures where the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax asset is recognised only if it is probable that taxable income will be available against which the difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised and the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on:

- the same entity of the taxable group; or
- different entities of the group that intend to settle on a net basis or realise the asset and settle the liability at the same time, in each future year in which significant amounts of deferred tax assets and deferred tax liabilities are to be realised or settled.

3.1.14. Interest on capital

Dividends and interest on capital: Management's proposal for distribution of dividends and interest on equity capital within the mandatory minimum dividend amount is recorded as current liabilities since it is considered a legal obligation set out in the bylaws, however, the amount that exceeds mandatory minimum dividend, which is declared by Management before the end of the reporting period and has not yet been approved by the shareholders, is recorded as proposed additional dividend in shareholders' equity.

For reporting purposes, interest on equity capital is shown as allocation of income directly in shareholders' equity.

3.1.15. Earnings per share

Basic

Basic earnings per share is calculated by dividing the earnings attributable to the Company's controlling and non-controlling shareholders by the weighted average number of common shares outstanding during the year, pursuant to CVM Instruction 636/10 (CPC 41 - Earnings per share), excluding the common shares held as treasury shares.

Diluted

Diluted earnings per share are calculated by adjusting the weighted average of the number of outstanding common shares, assuming the conversion of all possible common shares that would cause the dilution and also adjusting any other changes in revenues or expenses that would result from converting potentially diluted common shares.

3.1.16. Discount to Present Value

In accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/2008, non-current assets and liabilities, as well as current assets and liabilities, when material, are discounted to present value, transaction by transaction, according to rates that reflect each transaction's term, currency and risk. The offsetting entry to discounts to present value is made to the accounts that originated the asset or the liability. The difference between the present value of a transaction and the face value of an asset or liability is recorded in the statement of income during the term of the contract according to the amortised cost and effective interest method.

Discounts to present value were determined using the average between SELIC (Central Bank overnight rate) (established as the rate of return on equity capital) and the average rate at which funds are raised in financial markets (rate established as that of return on debt capital), thus reaching the average rate of 8.63% p.a. as of 31 December 2010 (8.52% p.a. as of 31 December 2009).

The terms adopted for determining discounts to present value vary according to the operating activity and correspond to the average expected period to settle it, for example: average sales collection term, average payment term, tax debt instalment payment terms and others deemed necessary.

The established rates and periods in relation to the risk factors involved in the Company's operations are perfectly reflected on the discount to present value.

3.1.17. Share issuance expenses

In accordance with Technical Pronouncement CPC No. 8, approved by CVM Resolution No. 649/2010, transaction costs incurred with the raising of funds through the issuance of equity securities should be separately booked in a valuation allowance which reduces shareholders' equity, less possible tax effects.

3.1.18. Treasury shares

Treasury shares are Company shares acquired by the Company itself and kept in the treasury with the specific purpose of carrying out the Company's stock option plan, as per note 21.3.3. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

3.1.19. Business combination

Business combinations are recognised using the acquisition method. Cost of an acquisition is the sum of the consideration transferred, measured at fair value on the acquisition date, and any minority interest in the acquiree. For each business combination, the acquirer should measure the minority interest in the acquiree at the fair value or based on the acquirer's share of the acquiree's identifiable net assets. Costs that are directly attributable to the acquisition should be recorded as an expense when incurred.

In a business acquisition, Management assesses the assets acquired and the liabilities assumed with the objective of classifying and allocating them according to contractual provisions, economic circumstances and relevant conditions on the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred in the business combination over the fair value of the net assets acquired (identifiable assets and liabilities assumed, net). If the consideration is less than the fair value of the net assets acquired, the difference should be recognised as a gain in the statement of income.

After initial recognition, goodwill is measured at cost less accumulated impairment loss. For impairment test, goodwill arising on a business combination should be allocated, from the acquisition date, to each of the cash generating units of the Company that are expected to benefit from the synergies of the combination, regardless of other assets or liabilities of the acquiree that are attributable to these units.

Business combinations performed by the Company are included in note 11.

3.1.20. Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in the previous year.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of subsidiaries;
- Elimination of the balances of intercompany revenues and expenses and unrealised profits resulting from intercompany transactions.

3.1.21. Minority interest

- For business combinations that occurred after 1 January 2010, the Group may opt, on a business combination basis, to initially recognise any minority interest in the acquiree at the acquisition-date fair value or, as required before 1 January 2010, the proportional amount of the minority interest in the acquiree's net assets. The Group opted not to use the fair value on the acquisitions that occurred by that date.

- Starting 1 January 2010, other comprehensive income of non-wholly owned subsidiaries is attributable to the parent's owners and the minority interest to the extent of their interests. Before that date, losses for which no provisions exist in the subsidiaries were allocated solely to the Group. In conformity with transitory provisions of IAS 27 (2008), the carrying amount of the minority interest on the effective date of the change was not adjusted.

3.2. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

DIRECT SUBSIDIARIES	Ownership percentage		
	31/12/10	31/12/09	01/01/09
Argentine Breeders & Packers S.A	-	99.99%	99.99%
MFB Marfrig Frigoríficos Brasil S.A	100.00%	100.00%	100.00%
Marfrig Chile S.A	99.47%	99.47%	99.47%
Inaler S.A	100.00%	100.00%	100.00%
Frigorífico Tacuarembó S.A	93.53%	93.45%	93.26%
Weston Importers Ltd	100.00%	100.00%	100.00%
Masplen Limited	100.00%	100.00%	100.00%
Prestcott International S.A	100.00%	100.00%	97.99%
Secculum Participações Ltda	99.00%	99.00%	99.00%
União Frederiquense Partic. Ltda	99.99%	99.99%	99.84%
QuickFood S.A	90.05%	81.48%	80.31%
Establecimientos Colonia S.A	100.00%	100.00%	100.00%
Marfrig Holdings (Europe) BV	100.00%	100.00%	-
Seara Holding (Europe) BV (1)	100.00%	100.00%	-
Columbus Netherlands BV	100.00%	-	-
Marfrig Overseas Ltd	100.00%	-	-
Marfood USA Inc.	100.00%	-	-
Keystone Foods International Holdings, LLC	100.00%	-	-

(1) current name of CCKVL Holding BV.

The financial statements of subsidiaries located abroad were originally prepared in local currency, according to the applicable laws of each country where the companies are located. They were reviewed by independent auditors, converted into the International Financial Reporting Standards (IFRS) and expressed in US dollars (US\$). Later, those financial statements were converted into Brazilian accounting practices and translated into Brazilian reais, using the exchange rate prevailing on the balance sheet date.

3.2.1. Value Added Statement

Value added statement: the Company prepared individual (Company) and consolidated value added statements under CVM Resolution No. 557/08, which are presented as an integral part of the BR GAAP financial statements. Under IFRS, they are reported as supplemental financial information.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, banks and financial investments, as shown below:

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Cash and cash equivalents	91,899	405,840	293,469	682,364	617,046	395,662
Financial investments	2,162,121	2,223,885	480,691	3,193,992	2,416,392	676,002
	<u>2,254,020</u>	<u>2,629,725</u>	<u>774,160</u>	<u>3,876,356</u>	<u>3,033,438</u>	<u>1,071,664</u>

The subsidiaries' cash and cash equivalents are consolidated as follows:

	Brazil			Abroad		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Cash and cash equivalents	112,751	18,298	29,191	477,714	192,908	73,002
Financial investments	168,729	12,372	29	863,142	180,135	195,282
	<u>281,480</u>	<u>30,670</u>	<u>29,220</u>	<u>1,340,856</u>	<u>373,043</u>	<u>268,284</u>

The Company adopts the policy of presenting the following items within the cash and cash equivalents group:

- Cash on hand;
- Demand deposits;
- Cash in transit;
- Highly liquid financial investments.

4.1. CASH AND CASH EQUIVALENTS BY CURRENCY

Cash and cash equivalents by currency are as follows:

	Company			Consolidated		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Cash and banks:						
Brazilian real	9,298	351,523	255,462	36,746	369,821	284,650
US dollar	78,097	54,317	38,007	240,278	145,950	91,859
Euro	-	-	-	124,833	13,335	3,369
British pound	4,504	-	-	131,529	78,077	2,969
Other	-	-	-	148,978	9,863	12,815
	<u>91,899</u>	<u>405,840</u>	<u>293,469</u>	<u>682,364</u>	<u>617,046</u>	<u>395,662</u>

4.2. FINANCIAL INVESTMENTS

The Company's financial investments by type are as follows:

	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	Company		
					31/12/2010	31/12/2009	01/01/2009
Available-for-sale							
Bank deposit certificates - CDB (2)	24/01/2011 to 18/09/2015	3.04	Real	10.67	1,427,786	600,344	435,182
Repurchase and reverse repurchase agreements (2)	14/01/2011 to 20/12/2012	1.14	Real	10.72	616,544	1,610,350	38,216
Savings account (2)	31/12/2010	-	Real	6.42	31	17	104
Other (2)	31/12/2010	-	Real	-	967	324	808
					2,045,328	2,211,035	474,310
Loans and receivable							
Interest-bearing account	31/03/2014	3.29	U.S. dollar	0.35	54,685	5,333	6,379
					54,685	5,333	6,379
Held-to-maturity							
Foreign credit note	08/01/2013	2.05	U.S. dollar	0.35	55,406	7,513	-
Foreign credit note	04/09/2014	3.73	Euro	0.35	6,700	-	-
Prize-draw investment bonds	29/04/2014	3.38	Real	2.43	191	376	214
					62,297	7,889	214
Total					2,162,310	2,224,257	480,903
Total current					2,162,121	2,223,885	480,691
Total non-current					189	372	212

(1) Average weighted maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the collateral.

Marfrig Alimentos S.A.

					Consolidated		
	Maturities	PMPV ⁽¹⁾	Currency	Average interest rate p.a. %	31/12/2010	31/12/2009	01/01/2009
Available for sale							
Bank deposit certificates - CDB (2)	31/12/2010 to 18/09/2015	1.20	Real	6.43%	1,596,194	611,997	438,017
Bank deposit certificates - CDB (2)	31/12/2010 to 31/03/2011	0.25	U.S. dollar	0.35%	23	-	-
Repurchase and reverse repurchase agreements	14/01/2011 to 20/12/2012	1.14	Real	10.72%	616,544	1,610,351	38,216
Bonds and shares	31/12/2010	0.10	U.S. dollar	4.50%	1,676	-	-
Savings account (2)	31/12/2010	-	Real	6.42%	31	17	104
Fixed-income investment					-	-	-
Fixed-income investment	31/03/2010	0.25	U.S. dollar	7.61%	-	126,023	67,651
Circular Letter No. 1456	31/12/2010 to 30/06/2011	0.32	U.S. dollar	2.50%	40,902	54,112	117,953
Other (2)	31/12/2010	-	Real	0.00	968	324	836
					2,256,338	2,402,824	662,777
Loans and receivables							
Interest-bearing account	31/12/2010 to 31/03/2014	3.29	U.S. dollar	0.35	54,685	5,333	6,379
					54,685	5,333	6,379
Held to maturity							
Foreign credit note	08/01/2013	2.05	U.S. dollar	0.35	55,406	7,513	-
Foreign credit note	04/09/2014	3.73	Euro	0.35	6,700	-	-
Prize-draw investment bonds	31/12/2010 to 29/04/2014	1.53	Real	4.22%	8,013	3,548	11,041
CLN	01/01/2013 to 31/12/2015	4.36	U.S. dollar	8.00%	820,540	-	-
					890,659	11,061	11,041
Total					3,201,682	2,419,218	680,197
Total current					3,193,992	2,416,392	676,002
Total non-current					7,690	2,826	4,195

(1) Average weighted maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the collateral.

The Company maintains the following types of financial investments:

4.2.1. Bank Deposit Certificate - CDB

This investment is made in Brazilian reais and bears interest at the CDI (Interbank Deposit Rate), which ranges from 99% to 107%.

4.2.2. Repurchase and reverse repurchase agreements

Repurchase and reverse repurchase agreements are transactions denominated in Brazilian reais and guaranteed by debentures that bear interest at the CDI (Interbank Deposit Rate), which ranges from 100% to 100.5%.

4.2.3. DI-indexed investment fund

This investment is made in Brazilian reais and bears interest at the CDI (Interbank Deposit Rate), which ranges from 98% to 100.5%.

4.2.4. Credit-linked note (CLN)

The credit-linked note transaction is conducted with a top-tier bank abroad. This investment is denominated in US dollars and bears fixed interest rates.

4.2.5. Savings account

The remaining balances in checking accounts, in Brazilian reais, are automatically transferred to a savings account, which bears interest at financial market rates.

4.2.6. Fixed-income investment

This investment is made in US dollars and does not bear interest. This is a specific transaction made in Uruguay.

4.2.7. Circular Letter 1456

The investments of this type consist of exports denominated in US dollars with the Central Bank of Uruguay that bear interest at fixed rates, and are made from 180 to 270 days before the export.

4.2.8. Interest-bearing account

The interest-bearing account consists of amounts received in US dollars from exports and financial transactions, kept in accounts abroad. It bears interest at a fixed rate.

4.2.9. Foreign credit note

The investments of this type are made in Euro and US dollar and bear interest at a fixed rate.

4.2.10. Brazilian prize-draw investment bonds

The investments of this type are made in Brazilian reais and bear interest at the benchmark rate (TR).

5. **TRADE ACCOUNTS RECEIVABLE - DOMESTIC AND FOREIGN CUSTOMERS**

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Trade accounts receivable - domestic	245,864	300,408	191,182	1,117,767	563,777	496,230
(-) Discount to present value	(7,916)	(9,425)	-	(7,916)	(9,660)	-
	237,948	290,983	191,182	1,109,851	554,117	496,230
Trade accounts receivable - foreign	385,032	243,982	169,426	533,385	265,674	402,552
(-) Advances on export contracts - ACEs	(230,860)	(20,280)	(50,660)	(281,291)	(20,280)	(91,675)
(-) Discount to present value	-	(1,831)	-	-	(2,182)	-
	154,172	221,871	118,766	252,094	243,212	310,877
	392,120	512,854	309,948	1,361,945	797,329	807,107
Amounts not yet due	387,546	502,892	297,944	1,102,225	711,697	690,449
Amounts overdue						
From 1 to 30 days	3,681	10,233	9,657	318,673	79,311	75,156
From 31 to 60 days	537	2,082	161	81,533	11,738	23,594
From 61 to 90 days	356	1,166	205	43,463	8,783	5,992
More than 90 days	4,267	4,688	1,981	81,954	21,570	40,150
(-) Advances on export contracts - ACEs	-	-	-	(204,476)	-	-
(-) Discount to present value	-	(5,041)	-	-	(5,627)	-
(-) Allowance for doubtful accounts	(4,267)	(3,166)	-	(61,427)	(30,143)	(28,234)
	392,120	512,854	309,948	1,361,945	797,329	807,107

The allowance for doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realisation of receivables.

Aiming to achieve the best estimate possible, concerning the realization of such credits, and therefore duly set up an allowance for doubtful accounts as of 31 December 2010, the Company's Management analysed particular aspects about its customers, such as: business activity, general credit situation, the market's economic situation and notes due for more than ninety days and whose settlement is not considered as possible.

The Company does not have a history of relevant problems with collection, and the Accounts Receivable Department rates each customer upon acceptance and credit granting.

Changes in allowance for doubtful accounts are as follows:

	COMPANY	CONSOLIDATED
Balance as of 01/01/2009	-	(28,234)
Receivables covered by allowance	(3,166)	(29,149)
Recoveries	-	30,511
Written off	-	(4,334)
Exchange variation	-	1,063
Balance as of 31/12/2009	(3,166)	(30,143)
Receivables covered by allowance	(1,790)	(62,025)
Recoveries	481	59,599
Written off	208	(29,485)
Exchange variation	-	627
Balance as of 31/12/2010	(4,267)	(61,427)

For sales paid in instalments, the Company uses working capital financing lines available in financial markets.

The current economic situation presents a trend of improvement in relation to sales and volume of credit in the market, which increases the purchasing power of customers and leads to timely payments.

Receivables were discounted to present value in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/2008, as described in note 3.1.16.

6. INVENTORIES OF GOODS AND MERCHANDISE

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Finished products	728,852	793,173	530,046	1,913,454	1,110,794	953,616
Raw materials	-	-	-	314,785	111,705	161,283
Packaging material and storeroom supplies	25,220	27,981	25,062	236,442	125,323	126,158
(-) Valuation allowance	(177,948)	(168,950)	(97,300)	(215,367)	(199,524)	(121,861)
	<u>576,124</u>	<u>652,204</u>	<u>457,808</u>	<u>2,249,314</u>	<u>1,148,298</u>	<u>1,119,196</u>

In the years ended 31 December 2010 and 2009, inventories of finished goods were carried at average purchase and/or production cost, lower than realisation values, as explained in note 3.1.7.

The balances of the inventory valuation allowance relate mainly to a reduction in cost or market adjustment for the impacts on certain raw materials acquired by the Company and which had a decline in the sale prices of the finished products. Since the prices of raw materials plus estimated costs to complete production are higher than the sales price less estimated costs to sell, the Company recognized adjustments to the net realisation amount, as shown below:

	COMPANY	CONSOLIDATED
Balance as of 01 January 2009	<u>97,300</u>	<u>121,861</u>
	-	
Recognition of valuation allowance	71,650	77,663
Balance as of 31 December 2009	<u>168,950</u>	<u>199,524</u>
Reversal of provision	-	(8,711)
Recognition of provision	8,998	24,554
Balance as of 31 December 2010	<u>177,948</u>	<u>215,367</u>

7. BIOLOGICAL ASSETS

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Biological Assets - Cattle	118,058	22,582	22,588	293,914	77,205	28,550
Biological Assets - Poultry	-	-	-	218,346	86,606	96,621
Biological Assets - Pigs	-	-	-	180,780	41,685	51,113
Biological Assets - Current	<u>118,058</u>	<u>22,582</u>	<u>22,588</u>	<u>693,040</u>	<u>205,496</u>	<u>176,284</u>
Biological Assets - Cattle	-	-	-	27,858	29,096	-
Biological Assets - Poultry	-	-	-	220,430	92,671	73,217
Biological Assets - Pigs	-	-	-	29,266	17,381	1,150
Biological Assets - Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,554</u>	<u>139,148</u>	<u>74,367</u>
	<u>118,058</u>	<u>22,582</u>	<u>22,588</u>	<u>970,594</u>	<u>344,644</u>	<u>250,651</u>

The Company's biological assets are composed of live animals segregated among the categories: poultry, pig and cattle. Animals classified in this group are those intended for slaughtering for production of fresh beef and/or processed products.

Poultry and pigs are considered immature until they reach the appropriate weight for slaughter. The slaughter process occurs sequentially in a short period of time and thus only live animals transferred to slaughter are classified as mature.

By measuring biological assets (poultry and pigs) at fair value the Company adopted the discounted cash flow model and identified no material adjustments. In this case, the Company believes that the fair value of biological assets is substantially represented by the formation cost, given the short life cycle of the animals.

With respect to cattle, these are animals kept in confinement for fattening and slaughter, whose life cycle is an average of 3 years. The Company valued these animals at fair value, based on the "mark to market" concept, considering the market prices of the "arroba" of cattle, and recognized the effects of these valuations directly in the statement of income.

The changes in biological assets are as follows:

Current biological assets

	Company	Consolidated
Balance as of 01 January 2009	22,588	176,284
Increase due to purchases	57,632	190,133
(-) Write-off for slaughter	(88,517)	(1,392,417)
Costs of input for fattening	23,179	1,271,988
(-) Decrease due to sales	-	(63,677)
Net increase due to births (deaths)	(597)	10,370
Balance sheet conversion	-	(1,520)
Fair value adjustment	8,297	14,335
Balance as of 31 December 2009	22,582	205,496
Increase due to purchases	159,124	628,997
(-) Write-off for slaughter	(111,010)	(3,052,312)
Costs of input for fattening	46,738	3,066,168
(-) Decrease due to sales	-	(117,735)
Net increase due to births (deaths)	(517)	14,143
Reclassification to fixed assets	-	(18,305)
Balance sheet conversion	-	(2,353)
Fair value adjustment	1,141	48,766
Other	-	(79,825)
Balance as of 31 December 2010	118,058	693,040

Non-current biological assets

	Company	Consolidated
Balance as of 01 January 2009	-	74,367
Increase due to purchases	-	99,196
(-) Write-off for slaughter	-	(48,305)
Costs of input for fattening	-	58,427
(-) Decrease due to sales	-	(9,893)
Net increase due to births (deaths)	-	18,267
Amortization	-	(52,911)
Balance as of 31 December 2009	-	139,148
Increase due to purchases	-	252,160
(-) Write-off for slaughter	-	(239,895)
Costs of input for fattening	-	301,230
(-) Decrease due to sales	-	(48,492)
Amortization	-	(59,289)
Transfer from current to non-current	-	(70,249)
Translation of balance sheet	-	2,941
Balance as of 31 December 2010	-	277,554

8. RECOVERABLE TAXES

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
ICMS (State VAT)	310,396	220,996	166,025	474,717	293,613	219,602
IPI (Federal VAT) deemed credit	61,046	60,896	60,782	71,668	67,234	66,941
PIS (tax on sales) credit	108,394	61,040	38,605	227,343	97,589	64,056
Cofins (tax on sales) credit	483,110	252,376	152,483	1,008,912	412,047	262,090
Income tax	74,885	40,797	5,827	115,015	65,303	27,946
Social contribution tax	12,862	14,304	4,164	19,630	18,502	5,010
IRRF (Withholding Income Tax)	56,084	537	31,771	57,105	1,562	33,147
IVA (value-added tax)	-	-	-	35,490	38,840	36,704
Export certificates	-	-	-	15,004	4,963	12,575
ONCCA credits	-	-	-	8,020	19,107	-
(-) Provision for non-realization	(239,486)	(184,472)	(123,361)	(288,034)	(206,335)	(137,873)
Other	102,259	40,497	-	132,003	53,596	8,028
	<u>969,550</u>	<u>506,971</u>	<u>336,296</u>	<u>1,876,873</u>	<u>866,021</u>	<u>598,226</u>
Current assets	439,610	216,125	334,286	868,638	526,998	553,595
Non-current assets	529,940	290,846	2,010	1,008,235	339,023	44,631
Total	<u>969,550</u>	<u>506,971</u>	<u>336,296</u>	<u>1,876,873</u>	<u>866,021</u>	<u>598,226</u>

8.1. ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging and other materials, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. Credit realisation is made through offsetting against debts generated in domestic sales or through transfers to third parties.

8.2. IPI (Federal VAT) DEEMED CREDIT

IPI deemed credit consists of the refund of PIS and COFINS levied on input acquired domestically and used in the processing of goods actually exported.

8.3. PIS AND COFINS (TAXES ON SALES)

Pursuant to Laws No. 10.637/02 and 10.833/03, this line item consists of noncumulative PIS and COFINS credits on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets. They also include total balances of these credits resulting from companies acquired in the first quarter of 2010.

8.4. INCOME AND SOCIAL CONTRIBUTION TAXES

This line item consists of income and social contribution taxes prepaid in the years ended 31 December 2008, 2009 and 2010.

8.5. WITHHOLDING INCOME TAX (IRRF)

Withholding income tax consists of income tax withheld from gains on financial investments made by the Company.

8.6. IVA - VALUE ADDED TAX

This caption refers to balances of recoverable value added tax of foreign subsidiaries resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

8.7. EXPORT CERTIFICATES

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax paid by exporters.

8.8. ONCCA CREDITS (OFICINA NACIONAL DE CONTROL COMERCIAL AGROPECUÁRIO)

Oncca credits are a benefit granted in Argentina by the *Ministério de Agricultura Ganadeira y Pesca* to companies which invest in feedlots.

Changes in the provision for non-realisation of tax credits are as follows:

	COMPANY	CONSOLIDATED
Balance as of 01/01/2009	(123,361)	(137,873)
Recognition of provision	(61,111)	(68,463)
Balance as of 31/12/2009	<u>(184,472)</u>	<u>(206,335)</u>
Recognition of provision	(55,015)	(81,699)
Balance as of 31/12/2010	<u>(239,486)</u>	<u>(288,034)</u>

9. NOTES RECEIVABLE

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Related-party transactions	1,130,316	1,213,338	1,003,953	-	-	-
Other notes receivable	4,684	2,269	23,266	13,955	3,068	363
Total	1,135,000	1,215,607	1,027,219	13,955	3,068	363
Current assets	110,753	-	-	2,877	-	-
Non-current assets	1,024,247	1,215,607	1,027,219	11,078	3,068	363

The Company's notes receivable mostly consist of balances resulting from transactions with its subsidiaries (related parties), as described in note 9.1.

9.1. RELATED-PARTY TRANSACTIONS

The following tables, except for transactions with Mr Marcos Antonio Molina dos Santos and Mrs. Márcia Aparecida Pascoal Marçal dos Santos, sole partners of MMS Participações S.A., show the transactions between the Company and its wholly owned subsidiaries as of 31 December 2010. They should not be considered as related parties of the Company, taking into account that these transactions are conducted over the normal course of business, but are eliminated in consolidation, not having any effect on income (loss), and, therefore, not bringing any effects to the Company's shareholders:

	COMPANY					
	31/12/10				2010	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	-	-	-	11,263	-
Frigorífico Tacuarembó S.A.	-	2,480	26	-	7,551	-
Inaler S.A.	-	3,683	-	-	8,101	-
Marfrig Chile Inversiones Ltda	8,770	-	-	-	-	19,340
Weston Importers Ltd.	24,346	3	-	-	-	33,313
Establecimientos Colonia S.A.	-	1,945	-	-	4,664	-
Cledinor S.A.	-	945	-	-	6,782	-
Quickfood S.A.	-	8,973	1,119	-	14,276	-
Moy Park Limited	-	-	1,108	-	-	-
Kitchen Ranger	-	-	-	-	-	-
Grupo Mabella	8,827	5,038	63,224	-	21,527	241
MFB Marfrig Frigoríficos Brasil S.A	15,073	49,900	540,452	-	426,950	116,358
Pampeano Alimentos S.A.	12,144	112	173,144	-	103	54,782
Seara Holding BV	112	7,789	22,891	1,002	1,005	1,099
Zendaleather S.A. (ZENDA)	20	-	9,469	16,363	-	37
Marfood USA	-	16	62,000	-	-	-
Masplen Limited	-	-	-	-	-	-
Dagranja Agroindustrial Ltda	-	-	201,767	-	3,930	3,567
Moy Park Holdings Europe Limited	-	-	-	-	-	-
Marfrig Holdings BV	-	-	20,020	-	-	-
Braslo Produtos de Carne Ltda	-	-	27,601	939	18,032	84,253
MBL Alimentos Ltda	-	-	4	275	-	776
Mas Frangos Part. Ltda.	-	-	3,194	-	-	-
Penasul Alimentos Ltda	-	-	223	58,795	-	3,311
Agrofrango Ind. Com. Alim. Ltda.	-	-	81	-	-	451
Columbus Netherlands BV	-	-	-	-	-	-
Marfrig Overseas	-	-	3,293	-	-	-
Keystone International	-	-	700	-	-	-
Marcos Antonio Molina dos Santos	-	5,984	-	-	41,057	-
Marcia Aparecida Pascoal Marçal dos Santos	-	3,888	-	-	17,034	-
	<u>69,292</u>	<u>90,756</u>	<u>1,130,316</u>	<u>77,374</u>	<u>582,275</u>	<u>317,529</u>

Marfrig Alimentos S.A.

(1) Current name of CCKVL Holding BV

	COMPANY					
	31/12/09				2009	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	1,491	1,754	28,767	-	3,480	2,474
Frigorífico Tacuarembó S.A.	-	548	116,457	-	3,925	-
Inaler S.A.	-	125	6,509	-	2,515	-
Marfrig Chile Inversiones Ltda	1,643	-	-	-	441	8,127
Weston Importers Ltd.	45,195	-	-	-	-	54,850
MFB Marfrig Frigoríficos Brasil S.A	-	2,091	7,831	-	650	19,324
Pampeano Alimentos S.A.	11,654	9	79,413	-	198	58,234
Cledinor S.A.	-	537	-	-	2,876	-
Frigorífico Mabella Ltda	6,719	4,695	421,755	-	18,068	661
Masplen Limited	-	-	78	-	-	-
Dagranja Agroindustrial Ltda	5,868	-	114,696	-	3,818	5,432
Marfood USA Inc	-	-	54,255	-	-	-
Establecimientos Colonia S.A.	-	855	-	-	5,932	-
Quickfood S.A.	-	1,752	-	-	5,372	-
Moy Park Limited	-	-	17,443	-	-	-
Moy Park Holdings Europe Limited	-	-	69	-	-	-
Marfrig Holdings BV	-	-	276,158	-	-	-
Braslo Produtos de Carne Ltda	6,105	-	35,767	-	16,256	76,339
MBL Alimentos Ltda	-	-	69	-	-	1,079
Mas Frangos Part. Ltda	-	-	2,935	-	-	-
Penasul Alimentos Ltda	3,934	-	-	61,865	39	2,192
Agrofrango Ind. Com. Alim. Ltda	1,073	-	51,136	-	-	42
Seara Holding BV (1)	-	-	-	-	-	-
Marcos Antonio Molina dos Santos	-	3,746	-	-	21,134	-
	<u>83,682</u>	<u>16,112</u>	<u>1,213,338</u>	<u>61,865</u>	<u>84,704</u>	<u>228,754</u>

Marfrig Alimentos S.A.

	COMPANY					
	01/01/09				2008	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	-	39,277	-	4,208	-
Frigorífico Tacuarembó S.A.	-	936	16,087	-	3,935	-
Inaler S.A.	-	1,056	10,035	-	4,282	-
Marfrig Chile Inversiones Ltda	-	-	168	-	-	-
Weston Importers Ltd.	7,186	-	-	-	-	15,040
Frigoclass Alimentos S.A.	-	-	306	43,107	-	-
Pampeano Alimentos S.A.	-	-	-	102	-	63,976
Cledinor S.A.	-	1,513	-	-	4,428	-
Frigorífico Mabella Ltda	-	-	136,878	-	10,140	-
Masplen Limited	-	-	104	-	-	-
Dagranja Agroindustrial Ltda	-	-	66,846	-	-	-
Mirab USA	-	-	68,671	-	-	-
Establecimientos Colonia S.A.	-	1,640	-	-	4,195	-
Quickfood S.A.	-	4,614	-	-	4,366	-
Moy Park Limited	-	-	23,370	-	-	-
Moy Park Holdings Europe Limited	-	-	626,660	-	-	-
Braslo Produtos de Carne Ltda	-	-	15,551	-	-	-
Marcos Antonio Molina dos Santos	-	843	-	-	17,210	-
	<u>7,186</u>	<u>10,602</u>	<u>1,003,953</u>	<u>43,209</u>	<u>52,764</u>	<u>79,016</u>

	Consolidated					
	Accounts payable			Total purchases in the period		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Marcos Antonio Molina dos Santos	5,984	3,746	843	41,057	21,134	17,210
Marcia Aparecida Pascoal Marçal dos Santos	3,888	-	-	17,034	-	-
	<u>9,871</u>	<u>3,746</u>	<u>843</u>	<u>58,091</u>	<u>21,134</u>	<u>17,210</u>

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements. No amounts were paid to the controlling shareholder or to its partners for the collaterals offered. In case of default, creditors can demand payment directly from the controlling shareholder and from its partners and, if they make the payment, they will be entitled to reimbursement from the Company.

Mr Marcos Antonio Molina dos Santos and his wife acquired a property in the State of São Paulo on 27 April 2007 through Maremar - Administração de Bens S/C Ltda., which is controlled by them. This property engages in genetic studies to improve breeds of beef cattle. From mid 2008, the property began to operate a feedlot for 7,800 animals, which are slaughtered in the Company's beef packing plants. There are no other relations with directors or shareholders of Marfrig Group.

The transactions mentioned in the previous paragraph were conducted according to the market price of the 'arroba'¹ of cattle used by the Company at the acquisition date, based on suitable parameters published by Escola Superior de Agricultura Luiz de Queiroz (ESALQ).

According to the Company's by-laws, the Board of Directors should approve any transactions or group of transactions involving the Company and any direct or indirect related parties, whose annual value is equal to or exceeds the limit the Board of Directors defined for Management. Related party should be understood as any manager, employee or shareholder of the Company that holds, directly or indirectly, more than a 10% interest in the Company's share capital.

All relations between the Company's affiliates and subsidiaries are described in note 1 - OPERATIONS.

Related-party transactions between Marfrig Group companies are represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital, always under conditions similar to the ones that would be applicable to non-related parties.

Intercompany loans are taken out under contracts establishing different rates and terms. The agreement terms are of approximately two years. Loan rates vary from 1% p.a. to 3% p.a. + LIBOR (London Interbank Offered Rate), the latter applied to transactions with foreign subsidiaries.

Purchases and sales are made at market values. No guarantees or allowances for doubtful accounts are required. These transactions involve purchase and sale of *in natura* meat and cattle, poultry, lamb and pork processed products.

Transactions between subsidiaries do not have an impact on consolidated financial statements, given that they are eliminated in consolidation.

¹ Arroba = A unit of weight equivalent to 15 Kg.

10. DEFERRED FEDERAL TAX ASSETS

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Income tax	282,505	166,139	230,078	693,552	231,890	260,308
Social contribution tax	103,409	59,809	82,829	199,548	78,766	89,346
	<u>385,914</u>	<u>225,948</u>	<u>312,907</u>	<u>893,100</u>	<u>310,656</u>	<u>349,654</u>
Current assets	-	-	-	-	-	-
Non-current assets	<u>385,914</u>	<u>225,948</u>	<u>312,907</u>	<u>893,100</u>	<u>310,656</u>	<u>349,654</u>

Tax credits recognised for income and social contribution tax losses are supported by taxable income projections based on feasibility studies that are annually reviewed by the Company's Management. These studies consider the profitability history of the Company and its subsidiaries and the prospect of maintaining in the future the current profitability, allowing an estimate of recovery of tax credits. Other tax credits, which are based on temporary differences, especially tax contingencies and provision on losses, were recognized according to the expected realization.

Deferred taxes consist of deferred income and social contribution taxes, calculated on taxes whose payment has been suspended (provisions), which were added to the taxable income and the social contribution tax basis in prior periods and calculated on tax losses, temporary additions and future utilization for tax purposes of goodwill paid due to future profitability, which will be realised from 2011 to 2017.

Below is a roll forward of deferred taxes as of 31 December 2010:

Description	Company		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Opening balance as of 1 January 2009	202,644	72,953	226,421	77,147
Adjustments for adoption of IFRS				
Deferred taxes on temporary add-backs/deductions	27,434	9,876	33,887	12,199
Adjusted balance as of 1 January 2009	230,078	82,829	260,308	89,346
(-) Realisation due to tax utilisation of goodwill	(18,359)	(6,602)	(14,212)	(4,989)
(-) Tax utilisation under new REFIS	(29,444)	(10,600)	(35,655)	(12,845)
(-) Realisation of deferred taxes on tax losses	(27,616)	-	(10,435)	(375)
Deferred taxes on tax losses	-	-	(5,567)	(14,934)
Deferred taxes on social contribution tax losses	-	-	-	15,186
(-) Realisation of deferred taxes on social contribution tax losses	-	(9,951)	-	(3,383)
Deferred taxes on temporary add-backs/deductions	11,480	4,133	14,671	5,441
Other	-	-	22,780	5,319
Ending balance as of 31 December 2009	<u>166,139</u>	<u>59,809</u>	<u>231,890</u>	<u>78,766</u>

Description	Company		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Opening balance as of 01 January 2010	166,139	59,809	231,890	78,766
(-) Realisation due to tax utilisation of goodwill	(19,596)	(7,051)	(19,864)	(7,051)
(-) Realisation of deferred taxes on tax losses	(8,275)	-	(23,477)	(859)
Deferred taxes on tax losses	129,543	22,608	323,244	11,951
Deferred taxes on social contribution tax losses	-	25,748	-	116,544
(-) Realisation of deferred taxes on social contribution tax losses	-	(2,979)	-	(18,977)
Deferred taxes on temporary add-backs/deductions	2,235	789	35,990	11,700
(-) Realisation of deferred taxes on temporary add-backs/deductions	(19)	(7)	(6,272)	(2,772)
IFRS adjustments	12,478	4,492	26,829	8,982
Reversal of provision for non-realisation of deferred taxes	-	-	(10,904)	19
Other			136,116	1,245
Ending balance as of 31 December 2010	<u>282,505</u>	<u>103,409</u>	<u>693,552</u>	<u>199,548</u>

The expectation for recoverability of Company's and its subsidiaries' deferred asset balances is based on an appraisal report prepared by skilled professionals. The value in use for credits is estimated based on the present value of future cash flows, which results of the Company's best estimates for future generations of taxable income. The projected discounted cash flow considered the changes in the economy involving the Company's business markets, as well as assumptions for expected results and history of profitability for each segment. Discount rates ranged from 8.9% to 11% p.a. depending on the business specific characteristics and the countries where it operates.

The expected realisation of "Deferred Tax Assets" is as follows:

Year	Company	Consolidated
2010	-	-
2011	61,565	126,494
2012	198,448	296,261
2013	125,901	275,139
2014	-	165,274
2015 to 2017	-	29,932
	<u>385,914</u>	<u>893,100</u>

In the year ended 31 December 2010 the Company realised R\$79,272 of deferred tax assets by utilising the goodwill for tax purposes and offsetting it against income and social contribution tax losses.

11. INVESTMENTS

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Owership interest in subsidiaries	4,796,090	1,603,013	1,360,519	-	-	-
Other investments	135	135	128	10,040	742	1,194
	<u>4,796,225</u>	<u>1,603,148</u>	<u>1,360,647</u>	<u>10,040</u>	<u>742</u>	<u>1,194</u>

11.1. INVESTMENTS (COMPANY)

	No. of units of interest/shares	Ownership percentage in voting capital (1)	Trading on the stock exchange	Share capital	Equity	Net income (loss) for the period
Argentine Breeders & Packers S.A	-	-	-	-	-	-
MFB Marfrig Frigoríficos Brasil S.A. (2)	78,573,743	100.00	No	78,574	51,700	978
Marfrig Chile Inversiones Ltda	13,358,426,280	99.47	No	41,450	36,890	6,406
Inaler S.A	66,247,320	100.00	No	2,444	34,671	5,859
Frigorífico Tacuarembó S.A	166,925,258	93.53	No	10,885	93,234	7,598
Weston Importers Ltd	1,338,278	100.00	No	20,963	16,205	(4,764)
Masplen Limited	100	100.00	No	0	(1,571)	(22,762)
Prestcott International S.A	79,638,916	100.00	No	4,869	35,899	444
Secculum Participações Ltda	9,200,000	99.00	No	9,200	5,147	(1,346)
União Frederiquense Partic. Ltda	552,031,080	99.99	No	552,031	480,361	(124,837)
QuickFood S.A	21,419,606	90.05	Yes	26,947	238,962	9,840
Establecimientos Colonia S.A	80,647,477	100.00	No	43,740	61,981	(6,834)
Marfrig Holdings(Europe) BV	3,509,714	100.00	No	880,920	1,097,149	29,561
Seara Holding BV (1)	490,285,420	100.00	No	1,261,248	2,234,935	461,690
Columbus Netherlands	27,087,661	100.00	No	63,506	117,396	40,993
Marfood USA	50,000	100.00	No	83	6,706	(1,263)
Marfrig Overseas	1	100.00	No	-	(35,515)	(37,516)
Keystone Foods International Holdings LLC	-	100.00	No	479,622	491,158	9,610
Total				<u>3,476,482</u>	<u>4,965,308</u>	<u>373,657</u>

(1) The subsidiaries' total capital equals their voting capital.

(2) Current name of Frigoclass Alimentos S.A.

11.2. BREAKDOWN OF INVESTMENTS (COMPANY)

	Book balance as of 1 January 2009	Equity adjustment	Purchase of shares	Capital increase	Investments for the year	Equity in earnings (losses) of subsidiaries	Exchange rate movements in calculation of equity in earnings (losses) of subsidiaries	Book balance as of 31 December 2009
Argentine Breeders & Packers S.A.	166,362	103	-	21,588	21,588	(17,921)	(51,165)	118,967
MFB Marfrig Frigoríficos do Brasil S.A. (1)	49,527	-	-	-	-	4,022	-	53,549
Marfrig Chile Inversiones Ltda.	26,185	(225)	-	-	-	12,953	(8,090)	30,823
Inaler S.A.	28,767	(666)	-	-	-	10,329	(8,008)	30,422
Frigorífico Tacuarembó S.A.	98,085	(894)	-	-	-	12,293	(25,535)	83,949
Weston Importers Ltd.	18,633	15,426	-	-	-	6,546	(20,468)	20,137
Masplen Limited	62,525	158	-	-	-	(9,450)	149	53,382
Prestcott International S.A.	36,032	89	-	-	-	11,105	(10,150)	37,076
Secculum Participações Ltda.	41,385	1,321	-	-	-	(3,557)	(1,698)	37,451
União Frederiquense Partic. Ltda.	643,318	1,105	-	-	-	(80,594)	3,683	567,512
QuickFood S.A	94,556	(760)	1,211	-	1,211	24,718	(32,817)	86,908
Establecimientos Colonia S.A	95,144	43	-	-	-	513	(24,178)	71,522
Marfrig Holdings(Europe) BV	-	(323,695)	-	638,325	638,325	70,388	26,297	411,315
Total	1,360,519	(307,995)	1,211	659,913	661,124	41,345	(151,980)	1,603,013

	Book balance as of 31 December 2009	Equity adjustment	Purchase of shares	Capital increase	Investments for the year	Equity in earnings (losses) of subsidiaries	Exchange rate movements in calculation of equity in earnings (losses) of subsidiaries	Book balance as of 31 December 2010
Argentine Breeders & Packers S.A.	118,967	(5,865)	(145,971)	81,257	(64,714)	(41,829)	(6,559)	-
MFB Marfrig Frigoríficos Brasil S.A. (1)	53,549	8	-	-	-	(39,715)	-	13,842
Marfrig Chile Inversiones Ltda.	30,823	(203)	-	-	-	6,427	(351)	36,696
Inaler S.A.	30,422	(233)	-	-	-	5,794	(1,390)	34,593
Frigorífico Tacuarembó S.A.	83,949	(57)	-	-	-	6,885	(3,713)	87,064
Weston Importers Ltd.	20,137	3,577	-	-	-	(7,438)	(1,117)	15,159
Masplen Limited	53,382	1,537	-	-	-	(22,916)	-	32,003
Prestcott International S.A.	37,076	59	-	-	-	447	(1,683)	35,899
Secculum Participações Ltda.	37,451	3,386	-	-	-	(1,615)	-	39,222
União Frederiquense Partic. Ltda.	567,512	(18,194)	-	453,582	453,582	(164,314)	-	838,586
QuickFood S.A	86,908	9,470	115,264	-	115,264	8,116	(4,673)	215,085
Establecimientos Colonia S.A	71,522	29	-	-	-	(6,940)	(2,632)	61,979
Marfrig Holdings(Europe) BV	411,315	46,160	-	276,157	276,157	21,118	46,601	801,351
Seara Holding BV	-	88,347	1,262,804	-	1,262,804	653,716	-	2,004,867
Columbus Notherlands	-	(2,916)	71,456	-	71,456	40,983	7,873	117,396
Marfood USA	-	2,714	8,446	-	8,446	(1,303)	(3,151)	6,706
Marfrig Overseas	-	1,108	-	-	-	(37,909)	1,286	(35,515)
Keystone Foods International Holdings LLC	-	(513)	483,941	-	483,941	9,610	(1,881)	491,157
Total	1,603,013	128,414	1,795,940	810,996	2,606,936	429,117	28,610	4,796,090

(1) Current name of Frigoclass Alimentos S.A.

11.3. BUSINESS COMBINATION

According to the “Optional exemptions in IFRS”, the Company has used the prerogative provided for in IFRS 1 for business combinations occurring prior to the transition date to IFRS. This considered, given the relevance of Moy Park Group acquisition on 1 October 2008, the Company used such exemption on the purchase of OSI Group (Moy Park and Kitchen Range), applying IFRS 3 prospectively to all business acquisitions since then. Business combinations made as from 1 October 2008 were the acquisition of SEARA Group on 4 January 2010, Gideny S.A. (Zenda Group) on 20 January 2010, O’Kane Poultry on 3 August 2010 through Moy Park Group and Keystone Foods on 1 October 2010. Therefore, business combinations concluded prior to 1 October 2008 were not adjusted according to IFRS 3 (R), and the goodwill for all such acquisitions is equal to the book value, in accordance with BR GAAP effective in those dates.

For the purposes of IFRS 3 (R) adoption, fair values for assets acquired and liabilities assumed were determined. The acquisition price was allocated among the identified assets acquired and liabilities assumed, and intangible assets were considered that were not recognized in the books of the acquired entities, such as trademarks and customer list, when applicable. Expenses incurred with the acquisition were recognised in the Company's statement of income, when incurred, and not being included in acquisition cost. We analyzed the contingent liabilities as defined in IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) in accordance with the exception allowed by IFRS 3 (R) for the purpose of including in the acquisition balance certain contingent provisions that would not be provisioned according to IAS 37 requirements.

Below there is information on business combinations performed as from the acquisition of Moy Park group by 31 December 2010.

11.3.1. Acquisition of OSI Group on 1 October 2008:

The Company, through its subsidiary Moy Park Holding Europe Limited, gained control of Moy Park, Kitchen Range and OSI Group's Brazilian operations for R\$1,161 thousand (equivalent to \$606,243) after adjusting the initial purchase price. The purchase price was R\$550,781 in cash paid at the transaction date, 20,117,000 shares of Marfrig Alimentos S/A to the former Moy Park Group's controllers, and an earn-out payment of R\$421,146 (equivalent to \$220,000) should the acquired business achieve certain future performance rates. The Company's Management, based on evaluation of projected performance of such company considered at the acquisition date, understood that it should include the earn-out payment in the purchase price value. The earn-out payment is made to the extent that certain performance rates are being achieved, and the payment deadline is 31 October 2011.

The OSI Group businesses in Brazil and in several European countries included 15 plants in the segment of processed poultry products and other animal proteins. The Brazilian businesses acquired from OSI Group were: Braslo Produtos de Carnes Ltda. (an important supplier of value-added products in meat and poultry to fast food networks), Penasul Alimentos Ltda. (processed products from chickens and pigs, with vertically integrated production and owner of "Pena Branca" trademark in the South region of Brazil), and Agrofrango Indústria e Comércio de Alimentos Ltda. (slaughtering of chickens with vertically integrated production).

In Europe, the Moy Park Group's businesses were based in the UK in a number of units located in Northern Ireland, England, France and Netherlands covering the UK's largest vertically integrated business of processed in-nature and value added products made of chicken, with processed product operations also in France. The acquisition also includes Kitchen Range Foods, with activities in the production and distribution of food products, including frozen products, vegetables and bakery products in UK, as well as Albert Van Zoonen BV, with activities in the production and distribution of value-added frozen products in the Netherlands.

The following table summarizes the effects of IFRS 3 (R) adjustments on the net assets of the acquired company against the purchase price, thus resulting in goodwill generated on this business combination:

	R\$ thousand
Net assets with no business combination adjustments	362,814
Business combination adjustments	
(-) Intangible write-off	(4,344)
(+) Fixed asset appreciation	256,569
(+) Trademarks and patents	570,474
(+) Other	83,226
	<u>905,925</u>
Income tax charge	28%
Deferred tax	(254,875)
Net assets adjusted by business combination	<u>1,013,863</u>
Purchase value	1,160,531
(=) Goodwill on business combination	<u><u>146,668</u></u>

Intangible write-off amounting to R\$4,344 represents the recognition for impairment losses of prior intangible amounts which were considered as impossible to recover.

Fixed asset appreciation amounting to R\$256,569 was calculated based on the appraisal of skilled specialists at the acquisition date. The appreciation calculated for 95% of the assets was then extended to all remaining assets. The appreciation was calculated taking into account the replacement cost adjusted by the proportional depreciation cost considering the useful economic life which was identified by specialists.

The brand valuation in the amount of R\$570,474 represents the assignment of value to Moy Park and Kitchen Range brands, while valuation of the customer list amounting to R\$83,226 was made based on the expected return that such customer will generate in the future. Both the brand and the client list values were calculated based on the relief-from-royalty method, which derives from the income approach. This methodology is widely used by experts in the valuation of trademarks, patents, licenses and other intangibles, and it considers that the intangible is another entity's property, which then would charge royalties for the privilege of using it.

No contingent liabilities were identified as defined in IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) in accordance with the exception allowed by IFRS 3 (R) for inclusion of certain contingent provisions in the acquisition balance that would not be provisioned according to IAS 37 requirements.

Deferred income tax, which is calculated based on the effective rate of the country where the Company operates, is calculated over the temporary differences generated by the business combination.

11.3.2. Acquisition of SEARA group as of 4 January 2010:

The Company, through Seara Holding Europe BV (new corporate name of Seara CCKVL), acquired 100% of Seara Alimentos SA Group and its affiliates in Europe and Asia on 4 January 2010. There is no earn-out payment in the purchase and sell agreement for SEARA group.

Seara operates in the Brazilian animal protein business segment (poultry, pork and processed products), including operations performed by its affiliates in Europe and Asia, in addition to 12 plants in the segment of value-added processed products and a port terminal.

The following table summarizes the effects of IFRS 3 (R) adjustments on the net assets of the acquired company against the purchase price, thus resulting in revenue generated on this business combination:

	R\$ thousand
Net assets with no business combination adjustments	636,720
Business combination adjustments	
(-) Inventory valuation adjustment	(18,476)
(+) Fixed asset appreciation	772,759
(+) Value attributed to SEARA brand	592,650
(-) Contingent liabilities	(40,601)
	<u>1,346,933</u>
Income tax charge	34%
Deferred tax	(457,957)
Net asset adjusted by business combination	<u>1,485,095</u>
Purchase value	<u>1,291,481</u>
(=)Gains on business combination	<u>(193,614)</u>

Adjustment reducing inventories in net assets amounting to R\$18,476 was due to an additional provision for realisation of R\$25,193 less the appreciation effect at fair value of R\$6,717.

Fixed asset appreciation amounting to R\$772,759 was calculated by skilled specialists hired by the Company at the acquisition date. Appreciation was calculated based on the replacement cost against the market price of assets in the same situation. On a summarised basis, the valuation methods consider the comparative market price of goods used against the replacement value. The main reason for the large amount of appreciation arises from the fact that the Seara Group's assets are significantly depreciated at the valuation date under the accounting standards in effect at the time.

Value definition for SEARA brand amounting to R\$592,650 was also calculated based on the relief-from-royalty method, which derives from the income approach. This methodology is widely used by experts in the valuation of trademarks, patents, licenses and other intangibles, and it considers that the intangible is another entity's property, which then would charge royalties for the privilege of using it. The main reason for the appreciation of SEARA brand is due to its massive presence in the Brazilian market.

We identified a contingent liability in the amount of R\$40,601 as defined by IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) in accordance with the exception allowed by IFRS 3 (R) for inclusion of certain contingent provisions in the acquisition balance that would not be provisioned according to IAS 37 requirements. This contingent liability was assessed in the period following the business combination as required under IFRS 3 (R) between the higher amount of the original value of the liability originally established and the amount that would be calculated according to IAS 37. This liability, under IFRS 3 (R), will be written off only with the extinction of its respective generating act.

Deferred income tax, which is calculated based on the effective rate of the country where the Company operates, is calculated over the temporary differences generated by the business combination.

11.3.3. Acquisition of Gideny S.A.(Zenda Group) on 20 January 2010:

On 20 January 2010 the Company acquired 51% of Gideny S.A. (Zenda Group) and its affiliates in Latin America, South Africa, United States and Europe. There is no earn-out payment in the purchase and sell agreement for Zenda group.

Zenda Group is located in Uruguay and its main activity is the processing and commercialisation of processed and cut leather.

The following table summarizes the effects of IFRS 3 (R) adjustments on the net assets of the acquired company against the purchase price, thus resulting in revenue generated on this business combination:

	RS thousand
Net assets with no business combination adjustments	62,561
Business combination adjustments	
(+) Inventory adjustment at fair value	7,891
(+) Fixed asset appreciation	27,002
(+) Other	25,167
	60,061
Average tax charge	29%
Deferred tax	(16,724)
Net assets adjusted by business combination	105,897
Purchase value	68,049
Purchase price adjustment	(17,399)
Adjusted purchase value	50,650
(=)Ganho na combinação de negócio	(55,247)

Intangible amount represented by the client list amounting to R\$25,167 was made based on the calculation method which considered the relief-from-royalty method, which derives from the income approach.

Inventory adjustment arose from the calculation of its fair value at the acquisition date, considering market prices.

Fixed asset appreciation was calculated by specialists hired by the Company, considering the replacement price against market price for used assets.

Deferred income tax, which is calculated based on the effective rate of the country where the Company operates, is calculated over the temporary differences generated by the business combination.

11.3.4. Acquisition of O’Kane Poultry on 3 August 2010:

On 3 August 2010, the Company acquired 100% of O’Kane Poultry for the amount of R\$73,509 (equivalent to £26,200), with a payment of 50% being made on acquisition date and the remainder to be paid in June 2011. The amount paid was close to the net assets acquired, with the effects of fair value adjustments being considered immaterial. The Company has calculated a gain on the business combination amounting to R\$6,474.

O’Kane Poultry Ltd is a vertically integrated company of poultry and turkeys and it brings to Moy Park diversification in products including chickens and turkeys.

11.3.5. Acquisition of Keystone Foods on 1 October 2010:

On 1 October 2010 the Company acquired 100% of Keystone Foods and its affiliates in Europe and Asia. There is no earn-out payment in the purchase and sell agreement for Keystone Foods International.

Keystone Foods is a global company engaged in development, production, marketing and distribution of food based on chicken, fish, pork and beef meat, which is specialized in food service activity, with operations in the United States, Europe and Asia.

The following table summarizes the effects of IFRS 3 (R) adjustments on the net assets of the acquired company against the purchase price, thus resulting in revenue generated on this business combination:

	R\$ thousand
Net assets with no business combination adjustments	103,609
Business combination adjustments	
(-) Onerous agreements	(19,541)
(+) Fixed asset appreciation	185,662
(+) Value attributed to Keystone brand	394,410
(+) Other	657,013
	1,321,153
Deferred tax	(184,512)
Net assets adjusted by business combination	1,136,641
Purchase value	1,525,204
(=) Goodwill on business combination	388,563

Fixed asset appreciation amounting to R\$185,675 was calculated based on the appraisal of skilled specialists hired by the Company at the acquisition date. Appreciation was calculated based on the combination of two calculation methods: the replacement cost and the asset fair value calculated in normal business conditions.

Determination of the Keystone Foods brand value and client list amounting to R\$1,051,422 (R\$394,409 as brand and R\$657,013 as client list) was also calculated based on the relief-from-royalty method, which derives from the income approach. This methodology is widely used by experts in the valuation of trademarks, patents, licenses and other intangibles, and considers that the intangible is another entity's property, which then would charge royalties for the privilege of using it. The major client of the entity is the main reason for the valuation of the client list.

The adjustment of provision for onerous agreements amounting to R\$19,541 was based on a review of certain agreements for which losses on their realisation were estimated. The provision value was calculated at its present value.

Deferred income tax, which is calculated based on the effective rate of the country where the Company operates, is calculated over the temporary differences generated by the business combination.

Such investments have been properly accounted for on the equity method, since they relate to subsidiaries. The financial statements of those companies for the period ended 31 December 2010 and 2009 were prepared according to legislation in effect in each country where companies are located and were reviewed by independent auditors, to be converted into the International Financial Reporting Standards - IFRS and expressed in US dollars. They were then converted into Brazilian accounting practices and translated into Brazil's local currency.

12. PROPERTY, PLANT AND EQUIPMENT

As mentioned in note 2, pursuant to CPC 27 (Property, Plant and Equipment) and ICPC 10 (Explanations about CPC 27 and CPC 28), the Company and its local subsidiaries have adopted fair value as deemed cost for property, plant and equipment, mainly for classes as below:

Company & Consolidated	
Class of property, plant and equipment	Adopted methodology
Plots of land	Comparison of market data
Constructions and buildings	Value evolution method
Machinery and equipment	Value evolution method
Furniture	Value evolution method
Facilities	Value evolution method
IT equipment	Value evolution method
Vehicles	Value evolution method

- Comparison of market data method - according to NBR 14.653 from ABNT (Brazilian Association of Technical Standards)
- Value evolution method - item 8.2.4 of NBR 14.653-2 from ABNT (Brazilian Association of Technical Standards)

Deemed values were determined through appraisal report prepared by independent appraisers, as below:

Companies	Base date	Division	Appraiser	Marfrig Group
				Report amount R\$
Marfrig Alimentos S/A - parent company	31.12.2008	Cattle	Câmara de Consultores Associados Ltda-CCA	1,060,895
Masplen Ltd / Pampeano	31.12.2008	Cattle	Câmara de Consultores Associados Ltda-CCA	82,896
Seara Holdings (Europe) B.V.	31.12.2009	Poultry and pork	Câmara de Consultores Associados Ltda-CCA	1,431,196
Secculum Participações Ltda.	31.12.2009	Poultry and pork	Mercato Assessoria e Avaliações Ltda.	10,952
União Frederiquense	31.12.2009	Poultry and pork	Mercato Assessoria e Avaliações Ltda.	1,022,270
Marfrig Holding (Europe)-B.V.-Moy Park	NA	Poultry and pork	Not applied (business combination)	255,555
Total report - gross amounts				3,863,764
(-) Report depreciation - apparent age				(2,318,169)
Total "Deemed Cost" impact				1,545,595

The report was prepared according to the guidelines established by NBR-14.653 Standards, specifically: NBR - 14653-1, NBR - 14653-2 and NBR - 14653-5 from the Brazilian Association of Technical Standards - ABNT, and strict observance of principles included in the Code of Professional Ethics of the Federal Council of Engineering and Architecture - CONFEA and the Legal Engineering Institute - IEL, as well as other principles included in the related legislation.

Considerations for technical inspections:

1. Inspection
2. Property titles and other documents
3. Site characterization
4. Characterization of revalued industrial unit
5. Revaluation of land area, improvements and installations
6. Total value of improvements, installations and land area
7. Valuation of machinery, equipment, furniture and other items
8. Conclusion
9. Attachments

The adoption of this valuation on 1 January 2009 resulted in an adjustment of R\$1,545,595, of which R\$324,007 is in the Company's fixed assets and R\$1,221,590 in subsidiaries' assets. Deferred income and social contribution taxes - liabilities were recognised on the adjustment, amounting to R\$525,502. An offsetting entry to these values was recorded in the Company's and its subsidiaries' equity, in the group "Asset and liability valuation adjustments", net of applicable taxes.

Note that the deemed cost values arise from business combination adjustments as previously described in note 11.

The subsidiaries abroad did not decide to adopt the deemed cost for its property, plant and equipment, as it did not identify assets with significant value whose book values were substantially below or above their fair values.

The Company and its domestic subsidiaries reviewed the depreciation rates of their property, plant and equipment at the end of 2009 and changed the estimated individual useful lives of their assets included in the groups as shown below for 2010. Such evaluation was made with the aid of the specialized companies aforementioned.

Below are the annual depreciation rates according to the straight-line method that were applicable to 2009 and for the years from 1 January 2010, defined based on the useful lives of assets:

Company & Consolidated			
Class of property, plant and equipment	Adopted methodology	Prior depreciation	Actual depreciation
Plots of land	Comparison of market data	0%	0%
Constructions and buildings	Value evolution method	4%	1.6% to 50.0%
Machinery and equipment	Value evolution method	10%	3.6% to 25.0%
Furniture	Value evolution method	10%	5.6% to 25.0%
Facilities	Value evolution method	5%	3.7% to 14.3%
IT equipment	Value evolution method	20%	4.3% to 20.0%
Vehicles	Value evolution method	20%	8.3% to 25.0%

- Comparison of market data method - according to NBR 14.653 from ABNT (Brazilian Association of Technical Standards)
- Value evolution method - item 8.2.4 of NBR 14.653-2 from ABNT (Brazilian Association of Technical Standards)

The difference between the application of new useful life rates and the deemed cost depreciation generated revenue for the year ended 31 December 2009 amounting to R\$5,440, of which R\$5,232 refers to the parent company, and as of 31 December 2010 amounting to R\$18,899, of which R\$4,834 is from the parent company, totalling R\$24,339 and R\$10,066, as accumulated depreciation effect for the consolidated and individual (Company) balance sheets as of 31 December 2010, respectively.

The opening values for the report were R\$2,235,688 and R\$890,682, Consolidated and Company respectively, excluding the construction in progress, advance for purchases, spending on software projects and branches that no longer belong to the Marfrig group, totalling a write-down of R\$247,888 and R\$153,792 (Company) and the value considered for the report of R\$1,987,800 (R\$736,890, Company), concluding a closing balance for valued goods of R\$3,608,209 as already shown above (R\$1,060,895 - Company).

Balances for property, plant and equipment are as follows:

Description	Average annual depreciation rates %	31/12/08		01/01/09	Company 31/12/09			
		Net	Deemed cost	Net	Additions in 2009	Write-offs in 2009	Depreciation in 2009	Net
Plots of land	-	2,118	18,043	20,161	11,124	-	-	31,285
Buildings	4%-50%	254,918	103,286	358,204	10,080	-	(8,183)	360,101
Machinery and equipment	3.6%-25%	149,650	4,008	153,658	22,567	(1,375)	(13,384)	161,466
Furniture and fixtures	5.6%-25%	3,799	702	4,501	977	-	(679)	4,799
Facilities	3.7%-14.3%	150,737	104,522	255,259	15,080	-	(12,373)	257,966
Vehicles	8.3%-25%	449	3,812	4,261	951	(168)	(1,446)	3,598
IT equipment	4.3%-20%	2,397	796	3,193	2,051	(487)	(1,434)	3,323
Aircraft	20%	306	-	306	-	-	(77)	229
Advance for acquisition of property, plant and equipment	-	14,507	-	14,507	9,104	(5,750)	-	17,861
Leasehold improvements	4%-50%	2,253	-	2,253	23	-	(4)	2,272
Lease - vehicles	8.3%-25%	19,861	9,351	29,212	8,801	-	(2,462)	35,551
Lease - computer hardware	4.3%-20%	12,768	(986)	11,782	674	(7,608)	(1,741)	3,107
Lease - machinery	3.6%-25%	22,957	6,130	29,087	3,704	-	(1,891)	30,900
Lease - facilities	3.7%-14.3%	72,449	42,491	114,940	2,345	-	(4,780)	112,505
Lease - buildings	4%-50%	61,471	31,813	93,284	1,417	-	(2,253)	92,448
Construction in progress	-	102,484	-	102,484	117,275	(16,132)	-	203,627
Software	4.3%-20%	17,015	39	17,054	14,330	(13,487)	(1,088)	16,809
Other	5%-10%	543	-	543	7,800	-	-	8,343
		890,682	324,007	1,214,689	228,303	(45,007)	(51,795)	1,346,190

Description	Average annual depreciation rates	Adjusted and revalued cost	Accumulated depreciation	Company	
				31/12/10	31/12/09
				Net	Net
Plots of land	-	40,171	-	40,171	31,285
Buildings	4%-50%	469,227	(43,732)	425,495	360,099
Machinery and equipment	3.6%-25%	257,908	(74,147)	183,761	161,466
Furniture and fixtures	5.6%-25%	8,120	(2,205)	5,915	4,799
Facilities	3.7%-14.3%	359,572	(32,003)	327,569	257,966
Vehicles	8.3%-25%	15,480	(12,753)	2,727	3,598
IT equipment	4.3%-20%	7,624	(4,632)	2,992	3,323
Aircraft	20%	382	(229)	153	229
Advance for acquisition of property, plant and equipment	-	11,681	-	11,681	17,861
Leasehold improvements	4%-50%	2,978	-	2,978	2,272
Lease - vehicles	8.3%-25%	40,453	(17,205)	23,248	35,551
Lease - computer hardware	4.3%-20%	16,075	(7,843)	8,232	3,107
Lease - machinery	3.6%-25%	38,136	(6,021)	32,115	30,900
Lease - facilities	3.7%-14.3%	123,978	(16,457)	107,521	112,505
Lease - buildings	4%-50%	100,612	(10,419)	90,193	92,448
Construction in progress	-	195,555	-	195,555	203,630
Software	4.3%-20%	-	-	-	16,809
Other	5%-10%	238	(70)	168	8,342
		<u>1,688,190</u>	<u>(227,716)</u>	<u>1,460,474</u>	<u>1,346,190</u>

Changes in Property, plant and equipment

	Company			
	31.12.09	Additions	Write-offs	Depreciation
	31.12.10			
Plots of land and buildings	483,026	85,519	(243)	(13,054)
Machinery and equipment	195,444	44,145	(2,803)	(17,551)
Industrial facilities	370,470	84,035	-	(19,593)
Vehicles	39,149	1,152	(9,473)	(4,885)
Constructions	203,631	150,361	(164,869)	-
Other	54,470	14,566	(28,210)	(4,813)
	<u>1,346,190</u>	<u>379,778</u>	<u>(205,598)</u>	<u>(59,896)</u>
				<u>1,460,474</u>

Description	Annual average depreciation rates	Consolidated								
		31/12/08	01/01/09	31/12/09						
		Net	Deemed cost	Adoption of CPC 29	Revaluation reserve write-off	Net	Add-backs in 2009	Deductions in 2009	Reclassification CPC 29	Depreciation in 2009
										Net
Plots of land	-	57,406	128,150	-	(22,310)	163,246	31,556	(25,860)	-	168,942
Buildings	1.6%-50%	830,400	842,888	-	(58,724)	1,614,564	75,465	(142,284)	-	1,456,764
Machinery and equipment	3.6%-25%	602,263	335,480	-	(41,071)	896,672	223,040	(50,056)	-	886,899
Furniture and fixtures	5.6%-25%	20,055	4,599	-	-	24,654	22,193	-	-	34,079
Facilities	3.7%-14.3%	189,455	140,558	-	(3,358)	326,655	17,686	-	-	336,952
Vehicles	8.3%-25%	7,490	3,745	-	-	11,235	2,301	(773)	-	11,052
IT equipment	4.3%-20%	16,933	1,282	-	-	18,215	12,369	(830)	-	17,209
Aircraft	20%	306	-	-	-	306	-	-	-	229
Advance for acquisition of property, plant and equipment	-	20,416	-	-	-	20,416	11,612	(13,754)	-	18,274
Leasehold improvements	4%-50%	15,393	-	-	-	15,393	1,386	(10,448)	-	16,779
Lease - vehicles	8.3%-25%	19,950	9,351	-	-	29,301	8,758	(82)	-	35,571
Lease - computer hardware	4.3%-20%	13,059	(986)	-	-	12,073	674	(7,899)	-	3,107
Lease - machinery	3.6%-25%	33,238	6,130	-	-	39,368	14,358	(4,075)	-	40,126
Lease - facilities	3.7%-14.3%	74,725	42,491	-	-	117,216	2,906	(533)	-	115,442
Lease - buildings	4%-50%	61,471	31,813	-	-	93,284	1,417	-	-	92,448
Construction in progress	-	153,344	-	-	-	153,344	225,937	(7,028)	-	372,253
Software	4.3%-20%	31,108	95	-	-	31,203	14,353	(26,224)	-	17,992
Other property, plant and equipment	1.7%-10%	88,676	-	-	-	88,676	86,680	(5,888)	-	167,697
Biological assets	-	-	-	(74,367)	-	(74,367)	-	-	(64,781)	(139,148)
		<u>2,235,688</u>	<u>1,545,595</u>	<u>(74,367)</u>	<u>(125,463)</u>	<u>3,581,453</u>	<u>752,691</u>	<u>(295,734)</u>	<u>(64,781)</u>	<u>3,652,666</u>

Considering that the Company and its subsidiaries adopted the deemed cost for their property, plant and equipment, aiming to measure those assets at their fair values pursuant to the adoption of international practices, the revaluation surpluses were reversed to properly present the impacts related to the deemed cost.

For the presentation of financial statements, the Company and its subsidiaries made the reclassification of their biological assets, which correspond to the raising of animals and breeders, as provided by the CPC 29 and shown in Table 07.

Description	Average annual depreciation rates	Adjusted and revalued cost	Accumulated depreciation	CPC 29 adopted	Consolidated	
					31/12/10	31/12/09
					Net	Net
Plots of land	-	369,059	-	-	369,059	168,942
Buildings	1.6%-50%	2,878,807	(295,933)	-	2,582,874	1,456,764
Machinery and equipment	3.6%-25%	2,157,821	(562,821)	-	1,595,000	886,899
Furniture and fixtures	5.6%-25%	95,824	(23,361)	-	72,463	34,079
Facilities	3.7%-14.3%	729,938	(90,835)	-	639,103	336,952
Vehicles	8.3%-25%	43,027	(17,424)	-	25,603	11,052
IT equipment	4.3%-20%	43,022	(26,580)	-	16,442	17,209
Aircraft	20%	382	(229)	-	153	229
Advance for acquisition of property, plant and equipment	-	20,940	-	-	20,940	18,274
Leasehold improvements	4%-50%	50,968	(1,039)	-	49,929	16,778
Lease - vehicles	8.3%-25%	40,710	(17,226)	-	23,484	35,571
Lease - computer hardware	4.3%-20%	16,075	(7,843)	-	8,232	3,107
Lease - machinery	3.6%-25%	127,991	(11,951)	-	116,040	40,126
Lease - facilities	3.7%-14.3%	126,834	(16,498)	-	110,336	115,442
Lease - buildings	4%-50%	243,472	(12,645)	-	230,827	92,448
Construction in progress	-	783,404	-	-	783,404	372,253
Software	4.3%-20%	-	-	-	-	17,992
Other property, plant and equipment	1.7%-10%	355,648	(36,395)	-	319,253	167,697
Biological assets		-	-	(277,554)	(277,554)	(139,148)
		<u>8,083,922</u>	<u>(1,120,780)</u>	<u>(277,554)</u>	<u>6,685,588</u>	<u>3,652,666</u>

Changes in property, plant and equipment

	Acquisitions					Consolidated			
	31.12.09	Seara	Keystone International	Keystone USA	Moypark (O'kane Poultry)	Additions	Write-offs	Depreciation	31.12.10
Plots of land and buildings	1,718,154	762,107	226,005	281,187	7,202	258,164	(1,720)	(68,339)	3,182,760
Machinery and equipment	927,025	318,670	99,221	147,788	28,635	357,549	(13,597)	(154,251)	1,711,040
Industrial facilities	452,394	198,538	-	-	-	135,478	(248)	(36,723)	749,439
Vehicles	46,623	215	7,822	3,270	300	9,249	(10,100)	(8,292)	49,087
Constructions	372,253	48,195	24,940	7,212	2,139	590,336	(261,671)	-	783,404
Other	275,365	97,936	11,614	9,195	2,808	143,302	(35,834)	(16,974)	487,412
Biological Assets	(139,148)	(81,914)	-	-	-	295,013	(89,428)	(262,078)	(277,554)
	<u>3,652,666</u>	<u>1,343,747</u>	<u>369,602</u>	<u>448,652</u>	<u>41,084</u>	<u>1,789,091</u>	<u>(412,598)</u>	<u>(546,657)</u>	<u>6,685,588</u>

Pursuant to CVM Resolution No. 645/10, the assets acquired by the Company under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 17.

In accordance with CVM Resolution No. 639/10 property, plant and equipment are annually tested for impairment, or when there is evidence that assets may not be recovered. During the period ended 31 December 2010, the book values of the Company's assets were not higher than the amounts which could be obtained by use or sale. These analyses are made on an annual basis.

Such analysis comprised projecting the profitability and future cash of the Company's plants, which were discounted to present value to identify the degree of recoverability of the asset.

13. INTANGIBLE ASSETS

Pursuant to CVM Resolutions No. 644/10 and 565/08 the Company created the "Intangible Assets" account in non-current assets, as shown below:

	31/12/10	31/12/09	01/01/09
Intangible assets - Company	959,449	541,299	537,517
Intangible assets - Subsidiaries	3,227,247	1,392,322	1,575,946
	<u>4,186,696</u>	<u>1,933,621</u>	<u>2,113,463</u>

Changes in the Intangible assets accounts (Company and Consolidated) for the year ended 31 December 2010 are as follows:

13.1. CHANGES IN INTANGIBLE ASSETS (COMPANY)

	Balance as of 1 January 2009	Acquisition/ write-off	Goodwill on acquisition	Reclassification	Balance as of 31 December 2009
Argentine Breeders & Packers S.A. - goodwill	23,672	-	-	541	24,213
Inaler S.A. - goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - goodwill	57,824	-	-	-	57,824
Masplen Limited - goodwill	17,258	-	-	-	17,258
Prestcott International S.A. - goodwill	22,922	-	-	-	22,922
Secculum Participações Ltda. - goodwill	16,188	-	-	-	16,188
União Frederiquense Partic. Ltda. - goodwill	11,683	-	-	-	11,683
QuickFood S.A - goodwill	218,948	-	-	-	218,948
Establecimientos Colonia S.A - goodwill	114,479	-	-	-	114,479
CCKVL Holding BV	-	-	21	-	21
Trademarks and patents	16,164	3,220	-	-	19,384
Total	<u>537,517</u>	<u>3,220</u>	<u>21</u>	<u>541</u>	<u>541,299</u>

Marfrig Alimentos S.A.

	Balance as of 31 December 2009	Acquisition/ write-off	Goodwill on acquisition	Reclassification	Balance as of 31 December 2010
Argentine Breeders & Packers S.A. - goodwill	24,213	-	-	-	24,213
Inaler S.A. - goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - goodwill	57,824	-	-	-	57,824
Masplen Limited - goodwill	17,258	-	-	-	17,258
Prestcott International S.A. - goodwill	22,922	-	-	-	22,922
Secculum Participações Ltda. - goodwill	16,188	-	-	-	16,188
União Frederiquense Partic. Ltda. - goodwill	11,683	-	-	-	11,683
QuickFood S.A - goodwill	218,948	4,924	-	-	223,872
Establecimientos Colonia S.A - goodwill	114,479	-	-	-	114,479
Seara Holding BV (1)	21	-	-	-	21
Columbus Netherlands BV	-	22	-	-	22
Marfood USA Inc.	-	308	-	-	308
Keystone Foods International Holdings LLC	-	-	388,244	-	388,244
Software and systems	-	1,984	-	19,168	21,152
Trademarks and patents	19,384	3,500	-	-	22,884
Total	541,299	10,738	388,244	19,168	959,449

(1) Current name of CCKVL Holding BV.

13.2. CHANGES IN INTANGIBLE ASSETS (SUBSIDIARIES)

	Book balance as of 1 January 2009	Reclassification	Goodwill	Trademark/ Other	Exchange rate gain (loss) on translation	Amortization	Write-offs	Customer portfolio	Book balance as of 31 December 2009
Argentine Breeders & Packers S.A.	200,111	(7,281)	-	966	(55,777)	(363)	-	-	137,656
Goodwill	133,045	-	-	-	(38,156)	-	-	-	94,889
Trademark and patents/software/other	67,066	(7,281)	-	966	(17,621)	(363)	-	-	42,767
Marfrig Chile Inversiones Ltda	16,401	317	-	-	(4,261)	-	-	-	12,457
Goodwill	16,401	317	-	-	(4,261)	-	-	-	12,457
Weston Importers Ltd.	837,052	3,908	-	(140)	(2,044)	-	(828,556)	-	10,220
Goodwill	191,894	3,908	-	(140)	(2,044)	-	(183,398)	-	10,220
Customer portfolio	76,940	-	-	-	-	-	(76,940)	-	-
Trademark and patents/software/other	568,218	-	-	-	-	-	(568,218)	-	-
Marfrig Holdings(Europe)BV	-	-	182,973	568,132	(119,537)	(13,643)	-	83,616	701,541
Goodwill	-	-	182,973	(86)	(11,053)	-	-	-	171,834
Customer portfolio	-	-	-	-	(13,811)	(13,643)	-	81,666	54,212
Trademark and patents/software/other	-	-	-	568,218	(94,673)	-	-	1,950	475,495
Masplen Limited	322	-	-	-	-	-	-	-	322
Trademark and patents/software/other	322	-	-	-	-	-	-	-	322
Quickfood	261	(261)	-	-	-	-	-	-	-
Trademark and patents/software/other	261	(261)	-	-	-	-	-	-	-
Prestcott International S.A	10,274	-	-	-	(2,619)	-	-	-	7,655
Goodwill	10,274	-	-	-	(2,619)	-	-	-	7,655
União Frederiquense Partic. Ltda.	480,938	5,668	-	10,417	-	-	-	-	497,023
Goodwill	463,627	5,668	-	-	-	-	-	-	469,295
Trademark and patents/software/other	17,311	-	-	10,417	-	-	-	-	27,728
Seculum Participações Ltda.	30,587	(5,668)	-	45	484	-	-	-	25,448
Goodwill	29,487	(5,671)	-	-	-	-	-	-	23,816
Trademark and patents/software/other	1,100	3	-	45	484	-	-	-	1,632
Total	1,575,946	(3,317)	182,973	579,420	(183,754)	(14,006)	(828,556)	83,616	1,392,322

Marfrig Alimentos S.A.

	Book balance as of 31 December 2009	Reclassification	Goodwill	Trademark/ Other	Exchange rate gain (loss) on translation	Amortization	Write-offs	Customer portfolio	Book balance as of 31 December 2010
Argentine Breeders & Packers S.A.	137,656	-	-	(152)	(5,548)	842	(132,798)	-	(0)
Goodwill	94,889	-	-	-	(6,526)	(642)	(87,720)	-	(0)
Trademarks and patents/software/other	42,767	-	-	(152)	978	1,484	(45,078)	-	(0)
Marfrig Chile Inversiones Ltda	12,457	-	-	1,376	(560)	1	-	-	13,274
Goodwill	12,457	-	-	1,376	(537)	32	-	-	13,328
Trademarks and patents/software/other	-	-	-	-	(23)	(31)	-	-	(54)
Weston Importers Ltd.	10,220	-	-	-	(737)	(500)	(134)	-	8,849
Goodwill	10,220	-	-	-	(737)	(500)	(134)	-	8,849
Marfrig Holding (Europe)BV	701,541	75	242,705	-	(95,484)	(450)	-	640,290	1,488,677
Goodwill	171,834	-	242,705	-	(43,788)	-	-	-	370,751
Customer portfolio	54,212	-	-	-	(5,626)	-	-	640,290	688,876
Trademarks and patents/software/other	475,495	75	-	-	(46,070)	(450)	-	-	429,050
Masplen Limited	322	-	-	-	(5)	81	-	-	398
Trademarks and patents/software/other	322	-	-	-	(5)	81	-	-	398
Quickfood S.A	-	-	88,377	-	(1,808)	(25)	-	-	86,544
Goodwill	-	-	87,721	-	(1,797)	-	-	-	85,924
Trademarks and patents/software/other	-	-	656	-	(11)	(25)	-	-	620
Prestcott International S.A	7,655	-	-	385	(335)	(19)	-	-	7,687
Goodwill	7,655	-	-	-	(329)	-	-	-	7,326
Software	-	-	-	385	(6)	(19)	-	-	360
Seara Holding BV	-	321	-	601,069	(114)	635	-	-	601,911
Trademarks and patents/software/other	-	279	-	600,489	(106)	797	-	-	601,459
Porto license	-	42	-	580	(8)	(162)	-	-	452
Columbus Netherlands	-	-	45,797	1,805	242	(1,413)	-	-	46,430
Goodwill	-	-	45,797	-	256	-	-	-	46,053
Trademarks and patents/software/other	-	-	-	1,805	(14)	(1,413)	-	-	378
União Frederiquense Partic. Ltda.	497,023	21,528	4,502	4,043	(285)	(3,010)	-	-	523,802
Goodwill	469,295	18,588	4,502	-	(285)	-	-	-	492,101
Trademarks and patents/software/other	27,728	2,940	-	4,043	-	(3,010)	-	-	31,701
Secculum Participações Ltda.	25,448	(19,002)	49	77	(3)	(44)	-	-	6,525
Goodwill	23,816	(18,588)	49	-	(3)	-	-	-	5,274
Trademarks and patents/software/other	1,632	(414)	-	77	-	(44)	-	-	1,251
Marfood USA	-	45,077	-	-	4,171	(1,011)	-	-	48,237
Trademarks and patents/software/other	-	45,077	-	-	4,171	(1,011)	-	-	48,237
Tacuarembó S.A	-	-	-	574	40	(124)	-	-	490
Trademarks and patents/software/other	-	-	-	574	40	(124)	-	-	490
Inaler S.A	-	-	-	314	2	(23)	-	-	293
Trademarks and patents/software/other	-	-	-	314	2	(23)	-	-	293
Establecimientos Colonia	-	-	-	441	8	(16)	-	-	433
Trademarks and patents/software/other	-	-	-	441	8	(16)	-	-	433
MFB S.A	-	-	-	154	-	(4)	-	-	150
Trademarks and patents/software/other	-	-	-	154	-	(4)	-	-	150
Keystone Foods International Holdings LLC	-	-	-	392,151	1,051	345	-	-	393,548
Trademarks and patents/software/other	-	-	-	392,151	1,051	345	-	-	393,548
Total	1,392,322	47,999	381,430	1,002,237	(99,364)	(4,735)	(132,932)	640,290	3,227,247

Goodwill from the acquisition of businesses by 30 September 2008 was calculated based on the accounting standards previous to the concept of business combination according to IFRS 3 (R). According to "Optional Exemptions in IFRS", the Company decided to adopt IFRS in all business acquisitions as from 30 September 2008. These business acquisitions are described in note 11. The goodwill amounts referred to above were based on expected future profitability, and supported by valuation reports from experts. The trademarks acquired from third parties were measured at the paid amount, while trademarks and list of clients acquired after 30 September 2008 were calculated at fair value pursuant to IFRS 3 (R).

The impairment test of goodwill and other intangible assets is conducted annually or whenever there is evidence of non-realisation of those items. Intangible assets represented by trademarks, patents and list of clients are amortised at their respective useful lives, if applicable. Certain intangible assets of the Company have undefined useful lives, according to the experts' valuation, and are annually tested for impairment.

14. ACCRUED PAYROLL AND RELATED CHARGES

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
INSS (social security contribution) payable	115,841	57,401	76,887	190,250	96,458	149,520
Salaries and payroll provisions	39,063	31,132	22,596	243,441	116,430	74,476
Other social charges and benefits payable	1,988	1,629	1,284	103,388	18,642	49,693
	<u>156,892</u>	<u>90,162</u>	<u>100,767</u>	<u>537,079</u>	<u>231,530</u>	<u>273,689</u>

On 21 November 2005, Law No. 11.196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministry Ordinance No. 23 dated 2 February 2006.

In addition, article 2 of Law 11.457/07 establishes responsibility to the Brazilian Federal Revenue Service concerning the employees' social security contributions levied on their contribution salaries, according to item c, sole paragraph, article 11 of Law 8.212/91 and art. 104 of Law No 11.196/05.

Thus, based on the opinion of its external legal counselors, Marfrig Group has been offsetting social security debts against PIS/COFINS credits.

15. TAXES PAYABLE

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
ICMS (State VAT)	819	1,994	601	32,925	23,833	29,974
Special tax debt instalment payment plan - PAES	-	-	1,808	-	-	1,808
Extraordinary tax debt instalment payment plan - PAEX	-	-	42,276	-	-	42,276
Special tax debt instalment payment plan - Law No. 11.941/2009	107,028	92,993	-	312,290	268,526	-
Income tax	7,227	-	-	36,864	15,847	36,160
Social contribution tax	-	-	-	3,565	-	-
PIS and COFINS (tax on sales)	-	-	-	1,527	38,259	-
Federal tax instalment payment	-	-	-	416	-	118,813
Other	7,583	9,134	1,699	75,726	47,425	124,186
	<u>122,657</u>	<u>104,121</u>	<u>46,384</u>	<u>463,313</u>	<u>393,890</u>	<u>353,217</u>
			-			
Current liabilities	28,609	22,662	9,297	171,627	139,374	274,543
Non-current liabilities	94,048	81,459	37,087	291,686	254,516	78,674

Special Tax Debt Instalment Payment Plan - Law 11.941/2009

On 30 September 2009, the Company adhered to the Special Tax Debt Instalment Payment Plan (New REFIS), established by Law No. 11.941, of 27 May 2009. It provides for the payment in instalments of debts due to the Brazilian Federal Revenue Service (SRF), the Office of the National Treasury Attorney-General (PGNF), and the Brazilian Social Security Institute (INSS). The Company declared debts with those agencies and transferred to the plan debts included in other payment plans (Special Tax Debt Instalment Payment Plan - Law No. 10.684/03 - PAES and Extraordinary Tax Debt Instalment Payment Plan - Executive Act No. 303/06 - PAEX), to be settled within 180 months, as follows:

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Opening balance	92,993	172,589	42,276	268,526	350,787	42,276
(+) Adhesion to instalment payment	11,048	-	-	37,116	-	-
(-) Offsetting of fine and interest using income and social contribution tax losses	-	(40,044)	-	(10,350)	(46,197)	-
Interest	14,721	2,729	1,489	32,071	7,567	1,489
Discount to present value	(3,682)	(39,597)	17,423	(3,682)	(39,597)	17,423
Debt balance	115,080	95,677	61,188	323,681	272,560	61,188
Adhesion to new Refis			(54,209)			(54,209)
(-) Payments made	(8,052)	(2,684)	(6,979)	(11,391)	(4,034)	(6,979)
Ending balance	107,028	92,993	-	312,290	268,526	-
Current liabilities	13,303	11,534	-	34,236	26,222	-
Non-current liabilities	93,725	81,459	-	278,054	242,304	-

The Federal Revenue Service approved the Company's and its subsidiaries' requests to join the Special Tax Debt Instalment Payment Plans (New Refis). Debts will be assessed and consolidated according to Jointly Administrative Act PGFN/RFB No. 3 of 29 April 2010.

Despite the fact that the amounts of the Special Tax Debt Instalment Payment Plan (New Refis) had not been approved by the date of presentation of these financial statements, the declared debt was booked and classified, assuming its acceptance by authorities and considering the settlement period established under the plans. Total obligations will only be confirmed when competent authorities finish their analyses of the declared debts. Management does not expect material adjustments arising from that case.

16. LOANS AND FINANCING

Company						
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 31/12/10	Balance 31/12/2009	Balance 01/01/2009
Local currency						
FINAME	TJLP + Fixed rate	4.50	4.52	719	71	260
BNDES Finem	TJLP + 1,80%	8.05	2.12	7,688	10,954	14,203
FINEP	TJLP + 1%	7.25	2.79	39,725	37,603	29,857
NCE	Fixed rate+%CDI	13.09	1.53	801,480	907,363	471,494
Working capital	CDI + Fixed rate	13.14	3.37	266,646	65,586	-
Prepayment (interest)	%CDI	12.34	0.25	2,010	1,648	341
Procer	Fixed rate	11.25	1.82	204,812	-	-
BNDES Exim		7.00	0.89	30,492	-	74,236
Total local currency		12.48		1,353,572	1,023,225	590,391
Foreign currency						
ACC (US\$)	Fixed rate + exchange gain	4.33	0.28	293,580	272,626	387,905
Financing of industrial complex (US\$)	Libor+Fixed rate+Exchange gain	3.96	1.52	4,426	9,993	21,899
Prepayment (US\$)	Libor+Fixed rate+Exchange gain	7.56	4.15	2,565,075	2,033,016	1,027,046
Bonds (US\$)	Fixed rate + Exchange gain	9.63	6.43	-	643,583	869,188
BNDES Finem	Basket of currencies + 1.30%	1.30	2.12	1,535	2,149	2,792
NCE (US\$)	Fixed rate+ Exchange gain (US\$)+Libor	8.48	3.84	1,087,400	389,580	452,966
BNDS Exim (US\$)	Basket of currencies + Fixed rate	11.55	-	-	-	20,661
Total foreign currency		7.57		3,952,016	3,350,947	2,782,457
Total indebtedness		8.82		5,305,588	4,374,172	3,372,848
Current liabilities				1,459,146	890,469	552,765
Non-current liabilities				3,846,442	3,483,703	2,820,083

Consolidated

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 31/12/10	Balance 31/12/09	Balance 01/01/09
Local currency						
FINAME	TJLP + Fixed rate	6.75	2.75	9,940	8,897	11,544
BNDES Finem	TJLP + 1.80	7.64	3.00	14,789	10,954	14,203
FINEP	TJLP + 1%	7.25	2.79	39,725	37,603	29,857
NCE	Fixed rate+%CDI	12.37	2.32	1,109,086	1,064,319	512,221
Working capital (R\$)	Fixed rate+%CDI	12.29	2.32	475,547	133,648	102,814
Rural credit note (R\$)	Fixed rate	6.92	0.82	276,962	25,029	49,076
Prepayment (interest)	%CDI	12.34	0.25	2,010	1,648	341
FCO - Centre West Region Fund	Fixed rate	10.00	3.00	8,633	-	-
Procer	Fixed rate	11.25	1.82	204,812	-	-
BNDES Exim	Fixed rate	7.00	1.77	149,483	-	74,236
Other		-	-	-	-	33
Total local currency		11.09		2,290,987	1,282,098	794,325
Foreign currency						
ACC (US\$)	Fixed rate + Exchange gain	4.69	0.59	712,267	503,757	580,985
Financing of industrial facilities (US\$)	Libor+Fixed rate + Exchange gain	5.23	1.37	28,443	20,771	40,186
Prepayment (US\$)	Libor+Fixed rate + Exchange gain	7.6	4.12	2,629,232	2,138,133	1,335,609
Bonds (US\$)	Fixed rate + Exchange gain	9.55	8.5	1,423,948	643,583	869,188
BNDES Finem	Basket of currencies + 1.30	1.30	2.12	1,535	2,149	2,792
NCE (US\$)	%CDI+Fixed rate+Exchange gain (US\$)+Libor	8.48	3.83	1,092,867	398,149	473,891
Working capital (US\$)	Fixed rate + Libor	4.93	0.84	186,758	31,882	58,797
Working capital (Pesos)	Development unit	5.90	0.20	1,858	52	8,830
Bank loan (US\$)	Fixed rate	3.09	2.29	773,870	21,366	76,801
PAE (US\$)	Fixed rate	2.20	0.20	7,453	8,376	12,559
Financing agreements (US\$)	Fixed rate	11.00	4.00	18	4,650	14,115
Overdraft protection (US\$)	Libor + Fixed rate	2.00	0.24	2,052	3,896	-
Tradeable liabilities	Fixed rate	7.06	3.22	76,517	52,802	-
BNDES Exim (US\$)	Basket of currencies + fixed rate	11.55	-	-	-	20,661
Total foreign currency		8.08		6,936,818	3,829,566	3,494,414
Total indebtedness		8.95		9,227,805	5,111,664	4,288,739
Current liabilities				2,852,561	1,431,127	1,207,362
Non-current liabilities				6,375,244	3,680,537	3,081,377

The Company's types of loans and financing can be described as follows:

16.1. FINAME - MACHINERY AND EQUIPMENT FINANCE

BNDES (National Bank for Economic and Social Development) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust amounts is URTJLP (benchmark long-term interest rate), according to the TJLP (Long-Term Interest Rate). These transactions are guaranteed by the acquired asset itself. Repayments will be made until June 2015.

16.2. BNDES FINEM - BUSINESS FINANCE

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. This finance agreement is partially adjusted using the TJLP (long-term interest rate) and the rest is adjusted using the UMBNDES (Monetary unit of the National Bank for Economic and Social Development), which consists of a basket of currencies which reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is secured by bank guarantees given by Banco Bradesco. A portion of the principal plus interest will be repaid in monthly instalments maturing by February 2013.

16.3. FINEP - FUND FOR FINANCING STUDIES AND PROJECTS

FINEP credit line for financing studies and projects. FINEP is a public institution linked to the Ministry of Science and Technology. The currency used for adjusting the finance agreement is URTJ01 (monetary unit used by FINEP), which is based on TJLP (long-term interest rate). The finance agreement is guaranteed by a contract with Bradesco. It will be repaid in monthly instalments until March 2016.

16.4. NCE - EXPORT CREDIT NOTE (ECN)

Credit line which grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, denominated in R\$ and US\$, are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. The rates used for adjustment of those transactions in U.S. dollars are: Libor (*London Interbank Offered Rate*) and/or fixed rate, and for transactions in Brazilian reais, CDI and/or fixed rate. Repayments will be made until October 2015.

16.5. WORKING CAPITAL

Funds raised under this credit line are used for working capital financing. There are transactions conducted in both Euros and Pesos. They are guaranteed by endorsements and mortgages. The adjustment indexes used for that operation are CDI and/or fixed rate. Repayments will be made until September 2014.

16.6. RURAL CREDIT NOTE

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in BRL and linked to production. This finance is guaranteed by endorsement and adjusted using a fixed rate. Repayments will be made until September 2011.

16.7. ACC - ADVANCE ON EXCHANGE CONTRACTS

Foreign credit line for export companies. Funds raised under this credit line are used for export financing.

ACC transactions are conducted in US dollars. Payment is linked to exports and guaranteed by promissory notes. The adjustment rate used for those transactions is a fixed rate. Repayments will be made until December 2011.

16.8. FINANCING OF INDUSTRIAL COMPLEX

Foreign credit line for acquisition of equipment. This transaction is conducted in US dollars, and is guaranteed by the financed equipment itself. The adjustment rates used for those transactions are Libor (London Interbank Offered Rate), plus a fixed rate. Repayment is scheduled up to July 2012, with quarterly instalments of the principal and interest.

16.9. PREPAYMENT

Foreign credit line for export companies. Funds raised under this credit line are used for export financing. This transaction is conducted in US dollars and guaranteed by promissory notes, endorsements, supply contracts and export documents. In some cases no collaterals are offered. The adjustment rates used for those transactions are Libor (*London Interbank Offered Rate*), plus a fixed rate. Repayments will be made until December 2016.

16.10. FCO - CENTRE WESTERN FUND

It is a line of credit to support enterprises located exclusively in the States of Goiás, Mato Grosso do Sul and Distrito Federal. The financing periods are established according to the item to be financed. This finance is guaranteed by mortgage and adjusted using a fixed rate. The repayment schedule is monthly, plus interest, until December 2013.

16.11. SENIOR NOTES - BONDS

Financing in US\$, with semi-annual interest payments and without guarantees, through debt securities issued abroad under 144A Rule and Regulation S. The first transaction was made in 2006, with principal due in November 2016, for the purpose of financing the acquisition of units in Argentina and Uruguay. The second transaction was made in 2010, with principal due in April 2020, and the funds will be used principally to extend the maturity of the Company's debt.

16.12. PAE - EXPORT LOAN

Chile's credit line for export companies. The purpose of the loans raised under this credit line, which may be used for any export contract, is to finance exports of lamb, food fish and other products brought to Brazil. The difference between this line and a normal one is that it is exempt from ITE - "*Impuesto de Timbre y Estampilla*" (equivalent to the tax on financial transactions in Brazil). Lines are raised in US dollars and are collateralised by bank guarantees.

16.13. BNDES PROCER - WORKING CAPITAL FINANCING

BNDES credit line for working capital loans to boost the competitiveness of companies in the agriculture and livestock and agribusiness industries. This loan bears annual interest of 11.25%. A portion of the principal plus interest will be repaid in monthly instalments maturing by October 2012.

16.14. BNDES - EXIM (EXPORT FINANCE)

Credit line offered by BNDES to export companies under the BNDES Investment Support Programme - Pre-shipment export sub programme. Funds raised under this credit line are used for export financing. This credit line is in Brazilian reais and collateralised by endorsements from Marfrig Alimentos S.A. It bears annual interest of 7%. Repayments will be made until December 2011.

16.15. BANK BORROWINGS

Funds raised under this credit line are used as working capital financing. The Company holds transactions in US dollars and pesos, which, in some cases, may only be applied to pay inventories and fixed assets. These transactions are guaranteed by endorsements and mortgages, although, in some cases, no guarantee is given. The transactions in pesos are restated at the BADLAR (Buenos Aires Deposits of Large Amount Rate), and credit lines in US dollars have fixed rates. Repayments will be made until October 2012.

Below is a debt maturity schedule:

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Local currency						
2009	-	-	100,742	-	-	262,610
1Q10	-	140,853	-	-	189,723	-
2Q10	-	57,820	-	-	198,056	-
3Q10	-	103,867	-	-	140,407	-
4Q10	-	156,424	-	-	184,848	-
2010	-	-	196,575	-	-	234,029
1Q11	31,601	-	-	218,792	-	-
2Q11	258,011	-	-	345,163	-	-
3Q11	241,502	-	-	366,502	-	-
4Q11	129,680	-	-	323,843	-	-
2011	-	450,251	267,774	-	454,241	271,092
2012	390,219	54,324	9,622	568,524	55,031	10,670
2013	220,063	29,849	7,262	279,323	29,955	7,508
2014	74,805	24,600	3,580	128,149	24,600	3,580
2015	5,789	4,600	3,580	58,789	4,600	3,580
2016	1,902	637	1,256	1,902	637	1,256
	1,353,572	1,023,225	590,391	2,290,987	1,282,098	794,325

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Foreign currency						
2009	-	-	452,123	-	-	944,752
1Q10	-	91,752	-	-	184,937	-
2Q10	-	77,276	-	-	134,708	-
3Q10	-	131,507	-	-	214,294	-
4Q10	-	130,970	-	-	184,154	-
2010	-	-	158,538	-	-	206,030
1Q11	342,110	-	-	811,531	-	-
2Q11	109,098	-	-	272,533	-	-
3Q11	239,442	-	-	325,055	-	-
4Q11	107,702	-	-	189,142	-	-
2011	-	512,735	457,992	-	577,931	536,985
2012	583,541	483,899	380,419	765,206	533,147	433,836
2013	909,261	558,252	278,077	975,625	591,197	303,796
2014	812,672	392,725	107,023	1,317,616	418,396	113,861
2015	689,345	203,238	89,028	702,887	215,217	95,846
2016	158,845	768,593	859,257	763,481	775,585	859,308
2017	-	-	-	12	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	813,730	-	-
	3,952,016	3,350,947	2,782,457	6,936,818	3,829,566	3,494,414
Total indebtedness	5,305,588	4,374,172	3,372,848	9,227,805	5,111,664	4,288,739

Following are the guarantees for loans and financing:

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Balance of financing:	5,305,588	4,374,172	3,372,848	9,227,805	5,111,664	4,288,739
Guarantees:						
No guarantess	1,985,271	1,733,989	1,638,239	4,014,553	1,818,901	1,777,318
Promissory note	1,860,041	1,508,620	626,878	2,250,357	1,510,085	640,483
Trade bills	240,046	124,579	55,850	267,272	175,891	74,387
Bank guarantee	9,270	13,103	16,995	43,135	49,602	90,712
Suplly contract	33,584	35,095	47,104	35,383	36,851	60,434
Endorsement	982,401	691,119	865,565	2,281,649	872,412	1,267,993
Financed asset	720	71	260	17,042	15,301	13,764
Export documents	-	-	70,201	9,935	193,396	103,283
Facilities	44,152	47,596	51,756	44,152	59,409	51,756
Mortgage	-	-	-	46,363	45,192	56,774
Financial investment	150,103	220,000	-	150,103	221,857	115,905
Export credit	-	-	-	67,861	112,767	35,930

Senior Notes - Bonds

On 26 March 2010, shareholders authorised a transaction of "Senior Notes", issued in 2006 by Marfrig Overseas, subsidiary of the Company, amounting to US\$375 million at the annual rate of 9.625%, maturing on 2016 (the "Notes"), for the change of some provisions on this agreement, which was guaranteed by Marfrig Alimentos S.A. The amendment included the change or elimination of certain clauses and restrictions described in the agreement of the transaction referred to above. There were no changes as for the effective period or annual interest rates paid on these Notes. The authorisation referred to above was given by the holders of the outstanding notes who informed their decision by 25 March 2010.

On 30 April 2010, Marfrig Overseas Limited, a subsidiary of Marfrig Alimentos S.A., concluded a 10-year bond offering in the total amount of US\$500 million, solely for qualified institutional investors, under Rule 144A of the Securities Act. This transaction was not and will not be registered with the Brazilian Securities and Exchange Commission ("CVM") or under the Securities Act of 1933, as amended.

The amounts raised are below:

Fund raising statement - Bonds 2010

	US\$ thousand
Principal amount	500,000
(-) Negative goodwill (face value equal to 98.426%)	(7,870)
(-) Banks' comission	(4,500)
(-) Lawyers' services	(331)
Net amount	487,299

The bonds, maturing on 29 April 2020, were issued with a coupon of 9.50% per year and the foreign-currency risk rating assigned by Moody's and Standard & Poors and Fitch was B1 and B+, respectively.

The transaction is guaranteed by Marfrig Alimentos S.A. and its subsidiaries União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A.

The funds raised were used principally to extend the maturity of the Company's debt.

Considering that the notes issued by the Company (Marfrig Bonds), which mature in 2016 and 2020, account for 15.43% (12.59% as of 31 December 2009) of consolidated indebtedness, requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing, as well as its debentures presented in note 21, item 21.2, outstanding on the balance sheet date. After the amendments referred to above, the restrictions, as for indebtedness, correspond to keeping the adjusted net debt to pro forma EBITDA ratio below 4.75x.

17. LEASE PAYABLE

The Company is a lessee in various agreements, classified as operating or finance leases.

17.1. FINANCE LEASE

According to CVM Decision No. 645/10, finance lease operations are now recognized under the Company's current liabilities, instead of noncurrent liabilities, with an offsetting entry of the asset recorded in property, plant and equipment, according to note 12.

Transactions agreed before the issue of the decision referred to above are not considered in the calculation of the *covenants*.

							Company
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 31/12/10 (at present value)	Future payments 31/12/10	Balance 31/12/09 (at present value)	Balance 01/01/09 (at present value)
Local currency							
Finance lease of vehicles	CDI + Rate	11.9%	1.8	21,200	17,324	14,808	20,080
Finance lease of IT equipment	CDI + Rate	8.6%	1.9	18,307	8,930	11,214	14,486
Finance lease of machinery and equipment	CDI + Rate	13.2%	2.4	20,931	21,282	18,141	22,209
Finance lease of industrial facilities	CDI + Rate	14.1%	1.5	33,639	34,959	35,473	53,710
Finance lease of buildings	CDI + Rate	14.6%	0.8	27,401	24,233	29,826	41,032
Interest due				(55,772)	-	-	-
Finance lease - discount to present value				8,538	-	6,558	-
Total local currency				74,244	106,728	116,020	151,517
Total Company				74,244	106,728	116,020	151,517
Current liabilities				49,826		47,641	43,914
Non-current liabilities				24,418		68,379	107,603

Consolidated

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 31/12/10 (at present value)	Future payments 31/12/10	Balance 31/12/09 (at present value)	Balance 01/01/09 (at present value)
Local currency							
Finance lease of vehicles	CDI + Rate	11.9%	1.8	21,229	21,590	14,918	20,080
Finance lease of IT equipment	CDI + Rate	8.6%	1.9	18,307	18,548	11,213	14,486
Finance lease of machinery and equipment	CDI + Rate	13.2%	2.5	21,686	22,253	18,141	22,209
Finance lease of industrial facilities	CDI + Rate	14.5%	1.5	34,307	34,893	36,396	53,710
Finance lease of buildings	CDI + Rate	14.6%	0.8	27,400	27,651	29,825	41,033
Interest due				(55,772)	-	-	-
Finance lease - discount to present value				8,538	-	6,558	-
Total local currency				75,695	124,935	117,051	151,518
Foreign currency							
Finance lease of vehicles	Rate	4.9%	1.9	996	1,004	1,449	1,359
Finance lease of IT equipment	Rate	9.0%	0.9	16	16	4,383	-
Finance lease of machinery and equipment	Rate	5.9%	4.1	117,550	119,874	30,082	42,894
Finance lease of industrial facilities	Rate	9.0%	1.3	2,674	2,698	2,056	2,576
Finance lease of buildings	Rate	5.7%	15.9	122,280	131,599	3,053	6,350
Total foreign currency				243,516	255,191	41,023	53,179
Total Consolidated				319,211	380,126	158,074	204,697
Current liabilities				89,018		61,683	62,583
Non-current liabilities				230,193		96,391	142,114

According to Technical Pronouncement CPC No. 12, approved by CVM Resolution No. 564/08, finance lease payable was discounted to present value, at the initial registration date, as described in note 3.

Below is the lease maturity schedule:

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Local currency						
2009	-	-	43,915	-	-	43,915
1Q10	-	11,887	-	-	11,971	-
2Q10	-	11,906	-	-	11,990	-
3Q10	-	11,926	-	-	12,010	-
4Q10	-	11,922	-	-	11,996	-
2010	-	-	45,432	-	-	45,433
1Q11	13,664	12,582	-	13,789	12,650	-
2Q11	13,688	12,603	-	13,813	12,672	-
3Q11	11,808	10,872	-	11,918	10,934	-
4Q11	10,666	9,821	-	10,777	9,885	-
2011	-	-	42,232	-	-	42,232
2012	21,491	20,069	17,719	21,933	20,330	17,719
2013	2,785	2,431	2,219	3,133	2,587	2,219
2014	93	1	-	237	26	-
2015	49	-	-	95	-	-
Total local currency	74,244	116,020	151,517	75,695	117,051	151,518
Foreign currency						
2009	-	-	-	-	-	18,669
1Q10	-	-	-	-	3,758	-
2Q10	-	-	-	-	3,493	-
3Q10	-	-	-	-	3,279	-
4Q10	-	-	-	-	3,186	-
2010	-	-	-	-	-	14,220
1Q11	-	-	-	9,809	2,895	-
2Q11	-	-	-	9,868	2,929	-
3Q11	-	-	-	9,478	2,929	-
4Q11	-	-	-	9,566	2,829	-
2011	-	-	-	-	-	10,668
2012	-	-	-	42,585	10,559	8,567
2013	-	-	-	34,018	4,301	1,055
2014	-	-	-	32,426	865	-
2015	-	-	-	30,850	-	-
2016	-	-	-	20,819	-	-
2017	-	-	-	44,097	-	-
2018	-	-	-	-	-	-
Total foreign currency	-	-	-	243,516	41,023	53,179
Total lease amount	74,244	116,020	151,517	319,211	158,074	204,697

The present value schedule for total future minimum payments of the finance lease is as follows:

	Company		
	31/12/10 (at fair value)	31/12/09 (at fair value)	01/01/09 (at fair value)
Local currency			
Up to one year	49,826	47,641	43,915
From one to five years	24,418	68,379	107,603
More than five years	-	-	-
	<u>74,244</u>	<u>116,020</u>	<u>151,518</u>
	Consolidated		
	31/12/10 (at present value)	31/12/09 (at present value)	01/01/09 (at present value)
Local currency			
Up to one year	50,297	47,967	43,915
From one to five years	25,398	69,084	107,602
More than five years	-	-	-
	<u>75,695</u>	<u>117,051</u>	<u>151,517</u>
	31/12/2010 (at present value)	31/12/2009 (at present value)	01/01/09 (at present value)
Foreign currency			
Up to one year	38,721	13,716	18,669
From one to five years	160,699	27,307	34,510
More than five years	44,096	-	-
	<u>243,516</u>	<u>41,023</u>	<u>53,179</u>
	<u>319,211</u>	<u>158,074</u>	<u>204,696</u>

Following are the guarantees for the leases:

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Local currency						
Guarantees:	-	-	-	-	-	-
Financed asset	74,244	116,020	151,517	75,695	117,051	151,518
Total local currency	74,244	116,020	151,517	75,695	117,051	151,518
Foreign currency						
Guarantees:	-	-	-	-	-	-
Financed asset	-	-	-	243,516	41,023	53,179
Total foreign currency	-	-	-	243,516	41,023	53,179
Total	74,244	116,020	151,517	319,211	158,074	204,697

17.2. OPERATING LEASE

The recognition of the operating lease still uses the previous accounting criterion, that is, the expense on lease is monthly recorded, according to CVM Decision No. 645/10.

Operating lease as of 31 December 2010 is as follows:

						Company
Financial institution	Financed asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount financed	Expense at 31/12/10
Local currency						
CSI LATINA A. M. S.A	IT equipment	21/12/06	12.32%	0.01	2,727	343
CSI LATINA A. M. S.A	IT equipment	02/07/07	14.64%	2.3	1,640	319
CSI LATINA A. M. S.A	IT equipment	21/11/09	13.39%	2.1	1,206	401
CSI LATINA A. M. S.A	IT equipment	21/02/10	16.16%	2.3	4,790	1,471
CSI LATINA A. M. S.A	IT equipment	19/05/10	16.16%	2.6	5,429	1,262
CSI LATINA A. M. S.A	IT equipment	19/05/10	10.37%	2.6	1,718	394
CSI LATINA A. M. S.A	IT equipment	09/09/10	9.77%	2.9	1,572	372
CSI LATINA A. M. S.A	IT equipment	23/08/10	13.68%	2.8	1,064	349
CSI LATINA A. M. S.A	IT equipment	09/09/10	8.09%	2.9	1,571	216
CSI LATINA A. M. S.A	IT equipment	21/09/10	13.68%	2.9	260	57
CSI LATINA A. M. S.A	Machinery and equipment	10/01/08	14.64%	2.2	5,691	1,169
Frigorífico Extremo Sul	Meat packing plant	01/09/09	0.00%	1.9	2,740	913
Total local currency					30,408	7,266
Foreign currency						
AVN AIR LLC	Aeroplane	01/12/07	Libor + 3%	5.7	3,744	298
AVN AIR LLC	Aeroplane	01/12/07	Libor + 3%	5.7	9,361	746
AVN AIR LLC	Aeroplane	01/12/08	Libor + 3%	7.7	6,099	516
Total foreign currency					19,204	1,560
Total local and foreign currencies					49,612	8,826
Consolidated						
Financial institution	Financed asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount financed	Expense at 31/12/10
Local currency						
CSI LATINA A. M. S.A	IT equipment	21/12/06	12.32%	0.00	2,727	343
CSI LATINA A. M. S.A	IT equipment	02/07/07	14.64%	2.0	1,640	319
CSI LATINA A. M. S.A	IT equipment	21/11/09	13.39%	1.8	1,206	401
CSI LATINA A. M. S.A	IT equipment	21/02/10	16.16%	2.1	4,790	1,470
CSI LATINA A. M. S.A	IT equipment	19/05/10	16.16%	2.3	5,429	1,262
CSI LATINA A. M. S.A	IT equipment	19/05/10	10.37%	2.3	1,718	394
CSI LATINA A. M. S.A	IT equipment	09/09/10	9.77%	2.6	1,572	372
CSI LATINA A. M. S.A	IT equipment	23/08/10	13.68%	2.6	1,064	349
CSI LATINA A. M. S.A	IT equipment	09/09/10	8.09%	2.6	1,571	216
CSI LATINA A. M. S.A	IT equipment	21/09/10	13.68%	2.6	260	57
CSI LATINA A. M. S.A	Machinery and equipment	10/01/08	14.64%	2.6	5,691	1,169
Frigorífico Extremo Sul	Meat packing plant	01/09/09	0.00%	2.6	2,740	913
Frigorífico Mercosul	Meat packing plant	21/09/09	IGP-M year	2.6	30,288	4,317
Frigorífico Margem	Meat packing plant	09/10/09	IGP-M year	2.6	54,750	9,661
Frigorífico 4 Rios	Meat packing plant	01/12/09	IGP-M year	2.6	9,600	1,740
Frigorífico Boivi	Meat packing plant	29/12/09	IGP-M year	2.6	6,000	631
Total local currency					131,046	23,614
Foreign currency						
AVN AIR LLC	Aeroplane	01/12/07	Libor + 3%	5.7	3,744	298
AVN AIR LLC	Aeroplane	01/12/07	Libor + 3%	5.7	9,361	746
AVN AIR LLC	Aeroplane	01/12/08	Libor + 3%	7.7	6,099	516
Total foreign currency					19,204	1,560
Total local and currency currencies					150,250	25,174

The maturity Schedule for the financed balance of the operating lease payable is as follows:

	Company
	31/12/10
	(at fair value)
Local currency	
Up to one year	9,142
From one to five years	14,000
More than five years	-
	<u>23,142</u>
	31/12/10
Foreign currency	
Up to one year	4,575
From one to five years	12,190
More than five years	879
	<u>17,644</u>
	<u>40,786</u>
	Consolidated
	31/12/10
	(at fair value)
Local currency	
Up to one year	25,491
From one to five years	98,289
More than five years	-
	<u>123,780</u>
	31/12/10
Foreign currency	
Up to one year	4,575
From one to five years	12,190
More than five years	879
	<u>17,644</u>
	<u>141,424</u>

The operating leases the Company enters into have no restrictions or contingencies, follow market practices and include, in some cases, price adjustment clauses during their effective term.

The value of the leased assets is calculated at total definitive cost, which includes costs of transportation, taxes and documentation. Finance lease obligations are calculated on the total definitive cost, by applying a predefined percentage for each agreement. In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancelling all rights arising from the lease agreement; (ii) claiming the return of the leased goods; and (iii) accelerating the maturity of the lease agreement. In that case, the lessee undertakes to pay unsettled debts, including instalments overdue and coming due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debt balance. The lessee, without prejudice to the lessor, may file a claim for damages.

In relation to the renewal option, the lessee should previously communicate his/her intention to renew the lease agreement, otherwise the renewal is automatic, the conditions of which should be agreed upon between the parties. In the event the parties do not reach an agreement, the lessee should opt for purchasing the goods at market value or returning them.

18. NOTES PAYABLE

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Notes payable for investments in Europe (a)	-	-	-	367,479	-	-
Notes payable for investments in Brazil	108,250	33,050	11,945	108,250	33,050	11,945
Notes payable - Sponsorships (b)	-	-	-	33,338	-	-
Derivatives payable	138,914	42,484	24,735	138,914	42,484	24,735
Other (c)	14,955	-	784	48,170	-	784
Discount to present value	(2,058)	(2,015)	(1,069)	(2,058)	(2,015)	(1,069)
	<u>260,061</u>	<u>73,519</u>	<u>36,395</u>	<u>694,093</u>	<u>73,519</u>	<u>36,395</u>
Current liabilities	152,857	73,519	36,395	313,632	73,519	36,395
Non-current liabilities	<u>107,204</u>	<u>-</u>	<u>-</u>	<u>380,461</u>	<u>-</u>	<u>-</u>

- (a) On 23 June 2008 the Company disclosed in the market that Marfrig performed company acquisitions in Europe and Brazil. The acquisition agreement includes an expected potential contingent payment of up to US\$220 million based on future performance of the businesses located in Europe. This acquisition was approved at a meeting of the Company's Board of Directors held on 31 October 2008 and an Annual Shareholders' Meeting held on 1 December 2008.

As an offsetting entry to this obligation, the Company increased the goodwill on such acquisition, as described in note 12, according to the CPC Pronouncements, Interpretations and Guidelines, the total goodwill was measured according to the provisions of CPC 15 - Business combination and disclosed according to CVM Decision No. 603/2009, with due effects on 2009 financial statements compared with 2010 financial statements.

- (b) On 8 March 2010, the Company signed a sponsorship agreement with the Brazilian Football Confederation (CBF) to sponsor the Brazilian football teams, including men's and women's national association football teams administered by CBF ("TEAMS").

The agreement allows the disclosure of the sponsorship of the "TEAMS" through display and associations with the SEARA, MONTANA, BASSI, DAGRANJA, PALATARE and other brands owned by MARFRIG. Image rights of athletes and members of the technical commissions of the teams and third parties, use of the CBF logo in advertising campaigns of the products, including in-store actions, gifts and packaging of products in Brazil and abroad are also allowed. CBF must make backdrop displays of MARFRIG brands at press conferences in Brazil and abroad, and this agreement is valid from the date of execution to 31 December 2014.

On 29 March 2010, the Company signed a sponsorship agreement with FIFA (Fédération Internationale de Football Association) to sponsor the 2010 FIFA World Cup™, FIFA Confederations Cup 2013 and 2014 FIFA World Cup™.

The agreement permits the use of Marfrig Group brands, such as: SEARA, PATY, PEMMICAN and MOY PARK, and also the use of the tournament logo in advertisements and products and its distribution.

On 30 March 2010, the Company signed a sponsorship agreement with Santos Futebol Clube to sponsor the club's professional and amateur men's football teams. The agreement was valid until 31 December 2010.

Under the agreement, the sponsor's brand is set to appear on the front, on the back and on the sleeves of the shirts of the teams participating in the São Paulo championship, Brazil Cup, South American Cup and Brazilian Championship in 2010.

- (c) The second instalment payable from the acquisition of O'Kane Poultry was recognised on 31 December 2010 under "Other", in the consolidated note, as noted in note 11.2.

19. PROVISIONS FOR CONTINGENCIES

19.1. THE COMPANY AND ITS SUBSIDIARIES ARE INVOLVED IN SEVERAL CIVIL, ADMINISTRATIVE, TAX, SOCIAL SECURITY AND TAX PROCEEDINGS, IN THE ORDINARY COURSE OF BUSINESS, FOR WHICH PROVISIONS BASED ON LEGAL COUNSELLORS' ESTIMATES HAVE BEEN SET UP. THE PRINCIPAL INFORMATION ABOUT THESE PROCEEDINGS IS PRESENTED BELOW

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Labour and social security	10,484	2,044	39,548	46,436	8,501	73,645
Tax	2,555	2,177	3,351	138,037	26,046	24,596
Civil	2,211	2,337	2,091	38,900	4,134	9,793
Other	-	-	-	313	148	441
	<u>15,250</u>	<u>6,558</u>	<u>44,990</u>	<u>223,686</u>	<u>38,829</u>	<u>108,475</u>

19.1.1. Labour

As of 31 December 2010, the Company and its subsidiaries were parties to various labour claims. Based on the Company's and its subsidiaries' payment history, a provision of R\$46,436 was set up. In the opinion of the Management and legal counsellors, this provision is sufficient to face probable losses. Most of the labour claims filed against the Company and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for cause, preparation time, break time for personnel who work in refrigerated environments and commuting time, among others.

Among the subsidiaries' labour claims, we emphasize the collective actions from subsidiary Seara, with a historic cost of R\$7,718 and with a provisioned amount of R\$9,331. Such claims are basically on overtime and preparation time.

Note that the amount of R\$2,826 is for provisions related to the social security contribution (INSS) of the subsidiary DaGranja, as well as provision for interest on social security contribution due and/or approval of compensation.

19.1.2. Tax

Tax contingencies refer mostly to the following taxes:

- State VAT - ICMS

According to the Management and its legal counsellors, all tax lawsuits of the Company are rated as a probable unfavourable outcome, totalling historical amount of R\$1,795. They refer to ICMS in several states where the Company has activities. The Company is claiming the use of credits from the transfer of goods to other branches, at the historical value of R\$270, and the issuance of electronic invoices, at the historical value of R\$1,525.

- Federal taxes and contributions

Subsidiary Seara has filed administrative proceedings discussing the disallowance of refund requests of PIS/COFINS credits, totalling R\$52,397. They refer to credits on depreciation expenses, on goods acquired for resale, freight expenses, transportation of cargo, deemed PIS and COFINS credit of agribusiness activities, rent expenses and commission expenses.

Seara has also filed administrative proceedings discussing the disallowance of IPI deemed credits taken as refund of PIS/COFINS levied on exports, corresponding to R\$62,036. That company has a tax provision in the amount of R\$21,809, of which R\$15,524 corresponds to administrative proceedings referring to: i) IRPJ/CSLL for the deductibility of expenses on allowance for doubtful accounts and court deposits (CPMF) in the amount of R\$7,773; ii) disallowance of PIS/COFINS credits on inputs taxed at a zero rate, monophasic products, freight expenses and deemed credits of agribusiness activities amounting to R\$7,288; iii) ICMS on transfer margins in the amount of R\$249; v) ITR (real estate tax) on the value of bare land corresponding to R\$214; and R\$6,285 of tax risks immaterialised to date.

19.1.3. Civil

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities. None of those proceedings is individually material. Based on the opinion of legal advisors, the Management recognised on 31 December 2010 a provision for the amount of shares considered to be of probable risk, totalling R\$38,900.

19.2. CONTINGENT LIABILITIES, WHICH ARE NOT RECORDED IN THE BOOKS OF ACCOUNT, ACCORDING TO PREVAILING LEGISLATION, ARE SHOWN BELOW

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Labour and social security	41,042	31,342	14,007	125,446	40,340	14,638
Tax	143,726	104,145	63,765	261,578	123,787	68,009
Civil	1,589	1,438	2,984	72,235	3,342	4,509
	<u>186,357</u>	<u>136,925</u>	<u>80,756</u>	<u>459,259</u>	<u>167,469</u>	<u>87,156</u>

19.2.1. Labour

Among labour class actions, we emphasize those from subsidiary Seara which, in the opinion of the legal counsellors, are possible losses, in the amount of R\$25,700 thousand. They refer to preparation time, break time for the personnel who work at refrigerated environments, commuting time, outsourcing of the core activity and health hazard premium, among others.

Furthermore, most labour claims filed against the Company and its subsidiaries which, in the opinion of the legal counsellors are possible losses, refer to matters usually questioned in this industry, such as dismissal for cause, preparation time, break time for personnel who work in refrigerated environments and commuting time, among others. However, Management points out that no labour claim is individually relevant.

19.2.2. Tax

We list below the tax matters discussed at court that in the opinion of the Management and legal counsellors are rated as possible losses for the Company and its subsidiaries.

- Federal taxes and contributions

As of 31 December 2010, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R\$71,216, claiming (i) the amounts related to Corporate Income Tax, and Social Contribution Tax, Contributions for the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS), payable due to alleged omission of income, determined by crosschecking amounts stated and booked against invoices presented by suppliers, and (ii) differences in payments of PIS and COFINS debts. The total historic amount involved is approximately R\$2,371 for which no provision was accrued given that legal counselors consider the likelihood of unfavourable outcome possible, (iii) IPI deemed credit, with a historic cost of R\$293 and an administrative decision recognising the origin of the company's credit/ (iv) deduction of ICMS from PIS and COFINS tax bases. This last lawsuit is the most significant one, addressing a refund request at the historical value of R\$68,552, for which a provision was not set up, given that according to the opinion of the legal counsellors, they are rated only as possible losses. The Company has filed administrative defences, alleging its non-enforceability and that part of the debts is barred by the statute of limitations, as well as the miscalculation of their tax bases, and that inspectors estimated the amounts according to assumptions, which is forbidden in certain cases. Such defences have not been analysed yet.

The subsidiaries have administrative proceedings associated with federal tax credits offset against social security debts. The amounts are the following: Penasul R\$3,162, Dagránja R\$19,913, Mabella R\$17,833, Pampeano R\$5,243 and Agrofrango R\$2,578. These companies are parties to court actions discussing their right to the offset under those terms.

- PIS and Cofins on imports

In November 2004, the Company filed a lawsuit challenging the enforceability of PIS and COFINS on imports and claimed the non-payment of those contributions. A provisional remedy was granted and confirmed in a sentence that is currently in effect, against which the Federal Government has filed an appeal that will be judged at the Federal Court of Appeals - 3rd Region. That action generates favourable effects on cash flows, as it allows the payment of those taxes during the sale of the goods, and not in advance during the import.

- State vat - ICMS

The discussions related to ICMS involving the Company address the administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia, Rio Grande do Sul and Ceará that question the credits from the transfer of goods, non-fulfilment of accessory obligations, wrong issuance of invoices and credit granted, which amount to the historical value of R\$33,878. From such amount, the amount of R\$13,277 was the object of a legal claim on the credit granted by the State of São Paulo, with an interim relief that suspended its mandatory payment. Currently the amount of \$3,517 is the object of a legal claim. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R\$685. In the State of Mato Grosso, the actions refer to the disregard of the tax regimen established with the State and the absence of issuance of electronic invoice, corresponding to R\$8,532.

The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branch located in the State of Mato Grosso do Sul to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution centre and that paid to the State of origin. The Company has filed administrative defences and appeals questioning the demand for those debts that have not been analysed yet in a definitive manner. The total historical amount claimed in these administrative proceedings is R\$167,456. The discussion at the administrative level is in the total amount is R\$94,206. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, whose administrative phase has been finished and totals R\$73,250. Among the proceedings at the administrative level which have been concluded, a court claim for taxes at the historical amount of R\$34,887 has been filed. Subsidiary Dagránja is a party to administrative proceedings also filed by the Finance Department of the State of São Paulo claiming the ICMS on the tax benefit granted by the States of Minas Gerais and Paraná. They total the historical amount of R\$19,221, and are in discussion at the administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

- Service tax - ISSQN

The discussion at the administration level about such service tax is related to tax deficiencies of the City of Santo André, concerning the non-recognition at the historical amount of R\$65.

19.2.3. Civil

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities, which are not individually relevant.

19.3. CHANGES IN PROVISIONS

The changes in provisions for contingencies are as follows:

	Company				Consolidated				
	Labour	Tax	Civil	TOTAL	Labour	Tax	Civil	Other	TOTAL
Balance as of 1 January 2009	39,548	3,351	2,091	44,990	73,645	24,596	9,793	441	108,475
Addition	704	-	246	950	2,823	-	246	100	3,169
Reversal	-	(1,174)	-	(1,174)	(2,293)	(2,709)	(30)	-	(5,032)
Reclassification	(38,208)	-	-	(38,208)	(65,674)	4,159	(5,875)	(393)	(67,783)
Balance as of 31 December 2009	2,044	2,177	2,337	6,558	8,501	26,046	4,134	148	38,829
Addition	8,495	742	298	9,535	56,261	376,402	18,398	7,245	458,306
Reversal	(55)	(364)	(424)	(843)	(21,349)	(282,643)	(3,777)	(1,346)	(309,115)
Payment	-	-	-	-	-	-	-	(746)	(746)
Reclassification	-	-	-	-	3,023	18,232	20,145	(4,988)	36,412
Balance as of 31 December 2010	10,484	2,555	2,211	15,250	46,436	138,037	38,900	313	223,686

20. DEFERRED TAXES - LIABILITIES

	Company			Consolidated		
	31/12/10	31/12/09	01/01/09	31/12/10	31/12/09	01/01/09
Income tax	99,500	104,624	110,337	1,138,812	534,649	594,628
Social contribution tax	35,821	37,666	39,724	324,624	186,032	206,374
	135,321	142,290	150,061	1,463,436	720,681	801,002

Refer to deferred taxes recorded when property, plant and equipment items were revalued. They will be settled as revalued assets are sold, written off, depreciated or amortised, according to their useful lives established in the revaluation report. Additionally, it is represented by the effect of deferred federal taxes calculated on the effects of the first-time adoption of IFRS.

Below are the changes in deferred taxes in the year ended 31 December 2010:

Description	Company		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Opening balance as of 1 January 2009	29,336	10,563	86,105	22,914
Adjustments adoption IFRS				
Deferred taxes on temporary add-backs/deductions	81,001	29,161	508,523	183,460
Adjusted balance as of 1 January 2009	110,337	39,724	594,628	206,374
Recognition	-	-	220,335	-
Realisation of revaluation surplus	(2,565)	(924)	(6,701)	(2,412)
Revaluation of the appreciation of property, plant & equipment	(3,148)	(1,134)	(263,550)	(17,930)
Deferred taxes on temporary differences	-	-	(3,006)	-
Reversal of deferred taxes on temporary differences	-	-	(3,879)	-
Gain/loss on conversion	-	-	(3,178)	-
Ending balance as of 31 December 2009	104,624	37,666	534,649	186,032
Description				
	IRPJ	CSL	IRPJ	CSL
Opening balance as of 01 January 2010	104,624	37,666	534,649	186,032
Recognition	-	-	330,782	781
Realisation of revaluation surplus	(1,979)	(713)	122,253	46,003
Revaluation of the appreciation of property, plant & equipment	(3,145)	(1,132)	148,663	91,808
Deferred taxes on temporary differences	-	-	5,853	-
Reversal of deferred taxes on temporary differences	-	-	(449)	-
Gain/loss on conversion	-	-	(2,939)	-
Ending balance as of 31 December 2010	99,500	35,821	1,138,812	324,624

21. SHAREHOLDERS' EQUITY

21.1. SHARE CAPITAL

Subscribed and paid-in share capital as of 31 December 2010 totals R\$4,061,478 and is represented by 346,983,954 common shares without par value (R\$4,061,478 as of 31 December 2009). Capital, less expenditure on public and private share issue, is R\$3,986,518 (3,989,875 as of 31 December 2009).

Based on CVM Resolution No. 649/10, the Company recorded under shareholders' equity the costs incurred with raising funds through public issue of shares in 2007 and 2009, and the private issue of shares made in 2008.

Pursuant to the Company's by-laws, at the discretion of the Board of Directors, share capital can be increased through issuance of up to five hundred million (500,000,000) common shares, including share capital, regardless of amendments to the by-laws.

Also at discretion of the Board of Directors, the Company can issue shares and debentures convertible into shares or subscription warrants without pre-emptive rights or with the period reduction provided for in paragraph 4 of article 171 of Law No. 6.404/76. Their placement should be made through sale at stock exchange or public subscription, or by means of exchange for shares in a public offering for control acquisition, under the terms of the law and within the limit of authorised capital.

The Board of Directors defines issuance conditions (prices and periods).

The call option of shares, the conditions under which shareholders will have pre-emptive rights to subscription, or the inexistence of such right in relation to Management, employees, or individuals who render services to the Company or other companies under its control are presented in note 24.

21.2. CAPITAL RESERVE

According to the "Indenture for the Second Issue of Debentures Convertible into Shares of Marfrig Alimentos S/A", the Company issued two hundred and fifty thousand (250,000) debentures, mainly convertible into shares, with unit par value of R\$10, amounting to R\$2,500,000. The debentures were issued on 15 July 2010 through private subscription, with maturity within 60 months, annually restated at the interest rate at 100% of the accumulated variation of average interbank deposit rates of a day, plus spread of one percent (1%). Debenture remuneration is recognised as current liabilities and collateralised by a bank guarantee provided by Banco Itaú BBA S/A. The total amount of the two hundred and fifty thousand (250,000) debentures was subscribed on various dates during September, and the main debenture holder is BNDES Participações S/A.

The Company, based on the characteristics of the transactions, recorded a capital reserve of issued debentures. As defined in the Indenture and except for the cases of voluntary conversion, the conversion price will be lower than the following items: (i) R\$21.50, plus the percentage of interest paid to debenture holders over the par value of the issues, less earnings distributed to each share, both restated at CDI as from the actual payment, in the case of interest on debentures, or the date of debentures less earnings, in the case of earnings, until the conversion date; and (ii) the higher between the market price and R\$24.50, the latter without adjustment for earnings in cash or monetary restatement.

The Company spent R\$12,328 to issue debentures, which was recorded as a valuation allowance to the capital reserve account, according to accounting rules for capital instruments.

Because of the paying in of such debentures made by BNDES Participações S/A, MMS Participações S/A and BNDES Participações S/A have entered into a shareholders' agreement with the purpose of regulating the relationship between the parties as shareholders of Marfrig Alimentos S.A. The Shareholders' Agreement electronic copy is available at www.marfrig.com.br/ri (Marfrig Alimentos S.A. website) and at www.cvm.gov.br (Brazilian Securities and Exchange Commission website).

21.3. INCOME RESERVES

21.3.1. Legal reserve

It is 5% (five per cent) of the Company's net income, as defined in its by-laws and current legislation.

In 2010, the amount of R\$7,305 was recognised as statutory reserve. Accordingly, the balance as of 31 December 2010 increased to R\$44,476.

21.3.2. Appropriated retained earnings

At the General Shareholders' Meeting held on 29 April 2011, the appropriation of net income corresponding to R\$99,392 will be proposed to finance part of the investments projected for 2011, whose amount is disclosed in the Management Report - Item 14 - Business Projections of Results.

21.3.3. Treasury shares

Treasury shares - Company

In 2008, the Company acquired 695,600 shares for R\$12,966, at an average cost of R\$18.64 (eighteen Brazilian reais and sixty-four cents) per share. These shares are for the share option-based variable compensation program, as described in note 24. They will be entitled to dividends and earnings occasionally distributed by the Company. In the same year one share was transferred to one of the Board of Directors' members.

In 2009, 124,101 shares were transferred to the Management of the Company, in compliance with the share option plan described in note 24. In the same year one share was transferred to one of the Board of Directors' members.

For the twelve-month period ended 31 December 2010, 177,300 shares were transferred to the Management of the Company, in compliance with the share option plan described in note 24.

As of 31 December 2010, the balance of treasury shares was 394,198 booked at the amount of R\$7,348.

The value of Treasury shares was R\$6,110, priced at R\$15.50 (fifteen Brazilian reais and fifty cents)/share in the last trading session before 31 December 2010.

Goodwill on acquisition of ownership interest in subsidiaries

21.4. ASSET AND LIABILITY VALUATION ADJUSTMENTS

Considering CVM Resolution No. 640/10, the Company created the account subgroup “Asset and Liability Valuation Adjustments” to record exchange rate gains (losses) on investments in subsidiaries abroad directly and indirectly held by the Company. Such accumulated effect will be transferred to the statement of income for the year as gain or loss only upon the disposal or write-off of the investment. Unrealised gains and losses on derivative financial instruments are also stated in this caption till they are realised, related to the net investment hedge effect.

21.5. CUMULATIVE TRANSLATION ADJUSTMENTS

According to Circular Letter CVM/SNC/SEP No. 01, of 30 January 2009, and CVM Resolution No. 640/10, the Company created a caption called “Cumulative Translation Adjustments” to record exchange rate gains (losses) resulting from the translation of the foreign subsidiaries’ financial statements. The investee’s functional currency is different from that of the parent company.

21.6. DIVIDENDS

The Company’s mandatory dividend is at least 25% of the adjusted net income determined in the parent company’s financial statements, pursuant to Brazilian Corporate Law and the Company’s by-laws. The annual statement of dividends, including their payment, in addition to mandatory minimum dividends, were approved at an Annual Shareholders’ Meeting by majority voting of Marfrig’s shareholders and will depend on various factors. Among these factors are the Company’s operating results, financial conditions, cash needs, future prospects and others which Marfrig’s Board of Directors and shareholders deem relevant.

At the Annual Shareholders' Meeting to be held on 29 April 2011 shareholders will propose the distribution of dividends for 2010, which is stated below:

Net income before interest on equity capital	146,094
(-) Statutory reserve	<u>(7,305)</u>
Adjusted net income for dividend purposes	138,789
Mandatory dividends	34,697
(-) Net interest on equity capital	<u>(29,833)</u>
Dividends payable	<u><u>4,865</u></u>

21.7. INTEREST ON EQUITY CAPITAL

Article 9 of Law No. 9.249 of 26 December 1995, with the modifications introduced by article 88, XXVI of Law No. 9.430/96 allowed the deductibility, for purposes of income and social contribution taxes, of interest on equity capital paid to shareholders, calculated according to the variation of the long-term interest rate - TJLP.

At the Annual Shareholders' Meeting to be held on 29 April 2011 shareholders will propose the distribution of interest on equity capital to shareholders for 2010, which is stated below:

Description	In thousands of Brazilian reais
Shareholders' equity as of 31 December 2009	4,076,440
(x) Accumulated TJLP from January to December 2010	6.1678%
Limit established by law	251,427
Interest on equity capital	34,532
(-) Withholding income tax - IRRF	(4,699)
Interest on equity capital, net	29,833
Interest on equity capital, prior	61,936
	91,769

21.8. MINORITY INTEREST

Refers to the interest of minority shareholders in the Company's equity.

22. NET SALES

	BR GAAP		BR GAAP and IFRS	
	Company		Consolidated	
	31.12.10	31.12.09	31.12.10	31.12.09
Revenue from sales of products				
Domestic sales	2,703,046	1,919,971	10,563,388	6,571,546
Foreign sales	1,470,550	893,649	6,462,725	3,715,531
	<u>4,173,596</u>	<u>2,813,620</u>	<u>17,026,113</u>	<u>10,287,077</u>
Deductions from Gross Sales				
Taxes on sales	(88,470)	(93,077)	(687,505)	(349,884)
Returns and discounts	(184,868)	(87,971)	(460,139)	(313,572)
	<u>3,900,258</u>	<u>2,632,572</u>	<u>15,878,469</u>	<u>9,623,621</u>

23. RESULTS BY NATURE

The Company has decided to present the statements of income by function. The breakdown by nature is below:

	Company		Consolidated	
	31.12.10	31.12.09	31.12.10	31.12.09
Cost of sales				
Inventory costs	2,755,905	1,817,646	10,907,753	6,949,451
Depreciation	54,548	47,102	351,961	263,823
Amortization	-	-	204,133	35,426
Employee salaries and benefits	272,199	176,573	1,813,177	1,120,732
	<u>3,082,652</u>	<u>2,041,322</u>	<u>13,277,024</u>	<u>8,369,433</u>
Administrative expenses				
Depreciation	4,885	4,234	59,098	20,338
Amortization	-	-	6,029	665
Employee salaries and benefits	58,793	39,491	242,763	139,070
Other	71,491	53,900	254,798	129,588
	<u>135,169</u>	<u>97,625</u>	<u>562,688</u>	<u>289,661</u>
Sales expense				
Depreciation	464	459	5,062	697
Amortization	-	-	441	14
Employee salaries and benefits	22,917	19,610	138,533	74,072
Other	241,621	149,897	1,263,464	566,756
	<u>265,002</u>	<u>169,966</u>	<u>1,407,500</u>	<u>641,540</u>

24. MANAGEMENT'S COMPENSATION

The compensation policy is designed to establish the criteria, responsibilities and directions for the short- and long-term compensation program of Marfrig Group's Management (Bonus and Stock Option).

The purpose of this policy is to motivate the executive officers of Marfrig Group to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward payout.

The Corporate Governance and Compensation Committee is responsible for evaluating/analysing Management's compensation. The Committee is made up of a coordinator (Member of the Board of Directors), President and HR Officer. Meetings are held monthly to discuss strategic HR issues.

The parameters used to determine Management's compensation are based on market practices.

24.1. BOARD OF DIRECTORS

The Board of Directors' compensation consists of a fixed and variable pay.

Fixed pay - An annual amount is set for each member and paid on a monthly basis.

Variable pay - Stock Option-based payment. An annual amount convertible into stock is set for each member (Stock Option) - only long-term. The price of the share is based on the average of the last 20 trading sessions prior to 3 March of each year. There is no subsidy by the Company.

The option exercise is in 4 years (25% per year), in the same way as for officers appointed as per by-laws.

The board members' compensation is determined through market research with the major companies in the industry whereby a compensation base is defined and submitted to Marfrig's corporate governance and compensation committee for validation.

24.2. OFFICERS APPOINTED AS PER BY-LAWS

Fixed pay - An annual amount is set for each member and paid on a monthly basis.

Variable pay - Consists of short-term (bonus) and long-term (Stock Option) compensation. In general the goals set by the Company for Management evaluation refer to economic objectives (Division's EBITDA and Marfrig Group's net income) and individual goals.

The gain on the Stock Option Plan is tied to the appreciation of the market price of the share, i.e. the value added to the Company by the performance of the individual and the Management as a whole will reflect on the gain on the stock option plan. At the same time the employees' interests are aligned with the Company's interests in the long run.

The exercise price of the stock options is the average of the last 20 trading sessions prior to 3 March of each year and the grant price with a 50% discount starting with the grants in 2010.

The vesting period follows these criteria:

- 25% after 12 months of the grant;

- 25% after 24 months of the grant;
- 25% after 36 months of the grant;
- 25% after 48 months of the grant.

The officers' compensation is determined through market research with the major companies in the industry whereby measurement criteria are established according to the significance of the position within the organisation. The macro policies are approved by the corporate governance and compensation committee.

24.3. AUDIT COMMITTEE

The Audit Committee started its activities on 30 April 2010 after approval at the Annual Shareholders' Meeting on the same date. Fixed pay - An annual amount is set for each member and paid on a monthly basis. There is no variable pay.

Management compensation is made up of the compensation of 4 members of the Board of Directors (the other 4 opted for not receiving compensation as board members), 3 members of the Audit Committee (the other 3 are alternate members) and the officers appointed as per the Company's by-laws.

The added value of the compensation received by the Company's Management for their services is defined through market practices, with the participation of the Corporate Governance and Compensation Committee, made up of one Member of the Board of Directors (coordinator), President and Human Resources Officer.

Department	In Brazilian reais		
	Total compensation		
	Fixed	Variable	Total
Board of directors	2,194	-	2,194
Management	4,393	2,233	6,626
Audit Committee	321	-	321
	6,908	2,233	9,141

24.4. STOCK OPTION PLAN

The Company has a long-term stock option-based variable compensation plan for its officers and board members, which is described in the Program Circular available at CVM/BM&FBOVESPA IPE system and its Investor Relations website.

As of 31 December 2010, the Company's stock option plan had 147 participants.

In 2010, 173,608 shares were transferred to the Management of the Company under the stock option plans, representing a negative effect on accumulated earnings for the year of R\$3,013.

The participation of current shareholders will not be diluted when share options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose.

Total unexercised stock options as of 31 December 2010 were 899,722.

The fair value of the options was calculated according to the Black-Scholes method, based on TJLP (Long-Term Interest Rate) of 6% per year and with implicit volatility (adjusted beta calculated in the period from 1 January 2010 to 31 December 2010) of 82.5%. The value of the shares as of 31 December 2010 in the different programs and maturities ranged between a maximum of R\$10.8415 and a minimum of R\$1.9120 per share for board members and between a maximum of R\$14.9087 and a minimum of R\$4.9294 per share for Management.

The table below shows the changes occurred in stock option plans in 2010:

Closing date	31/12/2010
Quotation	15.50
Share option plan	

	Sole beneficiaries	Option plan	Granting date	Performance period	Number of options granted	Number of vested options	Number of options realised in the period	Number of options realised or cancelled in prior periods	Number of implicit shares - Open options
Open options in 31/12/2009	80				878,330	144,000	125,700	-	752,630
Board of Directors	3	MASTER 07-08	03/03/2008	04/03/2009	13,800	13,800	13,800	-	-
	3	MASTER 07-08	03/03/2008	04/03/2010	13,800	13,800	-	-	13,800
	3	MASTER 07-08	03/03/2008	04/03/2011	13,800	-	-	-	13,800
	3	MASTER 07-08	03/03/2008	04/03/2012	13,800	-	-	-	13,800
Board of Directors	3	MASTER 08-09	28/07/2009	04/03/2010	27,675	27,650	-	-	27,650
	3	MASTER 08-09	28/07/2009	04/03/2011	27,675	-	-	-	27,650
	3	MASTER 08-09	28/07/2009	04/03/2012	27,675	-	-	-	27,650
	3	MASTER 08-09	28/07/2009	04/03/2013	27,675	-	-	-	27,650
Officers	15	ESP II CP 08-09	28/07/2009	28/07/2009	80,200	80,200	-	80,200	-
	20	ESP I LP 07-08	28/07/2009	28/07/2009	50,000	50,000	5,200	44,800	-
	20	ESP I LP 07-08	28/07/2009	04/03/2010	50,000	50,000	50,000	-	-
	20	ESP I LP 07-08	28/07/2009	04/03/2011	50,000	-	-	-	50,000
	20	ESP I LP 07-08	28/07/2009	04/03/2012	50,000	-	-	-	50,000
	72	ESP III LP 08-09	28/07/2009	04/03/2010	108,208	108,083	104,608	-	3,475
	72	ESP III LP 08-09	28/07/2009	04/03/2011	108,208	-	-	-	108,083
	72	ESP III LP 08-09	28/07/2009	04/03/2012	108,208	-	-	-	108,082
	72	ESP III LP 08-09	28/07/2009	04/03/2013	108,208	-	-	-	108,082
	124	ESP IV LP 09-10	01/07/2010	03/03/2011	80,000	-	-	-	80,000
	124	ESP IV LP 09-10	01/07/2010	03/03/2012	80,000	-	-	-	80,000
	124	ESP IV LP 09-10	01/07/2010	03/03/2013	80,000	-	-	-	80,000
	124	ESP IV LP 09-10	01/07/2010	03/03/2014	80,000	-	-	-	80,000
Open options in 31/12/2010	147				1,198,330	343,533	173,608	125,000	899,722

	Sole beneficiaries	Option plan	Option realisation price	Option maturity date	Value of option as of 31 December 2010 (Black Scholes) in R\$	Market value - non invested options as of 31 December 2010 (R\$ thousand)	Market value - invested open options as of 31 December 2010 (R\$ thousand)	Effects on results in 31 December 2010 in case of accounting
Open shares in 31/12/2009	80					11,013	118	(14,095)
Board of Directors	3	MASTER 07-08	13.588	03/03/2010	1.9120	-	-	-
	3	MASTER 07-08	13.588	03/03/2011	1.9120	-	26	(70)
	3	MASTER 07-08	13.588	03/03/2012	3.1606	44	-	(70)
	3	MASTER 07-08	13.588	03/03/2013	6.3960	88	-	(70)
Board of Directors	3	MASTER 08-09	6.77830	03/03/2011	8.7217	-	241	(328)
	3	MASTER 08-09	6.77830	03/03/2012	8.7998	243	-	(328)
	3	MASTER 08-09	6.77830	03/03/2013	9.8706	273	-	(328)
	3	MASTER 08-09	6.77830	03/03/2014	10.8415	300	-	(328)
Officers	15	ESP II CP 08-09	1.03823	30/11/2009	-	-	-	-
	20	ESP I LP 07-08	0.75485	02/09/2009	14.7452	-	-	-
	20	ESP I LP 07-08	0.75485	02/09/2010	14.7452	-	52	-
	20	ESP I LP 07-08	0.75485	02/09/2011	14.7529	738	-	(894)
	20	ESP I LP 07-08	0.75485	02/09/2012	14.7967	740	-	(894)
	72	ESP III LP 08-09	0.67783	02/09/2010	14.8222	-	-	(62)
	72	ESP III LP 08-09	0.67783	02/09/2011	14.8292	1,603	-	(1,941)
	72	ESP III LP 08-09	0.67783	02/09/2012	14.8684	1,607	-	(1,941)
	72	ESP III LP 08-09	0.67783	02/09/2013	14.9087	1,611	-	(1,941)
	124	ESP IV LP 09-10	11.020605	02/09/2011	4.9294	394	-	(609)
	124	ESP IV LP 09-10	11.020605	02/09/2012	7.4815	599	-	(609)
	124	ESP IV LP 09-10	11.020605	02/09/2013	9.0293	722	-	(609)
	124	ESP IV LP 09-10	11.020605	02/09/2014	10.1534	812	-	(609)
Outstanding options as of	147					9,774	319	(11,633)

25. EARNINGS PER SHARE

The following table shows the calculation of earnings per share for the year ended 31 December 2010 and 2009 (in thousands, except when otherwise stated):

	2010	2009
Net income attributable to shareholders	146,094	534,435
Weighted average number of shares in the period (in units)	346,984	278,702
Weighted average number of treasury shares (in units)	4,727	668
Weighted average number of outstanding common shares (in units)	346,511	278,034
Basic and diluted earnings per share (in R\$)	0.4216	1.9222

The Company has debentures convertible to common shares, which are not added to the calculation of diluted earnings per share once they are non-dilutive. The main characteristics of such instrument are as follows: debentures are mandatorily convertible into common shares. Marfrig Alimentos made on 15/07/2010 an issue of 250,000 debentures mandatorily convertible into shares as of 15/07/2015, in the total amount of R\$2,500,000, whose details are presented in note 21, item 2. As determined in the Issue Indenture and except for the cases of voluntary conversion, the conversion price shall be the lowest among the following items: (i) R\$21.50, plus the percentage of interest actually paid to debenture holders over the par value of the issues, less earnings distributed to each share, both restated at CDI as from the actual payment, in the case of interest of debentures, or the date of debentures less earnings, in the case of earnings, until the conversion date; and (ii) the higher between the market price and R\$24.50, the latter without adjustment for earnings in cash or monetary restatement.

26. SEGMENT REPORTING

Marfrig Alimentos is a multinational Brazilian-originated company dedicated to the production, processing and marketing in domestic and foreign markets of diversified food products, focussing on products of animal protein.

We have built an integrated business model, geographically diverse, consisting of production bases located in places with significant competitive advantages in cost and a distribution network with access to major consumer markets in the world.

We are strategically organised into two presentable areas, organised according to the animal protein that gives rise to revenue, with their own structures and professionalised and segmented into:

- Cattle, sheep and leather, with slaughter operations of animals found only in South America (Brazil, Argentina, Uruguay and Chile); and

- Poultry, pork and prepared & processed food products, with operations in Brazil, Europe, USA, Middle East and Asia.

Our global platform of distribution is present in all five continents, with 151 industrial facilities and offices in South and North America, Asia, Africa, Europe, Middle East and Oceania, with a distribution system that allows us to access to over 150 countries.

Due to the strategic location of our industrial facilities in Brazil, Argentina and Uruguay, we benefit from low costs of production due to the availability of land and tradition in the raising of animals for slaughter in these regions, which results in competitive prices and higher volume of exports.

We believe that this, in addition to the sale of high value-added products, mostly processed and industrialised products in consumer markets of high purchasing power, such as Europe and USA, enables us to generate higher profit margins.

We believe that we have a set of regionally strong brands recognised as signs of good quality and consistency in food products.

We work with poultry, pork and prepared & processed food products with our global brands Seara, Moy Park, Mabella, DaGranja, Pena Branca. Among the main Brazilian brands for export, we have Seara as the global brand, DaGranja Exports and PenaSul for poultry and Westphalen for pork. In Europe, we operate in the manufacturing of products with our own brand in the most important retail chains, in addition to brand Moy Park.

As for beef, sheep and leather, we operate with Bassi and Palatare brands, and our global brand Seara, in addition to one for exports, GJ. We also have other prestigious brands, including Paty - Argentine market leader of hamburgers and a symbol of the category in that country - and Aberdeen Angus, a leader in quality meat in Argentina; Mirab, a major brand in the Argentinean market of meat snacks such as beef jerky and which exports to several countries including USA, Japan and the United Kingdom. In Uruguay we have Tacuarembó, Viva, Paty and Bernina, and in the United States, Pemmican, a meat snack leading brand in the country.

We believe that our solid reputation and recognition of our brands allows us to build long-term relationships with our clients.

The Company provides information to the market, combined by segment of activity similar to that considered by its managers when taking strategic decisions.

BY DIVISION/ MARKET	2010	2009
CATTLE - BRAZIL	3,962,453	2,293,355
Domestic Market	2,698,777	1,286,084
Meat in natura	2,427,353	1,147,297
Prepared and processed food products	271,424	138,787
Exports	1,263,676	1,007,271
Meat in natura	1,127,303	778,066
Prepared and processed food products	136,373	229,205
CATTLE - FOREIGN OPERATIONS	1,692,965	1,865,991
Domestic Market	933,711	888,056
Meat in natura	603,845	563,255
Prepared and processed food products	329,866	324,801
Exports	759,254	977,935
Meat in natura	692,162	924,940
Prepared and processed food products	67,092	52,995
Sheep, leather and other	1,209,687	490,489
TOTAL CATTLE, SHEEP, LEATHER AND OTHER	6,865,105	4,649,835
Meat in natura	4,850,663	3,413,558
Prepared and processed food products	804,755	745,788
Sheep, leather and other	1,209,687	490,489
POULTRY AND PORK - BRAZIL	4,857,227	1,866,544
Domestic Market	1,688,760	933,411
Poultry in natura	515,104	477,453
Pork in natura	90,678	69,707
Prepared and processed food products	1,082,978	386,251
Exports	3,168,467	933,133
Poultry in natura	2,620,435	770,267
Pork in natura	317,138	112,276
Prepared and processed food products	230,894	50,590
POULTRY AND PORK - FOREIGN OPERATIONS	3,533,438	2,758,580
Domestic Market	2,880,943	2,112,909
Meat in natura	1,016,843	965,005
Prepared and processed food products	1,864,100	1,147,904
Exports	652,495	645,671
Meat in natura	182,598	307,438
Prepared and processed food products	469,897	338,233
Other	622,799	348,663
TOTAL POULTRY, PORK AND OTHER	9,013,464	4,973,787
Meat in natura	4,742,796	2,702,146
Prepared and processed food products	3,647,869	1,922,978
Other	622,799	348,663
TOTAL MARFRIG PROTEINS	15,878,569	9,623,622
Meat in natura	9,593,459	6,115,704
Prepared and processed food products	4,452,624	2,668,766
Other	1,832,486	839,152

27. INSURANCE COVER

It is the Company's policy to insure its property, plant and equipment and inventories at risk, for amounts deemed sufficient to cover possible disaster. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not examined by the Company's independent auditors.

Below is a summary of the amounts insured by the Company:

Description	Company		Consolidated	
	31/12/10	31/12/09	31/12/10	31/12/09
Meat packing buildings and facilities	874,105	903,300	5,934,716	4,090,665
Inventories and loss of profit	203,973	192,876	2,397,176	1,983,914
Third-party warehouse	76,712	12,000	315,800	42,603
Vehicles	8,934	22,997	15,585	29,555
Transportation of goods	333,333	333,333	971,331	2,043,969
Officers' endorsements	50,000	40,000	91,631	68,730
Civil liability	550	-	336,493	192,456
Other	912,795	303,567	1,062,147	545,654
	<u>2,460,402</u>	<u>1,808,073</u>	<u>11,124,879</u>	<u>8,997,546</u>

28. FINANCIAL INSTRUMENTS - DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

28.1. OVERVIEW

The Company and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimise these risks, the Company has policies and procedures to minimise these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

Among the Company's policies we highlight: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

Management is authorised to perform any and all acts listed below up to the amount equivalent to ten percent (10%) of the Company's equity based on the last financial statements disclosed in the market, except that for amounts higher than five percent (5%) of shareholder's equity, an additional authorisation from the Company's Finance Committee is necessary.

The Company's acts mentioned in the previous paragraph are as follows: (a) Offer guarantee for the obligations of the Company's subsidiaries and/or wholly owned subsidiaries; (b) approve the acquisition and/or sale of permanent asset items; (c) Approve financial transactions, including leases; and (d) Approve single or group of transactions involving the Company and related parties, directly or indirectly.

The Company does not enter into leveraged transactions with derivatives or similar instruments which do not offer a minimum protection against its exposure to other currencies, and also adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

28.2. FINANCIAL INSTRUMENTS BY CATEGORY

The Company's financial assets and liabilities are classified as below:

Company							
Financial assets							
	Loans and receivables		Measured at fair value through income		Held to maturity		Available for sale
	2010	2009	2010	2009	2010	2009	2010 2009
Cash and cash equivalents	91,899	405,840	-	-	-	-	-
Financial investments	54,496	4,961	-	-	62,297	7,889	2,045,328 2,211,035
Trade account receivables	392,120	512,854	-	-	-	-	-
Related parties	1,130,316	1,213,338	-	-	-	-	-
Total financial assets	1,668,831	2,136,993	-	-	62,297	7,889	2,045,328 2,211,035
Financial liabilities							
	Financial liabilities at amortised cost		Measured at fair value through income		Held to maturity		Available for sale
	2010	2009	2010	2009	2010	2009	2010 2009
Trade accounts payable	341,911	252,596	-	-	-	-	-
Loans and financings	5,305,588	4,374,172	-	-	-	-	-
Derivatives	-	-	138,914	42,484	-	-	-
Interest on debentures	-	-	-	-	132,000	-	-
Total financial liabilities	5,647,499	4,626,768	138,914	42,484	132,000	-	-

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								Consolidated
Financial assets								
	Loans and receivables		Measured at fair value through income		Held to maturity		Available for sale	
	2010	2009	2010	2009	2010	2009	2010	2009
Cash and cash equivalents	682,364	617,046	-	-	-	-	-	-
Financial investments	88,865	182,966	-	-	860,659	11,061	2,214,468	2,222,365
Trade accounts receivable	1,361,945	797,329	-	-	-	-	-	-
Total financial assets	2,133,174	1,597,341	-	-	860,659	11,061	2,214,468	2,222,365
Financial liabilities								
	Loans and receivables		Measured at fair value through income		Held to maturity		Available for sale	
	2010	2009	2010	2009	2010	2009	2010	2009
Trade accounts payable	2,310,763	935,407	-	-	-	-	-	-
Loans and financings	9,227,805	5,111,664	-	-	-	-	-	-
Derivatives	-	-	148,873	42,484	-	-	-	-
Interest on debentures	-	-	-	-	132,000	-	132,000	-
Total financial liabilities	11,538,568	6,047,071	148,873	42,484	132,000	-	132,000	-

Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in Note 3.

28.3. COMPARISON OF MARKET VALUE AND RESPECTIVE FAIR VALUES

Market values for the financial instruments are shown below:

	Consolidated			
	2010		2009	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	682,364	682,364	617,046	617,046
Financial investments	3,193,992	3,193,992	2,416,392	2,416,392
Trade accounts receivables	1,361,945	1,361,945	797,329	797,329
Trade accounts payable	2,310,763	2,310,763	935,407	935,407
Loans and financings	9,227,805	9,227,805	5,154,148	5,154,148
Derivatives	148,873	148,873	42,484	42,484
Interest on debentures	132,000	132,000	-	-

The fair value of financial instruments is similar to the book value and largely reflects the values that would be obtained if they were traded in the market. However, due to the lack of an active market, variations may occur if the Company and its subsidiaries decide to prepay them.

28.4. LIQUIDITY RISK

Liquidity risk arises from the Company's and its subsidiaries' working capital management and the amortisation of the principal and finance charges of debt instruments. This is the risk that the Company and its subsidiaries will find to settle its falling due payables.

The Company and its subsidiaries manage their capital based on parameters to optimise the shareholding structure focused on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

28.4.1. Capital management

	Consolidated	
	31.12.10	31.12.09
Cash and cash equivalents	3,876,356	3,033,438
Current loans and financings	2,852,561	1,431,127
Modified liquidity ratio	1.36	2.12
Leverage ratio	3.07x	2.87x

The purpose of capital management is to define the best financing structure for the Company and its subsidiaries.

The main indicators for monitoring such management is the modified immediate liquidity ratio, which is the ratio between cash and cash equivalents and current indebtedness (short term) and monitoring the ratio of net debt (total debt indebtedness less cash and cash equivalents) to EBITDA at levels considered to be manageable for continuity of operations.

Based on the analysis of these indices, the management of working capital is defined so as to keep Company's and its subsidiaries' natural leverage at levels equal or lower than the leverage ratio deemed adequate.

The modified immediate liquidity ratio as of 31 December 2009 reflected the increase in cash and cash equivalents due to fundraising by public share offering in the last quarter of that year.

The following table presents contractual terms (representing undiscounted contractual cash flows) of financial liabilities:

						Consolidated
31/dez/10	2011	2012	2013	2014	After	Total
Trade accounts payable	2,310,763	-	-	-	-	2,310,763
Loans and financings	2,852,561	1,333,730	1,254,948	1,445,765	2,340,801	9,227,805
Derivative financial liabilities	134,808	8,236	4,238	-	1,593	138,914
Interest on debentures	132,000	-	-	-	-	132,000
Total	5,430,132	1,341,966	1,259,186	1,445,765	2,342,394	11,809,482
31 December 2009	2010	2011	2012	2013	Após	Total
Trade accounts payable	935,407	-	-	-	-	935,407
Loans and financings	1,431,127	1,032,172	588,178	621,152	1,439,035	5,111,664
Derivative financial liabilities	42,484	-	-	-	-	42,484
Total	2,409,018	1,032,172	588,178	621,152	1,439,035	6,089,555

28.5. INTEREST RATE RISK MANAGEMENT

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

In order to reduce debt service costs, the Company and its subsidiaries continually monitor market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates. The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The risk of exposure to interest rate for the Company and its subsidiaries as of 31 December 2010 and 2009 is as follows:

Exposure to CDI rate:	2010	2009
NCE / Working capital / Other	2,679,510	1,597,764
(-) CDB-DI	(1,596,194)	(611,997)
Subtotal	<u>1,083,316</u>	<u>985,767</u>
Exposure to LIBOR rate:		
Prepayment	2,629,232	2,138,133
Working capital	186,758	31,882
Other	30,495	24,667
Subtotal	<u>2,846,485</u>	<u>2,194,682</u>
Exposure to TJLP rate:		
FINAME / FINEM / FINEP	64,454	57,454
Subtotal	<u>64,454</u>	<u>57,454</u>
TOTAL	<u>3,994,255</u>	<u>3,237,903</u>

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The Company entered into non-speculative swap contracts to minimize the effects of exchange settlement of its loans and financing, as below:

	Instrument	Register	Maturity	Receiveable	Payable	Consideration for principal amount	Notional value in USD	Notional value	(-) p
Company	Interest rate swap	CETIP	02/08/2012	High Libor 2.02%	Low Libor 2.02%	BB Londres	16,800	(2)	28,463
Company	Interest rate swap	CETIP	25/02/2011	High Libor 1.83%	Low Libor 1.83%	BB Londres	20,000	(2)	33,884
Company	Interest rate swap	CETIP	22/02/2012	High Libor 2.08%	Low Libor 2.08%	BB Londres	30,000	(2)	50,826
Company	Interest rate swap	CETIP	14/02/2013	High Libor 2.40%	Low Libor 2.40%	BB Londres	39,500	(2)	66,921
Company	Interest rate swap	CETIP	20/03/2013	High Libor 2.38%	Low Libor 2.38%	BB Londres	10,500	(2)	17,789
Company	Interest rate swap	CETIP	06/03/2015	High Libor 0.65%	Low Libor 2.18%	BB Londres	75,000	(2)	127,065
Company	Interest rate swap	CETIP	24/12/2012	High Libor 2.10%	Low Libor 2.10%	BB Londres	30,000	(2)	50,826
Company	Interest rate swap	CETIP	14/08/2014	High Libor 1.94%	Low Libor 1.94%	Citibank	88,889	(2)	169,420
Company	Interest rate swap	CETIP	14/08/2014	High Libor 2.00%	Low Libor 2.00%	Citibank	160,000	(2)	271,072
Company	Interest rate swap	CETIP	09/11/2015	High Libor 2.75%	Low Libor 2.75%	Citibank	45,000	(2)	75,762
Company	Interest rate swap	CETIP	12/11/2014	High Libor 3.30%	Low Libor 3.30%	Citibank	75,000	(2)	126,270
Sub Total							590,689	1,018,298	
Company	Interest rate swap	(3)	16/11/2012	Low Libor 2.26%	High Libor 2.26%	ING	50,000		83,310
Company	Interest rate swap	(3)	16/11/2012	Low Libor 2.21%	High Libor 2.21%	Sun Trust Bank	50,000		83,310
Company	Interest rate swap	(3)	16/03/2013	Low Libor 2.56%	High Libor 2.56%	Sun Trust Bank	25,000		41,655
Company	Interest rate swap	(3)	16/03/2011	Low Libor 2.41%	High Libor 2.41%	The Bank of Nova Scotia	25,000		41,655
Company	Interest rate swap	(3)	01/04/2011	Low Libor 2.9%	High Libor 2.9%	Sovereign Bank	50,000		83,310
Sub Total							200,000	333,240	
							790,689	1,351,538	

(1) The amount informed is calculated through the mark-to-market method (MtM) plus the existing premium, which is based on the conditions agreed and determining the present value based on market curves, from Bloomberg and B

(2) The notional value is not linked to a hedge transactions This value is the basis of payment flows, which bear interest (Rate), which is fixed.

(3) Bilateral/over-the-counter transaction. Not registered with a clearing and depositary chamber.

28.6. COMMODITY PRICE RISK MANAGEMENT

During its activities, the Company and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

The price of cattle acquired from third parties is directly related to market conditions, and is influenced by domestic availability and foreign market demand.

Maize and soya bean meal ("grains") are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others, which is not under Management's control.

There are exposures to variation in the price of gasoline and diesel fuel ("energy"), whose movements are due to factors out of Management's control.

So as to reduce the impact over commodities, the Company and its subsidiaries manage inventory levels, keeps cattle in feedlots and trade derivative financial instruments in the futures market.

The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company and its subsidiaries purchase financial instruments to reduce the price risk related to the needs for commodities within 12 months.

A substantial part of these financial instruments of protection come from the futures market, having the CBOT - Chicago Board of Trade as counterpart, whose physical deliveries ("deliverable") of non-financial items are accomplished. As of 31 December 2010, financial instruments covered 6.7% of expected needs for the purchase of cattle in Brazil; in Keystone 82.5% of exposures of energy and 91.1% for the exposure of grain, for an anticipated need by 2011. In the last two cases they are made on behalf of customers.

Exposure to commodity risks for the Company and its subsidiaries, in Brazilian reais as of 31 December 2010, for the periods of exposed needs is R\$946,960.

28.7. MANAGEMENT OF CREDIT RISK

The Company and its subsidiaries are subject to credit risk. Credit risk deals with group's financial losses if a client or counterpart in a financial instrument fails to comply with contractual obligations, which arise from most receivables.

The Company and its subsidiaries limit their exposure by analysing credit and managing client's portfolio, seeking to minimise the economic exposure to a certain client and/or market that may represent significant losses.

Conducted evaluations are based on information flows and follow-up of the volume of purchases in the market. The internal controls cover the assignment of credit limits.

The maximum exposure to credit risk for the Company and its subsidiaries are the trade accounts receivable shown in note 5, where the value of the effective risk of possible losses is presented as provision for credit risk is also shown.

28.8. EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 68.10% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural *hedge* against the maturities of future obligations in foreign currency. The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Company's and its subsidiaries' consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

			COMPANY
			Effects of exchange rate gains (losses)
Description	31/12/10	31/12/09	2010
EXPOSURE			
OPERATING			
Trade accounts receivable	385,032	242,152	(27,948)
ACE (advance on export contracts)	(230,860)	(20,281)	(5,824)
Imports payable	(45,746)	(16,199)	1,080
Subtotal	108,426	205,672	(32,692)
FINANCIAL			
Loans and financing	(3,658,436)	(3,120,805)	(49,324)
Notes payable	(8,842)	(31,976)	(6,504)
ACC (advance on exchange contracts)	(293,580)	(272,626)	(67,618)
Balances of banks and financial investments	252,274	67,163	31,223
Subtotal	(3,708,584)	(3,358,244)	(92,223)
TOTAL	(3,600,158)	(3,152,572)	(124,915)
Exchange rate gains			170,274
Exchange rate losses			(295,189)
Exchange rate gains (losses), net			(124,915)

			CONSOLIDATED
EXPOSURE			Effects of exchange rate gains (losses)
Description	31/12/10	31/12/09	2010
OPERATING			
Trade accounts receivable	533,385	263,492	(55,198)
ACE (advance on export contracts)	(281,291)	(20,280)	(5,824)
Imports payable	(182,389)	(109,538)	(10,097)
Subtotal	25,447	67,456	3,677
Subtotal	95,152	201,130	(67,442)
FINANCIAL			
Loans and financing	(6,224,551)	(3,368,293)	(21,868)
Notes payable	(49,664)	(31,976)	(1,229)
ACC (advance on exchange contracts)	(712,267)	(503,757)	(37,601)
Balances of banks and financial investments	263,231	440,207	16,211
Other	(19,262)	11,979	6,889
Subtotal	(6,742,513)	(3,451,840)	(37,598)
TOTAL	(6,647,361)	(3,250,710)	(105,040)
Exchange rate gains			282,714
Exchange rate losses			(387,753)
Exchange rate gains (losses), net			(105,039)

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As of 31 December 2010, outstanding derivatives are as follows:

	Instrument	Registration	Maturity	Forward	Consideration for principal amount	Purchased currency	Sold currency	Notional amount USD
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7591	Itau BBA	USD	BRL	450,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	150,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	150,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	50,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7619	Itau BBA	USD	BRL	100,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	50,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7664	Itau BBA	USD	BRL	100,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7588	Itau BBA	USD	BRL	100,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7528	Itau BBA	USD	BRL	300,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7210	Itau BBA	USD	BRL	100,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7210	Itau BBA	USD	BRL	100,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7038	Itau BBA	USD	BRL	150,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.7030	Itau BBA	USD	BRL	50,000
Company	Non Deliverable Forward (2)	(3)	03/01/2011	1.6915	Itau BBA	USD	BRL	100,000
Controlled company	Forward	(3)	03/01/2011	1.3192	Citibank	USD	EUR	1,000
Controlled company	Forward	(3)	18/01/2011	1.3133	Citibank	USD	EUR	6,000
Controlled company	Forward	(3)	24/01/2011	1.3110	Citibank	USD	EUR	1,000
Controlled company	Forward	(3)	31/01/2011	1.3255	Citibank	USD	EUR	3,000
Controlled company	NDF	(3)	05/01/2011	1.3235	NBC	USD	EUR	1,000
Controlled company	NDF	(3)	24/01/2011	1.3076	Itau	USD	EUR	1,000
Controlled company	NDF	(3)	03/01/2011	486.5000	BBVA	USD	CLP	1,000
Controlled company	NDF	(3)	05/01/2011	481.1000	BBVA	USD	CLP	2,000
Controlled company	NDF	(3)	06/01/2011	477.6000	BBVA	USD	CLP	1,000
Controlled company	NDF	(3)	18/01/2011	473.7500	BBVA	USD	CLP	3,000
Controlled company	NDF	(3)	21/01/2011	471.0000	BBVA	USD	CLP	2,000
Controlled company	NDF	(3)	25/01/2011	473.1000	BBVA	USD	CLP	1,000
Controlled company	NDF	(3)	26/01/2011	471.4500	BBVA	USD	CLP	5,000
Controlled company	NDF	(3)	13/01/2011	475.0000	BBVA	USD	CLP	500
Total								1,978,500

28.9. MARGINS GIVEN AS GUARANTEE

The Company has monetary assets as collateral for derivative transactions conducted at futures and commodities exchanges, and the balance as of 31 December 2010 is R\$2,501.

28.10. SENSITIVITY ANALYSIS

To provide information about the behaviour of market risks that the Company and its subsidiaries are exposed to as of 31 December 2010, three scenarios are considered and the probable scenario is the fair value as of 31 December 2010 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively. The source of information was Bloomberg.

The market future curve of 31 December 2010 was applied for currencies, with notional value of R\$/US\$1.6662. The interest rate considered the value as of 31 December 2010 for 1 month Libor at 0.26%, for 3-month Libor at 0.30%, and for 9-month Libor at 0.46%.

Sensitivity scenarios are below:

STRESS SCENARIO - SWAP**

	Probable scenario R\$ thousand	Possible scenario R\$ thousand	Remote scenario R\$ thousand
Company	(25,737)	(31,967)	(36,151)
Controlled Company	(7,956)	(8,606)	(8,807)
	<u>(33,693)</u>	<u>(40,573)</u>	<u>(44,958)</u>

**Future curves from Bloomberg and deteriorated curves were used in the calculation of these scenarios.
This result was discounted to present value

STRESS SCENARIO - CURRENCY TERM**

	Probable scenario	Possible scenario	Remote scenario
	R\$thousand	R\$thousand	R\$thousand
Company	(113,180)	(511,855)	(906,365)
Subsidiaries	(2,002)	(3,804)	(7,502)
Total	(115,182)	(515,659)	(913,867)

**Future curves from Bloomberg and deteriorated curves were used in the calculation of these scenarios. This result was discounted to present value.

The sensitivity analysis between derivatives and hedged item of the table below (foreign currency exposed loans and financing) was calculated for the year between the contract day and maturity, discounted to present value.

Hedge derivatives

	Probable scenario	Possible scenario	Remote scenario
Transaction	R\$ thousand	R\$ thousand	R\$ thousand
Currency forwards	(113,180)	(511,855)	(906,365)
Debt in foreign currency*	110,656	1,646,212	3,292,425
Net exposure	(2,524)	1,134,357	2,386,060

* All foreign currency exposed contracts held by the Company

In the year ended 31 December 2010, a net loss of R\$253,402 was incurred with derivatives, of which R\$269,463 corresponded to expenses and R\$16,061 to revenues.

Liabilities, presented on the balance sheet under "trade accounts payable" regarding derivative transactions, which are intended for equity hedging, are shown below:

	Company		Consolidated	
	31/12/10	31/12/09	31/12/10	31/12/09
Swap	(25,737)	(42,484)	(33,693)	(42,484)
Currency forward	(113,180)	-	(115,182)	-
	<u>(138,917)</u>	<u>(42,484)</u>	<u>(148,875)</u>	<u>(42,484)</u>

28.11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company and its subsidiaries use the Bloomberg's market curves for each derivative, brought to present value at the date of calculation, to obtain fair value, except for futures market derivatives whose fair values are calculated based on the on daily adjustments of variations in market prices of commodities and futures acting as consideration. The fair value of swap contracts for interest rate is obtained by calculating independently the active and liability positions, bringing them to their present value.

According to IFRS 7, the Company and its subsidiaries classify the measurement of fair value according to hierarchical levels which reflect the importance of indices used in such measurement, as follows:

- Level 1: Prices quoted in (non-adjusted) active market for identical assets and liabilities;
- Level 2 - Other available information, except those of Level 1, where quoted prices relate to similar assets and liabilities, whether directly, by obtaining prices in active markets, or indirectly, such as evaluation techniques using active market data.
- Level 3 - Indices used for the calculation do not derive from an active market. The Company and its subsidiaries do not have instruments at this measurement level.

As previously mentioned, the fair value of financial instruments, except for those falling due in the short term, equity instruments without an active market and agreements with discretionary characteristics, where fair value cannot be reliably measured, are presented by hierarchical levels, according to the table below:

	Level 1	Level 2	Level 3
Non-current liabilities			
Derivatives	14,067	-	-

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Company and its subsidiaries.

29. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated according to prevailing legislation and the Temporary Taxation Scheme, provided for in Executive Act No. 449/2008.

Income and social contribution tax calculations and returns are open to review and final assessment by tax authorities for varying statutory years in relation to the payment or filing date.

Reconciliation of income and social contribution tax account records with the Taxable Income Computation Book is as follows:

Tax	Company		Consolidated		
	31/12/10	31/12/09	31/12/10	31/12/09	
Income (loss) before tax effects	(18,830)	588,191	(271,500)	549,112	
Add-backs	-	115,795	-	214,673	
Add-backs of corporate income tax (IRPJ)	340,856	-	847,691	-	
Add-backs of social contribution tax (CSLL)	321,888	-	864,824	-	
(-) Deductions	(1,566,528)	(706,141)	(2,825,397)	(859,365)	
(-) Deductions from IRPJ	(783,264)	-	(1,412,577)	-	
(-) Deductions from CSLL	(783,264)	-	(1,412,820)	-	
Tax basis	-	(2,155)	-	(95,580)	
Income tax basis	(461,238)	-	(836,387)	-	
Social contribution tax basis	(480,206)	-	(819,496)	-	
Companies with income tax loss	-	-	-	-	
Companies with social contribution tax loss	-	-	-	291,667	
(-) Carry forwards	-	-	(13,887)	-	
Calculation base after carry forwards	-	(2,155)	-	196,087	
Calculation base after carry forwards of IRPJ	-	-	163,768	-	
Calculation base after carry forwards of CSL	-	-	174,567	-	
Income tax (15%)	-	-	(23,405)	29,413	
Surtax (10%)	-	-	420	18,643	
(-) PAI	-	-	(28)	-	
Total income tax	-	-	(23,013)	48,056	
Social contribution tax (9%)	-	-	(418)	17,648	
	-	-	(23,431)	65,704	
Rate difference on foreign results	-	-		(37,462)	
Effect on the statement of income	-	-	(23,431)	28,242	
Tax	Group	31/12/10	31/12/09	31/12/10	31/12/09
(-) Income tax - current	Current liabilities	-	-	(23,013)	(28,242)
Tax paid abroad		-	25,432	-	25,432
Income tax - provision for contingencies	Non-current liabilities	-	-	(22,691)	-
Deferred tax assets - Revaluation	Non-current liabilities	5,124	2,564	6,825	(140)
Deferred tax assets - Assets	Non-current assets	116,367	(60,785)	344,425	2,478
Other provisions	Non-current liabilities	-	-	(9,174)	-
Net	Income	121,491	(32,789)	296,372	(472)
(-) Social contribution tax - current	Current liabilities	-	-	(418)	-
Social contribution tax - provision for contingencies	Non-current liabilities	-	-	(7,652)	-
Deferred social contribution tax - Revaluation	Non-current liabilities	1,844	926	1,844	(48)
Deferred social contribution tax - Other	Non-current assets	43,600	(21,893)	122,657	(6,176)
Other provisions	Non-current liabilities	(2,011)	-	(1,211)	-
Net	Income	43,433	(20,967)	115,220	(6,224)

- (1) Refer to the reversal of deferred income and social contribution taxes stated in note 20, considering the addition of depreciation of revalued assets to taxable income and the social contribution tax basis.
- (2) Refer to deferred income and social contribution taxes calculated on: taxes whose payment has been suspended (provisions), and which were added to the calculation of the taxable income and the social contribution tax basis; utilisation for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in note 9.

30. REDUCTION TO RECOVERABLE VALUE - IMPAIRMENT

The Company evaluated the balances of property, plant and equipment and intangible assets with defined useful lives. Assets that do not have a defined useful life, such as goodwill for future profitability, are tested for impairment on an annual basis, regardless of impairment evidence. Tests consisted of experts preparing valuation reports of subsidiaries to check the degree of recoverability of these assets.

In applying impairment tests for assets, the carrying value of an asset or cash-generating unit is compared with its recoverable amount. The recoverable amount is the higher of the net sales value of an asset and its value in use. Considering the distinguishing features of the Company's and its subsidiaries' assets, the recoverable amount used for the impairment testing is the value in use, except when specifically indicated.

This value in use is estimated based on the present value of future cash flows, which results from the Company's best estimates. Cash flows arising from the continued use of the related assets are adjusted for specific risks and use the discount rate, which results from the Weighted Average Cost of Capital. Projections for the discounted cash flow take into consideration assumptions such as: capital cost, growth rate and adjustments applied to flows in perpetuity, methodology for determination of working capital, investment plan and business long-term forecasts.

These evaluations are made at the lowest asset level for which there are identifiable cash flows. The reversal of previously recognised losses is allowed, except when related to a reduction in goodwill for future profitability.

To determine the recoverable value of each business segment, pursuant to CPC 01, the Company used the discounted cash flow method, using business forecasts for each segment. Expectations have been updated considering changes seen in the economic scenario of the Company's acting markets, as well as assumptions of expectations of results and history of profitability in each segment. Discount rates applied range from 8.9% to 11% p.a., according to the specific characteristics of the business, countries/continents in which it operates, and the perpetuity growth rates to extend projections beyond 10 years range from 3% to 4% p.a. in nominal values.

The main assumptions for the period 2011-2020 used in the valuation process were:

- Sales Revenues: Different growth in volumes and price of different types of products in the Operating Units, considering the additional investment in the increase in slaughter/production capacity and/or investment in maintenance of the existing infrastructure.

- Costs and expenses: Estimates compatible with the historic performance of the Operating Unit, growth of revenues, and addition of efficiency gains resulting from improvements in processes and synergies generated in business combinations.
- Capital investments: Estimated considering the maintenance of the existing infrastructure and additional investment to allow the new offer of products and resulting increase in revenues.

Impairment tests show that the book values of the Company's assets are not higher than the amounts which could be obtained by use or sale.

31. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company has been fulfilling its social development role in all countries where it operates. In 2007 the Company created the Social Action Department responsible for developing social projects.

The Company has been contributing annually, with an increasing amount of funds and human resources, to hospitals, charitable entities and social projects, allocating part of its production to poor communities in various Brazilian regions.

To assure the sustainability of Marfrig Group's operations, the Company takes all the measures to preserve environmental conditions and generate a positive effect on the communities where the Company has activities.

Meetings are held with the presence of the Company's officers, where environmental projects are defined and goals established. Among the projects for reducing the emission of greenhouse gases (carbon credits) the following stand out: (i) electricity generation using biomass; (ii) the replacement of fossil fuel for tallow in the boilers of its facilities; and (iii) the treatment of wastewater in anaerobic reactors (bio-digesters) capturing and burning methane gas. In addition, we implemented the treatment of wastewater by means of bio-digesters in the industrial facilities of Bataguassu, Porto Murтинho, Tangará da Serra, Promissão I and II and, if found feasible by the development researches, it will also be implemented in the industrial facilities of Mineiros, Chupinguaia, Paranatinga and São Gabriel.

In relation to the purchase of cattle, the Company follows the policy of not acquiring it from farms included in the list of areas embargoed by Administrative Act No. 19, of IBAMA (Brazilian Institute of Environment and Natural Resources) of 2 July 2008 and Decree No. 6.321 of 21 December 2007 and respective amendments, as well as those included in the Black List of Slave-Like Work from the Labour Ministry (Administrative Act 540/2004 of 15 October 2004), proactively acting in relation to producers who violate current laws and arranging for their prompt withdrawal from the list of suppliers of animals for slaughter.

The Company adopts adequate practices in relation to prevailing environmental and labour regulations, besides being one of the parties to the National Agreement for Eradication of Slave-Like Working Conditions and the “Pacto Conexões Sustentáveis” (sustainability agreement) since October 2008, whereby it undertakes to inspect and keep its business relations under ethic and human respect codes.

Starting 22 June 2009, the Company undertook not to acquire, slaughter or sell cattle from the Amazonian Biome area that has been deforested, starting on that date, demonstrating the commitment to search for a sustainable development of livestock. In relation to that, beginning on the mentioned date, the Company requested BDO Auditores Independentes to conduct specific procedures to review cattle acquisitions and confirm the commitment undertaken.

The Company is committed to working in partnership with state governments, in special with the government of the State of Mato Grosso, in the MT Legal Program and with the Brazilian society in the development of a program to guarantee the origin of the animals, including the adhesion of the suppliers that make the fattening of cattle with animals from other properties, with the objective of:

- Assuring that the cattle for slaughter is not from areas embargoed by IBAMA or included in the black list of slave-like work of the Brazilian Labour Ministry.
- Implementing a plan of control over properties of suppliers, so that they do not acquire animals from farms included in the list of areas embargoed or black listed.

The following will also be among Marfrig’s purposes, as part of its sustainability:

- Developing good social and environmental practices with cattle farmers.
- Implementing a Cattle Raising Boosting Program, which encourages and enhances training and recognition of good practices to improve productivity in the field, as already happens in the subsidiaries in Argentina and Uruguay.
- Making the results of the above-mentioned programmes available for consultation.
- Implementing a social-environmental mapping of the properties that supply cattle, increasing adequacy standards and assuring the commitment to sustainability in the whole chain.

The Company confirms that it already follows the strict conduct of not acquiring cattle from farms included in the list of embargoed areas, proactively acting in relation to producers that violate current laws and immediately excluding them from the list of suppliers of animals for slaughter and that it already adopts appropriate practices in relation to environmental and labour laws in effect.

32. EFFECT OF THE ADOPTION OF IFRS AND NEW TECHNICAL PRONOUNCEMENTS, INTERPRETATIONS AND GUIDELINES ISSUED BY CPC IN QUARTERLY INFORMATION

Effects of the adoption of IFRS and new Technical Pronouncements, Interpretations and Guidelines issued by CPC in Quarterly Information for the periods ended 31 March, 30 June and 30 September 2010 and 2009

On 25 January 2011, CVM issued Instruction No. 656 modifying CVM Instruction No. 603/09 and granting public companies an additional time for republishing quarterly information from 2010 and 2009, with full adoption of the new standards in 2010, until the presentation of the Quarterly Information for the quarters ending 31 March 2011.

The Company's Management decided to use this additional time and, in compliance with CVM Instruction No. 656/2011, is disclosing a reconciliation of shareholders' equity of each quarter of 2010 and 2009, according to the amounts originally presented, adjustments calculated and balances adjusted for adoption of new CPCs.

This Quarterly Information was subject to special review procedures applied by the Company's independent auditors pursuant to CVM standards applicable to Quarterly Information (NPA 06 of IBRACON - Special Review of Quarterly Information of Public Companies) including the adjustments resulting from the adoption of the new accounting practices and, accordingly, not subject to audit procedures.

Reconciliation of BR GAAP with IFRS

Reconciliation of gains - Company
(in thousands of Brazilian reais)
for the year ended

31 December
2009

Net gains under BR GAAP	679,079
Differences in GAAP increasing (decreasing) reported gains:	
1. Revenues	18,709
2. Inventories	(11,094)
3. Biological assets	8,297
4. Discount to present value	(720)
5. Write off of non-recoverable assets	(4,557)
7. Provision for non-realisation of credits	(61,111)
8. Provision for contingencies	(5,869)
9. Non-realisation of inventories/ obsolescence	(71,650)
10. Depreciation of revalued property, plant and equipment	5,231
11. Deferred taxes	19,893
12. Business combinations	-
12. Equity in earnings (losses) of subsidiaries - Adjustments in subsidiaries	(41,773)
Net gains under IFRS	534,435

Reconciliation of gains - Consolidated (in thousands of Brazilian reais) For the year ended	31 December 2009
Net gains under BR GAAP	679,079
Differences in GAAP increasing (decreasing) reported gains:	
1. Revenues	19,269
2. Inventories	(12,982)
3. Biologica assets	8,297
4. Discount to present value	(1,090)
5. Write off of non-recoverable assets	(4,557)
6. Reversal of amortisation of deferred charges	1,361
7. Provision for non-realisation of credits	(68,463)
8. Provision for contingencies	(11,411)
9. Non-realisation of inventories/ obsolescence	(71,650)
10. Depreciation of revalued property, plant and equipment	(47,868)
11. Deferred taxes	44,450
12. Business combinations	-
Net gains under IFRS	534,435

The reconciliation of the Company's equity and net income (Company and Consolidated) for each quarter of 2010 and 2009 is as follows:

	Company			Consolidated		
	Assets	Liabilities	Shareholder s' equity	Assets	Liabilities	Shareholders' equity
Opening balance of previous practices as of 1 January 2009	6,668,862	3,939,011	2,729,851	9,155,170	6,407,405	2,729,851
CPC 37 – First-time adoption of new standards – Presentation of advances from customers in current liabilities	46,628	46,628		46,628	46,628	
CPC 12 – Discount to Present Value	(1,707)	1,231	(2,938)	(1,308)	1,229	(2,540)
CPC 37 – First-time adoption of new standards – Write-off of unrealised notes	(154,191)		(154,191)	(154,191)		(154,191)
CPC 30 – Recognition of revenues	(909)		(909)	(805)		(805)
CPC 29 – Biological assets – Adjustment to market value	(8,852)		(8,852)	(8,852)		(8,852)
CPC 16 – Inventories – Recognition of a provision for obsolescence and non-realisation	(97,300)		(97,300)	(97,300)		(97,300)
CPC 37 – First-time adoption of new standards – Presentation of taxes payable in current liabilities	2,073	2,073		2,075	2,075	
CPC 25 – Provisions – Additional provision for non-realisation of credits	(123,361)		(123,361)	(137,873)		(137,873)
CPC 37 – First-time adoption of new standards – Presentation of advances to suppliers	123,599	123,599		123,599	123,599	
CPC 37 – First-time adoption of new standards – Presentation of other receivables	1,509	1,509		1,509	1,509	
CPC 32 – Deferred taxes – Recognition of deferred taxes on temporary adjustments	37,310		37,310	46,086		46,086
CPC 18 – Investment in subsidiaries and affiliated companies – Recognition of the effects of IFRS adjustments in subsidiaries	(68,814)		(68,814)			
CPC 27 – Property, plant and equipment – Deemed cost of property, plant and equipment	12,517		12,517	1,108,642		1,108,642
CPC 27 – Property, plant and equipment - Accounting for depreciation				(31,149)		(31,149)
CPC 13 – Write-off of deferred charges				(18,852)		(18,252)
CPC 13 - Write-off of negative goodwill	12,479		12,479			
CPC 25 – Provisions – Additional provisions for social security contributions		1,780	(1,780)		2,401	(2,401)
CPC 32 – Deferred taxes – Recognition of deferred taxes on appreciation		110,162	(110,162)		691,983	(691,983)
CPC 02 – Conversion of balance sheets – Effect of 2008 IFRS adjustments						
CPC 15 – Business combinations – Adjustment of goodwill from acquisitions					514,140	(514,140)
Adjustment of minority interest balance due to IFRS adjustments						(1,243)
Balance as of 1 January 2009	6,449,843	4,225,993	2,223,850	10,033,379	7,790,969	2,223,850
Reclassification of minority interest to shareholders' equity						19,160
Balance according to CPCs as of 1 January 2009 - Total	6,449,843	4,225,993	2,223,850	10,033,379	7,790,969	2,243,010

Marfrig Alimentos S.A.

	Company			Consolidated		
	Assets	Liabilities	Shareholder s' equity	Assets	Liabilities	Shareholder s' equity
Opening balance of previous practices as of 31 December 2009	9,452,811	5,268,526	4,184,285	11,451,640	7,253,834	4,184,285
CPC 37 – First-time adoption of new standards – Presentation of advances from clients in current liabilities	64,431	64,431		64,431	64,431	
CPC 12 – Discount to Present Value	(9,264)	(3,682)	(5,582)	(8,456)	(4,265)	(4,191)
CPC 37 – First-time adoption of new standards – Write-off of unrealised notes	(158,748)		(158,748)	(158,748)		(158,748)
CPC 30 – Recognition of revenues	7,615		7,615	(4,077)		(4,077)
CPC 29 – Biological assets – Adjustment to market value	(555)		(555)	(555)		(555)
CPC 16 – Inventories – Recognition of a provision for obsolescence and non-realisation	(168,950)		(168,950)	(168,950)		(168,950)
CPC 37 – First-time adoption of new standards – Presentation of taxes payable in current liabilities	13,327	13,327		13,327	13,227	
CPC 25 – Provisions – Additional provision for non-realisation of credits	(184,472)		(184,472)	(206,336)		(206,336)
CPC 37 – First-time adoption of new standards – Presentation of advances to suppliers	106,344	106,344		106,344	106,344	
CPC 37 – First-time adoption of new standards – Presentation of other receivables	12,369	12,369		50,424	50,424	
CPC 32 – Deferred taxes – Recognition of deferred taxes	52,923	105,882	(52,959)	66,198	625,345	(559,147)
CPC 18 – Investment in subsidiaries and affiliated companies – Recognition of the effects of IFRS adjustments in subsidiaries	99,433		99,433			
CPC 27 – Property, plant and equipment – Deemed cost of property, plant and equipment	48,897		48,897	1,139,791		1,139,791
CPC 27 – Property, plant and equipment - Accounting for depreciation				(79,017)		(79,017)
CPC 13 – Write-off of deferred charges				(11,429)		(11,429)
CPC 43 - Write-off of negative goodwill	12,479		12,479			
CPC 25 – Provisions – Additional tax provisions		7,649	(7,649)		13,812	(13,812)
CPC 36 – Consolidated financial statements – Acquisition of shares from subsidiary	(1,748)		(1,748)			
CPC 02 – Conversion of balance sheets – Effect of 2008 IFRS adjustments					9,671	(9,671)
CPC 15 – Business combinations – Adjustment of goodwill from acquisitions					335,860	(335,860)
Adjustment of minority interest balance due to IFRS adjustments						(237)
Balance as of 31 December 2009	9,346,892	5,574,846	3,772,046	12,254,587	8,468,683	3,772,046
Reclassification of minority interest to shareholders' equity						13,858
Balance according to CPCs as of 31 December 2009	9,346,892	5,574,846	3,772,046	12,254,587	8,468,683	3,785,904

33. QUARTERLY INFORMATION (UNAUDITED)

The Company is not republishing its quarterly information disclosed during 2010 with the presentation of its financial statements, as ruled by CVM Instruction No.603/09 changed by CVM Instruction No. 656/11. The quarterly information presented below was subject to the special review procedures applied by the Company's independent auditors according to CVM requirements for quarterly information (NPA 06 of IBRACON), including the adjustments resulting from the adoption of the new accounting practices and, accordingly, were not subject to audit procedures.

Reconciliation of shareholders' equity: (in thousands of Brazilian reais)	Shareholders' equity 2010			Shareholders' equity 2009		
	Company			Company		
	30.09.10	30.06.10	31.03.10	30.09.09	30.06.09	31.03.09
Balance according to current accounting practices 2009 (previous BR GAAP)	6,690,643	4,336,147	4,210,375	2,821,649	2,792,931	2,663,125
Differences increasing (decreasing) reported shareholders' equity:						
1. Revenues	(909)	(909)	(909)	(909)	(909)	(909)
2. Inventories	(97,300)	(97,300)	(97,300)	(97,300)	(97,300)	(97,300)
3. Biological assets	(8,852)	(8,852)	(8,852)	(8,852)	(8,852)	(8,852)
4. Provision for contingencies	(1,780)	(1,780)	(1,780)	(1,780)	(1,780)	(1,780)
5. Provision for non-recovery of assets	(123,361)	(123,361)	(123,361)	(123,361)	(123,361)	(123,361)
6. Valuation of assets (Deemed cost)	12,515	12,515	12,515	12,515	12,515	12,515
7. Deferred taxes	(72,852)	(72,852)	(72,852)	(72,852)	(72,852)	(72,852)
8. Discount to present value	(2,937)	(2,937)	(2,937)	(2,937)	(2,937)	(2,937)
9. Write off of non-recoverable assets	(154,190)	(154,190)	(154,190)	(154,190)	(154,190)	(154,190)
10. Write off of negative goodwill	12,479	12,479	12,479	12,479	12,479	12,479
11. Acquisition of shares - subsidiary	(6,672)	(1,748)	(1,748)	(1,748)	-	-
12. Income reserve - 2009 adjustments	(102,871)	(102,871)	(102,871)	-	-	-
13. Income adjustments	(54,254)	(10,173)	23,484	(77,067)	(37,264)	(17,265)
14. Adjustment in IFRS in controlled companies	24,668	70,342	72,462	61,938	18,225	(24,331)
Total shareholders' equity under IFRS (adjusted)	6,114,327	3,854,510	3,764,515	2,367,585	2,336,705	2,184,342

Marfrig Alimentos S.A.

Reconciliation of gains in the quarter (In thousands of Brazilian reais) For the period ended	Company					
	statement of quarterly income (loss) 2010			statement of quarterly income (loss) 2009		
	30.09.10	30.06.10	31.03.10	30.09.09	30.06.09	31.03.09
Net income (loss) for the quarter (previous BR GAAP)	(30,932)	127,375	41,684	200,497	405,039	(38,166)
Differences increasing (decreasing) reported gains:						
1. Revenues	(44,673)	368	(31,754)	(1,118)	(4,352)	(10,507)
2. Inventories	30,954	23	25,079	948	4,228	7,175
3. Biological assets	(38)	4,256	3,005	(1,086)	5,229	8,718
4. Discount to present value	(2,145)	(777)	2,886	(1,058)	1,141	(615)
5. Write off of non-recoverable assets	-	-	-	-	-	-
Reversal of amortisation of deferred charges	-	-	-	-	-	-
Provision for non-realisation of credits	(17,653)	(15,617)	(12,282)	(34,360)	(9,171)	(5,929)
Provision for contingencies [CPC 25]	(491)	(809)	(1,008)	(1,207)	(1,560)	(1,577)
Non-realisation of inventories/ obsolescence	-	-	-	(5,450)	(8,200)	(5,500)
Depreciation of revalued property, plant & equipment [CPC 27 / ICPC 10]	1,119	1,300	1,301	1,304	1,311	1,315
Deferred taxes	10,788	3,959	3,524	13,487	2,101	1,414
Adjustments in subsidiaries	(21,942)	(26,360)	32,733	(11,263)	(10,726)	(11,759)
Net income (loss) for the quarter (BR GAAP)	(75,013)	93,718	65,168	160,694	385,040	(55,431)

Reconciliation of gains in the period (accumulated) (in thousands of Brazilian reais) For the period ended	Statement of Accumulated Income (Loss) 2010			Statement of Accumulated Income (Loss) 2009		
	30.09.10	30.06.10	31.03.10	30.09.09	30.06.09	31.03.09
Net income for the quarter (previous BR GAAP)	138,127	169,059	41,684	567,370	366,873	(38,166)
Differences increasing (decreasing) reported gains:						
1. Revenue [CPC 30]	(76,059)	(31,386)	(31,754)	(15,977)	(14,859)	(10,507)
2. Inventories [CPC 16]	56,056	25,102	25,079	12,351	11,403	7,175
3. Biological assets	7,223	7,261	3,005	12,861	13,947	8,718
4. Discount to present value	(36)	2,109	2,886	(532)	526	(615)
5. Write off of non-recoverable assets	-	-	-	-	-	-
6. Reversal of amortisation of deferred charges	-	-	-	-	-	-
7. Provision for non-realisation of credits	(45,552)	(27,899)	(12,282)	(49,460)	(15,100)	(5,929)
8. Provision for contingencies	(2,308)	(1,817)	(1,008)	(4,344)	(3,137)	(1,577)
9. Non-realisation of inventories/ obsolescence	-	-	-	(19,150)	(13,700)	(5,500)
10. Depreciation of revalued property, plant & equipment	3,720	2,601	1,301	3,930	2,626	1,315
11. Deferred taxes	18,271	7,483	3,524	17,002	3,515	1,414
Adjustments in subsidiaries	(15,569)	6,373	32,733	(33,748)	(22,485)	(11,759)
Net income for the quarter (IFRS and BR GAAP)	83,873	158,886	65,168	490,303	329,609	(55,431)

Marfrig Alimentos S.A.

Reconciliation of shareholders' equity: (in thousands of Brazilian reais)	Consolidated					
	Shareholders' equity 2010			Shareholders' equity 2009		
	30.09.10	30.06.10	31.03.10	30.09.09	30.06.09	31.03.09
Balance according to current accounting practice 2009 (previous BR GAAP)	6,690,643	4,336,147	4,210,375	2,821,649	2,792,931	2,663,125
Differences increasing (decreasing) reported shareholders' equity:						
1. Business combinations	(430,026)	(430,026)	(430,026)	(446,957)	(446,957)	(446,957)
2. Revenues	(1,643)	(1,643)	(1,643)	(1,643)	(1,643)	(1,643)
3. Inventories	(98,066)	(98,066)	(98,066)	(98,066)	(98,066)	(98,066)
4. Biological assets	(8,852)	(8,852)	(8,852)	(8,852)	(8,852)	(8,852)
5. Provisions for contingencies	(2,401)	(2,401)	(2,401)	(2,401)	(2,401)	(2,401)
6. Provisions for non-recovery of assets	(131,570)	(131,570)	(131,570)	(131,570)	(131,570)	(131,570)
7. Valuation of assets (Deemed cost)	679,841	679,841	679,841	679,841	679,841	679,841
8. Deferred taxes	(332,209)	(332,209)	(332,209)	(332,209)	(332,209)	(332,209)
9. Deferred assets	(12,793)	(12,793)	(12,793)	(18,252)	(18,252)	(18,252)
10. Discount to present value	(2,937)	(2,937)	(2,937)	(2,937)	(2,937)	(2,937)
11. Write off of non-recoverable assets	(154,190)	(154,190)	(154,190)	(154,190)	(154,190)	(154,190)
12. Write-off of negative goodwill	12,479	12,479	12,479	12,479	12,479	12,479
13. Minority interest	(369)	(485)	(526)	(523)	(852)	(952)
14. Acquisition of shares - subsidiary	(6,672)	(1,748)	(1,748)	(1,748)	-	-
15. Income reserve - 2009 Adjustments	(144,644)	(144,644)	(144,644)	-	-	-
16. Conversion of balance sheet	111,990	157,780	159,941	130,031	86,647	44,191
17. Income adjustment	(54,254)	(10,173)	23,484	(77,067)	(37,264)	(17,265)
Total shareholders' equity under IFRS (Adjusted)	6,114,327	3,854,510	3,764,515	2,367,585	2,336,705	2,184,342

Conciliation of gains in the quarter (In thousands of Brazilian reais) For the period ended	Consolidated					
	Statement of Quarterly Income (Loss) 2010			Statement of Quarterly Income (Loss) 2009		
	30.09.10	30.06.10	31.03.10	30.09.09	30.06.09	31.03.09
Net income (loss) for the quarter (previous BR GAAP)	(30,932)	127,375	41,684	200,497	405,039	(38,166)
1. Revenue	(13,719)	354	(6,149)	(1,620)	(2,058)	(11,619)
2. Inventories	(110)	(619)	671	1,610	2,845	7,007
3. Biological assets	993	4,449	3,122	(1,086)	5,229	8,718
4. Discount to present value	(2,145)	(1,401)	4,444	(1,270)	1,436	(1,166)
5. Reversal of amortisation of deferred charges	340	340	341	340	340	340
6. Provision for non-realisation of credits	-	-	-	(36,254)	(11,092)	(7,915)
7. Provision for contingencies	(26,898)	(23,908)	(18,518)	(2,632)	(2,899)	(2,818)
8. Non-realisation of inventories/ obsolescence	-	-	-	(5,450)	(8,200)	(5,500)
9. Depreciation of revalued property, plant & equipment	(22,508)	(22,320)	(22,316)	(11,833)	(11,823)	(11,819)
10. Deferred taxes	19,966	9,448	13,913	18,392	6,223	7,507
11. Business combinations	-	-	47,976	-	-	-
Net income (loss) for the quarter (BR GAAP)	(75,013)	93,718	65,168	160,694	385,040	(55,431)

Marfrig Alimentos S.A.

Reconciliation of gains in the period (accumulated) (In thousands of Brazilian reais) For the period ended	Statement of Accumulated Income (Loss) 2010			Consolidated Statement of Accumulated Income (Loss) 2009		
	30.09.10	30.06.10	31.03.10	30.09.09	30.06.09	31.03.09
Net income (loss) for the quarter (previous BR GAAP)	138,127	169,059	41,684	567,370	366,873	(38,166)
1. Revenue	(19,514)	(5,795)	(6,149)	(15,297)	(13,677)	(11,619)
2. Inventories	(58)	52	671	11,462	9,852	7,007
3. Biological assets	8,564	7,571	3,122	12,861	13,947	8,718
4. Discount to present value	898	3,043	4,444	(1,000)	270	(1,166)
5. Reversal of amortisation of deferred charges	1,021	681	341	1,020	680	340
6. Provision for non-realisation of credits	-	-	-	(55,261)	(19,007)	(7,915)
7. Provision for contingencies	(69,324)	(42,426)	(18,518)	(8,349)	(5,717)	(2,818)
8. Non-realisation of inventories/ obsolescence	-	-	-	(19,150)	(13,700)	(5,500)
9. Depreciation of revalued property, plant & equipment	(67,144)	(44,636)	(22,316)	(35,475)	(23,642)	(11,819)
10. Deferred taxes	43,327	23,361	13,913	32,122	13,730	7,507
11. Business combinations	47,976	47,976	47,976	-	-	-
Net income (loss) for the quarter (IFRS and BR GAAP)	83,873	158,886	65,168	490,303	329,609	(55,431)

34. SUBSEQUENT EVENTS

On 3 January 2011, the Company sent a Notice to Market announcing that, on 28/12/2010, Templeton Asset Management reached ownership interest of 5.02% of Marfrig Alimentos S.A.'s share capital. The acquisition of this ownership interest was not intended to change the controlling or capital structure of Marfrig Alimentos S.A.

On 7 January 2011, the Company announced to the market that the funds managed by GWI Asset Management, with Mr Mu Hak You, CEO of these funds, reached the jointly ownership interest of 5.22% of the share capital of Marfrig Alimentos S.A. The Company was also informed that this acquisition was strictly intended for investment and not for changing the Company's control or shareholding structure.

On 18 January 2011, the Company sent a Significant Event to the market, informing that a meeting of the Board of Directors held on 14 January 2011 decided on the 3rd Issue of simple, unsecured, not convertible into shares debentures with additional guarantee consisting of interest in real property and personal guarantees, in up to two series, issued by the Company, amounting to R\$600,000, to be publicly distributed, with restricted placement efforts under the terms of CVM Instruction No. 476, of 16 January 2009.

The Restricted Offer was exclusively intended for qualified investors, as established in CVM Instruction No. 476, article 4, items I and II, and is automatically exempt from recording the public distribution before CVM, as determined by Law No 6.385 article 19, of 7 December 1976, as amended under CVM 476.

On 4 March the 3rd Issue of simple, unsecured, not convertible into shares debentures with additional guarantee consisting of interest in real property and personal guarantees, in up to two series, issued by the Company was informed to the market, whereby R\$610 million was raised. The funds obtained by the Company by this issue will be allocated to reinforce Company's long-term working capital and pay short-term debts.

On 7 February 2011 the Company informed through Significant Event that its Board of Directors approved the Share Repurchase Plan in a meeting held at that date. The Plan expects to use up to R\$100,000 to acquire up to 5,800 common shares issued by the Company, as established by CVM No. 10/80. The Plan is intended to maximise the generation of value to its shareholders by means of an efficient capital structure management.

The shares acquired under the Share Repurchase Plan are kept in treasury to be used when complying with the exercise of options to purchase shares by the beneficiaries of the Company's Share Purchase Option Plan and/or subsequent cancellation or disposal. The deadline to acquire Company's shares under the Repurchase Plan will be 7 February 2012 (365 days), and the Management is entitled to define the dates when the repurchase will be actually made.

On 18 February 2011, the Company informed through a Notice to Market that the process to fully transfer processed products of the industrial facility of São José do Rio Preto to Jaguariúna was concluded as part of the process of reorganisation and modernisation of the productive chain of Seara's division. The migration will bring about more productivity to Seara's division, in addition to reduction in maintenance costs, and important benefits to the logistics.

On a Extraordinary General Meeting held on 1 March 2011, the merging of Keystone Foods Holdings International LLC, a company duly set up and validly existing under the laws of the State of Delaware, USA and a Marfrig Alimentos SA's wholly-owned subsidiary, into Marfrig Alimentos SA was approved and concluded, under the Protocol and Justification of Merger now available at www.cvm.gov.br (CVM website) and at www.marfrig.com.br/ri (the Company's website). As a result of such merger, the Company will replace investments in Keystone Foods International by its net assets, and Keystone Foods International's legal existence shall terminate. The merger will not lead to changes in the Company's equity and, therefore, no new issues of shares shall happen, and this is why no share replacement relationship needs to be established.

In addition, the same Extraordinary General Meeting approved the appointment and hiring of specialized company BDO Auditores Independentes with the purpose of evaluating Keystone Foods International's net assets to be transferred to the Company at carrying values. The appraisal report for the Keystone Foods' equity, which was prepared by BDO Auditores Independentes, was also approved.

Marfrig Alimentos S.A.

Finally, the reconfirmation of terms of the indenture for the Second Issuance of Debentures convertible into shares, entered into by Marfrig Alimentos S.A. and Planner Trustee DTVM Ltda. (escrow agent), was approved, so that the final version of that indenture includes the adjustments made by first and second amendments made as of 6 August 2010 and 19 August 2010, respectively, duly registered at the Commercial Registry of the State of São Paulo (JUCESP).

* * *

**MARFRIG ALIMENTOS S.A.
INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEARS ENDING 31 DECEMBER 2009
AND 2008
AND INDEPENDENT AUDITORS' REPORT**

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MARFRIG ALIMENTOS S.A.

**FINANCIAL STATEMENTS FOR THE YEARS ENDED
AS OF 31 DECEMBER 2009 AND 2008**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Marfrig Alimentos S.A.
São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Marfrig Alimentos S.A. ("Company") and controlled companies, as of 31 December 2009 and 2008, and the related statements of operations (company and consolidated), changes in shareholders' equity, cash flows, value added, management report and notes for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised:
(a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company,
(b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, based on our audits, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual (Company) and consolidated financial position of Marfrig Alimentos S.A. as of 31 December 2009 and 2008, and the results of their operations, the changes in shareholders' equity, the cash flows and value added to their operations for the years then ended, in conformity with Brazilian accounting practices.

Ribeirão Preto, 26 March 2010



José Luiz Sanches
Engagement Partner
BDO Auditores Independentes



Esmir de Oliveira
Engagement Partner
BDO Auditores Independentes

EXHIBIT 1

MARFRIG ALIMENTOS S.A.

BALANCE SHEET AS OF 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

	Company		Consolidated	
	31/12/09	31/12/08	31/12/09	31/12/08
ASSETS				
Current				
Cash and cash equivalents (note 4)	2,629,725	774,160	3,033,438	1,071,664
Trade accounts receivable - domestic (note 5)	495,147	380,987	758,815	686,035
Trade accounts receivable - foreign (note 5)	200,244	115,847	228,944	315,877
Inventories of goods and merchandise (note 6)	1,013,721	774,872	1,726,482	1,581,934
Recoverable taxes (note 7)	386,685	455,572	719,422	689,393
Deferred taxes (note 9)	19,468	-	19,468	-
Prepaid expenses	986	910	37,611	25,237
Other receivables	9,562	304	9,562	305
Total current assets	4,755,538	2,502,652	6,533,742	4,370,445
Noncurrent				
Long-term assets				
Financial investments	372	212	2,826	4,195
Compulsory deposits	15,594	15,895	24,979	23,378
Notes receivable (note 8)	1,215,607	1,589,329	3,069	363
Deferred taxes (note 9)	153,557	275,597	224,990	303,568
Recoverable taxes (note 7)	290,846	2,010	339,023	44,631
Other receivables	193	93	25,468	9,243
Total noncurrent assets	1,676,169	1,883,136	620,355	385,378
Investments (note 10)	1,473,582	867,354	746	1,197
Property, plant and equipment (note 11)	1,016,954	890,682	2,415,076	2,235,688
Intangible assets (note 12)	530,568	525,038	1,870,293	2,144,212
Deferred charges (note 13)	-	-	11,429	18,252
Total noncurrent assets	3,021,104	2,283,074	4,297,544	4,399,349
Total noncurrent assets	4,697,273	4,166,210	4,917,899	4,784,727
LIABILITIES				
Current				
Trade accounts payable	150,517	81,134	833,490	748,495
Accrued payroll and related charges (note 14)	70,144	97,492	205,349	269,793
Taxes payable (note 15)	22,077	9,297	138,789	274,543
Loans and financing (note 16)	932,953	577,500	1,473,611	1,232,097
Notes payable	31,035	11,660	31,035	11,660
Lease payable (note 17)	47,641	43,914	61,683	62,582
Dividends payable (note 20e)	15,222	-	15,222	-
Interest on equity capital (note 20f)	146,059	-	146,059	-
Other payables	62,723	235	71,743	200,323
Total current liabilities	1,478,371	821,232	2,976,981	2,799,493
Noncurrent				
Loans and financing (note 16)	3,483,703	2,820,083	3,680,537	3,081,377
Taxes payable (note 15)	81,459	37,087	254,516	78,674
Deferred taxes (note 19)	36,410	39,899	95,336	109,019
Provisions (note 18)	6,558	44,990	38,829	108,475
Lease payable (note 17)	68,379	107,603	96,391	142,114
Other	113,646	68,117	111,243	88,252
Total noncurrent liabilities	3,790,155	3,117,779	4,276,852	3,607,911
Minority interest	-	-	13,523	17,917
Shareholders' equity (note 20)				
Capital stock	4,061,478	2,525,639	4,061,478	2,525,639
Share issuance expenses	(71,603)	-	(71,603)	-
Income reserves	651,510	155,061	651,510	155,061
Legal reserve	37,171	-	37,171	-
Appropriation of net income	624,992	155,061	624,992	155,061
Treasury shares	(10,653)	-	(10,653)	-
Asset and liability valuation adjustment	(491,567)	15,777	(491,567)	15,777
Accumulated translation adjustments	34,467	33,374	34,467	33,374
Total liabilities and shareholders' equity	4,184,285	2,729,851	4,184,285	2,729,851
Total assets	9,452,811	6,668,862	11,451,641	9,155,172

The accompanying notes are an integral part of these financial statements.

EXHIBIT 2

MARFRIG ALIMENTOS S.A.

STATEMENT OF OPERATIONS FOR THE YEARS ENDED
31 DECEMBER 2009 AND 2008
(In thousands of Brazilian Reais, except per share data)

	Company		Consolidated	
	2009	2008	2009	2008
GROSS SALES	2,805,682	2,286,590	10,279,196	6,775,213
Domestic	1,919,971	1,641,642	6,571,545	3,838,545
Foreign	885,711	644,948	3,707,651	2,936,668
DEDUCTIONS FROM GROSS SALES	(181,048)	(318,209)	(663,456)	(571,416)
Sales taxes	(93,077)	(133,415)	(349,884)	(314,883)
Returns and discounts	(87,971)	(184,794)	(313,572)	(256,533)
NET SALES	2,624,634	1,968,381	9,615,740	6,203,797
Cost of goods sold	(1,957,056)	(1,387,088)	(8,234,346)	(4,876,825)
GROSS INCOME	667,578	581,293	1,381,394	1,326,972
OPERATING REVENUES (EXPENSES)	(84,569)	(850,172)	(812,906)	(1,563,446)
Commercial expenses	(169,966)	(157,719)	(641,540)	(393,354)
Administrative and general expenses	(98,148)	(77,626)	(287,532)	(179,731)
Equity in earnings	83,119	228,892	-	-
Goodwill amortization	-	(36,580)	-	(37,132)
Other operating revenues	4,826	935	92,758	7,831
Financial income (loss)	95,600	(808,074)	23,408	(961,060)
Financial income	145,236	208,120	172,039	234,095
Exchange gain	635,247	404,019	728,678	479,159
Exchange rate variation - translation	-	-	-	-
Financial expenses	(461,905)	(350,382)	(622,427)	(451,542)
Interest on equity capital	(169,720)	-	(169,720)	-
Exchange loss	(53,258)	(1,069,831)	(85,162)	(1,222,772)
OPERATING INCOME (LOSS)	583,009	(268,879)	568,488	(236,474)
INCOME (LOSS) BEFORE TAXES	583,009	(268,879)	568,488	(236,474)
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	(73,650)	266,664	(51,149)	211,809
Income tax	(47,417)	196,076	(34,119)	144,174
Social contribution tax	(26,233)	70,588	(17,030)	67,635
INCOME BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL	509,359	(2,215)	517,339	(24,665)
Reversal of interest on equity capital	169,720	-	169,720	-
INCOME (LOSS) BEFORE MINORITY INTEREST	679,079	(2,215)	687,059	(24,665)
Minority interest	-	-	(7,980)	(10,835)
NET INCOME (LOSS) FOR THE PERIOD	679,079	(2,215)	679,079	(35,500)
EARNINGS (LOSS) PER THOUSAND SHARES - in Brazilian reais	1,957.09	(8.27)	1,957.09	(132.49)

The accompanying notes are an integral part of these financial statements.

EXHIBIT 3

MARFRIG ALIMENTOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of Brazilian reais)

	Capital stock	Share issuance	Income reserve	Asset and liability valuation adjustment	Accumulated translation adjustments	Retained earnings	Total
AS OF 31 DECEMBER 2007	1,183,826	-	3,217	-	-	95,284	1,282,327
Adjustment due to change in accounting practice	(30,273)	-	95,284	(25,078)	-	(23,543)	16,390
Increase in capital	1,375,892	-	-	-	-	-	1,375,892
Expenses on private issue of shares	(3,806)	-	-	-	-	-	(3,806)
Exchange variation on net investments	-	-	-	40,855	-	-	40,855
Exchange variation - balance sheet translation	-	-	-	-	33,374	-	33,374
Repurchase of shares - treasury	-	-	(12,966)	-	-	-	(12,966)
Loss for the year	-	-	-	-	-	(2,215)	(2,215)
Appropriation of net income	-	-	71,741	-	-	(71,741)	-
Absorption of loss for the year	-	-	(2,215)	-	-	2,215	-
AS OF 31 DECEMBER 2008	2,525,639	-	155,061	15,777	33,374	-	2,729,851
Reclassification of expenses with private/public issuance of shares	34,079	(34,079)	-	-	-	-	-
Increase in capital	1,501,760	-	-	-	-	-	1,501,760
Expenses on private issue of shares	-	(37,524)	-	-	-	-	(37,524)
Exchange variation on net investments	-	-	-	(507,344)	-	-	(507,344)
Exchange variation - balance sheet translation	-	-	-	-	1,093	-	1,093
Write-off of treasury shares	-	-	2,312	-	-	-	2,312
Net income	-	-	-	-	-	679,079	679,079
Complement to the Legal Reserve	-	-	33,954	-	-	(33,954)	-
Dividends	-	-	-	-	-	(15,222)	(15,222)
Interest on equity capital	-	-	-	-	-	(169,720)	(169,720)
Appropriation of net income	-	-	460,183	-	-	(460,183)	-
AS OF 31 DECEMBER 2009	4,061,478	(71,603)	651,510	(491,567)	34,467	-	4,184,285

The accompanying notes are an integral part of these financial statements.

EXHIBIT 4

MARFRIG ALIMENTOS S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (In thousands of Brazilian reais)

	Company		Consolidated	
	2009	2008	2009	2008
Net income (loss) for the year	679,079	(2,215)	679,079	(35,500)
Non-cash items	(208,750)	242,294	17,297	839,914
Depreciation	57,026	50,241	241,602	116,865
Amortization	-	36,580	32,854	42,903
Minority interest	-	-	7,981	10,835
Provision for contingencies	(224)	1,014	19,634	62,403
Deferred taxes	73,252	(266,664)	(18,438)	(261,673)
Equity in earnings (loss)	(83,119)	(228,892)	-	-
Exchange variance on financing	(610,406)	649,919	(702,720)	867,034
Exchange variation on other asset and liability accounts	28,417	-	59,204	-
Interest expense on financing debts	307,024	-	372,889	-
Expense with interest on finance lease	20,530	-	21,530	-
Write-off of property, plant and equipment	(1,250)	96	(17,239)	1,547
Changes in shareholders' equity	(1,132,535)	(2,089,137)	(575,367)	(1,532,871)
Trade accounts receivable	(198,557)	62,428	32,032	53,105
Inventories	(238,849)	(328,509)	(171,306)	(606,520)
Escrow deposits	301	(10,397)	(1,614)	(6,323)
Accrued payroll and related charges	(2,317)	46,961	(30,446)	77,638
Trade accounts payable	69,383	(87,136)	78,940	(259,126)
Taxes	(223,865)	(265,203)	(300,926)	(418,329)
Financial charges	-	200,558	-	235,260
Notes receivable and payable	(562,187)	(1,763,805)	(59,794)	(610,783)
Other asset and liability accounts	23,556	55,966	(122,253)	2,207
Funds provided by (used in) operating activities	(662,206)	(1,849,058)	121,009	(728,457)
Investment activities				
Investments	(28,205)	(169,314)	(190,346)	(560,139)
Exchange variation on investments	-	(74,229)	-	(74,229)
Reduction of goodwill on investments	-	10,703	-	10,703
Consolidation of investments without cash effects	-	-	-	19,695
Investment in property, plant and equipment	(175,491)	(102,006)	(535,483)	(284,807)
Property, plant and equipment - lease payable	-	(187,347)	-	(200,284)
Investment in intangible assets	(4,990)	(22,851)	(5,024)	(917,553)
Investment in deferred charges	-	-	(295)	-
Net cash used in investing activities	(208,686)	(545,044)	(731,148)	(2,006,614)
Cash flows from financing activities				
Loans and financing	1,322,493	789,873	1,240,411	1,137,220
Loans taken out by the Company	2,923,439	2,062,339	4,218,040	3,426,003
Loans repaid by the Company	(1,600,946)	(1,272,466)	(2,977,629)	(2,288,783)
Lease payable	(62,585)	151,517	(67,140)	204,696
New leases	1,201	-	16,866	-
Paid leases	(63,786)	-	(84,006)	-
Treasury shares	2,313	(12,966)	2,313	(12,966)
Issuance of shares and expenses with issuance of shares	1,464,236	1,372,086	1,464,236	1,372,086
Net cash provided by financing activities	2,726,457	2,300,510	2,639,820	2,701,036
Exchange variation on cash and cash equivalents	-	-	(67,907)	55,893
Cash flows in the period	1,855,565	(93,592)	1,961,774	21,858
Cash, bank accounts and short-term investments				
Ending balance	2,629,725	774,160	3,033,438	1,071,664
Beginning balance	774,160	867,752	1,071,664	1,049,806
Variation in the year	1,855,565	(93,592)	1,961,774	21,858

The accompanying notes are an integral part of these financial statements.

EXHIBIT 5

MARFRIG ALIMENTOS S.A.

STATEMENT OF ADDED VALUE FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (In thousands of Brazilian reais)

	Company		Consolidated	
	2009	2008	2009	2008
1 - REVENUES	2,803,766	2,286,686	10,343,979	6,760,941
1.1) Sales of goods, products and services	2,805,682	2,286,590	10,279,196	6,775,213
1.2) Other Revenues	1,250	96	80,841	(9,239)
1.3) Allowance for doubtful accounts - Reversal / (Recognition)	(3,166)	-	(16,058)	(5,033)
2 - INPUTS ACQUIRED FROM THIRD PARTIES (includes tax amounts - ICMS, IPI, PIS and COFINS)	1,851,622	1,349,792	7,684,154	4,866,830
2.1) Cost of products sold and services provided	1,440,860	1,285,091	5,720,159	4,069,956
2.2) Materials, electricity, third party services and others	410,762	64,701	1,940,615	802,098
2.3) Loss/Recovery of the value of assets	-	-	23,380	(5,224)
2.4) Other				
3- GROSS ADDED VALUE (1-2)	952,144	936,894	2,659,826	1,894,111
4 - DEPRECIATION AND AMORTIZATION	57,026	86,821	274,213	159,563
5 - NET ADDED VALUE PRODUCED BY THE COMPANY (3 - 4)	895,118	850,073	2,385,613	1,734,548
6 - ADDED VALUE RECEIVED THROUGH TRANSFERENCE	1,141,431	841,031	1,252,219	713,254
6.1) Equity in earnings	83,119	228,892	-	-
6.2) Financial income	1,054,717	612,139	1,248,624	713,254
6.3) Other	3,595		3,595	
7 - TOTAL ADDED VALUE TO DISTRIBUTE (5 + 6)	2,036,549	1,691,104	3,637,832	2,447,802
8 - DISTRIBUTION OF ADDED VALUE (*)	2,036,549	1,691,104	3,637,832	2,447,802
8.1) Personnel	237,351	204,279	1,272,029	547,483
8.1.1 - Direct compensations	198,637	167,022	1,130,987	476,472
8.1.2 - Benefits	25,253	23,618	111,832	51,403
8.1.3 - Contribution for the Severance Pay Fund (F.G.T.S)	13,461	13,639	29,210	19,608
8.2) Taxes	333,043	(7,752)	591,188	178,376
8.2.1 - Federal taxes	282,086	(98,834)	441,227	55,145
8.2.2 - State taxes	50,957	91,082	139,810	122,417
8.2.3 - Local taxes	-	-	10,151	814
8.3) Compensation of third party capital	810,737	1,496,792	1,119,197	1,757,443
8.3.1 - Interest	789,358	1,420,213	1,055,458	1,674,314
8.3.2 - Lease	21,379	76,579	63,725	83,043
8.3.3 - Other			14	86
8.4) Compensation of Equity Capital	655,418	(2,215)	655,418	(35,500)
8.4.1 - Interest on equity capital	146,059	-	146,059	-
8.4.2 - Dividends	15,222	-	15,222	-
8.4.3 - Retained earnings/loss for the period	494,137	(2,215)	502,117	(24,665)
8.4.4 - Minority interest in retained earnings		-	(7,980)	(10,835)

The accompanying notes are an integral part of these financial statements.

MARFRIG ALIMENTOS S.A.

NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009 AND 2008.

(In thousands of Brazilian reais)

1. OPERATIONS

Marfrig Alimentos S.A. (the “Company”), is a publicly held company that carries out foodstuff production and meat packing activities consisting of cattle, pig, sheep and poultry slaughtering; industrial processing, distribution and marketing of animal products and by-products, whether edible or not, at their own or third parties’ facilities. Its activities also comprise import and export of animal products and by-products.

Marfrig Alimentos S.A. was set up on June 6, 2000 and became a corporation on March 26, 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20788 on June 18, 2007 and made its initial public offering (IPO) on June 29, 2007. Its shares were listed on the New Market of São Paulo Stock Exchange (Bovespa) under code No. MRFG3. On April 28, 2009, the Company’s name was changed to Marfrig Alimentos S.A. As of December 31, 2009, the Company’s subscribed and paid-in capital stock consisted of 346,983,954 common shares of which 141,478,573 or 40.77% are under the control of MMS Participações S.A. and 205,505,381 shares or 59.23% are traded (“free float”) in capital markets. MMS Participações S.A. is controlled by Marcos Antônio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

As a participant in BM&FBOVESPA’s New Market, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to arbitration clause included in its by-laws.

The Company’s financial and equity position should be considered within the context of the integrated activities of:

- Beef and Food Service Divisions - Brazil:
 - o Marfrig Alimentos S.A. (Brazil) - made up of 10 cattle slaughtering units, 3 beef processing units, 1 leather processing plant, 1 hygiene and cleaning product plant and 4 fattening facilities located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a Distribution Centre in the State of São Paulo;

MFB Marfrig Frigoríficos Brasil S.A., current name of Frigoclass Alimentos S.A, is composed of 13 cattle slaughtering units, 1 of them also used for the slaughtering of sheep, as well as 2 beef processing and industrialization units, 1 of them located in the slaughtering unit of Rio Verde - State of Goiás. The mentioned units are in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia;

- o Masplen Ltd (Jersey), (company which holds 100% of Pampeano Alimentos S.A. (Brazil)), an enterprise that produces canned meat and other industrialized products in Rio Grande do Sul.
- Division of Poultry, Swine and Processed Products - Brazil:
 - o Secculum Participações Ltda. (Brazil) - 99% and União Frederiquense Participações Ltda. (Brazil) - 99.99%, (companies that together hold 100% of Frigorífico Mabella Ltda. (Brazil)). Mabella operates a pig-slaughtering unit in the State of Santa Catarina and one pig slaughtering and pork processing unit in the State of Rio Grande do Sul. It is also responsible for Marfrig's poultry and pig operations, and has the following percentages of ownership interest in the companies:
 - DaGranja Agroindustrial Ltda - 94%;
 - Braslo Produtos de Carnes Ltda - 100%;
 - MAS Frangos Participações Ltda - 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda;
 - Penasul Alimentos Ltda - 100%;
 Poultry operations consist of 7 poultry slaughtering plants and 7 poultry processing units in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and Distrito Federal;
 - MBL Alimentos S.A (Carroll's) - 100%, company that is engaged in pig raising.

The poultry and pig division produces and sells products under the trademark Pena Branca, which belongs to Marfrig Alimentos S.A.

- CCKVL Holding BV (The Netherlands), which Marfrig Alimentos S.A. acquired with the purpose of acquiring the control of Seara Alimentos S.A.
- Argentine division:
 - o Argentine Breeders & Packers S.A. (Argentina), with 3 cattle slaughtering plants (including positions whereby it holds 100% of Best Beef S.A. companies. (Argentina), Estâncias del Sur S.A. (Argentina) and Mirab S.A. (Argentina and USA), producer and distributor of beef jerky in the US market and several other export destinations - 99.99%;
 - o Quickfood S.A (Argentina) is a publicly held company, holder of the PATY brand, a leader in the Argentine, Uruguayan and Chilean hamburger markets, with two slaughtering plants and three units of beef processed products - 81.48%.

- Uruguay Division:
 - o Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughtering and beef processing unit - 93.45%;
 - o Inaler S.A. (Uruguay), cattle and sheep slaughtering unit - 100%;
 - o Marfrig Chile Inversiones Ltda. (Chile), operating a lamb packing plant in Patagonia and a meat deboning and trading unit which operates in the Chilean market - 99.47%. Marfrig Chile merged the companies Quinto Cuanto S.A. and PBP Chile Limitada, which were previously its controlled companies;
 - o Prestcott International S.A. (Uruguay), which holds 100% Cledinor S.A (Uruguay), beef and lamb packing plant in the city of Salto - 100%;
 - o Establecimientos Colonia S.A. (Uruguay), beef packing plant in the city of the same name - 100%.
- Europe Division:
 - o Weston Importers Ltd. (United Kingdom), a trading company which operates in the European market and holds 100% of CDB Meats Ltd (United Kingdom), producer of processed meat - 100%
 - o Marfrig Holdings (Europe) - BV (The Netherlands) that holds 100% of Moy Park Holdings (Europe) Limited (company headquartered in Northern Ireland), holds 100% of Moy Park Group and Kitchen Range Foods Ltd (England), which operated 3 poultry slaughtering plants and eight processed product plants in England, Northern Ireland, France and The Netherlands - 100%

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The individual and consolidated financial statements are expressed in Brazilian reais and have been prepared in accordance with Brazilian accounting practices, which comprise Brazilian Corporate Law (Law No. 6,404/76), the Pronouncements, Guidelines and Interpretations issued by the Committee of Accounting Pronouncements - CPC, approved by the Brazilian Securities and Exchange Commission (CVM) as well as other pronouncements issued by that federal agency.

2.1 New legislation and changes in the accounting practices adopted in Brazil starting January 1, 2008.

In alignment with the changes brought by Law No. 11,638/07 and Executive Act No. 449/08, the Federal Accounting Council, together with the Committee of Accounting Pronouncements issued Technical Pronouncements along the year 2008 that introduced some changes to the accounting practices adopted in Brazil.

Such amendments aimed mainly to update the Brazilian Corporate Law and align the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS), allowing new accounting procedures and standards to be established by Brazilian regulating agencies according to the mentioned international set of rules.

2.2 Adoption of accounting pronouncements (CPC's) in effect starting January 1, 2010

Until the date of preparation of these financial statements, 26 new Pronouncements, 12 Interpretations and 3 Technical Guidelines had been issued by CPC and approved by decisions of the Brazilian Securities and Exchange Commission - CVM and Federal Accounting Council decisions.

The pronouncements and changes were published in 2009 and are mandatory for accounting periods started on January 1, 2010 and subsequent periods. The Company and its controlled companies have not adopted those pronouncements and changes in advance.

The Pronouncements, Interpretations and Technical Guidelines applicable to the Company and its controlled companies are the following:

CPC	Title
15	Business combinations
16	Inventories
17	Building agreements
18	Investment in affiliated and controlled companies
20	Loan costs
21	Interim statements
22	Information per segment
23	Accounting policies, changes in estimates and adjustment of misstatements
24	Subsequent events
25	Provisions and contingent assets and liabilities
26	Presentation of the financial statements
27	Property, plant and equipment
29	Biological assets and agricultural products
30	Revenues
31	Noncurrent assets held for sale and discontinued operations
32	Taxes on income
33	Employee benefits
36	Consolidated statements
37	Initial adoption of international accounting standards
38	Financial instruments: recognition and measurement
39	Financial instruments: presentation
40	Financial instruments: supporting documentation
43	Initial adoption of technical pronouncements CPC 15 to 40

The Company's management is analyzing the effects of the application of those new Technical Pronouncements. In case adjustments stem from the adoption of the new accounting practices starting January 1, 2010, the Company will evaluate the need of re-measuring the effects that would have been produced to the financial statements of 2009 if

the new procedures had already been in effect at the beginning of year ended December 31, 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1 Significant accounting practices

The significant accounting practices adopted to prepare these financial statements are as follows:

a. Result of operations

Results of operations are recorded under the accrual basis.

b. Accounting estimates

The preparation of the individual and consolidated financial statements in accordance with Brazilian accounting practices requires management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include the determination of the residual value of property, plant, and equipment, and the recognition of deferred income and social contribution taxes, allowances for doubtful accounts, inventory valuation allowances and provisions for tax, labour and civil risks. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its controlled companies review estimates and assumptions at least quarterly.

c. Financial instruments

Non-derivative financial instruments include financial investments, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at fair value in operations, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured according to their respective classification:

- Held-to-maturity instruments

If the Company intends and is able to hold its debt instruments until maturity they are classified as held-to-maturity instruments. Held-to-maturity investments are stated at their amortized cost using the effective interest rate method, less possible impairment charges.

- Available-for-sale instruments

The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After initial recognition, they are stated at fair value and their fluctuations, except impairment charges, and the foreign currency differences of these instruments, are recognized directly in equity, net of tax effects. When an investment fails to be recognized, the gain or loss accumulated in equity is transferred to the statement of operations.

- Loans and receivables

They are non-derivative financial assets with fixed or determinable payments, not quoted in the market.

- Financial instruments stated at fair value in the statement of income

An instrument is carried at fair value in the statement of operations if it is held for trading, i.e. classified as such upon initial recognition. Financial instruments are carried at fair value in the statement of operations if the Company manages these investments and takes purchasing and sales decisions according to their fair value and the investment and risk management strategy documented by the Company. After initial recognition, attributable transaction costs are recognized in the statement of operations when incurred. Financial instruments stated at fair value in the statement of operations are determined according to their fair value and their fluctuations are recognized in the statement of operations.

- Other

Other non-derivative financial instruments are stated at amortized cost using the effective interest rate method, adjusted for possible impairment charges.

d. Foreign currency

The Company's management established that its functional currency is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 2 - Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534/08.

Foreign currency transactions, i.e., all those not performed in functional currency, are translated into Brazilian reais at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are

translated into Brazilian reais at the exchange rate prevailing at the balance sheet date. Exchange gains and losses on monetary assets and liabilities are recognized in the income statement. Non-monetary assets or liabilities acquired or contracted in foreign currency are translated into functional currency at the exchange rate prevailing at the date of the transactions or the date of the valuation at fair value, when applicable.

e. Current and noncurrent assets

- Trade accounts receivable

Trade accounts receivable are recorded at the billed amount and when applicable, discounted to present value.

The allowance for doubtful accounts was set up in an amount the management deems sufficient to cover possible losses on the realization of receivables.

- Inventories

Inventories are stated at the average purchase or production cost, which are lower than market or realizable values.

- Investments

Investments in controlled and affiliated companies are valued under the equity method.

- Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less depreciation under the straight-line method at the rates mentioned in note 11 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements entered into by the Company when property, plant and equipment items are being built are capitalized.

Investments in breeding stock (animals for reproduction) are booked in property, plant and equipment. Costs with labour, feed and medicines are taken into property, plant and equipment during the formation period of breeding stock, which lasts approximately six months. After such period, the Company starts depreciating the cost based on the production cycle, considering the estimated number of eggs and offspring of approximately fifteen months for poultry, thirty months for pigs and between 6 and 7 years for cattle (cows).

Other expenses are capitalized only when economic benefits of property, plant, and equipment increase. Any other type of expense is recognized in operations as an expense when incurred.

- Lease

Finance lease

Certain lease agreements substantially transfer the risks and benefits pertaining to the property of an asset. Those agreements are finance leases.

Intangible assets with an indefinite useful life and goodwill resulting from expected future profitability as from January 1, 2009 are not amortized.

- Deferred charges

In the years ended December 31, 2009 and 2008, the Company has not incurred any pre-operating expenses.

Pursuant to CVM Decision No. 565/2008, the balance of deferred charges (consolidated) will be maintained until fully amortized.

f. Impairment

Property, plant and equipment, intangible assets and deferred charges are tested for impairment at least annually, if events and circumstances have occurred that indicate possible impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually regardless of whether or not events and circumstances have occurred that indicate possible impairment.

g. Current and noncurrent liabilities

These are stated at known or estimated amounts, plus related charges, exchange and/or monetary variations incurred through the balance sheet date, when applicable.

h. Provisions

Provisions are recognized because of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognized when losses are rated as probable, based on the best estimates of risks involved.

i. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognized in the balance sheet and the statement of operations as contract conditions are met and as commented in note 21.

j. Income and social contribution taxes

Income tax is based on the taxable income method. Income and social contribution taxes are monthly paid, on an estimation basis, according to prevailing law.

Deferred assets recognized for income and social contribution tax losses and temporary differences are recognized pursuant to tax legislation and CVM Instruction No. 371 of June 27, 2002. They take into consideration the Company's history of profitability and the expected generation of taxable income in the future supported by a technical feasibility study annually reviewed.

The Company and its controlled companies opted for the Temporary Tax Regimen (RTT) established by Executive Act No. 449/08, converted into Law No. 11,941 of May 27, 2009, declaring its irrevocable option for RTT in the Corporate Income Tax Return of 2009.

k. Earnings per share

Earnings per share are based on the number of outstanding shares at balance sheet date.

l. Discount to Present Value

Certain non-current assets and liabilities, as well as current assets and liabilities, when material, must be discounted to present value at the dates of the respective transactions, according to rates that reflect the cost of money borne by the Company over time, as well as the specific risks related to the cash flows expected for the respective accounts. These adjustments were made in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564 of December 17, 2008. The corresponding item of adjustments to present value is booked against the accounts that gave rise to the mentioned assets or liabilities. The difference between the present value of a transaction and the par value of an asset or liability is appropriated against income along the contract period, based on the amortized cost method and effective interest rate.

The discount to present value had as basis the average value between the SELIC rate (Special System for Settlement and Custody) (rate established for return on equity capital) and the average fund raising rate in the financial market (rate established for the return on third party capital) as of December 31, 2008.

The periods used in the determination of the discount to present value vary according to operating activity involved, corresponding to the average expected period for settlement, such as the average period to receive amounts from sales, average payment period, period for settlement of taxes paid in instalments and other necessary ones.

The rates used and established periods in relation to the risk factors involved in the Company's operations are perfectly reflected in the discount to present value.

m. Share issuance expenses

In accordance with Technical Pronouncement CPC No. 8, approved by CVM Decision No. 556/2008, transaction costs incurred the raising of funds through the issuance of securities should be separately booked in an account reducing shareholders' equity, less possible tax effects.

n. Treasury shares

Refer to shares of the Company that were acquired by the own Company. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

o. Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in the previous year.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of controlled companies;
- Elimination of income and expenses as well as unrealized profits resulting from intercompany transactions.

3.2 Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its controlled companies, as follows:

DIRECTLY CONTROLLED COMPANIES	Ownership interest	
	12/31/2009	12/31/2008
Argentine Breeders & Packers S.A	99.99%	99.99%
MFB Marfrig Frigoríficos Brasil S.A (1)	100.00%	100.00%
Marfrig Chile Inversiones Ltda	99.47%	99.47%
Inaler S.A	100.00%	100.00%
Frigorífico Tacuarembó S.A	93.45%	93.26%
Weston Importers Ltd	100.00%	100.00%
Masplen Limited	100.00%	100.00%
Prestcott International S.A	100.00%	97.99%
Secculum Participações Ltda	99.00%	99.00%
União Frederiquense Partic. Ltda	99.99%	99.84%
QuickFood S.A	81.48%	80.31%
Establecimientos Colonia S.A	100.00%	100.00%
Marfrig Holdings (Europe) BV	100.00%	-
CCKVL Holding BV	100.00%	-

(1) current name of Frigoclass Alimentos S.A.

Financial statements of controlled companies located abroad were originally prepared in local currency, according to the applicable laws of each country where the companies are located. They were reviewed by independent auditors, converted into the International Financial Reporting Standards - IFRS and expressed in US dollars (US\$). Later, those financial statements were converted into Brazilian accounting practices and translated into Brazilian reais, according to the exchange rate of the balance sheet date.

4. CASH AND CASH EQUIVALENTS

Refer to the cash available in the Company, in banks, and as investments as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and cash equivalents	405,840	293,469	617,046	395,662
Financial investments	2,223,885	480,691	2,416,392	676,002
	<u>2,629,725</u>	<u>774,160</u>	<u>3,033,438</u>	<u>1,071,664</u>

The cash and cash equivalents of foreign controlled companies are stated as follows:

	Brazil		Overseas	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and cash equivalents	18,298	29,191	192,908	73,002
Financial investments	12,372	29	180,135	195,282
	<u>30,670</u>	<u>29,220</u>	<u>373,043</u>	<u>268,284</u>

The Company usually presents the following items in the composition of cash and cash equivalents:

- Balance of cash available in hand;
- Bank deposits;
- Valuables in transit;
- Immediate liquidity financial investments.

4. 1 CASH AND CASH EQUIVALENTS PER CURRENCY

Below we present the breakdown of cash and cash equivalent per currency:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and banks				
Reais	351.523	255.462	369.821	284.650
Us dollars	54.317	38.007	145.950	91.859
Euros	-	-	13.335	3.369
British pounds	-	-	78.077	2.969
Others	-	-	9.863	12.815
	<u>405.840</u>	<u>293.469</u>	<u>617.046</u>	<u>395.662</u>

4. 2 FINANCIAL INVESTMENTS

The breakdown of the financial investments of the Company per type is the following:

					Company	
	Maturities	AWM (1)	Currency	Average interest rate p.a. (%)	12.31.09	12.31.08
Available for sale						
Banks Deposit Certificates - CDB (2)	1/4/2010 to 10/31/2014	1.54	Real	8.63	600.344	435.182
Repurchase and reverse repurchase agreements (2)	1/1/2012	2.03	Real	8.55	1.610.350	38.216
Savings account (2)	12/31/2009	-	Real	6.42	17	104
Other (2)	12/31/2009	-	Real	-	324	808
					<u>2.211.035</u>	<u>474.310</u>
Loans and receivables						
Remunerated account	03/31/2014	4.31	Dollar	0.35	5.333	6.379
					<u>5.333</u>	<u>6.379</u>
Held to maturity						
Foreign Credit Note	01/08/2013	3.07	Euro	0.35	7.513	-
Prize-draw investment bonds	04/29/2014	4.39	Real	2.43	376	214
					<u>7.889</u>	<u>214</u>
Total					<u>2.224.257</u>	<u>480.903</u>
Total current					2.223.885	480.691
Total noncurrent					372	212

(1) Average weighted maturity in years

(2) The operations were contracted with daily liquidity, and can be redeemed at any moment. The term is the maturity of the collateral of the operation

The breakdown of consolidated financial investments per type is as follows:

						Consolidated
	Maturities	AWM (1)	Currency	Average interest rate p. a. (%)	12.31.09	12.31.08
Available for sale						
Banks Deposit Certificates - CDB (2)	01/04/2010 to 10/31/2014	1.52	Real	8.64	611.997	438.017
Repurchase and reverse repurchase agreements (2)	1/1/2012	2.03	Real	8.55	1.610.351	38.216
Savings account (2)	12/31/2009	-	Real	6.42	17	104
Fixed income investment	03/31/2010	0.25	Dollar	1.41	126.023	67.651
Circular letter 1456	09/30/2010	0.61	Dollar	7.61	54.112	117.953
Other (2)	12/31/2009	-	Real	-	324	836
					<u>2.402.824</u>	<u>662.777</u>
Loans and receivables						
Interest-bearing account	03/31/2014	4.31	Dollar	0.35	5.333	6.379
					<u>5.333</u>	<u>6.379</u>
Held to maturity						
Foreign Credit Note	01/08/2013	3.071	Euro	0.35	7.513	-
Prize-draw investment bonds	01/31/2010 to 04/29/2014	2	Real	3.86	3.548	11.041
					<u>11.061</u>	<u>11.041</u>
Total					<u>2.419.218</u>	<u>680.197</u>
Total current					2.416.392	676.002
Total noncurrent					2.826	4.195

(1) Average weighted maturity in years

(2) The operations were contracted with daily liquidity, and can be redeemed at any moment. The term is the maturity of the guarantee of the operation

The types of financial investments of the Company can be described as follows:

Bank Deposit Certificates - CDB

The investments of this type are made in reais and bear interest at rates corresponding to the variation of CDI (Interbank Deposit Rate), which ranges from 99% to 107%.

Repurchase and reserve repurchase agreements

These are operations executed in reais guaranteed by debentures that bear interest at rates corresponding to the variation of CDI (Interbank Deposit Rate), which ranges from 100% to 100.5%.

Savings account

The remaining balances in checking accounts, in reais, are automatically transferred to a savings account, and bear interest at the rates practiced in the financial market.

Fixed income investments

This type of investment is made in US dollars, and it does not bear interest. This is a specific operation executed in Uruguay.

Circular letter 1456

The investments of this type refer to export operations in US dollars with the Central Bank of Uruguay that bear interest at fixed rates, and are executed 180 to 270 days before the export operation.

Interest-bearing account

Refers to amounts received in American dollars from exports, kept in accounts overseas. It bears interest at a fixed rate.

Foreign Credit Note

The investments of this type are made in Euro and bear interest at a fixed rate.

Brazilian prize-draw investment bonds

The investments of this type are made in Euro and reais and bear interest corresponding to the Reference Rate (TR).

5. TRADE ACCOUNTS RECEIVABLE - LOCAL AND FOREIGN CUSTOMERS

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Trade accounts receivable - domestic	498.357	383.541	762.260	688.772
(-) Discount to present value	<u>(3.210)</u>	<u>(2.554)</u>	<u>(3.445)</u>	<u>(2.737)</u>
	495.147	380.987	758.815	686.035
Trade accounts receivable - foreign	224.336	169.842	253.387	411.238
(-) Advances on export contracts - ACEs	(22.261)	(52.641)	(22.261)	(93.656)
(-) Discount to present value	<u>(1.831)</u>	<u>(1.354)</u>	<u>(2.182)</u>	<u>(1.705)</u>
	<u>200.244</u>	<u>115.847</u>	<u>228.944</u>	<u>315.877</u>
	<u>695.391</u>	<u>496.834</u>	<u>987.759</u>	<u>1.001.912</u>
Amounts not yet due	685.429	488.738	902.127	889.696
Amounts overdue				
From 1 to 30 days	10.233	9.657	79.311	75.156
From 31 to 60 days	2.082	161	11.738	23.594
From 61 to 90 days	1.166	205	8.783	5.992
More than 90 days	4.688	1.981	21.570	40.150
(-) Discount to present value	(5.041)	(3.908)	(5.627)	(4.442)
(-) Allowance for doubtful accounts	<u>(3.166)</u>	<u>-</u>	<u>(30.143)</u>	<u>(28.234)</u>
	<u>695.391</u>	<u>496.834</u>	<u>987.759</u>	<u>1.001.912</u>

The allowance for doubtful accounts was set up in an amount the management deemed sufficient to cover possible losses on the realization of receivables.

The Company usually recognizes a provision for notes overdue for than 90 days, whose expectation of receipt is unlikely in consideration of the history of problems identified in receivables, as well as through analysis of the current status of customers, which can be: in order, that is, he buys and pays within acceptable limits; a history of late payments; and status of debtor being reorganized or bankrupt.

The Company does not have a history of relevant problems with collection, and the accounts receivable department rates each customer during acceptance and credit granting.

For sales paid in instalments, the Company uses working capital financing lines available in the finance market.

The current economic situation presents a trend of improvement in relation to sales and volume of credit in the market, what reflects the purchasing power of customers and, consequently, trend of punctual payments.

Receivables were discounted to present value in compliance with Technical Pronouncement CPC no. 12 approved by CVM Resolution no. 564/2008, as described in note 3, letter L.

6. INVENTORIES OF GOODS AND MERCHANDISE

	Company		Consolidated	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Finished products and others	985,740	743,801	1,635,067	1,468,800
Packaging material and storeroom supplies	<u>27,981</u>	<u>31,071</u>	<u>91,415</u>	<u>113,134</u>
	<u><u>1,013,721</u></u>	<u><u>774,872</u></u>	<u><u>1,726,482</u></u>	<u><u>1,581,934</u></u>

In the years ended December 31, 2009 and 2008, inventories of finished goods were carried at average purchase and/or production cost, lower than realization values, as explained in note 3, letter E.

Inventories of foreign controlled companies are stated as follows:

	Brazil		Overseas	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Finished products and others	274,048	234,870	375,279	490,129
Packaging material and storeroom supplies	<u>38,143</u>	<u>61,953</u>	<u>25,291</u>	<u>20,110</u>
	<u><u>312,191</u></u>	<u><u>296,823</u></u>	<u><u>400,570</u></u>	<u><u>510,239</u></u>

7. RECOVERABLE TAXES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
State VAT (ICMS)	223,670	163,950	296,287	217,527
IPI (Federal VAT) deemed credit	60,896	60,782	67,234	66,941
PIS (tax on sale) credit	61,040	38,605	97,589	64,056
COFINS (tax on sale) credit	252,376	152,483	412,047	262,090
Income tax	64,457	5,827	88,963	27,946
Social contribution tax	14,304	4,164	18,502	5,010
Withholding income tax (IRRF)	537	31,771	1,563	33,147
IVA (value-added tax)	-	-	38,840	36,704
Export certificates	-	-	4,963	12,575
ONCCA credits	-	-	19,107	-
Other	251	-	13,350	8,028
Total	<u>677,531</u>	<u>457,582</u>	<u>1,058,445</u>	<u>734,024</u>
Current assets	386,685	455,572	719,422	689,393
Noncurrent assets	<u>290,846</u>	<u>2,010</u>	<u>339,023</u>	<u>44,631</u>
Total	<u>677,531</u>	<u>457,582</u>	<u>1,058,445</u>	<u>734,024</u>

7.1 ICMS

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging, and other materials, in higher values than the debts generated from domestic sales, since foreign market sales are free from this tax.

7.2 Deemed IPI credit

Refers to the refund of PIS and COFINS levied on input acquired domestically and used in the processing of goods actually exported.

7.3 PIS and COFINS

Refer to non-cumulative credit of PIS and COFINS levied on the acquisition of raw material, packaging, and other materials used in the goods sold in foreign markets.

7.4 Income and social contribution taxes

Refer to income and social contribution taxes prepaid in the year ended December 31, 2008 and 2009.

7.5 Withholding Income Tax (IRRF)

Withholding income tax refers to income tax withheld from gains on financial investments made by the Company.

7.6 IVA - Value Added Tax

This caption refers to balances of recoverable value added tax of foreign controlled companies resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

7.7 Export certificates

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax exporters paid.

7.8 Credits related to ONCCA (*Oficina Nacional de Control Comercial Agropecuario*)

Refers to a benefit granted in Argentina, by 'Ministerio de Agricultura Ganadeira y Pesca' to companies that invest in feet lots.

8. NOTES RECEIVABLE

	<u>Company</u>		<u>Consolidated</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Related parties	1,213,338	1,566,063	-	-
Other notes receivable	<u>2,269</u>	<u>23,266</u>	<u>3,069</u>	<u>363</u>
Noncurrent assets	<u>1,215,607</u>	<u>1,589,329</u>	<u>3,069</u>	<u>363</u>

The Company's notes receivable mostly consist of balances resulting from transaction with its controlled companies (related parties), as described in note 8.1

8.1 RELATED PARTIES TRANSACTIONS

The following tables demonstrate the operations between the Company and its wholly-owned subsidiaries as of December 31, 2009, except for operations with Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Paschal Aparecida Marçal dos Santos, sole partners of MMS Participações S.A. They should not be considered as related parties of the Company, taking into account that such operations integrate the regular course of businesses, but are eliminated in the consolidated numbers, not having any effect on income, and, therefore, not bringing any effects to the Company's shareholders:

	12/31/2009				COMPANY	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	1,491	1,754	28,767	-	3,480	2,474
Frigorífico Tacuarembó S.A.	-	548	116,457	-	3,925	-
Inaler S.A.	-	125	6,509	-	2,515	-
Marfrig Chile Inversiones Ltda	1,643	-	-	-	441	8,127
Weston Importers Ltd.	45,195	-	-	-	-	54,850
MFB Marfrig Frigoríficos Brasil S.A (1)	-	2,091	7,831	-	650	19,324
Pampeano Alimentos S.A.	11,654	9	79,413	-	198	58,234
Cledinor S.A.	-	537	-	-	2,876	-
Frigorífico Mabella Ltda	6,719	4,695	421,755	-	18,068	661
Masplen Limited	-	-	78	-	-	-
Dagranja Agroindustrial Ltda	5,868	-	114,696	-	3,818	5,432
Mirab USA	-	-	54,255	-	-	-
Establecimientos Colonia S.A.	-	855	-	-	5,932	-
Quickfood S.A.	-	1,752	-	-	5,372	-
Moy Park Limited	-	-	17,443	-	-	-
Moy Park Holdings Europe Limited	-	-	69	-	-	-
Marfrig Holdings BV	-	-	276,158	-	-	-
Braslo Produtos de Carne Ltda	6,105	-	35,767	-	16,256	76,339
MBL Alimentos Ltda	-	-	69	-	-	1,079
Mas Frangos Part. Ltda	-	-	2,935	-	-	-
Penasul Alimentos Ltda	3,934	-	-	61,865	39	2,192
Agrofrango Ind. Com. Alim. Ltda	1,073	-	51,136	-	-	42
Marcos Antonio Molina dos Santos	-	3,746	-	-	21,134	-
	<u>83,682</u>	<u>16,112</u>	<u>1,213,338</u>	<u>61,865</u>	<u>84,704</u>	<u>228,754</u>

(1) Current name of Frigoclass Alimentos S.A.

	12/31/2008				COMPANY	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	-	39,277	-	4,208	-
Frigorífico Tacuarembó S.A.	-	936	16,087	-	3,935	-
Inaler S.A.	-	1,056	10,035	-	4,282	-
Marfrig Chile Inversiones Ltda	-	-	168	-	-	-
Quinto Cuarto S.A.	401	-	-	-	-	-
Weston Importers Ltd.	7,186	-	-	-	-	15,040
Frigoclass Alimentos S.A.	-	-	306	43,107	-	-
Pampeano Alimentos S.A.	-	-	-	102	-	63,976
Cledinor S.A.	-	1,513	-	-	4,428	-
Frigorífico Mabella Ltda	-	-	136,878	-	10,140	-
Masplen Limited	-	-	104	-	-	-
Dagranja Agroindustrial Ltda	-	-	66,846	-	-	-
Mirab USA	-	-	68,671	-	-	-
Establecimientos Colonia S.A.	-	1,640	-	-	4,195	-
Quickfood S.A.	-	4,614	-	-	4,366	-
Moy Park Limited	-	-	23,370	-	-	-
Moy Park Holdings Europe Limited	-	-	1,188,770	-	-	-
Braslo Produtos de Carne Ltda	-	-	15,551	-	-	-
Marcos Antonio Molina dos Santos	-	843	-	-	17,210	-
	<u>7,587</u>	<u>10,602</u>	<u>1,566,063</u>	<u>43,209</u>	<u>52,764</u>	<u>79,016</u>

	Consolidated			
	Account payable		Total purchases in the period	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Marcos Antonio Molina dos Santos	3.746	843	21.134	17.210
	3.746	843	21.134	17.210

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements. No amounts were paid to the controlling shareholder or to its partners for the collateral offered. In case of default, the creditors can demand the payment directly from the shareholder and from its partners and, if they make the payment, they will be entitled to refund from the Company.

Mr. Marcos Antonio Molina dos Santos and his wife acquired a property in the State of São Paulo on April 27, 2007 through Maremar - Administração de Bens S/C Ltda., which is controlled by them. This property engages in genetic studies to improve breeds of beef cattle. From mid 2008, the property began to confine 7,800 animals, which are slaughtered in the Company's beef packing plants. There are no other relations with directors or shareholders of Marfrig Group.

The operations mentioned in the previous paragraph were executed in alignment with the market price of the 'aroba'¹ of cattle used by the Company at the acquisition date, based on suitable parameters published by *Escola Superior de Agricultura Luiz de Queiroz (ESALQ)*.

According to the Company's by-laws, the Board of Directors should approve any transactions or group of transactions involving the Company and any direct or indirect related parties, whose annual value is equal or exceeds the limit the Board of Directors defined. Related party should be understood as any manager, employee or shareholder of the Company that holds, directly or indirectly, more than 10% interests in the Company's capital stock.

All relations with affiliated and controlled companies of the Company are demonstrated in note 1 - OPERATIONS.

Intercompany relations of companies of Marfrig Group are represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital, always under conditions similar to the ones that would be applicable to non-related parties.

Intercompany loans are managed through contracts establishing rates and various conditions. The average contract period is 2 years. Loan rates vary from 1% p.a. to 3% p.a. + LIBOR (London Interbank Offered Rate), the latter applied to transactions with the controlled companies overseas.

¹ Arroba = A unit of weight equivalent to 15 Kg.

Purchase or sale transactions follow market prices, and there is no need of collateral or allowance for doubtful accounts. Such operations involve purchase and sale of *in natura* meat and cattle, poultry, ovine and swine industrialized products.

Operations among controlled companies do not have effects to the consolidated financial statements, as they are eliminated in the consolidation process.

9. DEFERRED TAXES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Income tax	127,225	202,644	183,332	226,421
Social contribution tax	45,800	72,953	61,126	77,147
	<u>173,025</u>	<u>275,597</u>	<u>244,458</u>	<u>303,568</u>
Current liabilities	19,468	-	19,468	-
Non - Current liabilities	<u>153,557</u>	<u>275,597</u>	<u>224,990</u>	<u>303,568</u>

Refer to deferred income and social contribution taxes, calculated on taxes whose payment has been suspended (provisions), which were added to the computation of taxable income and the social contribution calculation base of previous years, as well as on tax losses and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2010 to 2018.

Below we demonstrate deferred taxes in 2009:

Description	Company		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Beginning balance on December 31, 2008	202,644	72,953	226,421	77,147
(-) Realisation due to tax utilisation of goodwill	(18,359)	(6,602)	(14,212)	(4,989)
(-) Tax utilisation under the new REFIS program	(29,444)	(10,600)	(35,655)	(12,845)
(-) Realisation of deferred taxes on tax loss	(27,616)	-	(10,435)	(375)
Deferred taxes on income tax losses	-	-	(5,567)	(14,934)
Deferred taxes on social contribution tax losses	-	-		15,186
(-) Realisation of deferred taxes on social contribution tax losses	-	(9,951)	-	(3,383)
Other	-	-	22,780	5,319
Ending balance as of December 31, 2009	<u>127,225</u>	<u>45,800</u>	<u>183,332</u>	<u>61,126</u>

The Company has presented the figures of expected future generation of taxable income, discounted to present value, based on a feasibility technical study that allows the realization of "Deferred Tax Assets" over a maximum 10-year period.

The expectation of realization of "Deferred Tax Assets" is defined as follows:

Year	Company	Consolidated
2010	48,594	67,317
2011	48,594	76,113
2012	48,594	55,960
2013	27,243	33,286
2014 to 2018	-	11,782
	<u>173,025</u>	<u>244,458</u>

In the year ended December 31, 2009, the Company realized R\$102,572 corresponding to "Deferred Tax Assets" with the amount determined for the year 2009, taking into consideration the Company's future profitability, use of goodwill and offset of fine and interest of debts included in New *Refis* program.

10. INVESTMENTS

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Ownership interest in controlled companies	1,473,447	867,226	-	-
Other investments	135	128	746	1,197
	<u>1,473,582</u>	<u>867,354</u>	<u>746</u>	<u>1,197</u>

10.1 - Investments (Company)

	No. of units of interest/shares	Ownership percentage of voting capital (1)	Trade on the stock exchange	Capital stock	Equity	Net income (loss) for the period
Argentine Breeders & Packers S.A	302,967	99.99	No	155,689	119,004	(17,921)
MFB Marfrig Frigoríficos Brasil S.A. (2)	78,573,743	100.00	No	78,574	59,156	3,168
Marfrig Chile Inversiones Ltda	13,358,426,280	99.47	No	43,315	30,986	13,022
Inaler S.A	66,247,320	100.00	No	2,555	30,436	10,329
Frigorífico Tacuarembó S.A	166,925,258	93.45	No	11,375	89,914	13,153
Weston Importers Ltd	1,338,278	100.00	No	22,878	22,292	6,547
Masplen Limited	100	100.00	No	-	21,030	(7,059)
Prestcott International S.A	79,638,916	100.00	No	5,088	37,076	11,105
Secculum Participações Ltda	9,200,000	99.00	No	9,200	8,176	(2,572)
União Frederiquense Partic. Ltda	98,449,805	99.99	No	98,450	160,722	(50,703)
QuickFood S.A	21,419,606	81.48	Yes	23,737	106,751	30,335
Establecimientos Colonia S.A	80,647,477	100.00	No	45,709	71,532	513
Marfrig Holdings(Europe) BV	2,456,854	100.00	No	644,413	744,661	79,722
CCKVL Holding BV	1	100.00	No	-	-	-
Total				<u>1,140,983</u>	<u>1,501,736</u>	<u>89,639</u>

(1) The capital of controlled companies equals the voting capital

(2) Current name of Frigoclass Alimentos S.A.

10.2 - The breakdown of investments is as follows (Company)

	Book balance as of 12/31/08	Adjustment	Acquisition of units of interest	Increase in capital	Investment in the period	Equity in earnings (loss)	Exchange variation in the calculation of equity	Book balance as of 12/31/09
Argentine Breeders & Packers S.A. (1)	166,361	103	-	21,588	21,588	(17,921)	(51,164)	118,967
MFB Marfrig Frigoríficos Brasil S.A (2) (4)	55,992	-	-	-	-	3,164	-	59,156
Marfrig Chile Inversiones Ltda. (1)	26,185	(225)	-	-	-	12,953	(8,090)	30,823
Inaler S.A. (1)	28,767	(666)	-	-	-	10,329	(8,008)	30,422
Frigorífico Tacuarembó S.A. (1)	98,085	(894)	-	-	-	12,293	(25,535)	83,949
Weston Importers Ltd. (1)	18,508	15,550	-	-	-	6,546	(20,468)	20,136
Maspfen Limited (1)	27,437	503	-	-	-	(7,059)	149	21,030
Prestcott International S.A. (1)	36,032	89	-	-	-	11,105	(10,150)	37,076
Seculum Participações Ltda. (2)	13,078	(740)	-	-	-	(2,545)	(1,698)	8,095
União Frederiquense Partic. Ltda. (2)	207,079	637	-	-	-	(50,699)	3,683	160,700
QuickFood S.A (1)	94,556	(760)	1,211	-	1,211	24,718	(32,817)	86,908
Establecimientos Colonia S.A (1)	95,146	43	-	-	-	513	(24,178)	71,524
Marfrig Holdings(Europe) BV (1)	-	317	-	638,325	638,325	79,722	26,297	744,661
CCKVL Holding BV (3)	-	-	-	-	-	-	-	-
Total	867,226	13,957	1,211	659,913	661,124	83,119	(151,979)	1,473,447

(1) Those companies had their financial statements as of December 31, 2009 reviewed by member firms of the BDO network in their countries of origin with the issuance of limited review reports

(2) Financial statements reviewed by BDO Auditores Independentes, with the issuance of a limited review report.

(3) Refers to a company that was acquired by Marfrig Alimentos S.A., with the purpose of acquiring the control of Seara Alimentos S.A., which did not have accounting operations in the year 2009.

(4) Current name of Frigoclass Alimentos S.A.

Such investments have been properly booked under the equity method, since they apply to controlled companies. The financial statements of those companies for the years ended December 31, 2009 and December 31, 2008, were prepared according to legislation in effect in each country where the companies are located and were reviewed by independent auditors, to be later converted into the International Financial Reporting Standards - IFRS and expressed in US dollars. Then, they were converted into Brazilian accounting practices and translated into Brazil's local currency.

11. PROPERTY, PLANT AND EQUIPMENT

Description	Average annual depreciation rates	Cost	Accumulated depreciation	Company	
				12/31/2009	12/31/2008
				Net	Net
Plots of land	-	13,242	-	13,242	2,118
Buildings	4%	289,697	(37,240)	252,457	254,918
Machinery and equipment	10%	215,758	(59,855)	155,903	149,650
Furniture and fixtures	10%	5,749	(1,669)	4,080	3,799
Facilities	5%	171,015	(13,096)	157,919	150,737
Vehicles	20%	11,362	(11,201)	161	449
IT equipment	20%	6,189	(3,617)	2,572	2,397
Aircrafts	20%	382	(153)	229	306
Advance for acquisition of property, plant and equipment	-	17,861	-	17,861	14,507
Leasehold improvements	-	2,290	(17)	2,273	2,253
Lease - vehicles	20%	39,733	(16,028)	23,705	19,861
Lease - computer hardware	20%	10,076	(7,565)	2,511	12,768
Lease - machinery	10%	28,807	(4,727)	24,080	22,957
Lease - facilities	5%	81,486	(10,463)	71,023	72,449
Lease - buildings	4%	68,799	(8,605)	60,194	61,471
Construction in progress	-	203,631	-	203,631	102,484
Software	20%	20,658	(3,888)	16,770	17,015
Other	4%	8,343	-	8,343	543
		<u>1,195,078</u>	<u>(178,124)</u>	<u>1,016,954</u>	<u>890,682</u>

Description	Average annual depreciation rates	Cost	Accumulated depreciation	Consolidated	
				12/31/2009	12/31/2008
				Net	Net
Plots of land	-	85,412	-	85,412	57,406
Buildings	4%	803,607	(64,273)	739,334	830,400
Machinery and equipment	10%	758,216	(163,534)	594,682	602,263
Furniture and fixtures	10%	34,987	(6,910)	28,077	20,055
Facilities	5%	225,446	(17,612)	207,834	189,455
Vehicles	20%	18,467	(12,181)	6,286	7,490
IT equipment	20%	22,287	(9,855)	12,432	16,933
Aircrafts	20%	1,001	(225)	776	306
Advance for acquisition of property, plant and equipment	-	18,235	39	18,274	20,416
Leasehold improvements	-	24,355	(7,059)	17,296	15,393
Lease - vehicles	20%	39,753	(16,029)	23,724	19,950
Lease - computer hardware	20%	10,076	(7,565)	2,511	13,059
Lease - machinery	10%	40,492	(7,186)	33,306	33,238
Lease - facilities	5%	84,434	(10,473)	73,961	74,725
Lease - buildings	4%	68,799	(8,605)	60,194	61,471
Construction in progress	-	365,197	-	365,197	153,344
Software	20%	20,962	(3,923)	17,039	31,108
Other	4%	144,304	(15,563)	128,741	88,676
		<u>2,766,030</u>	<u>(350,954)</u>	<u>2,415,076</u>	<u>2,235,688</u>

After the enactment of the CVM Resolution no. 554/2008, the goods the Company acquired through finance lease are now recorded in Property, plant and equipment together with the respective depreciation mentioned above, with corresponding entries recorded to lease payable, as demonstrated in note 17.

Pursuant to CVM Resolution no. 527/2007, an analysis was executed to check impairment of property, plant, and equipment. Based on the tests carried out, there are no assets recorded at amounts that exceed the value recoverable through use or sale.

The tests comprised projecting the profitability and future cash of the Company's plants, which were discounted to present value to identify the degree of recoverability of property, plant and equipment.

12. INTANGIBLE ASSETS

According to CVM Resolutions No. 553/08 and 565/08 an Intangible Assets subgroup was created in noncurrent assets, as follows:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Intangible assets - Company	530.568	525.038
Intangible assets - Controlled companies	<u>1.339.725</u>	<u>1.619.174</u>
	<u>1.870.293</u>	<u>2.144.212</u>

The changes in intangible assets in the Company and in the consolidated numbers in the year ended December 31, 2009 are the following:

12.1 - Changes in intangible assets (Company)

	Balance as of December 31, 2008	Acquisition / write- off	Goodwill on acquisition	Reclassification	Balance as of December 31, 2009
Argentine Breeders & Packers S.A. - Goodwill	23,672	-	-	541	24,213
MFB Marfrig Frigoríficos Brasil S.A. - DesGoodwill (1)	(12,478)	-	-	-	(12,478)
Inaler S.A. - Goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - Goodwill	57,824	-	-	-	57,824
Masplen Limited - Goodwill	17,258	-	-	-	17,258
Prestcott International S.A. - Goodwill	22,922	-	-	-	22,922
Secculum Participações Ltda. - Goodwill	16,188	-	-	-	16,188
União Frederiquense Partic. Ltda. - Goodwill	11,683	-	-	-	11,683
QuickFood S.A. - Goodwill	218,948	-	1,748	-	220,696
Establecimientos Colonia S.A. - Goodwill	114,479	-	-	-	114,479
CCKVL Holding BV	-	-	21	-	21
Trademarks and patents	<u>16,163</u>	<u>3,220</u>	-	-	<u>19,383</u>
Total	<u>525,038</u>	<u>3,220</u>	<u>1,769</u>	<u>541</u>	<u>530,568</u>

(1) Current name of Frigoclass Alimentos S.A.

12.2 - Changes in intangible assets (controlled companies)

	Book balance as of December 31, 2008	Redassification	Goodwill/ negative goodwill on acquisition	Acquisition of trademarks/ other	Exchange variation on translation	Write-off of goodwill	Book balance as of December 31, 2009
Argentine Breeders & Packers S.A	200,111	(7,281)	-	966	(55,777)	(363)	137,656
Estancias del Sur - Goodwill	64,220	-	-	-	(17,200)	-	47,020
Mirab(AR) - Goodwill	41,263	-	-	-	(13,108)	-	28,155
Best Beef - Goodwill	27,562	-	-	-	(7,848)	-	19,714
Trademarks and patents / other	67,066	(7,281)	-	966	(17,621)	(363)	42,767
Marfrig Chile Inversiones Ltda	16,401	317	-	-	(4,261)	-	12,457
QuintoQuarto - Goodwill	3,150	-	-	-	(804)	-	2,346
Frigorífico Patagonia - Goodwill	13,251	317	-	-	(3,457)	-	10,111
Weston Importers Ltd.	881,744	3,908	-	(140)	(10,353)	(864,939)	10,220
CDB Meats Ltd - Goodwill	12,829	-	-	(140)	(2,044)	(425)	10,220
Moy Park - Goodwill	780,556	-	-	-	(7,483)	(773,073)	-
Moy Park France - Goodwill	-	76	-	-	-	(76)	-
Dungannon Proteins - Goodwill	-	3,832	-	-	-	(3,832)	-
Kitchen Range - Goodwill	88,359	-	-	-	(826)	(87,533)	-
Marfrig BV	-	-	864,514	(86)	(214,020)	-	650,408
Moy Park - Goodwill	-	-	773,073	-	(191,831)	-	581,242
Moy Park France - Goodwill	-	-	76	-	(15)	-	61
Dungannon Proteins - Goodwill	-	-	3,832	(86)	(519)	-	3,227
Kitchen Range - Goodwill	-	-	87,533	-	(21,655)	-	65,878
Masplen Limited	322	-	-	-	-	-	322
Trademarks and patents / other	322	-	-	-	-	-	322
Quickfood	261	(261)	-	-	-	-	-
Trademarks and patents	261	(261)	-	-	-	-	-
Prestcott International S.A	10,274	-	-	-	(2,619)	-	7,655
Cledinor - Goodwill	10,274	-	-	-	(2,619)	-	7,655
União Frederiquense Partic. Ltda.	479,560	5,865	-	347	10,070	-	495,842
Pena Paulo - Goodwill	4,597	56	-	-	-	-	4,653
MBL (Carroll's) - Goodwill	8,077	99	-	-	-	-	8,176
Dagranja - Goodwill	334,132	4,087	-	-	-	-	338,219
Agrofrango - Goodwill	26,648	326	-	-	-	-	26,974
Penasul - Goodwill	9,377	114	-	-	-	-	9,491
Braslo - Goodwill	12,361	151	-	-	-	-	12,512
Mas do Brasil - Goodwill	84,311	1,032	-	-	-	-	85,343
Trademarks and patents / other	57	-	-	347	10,070	-	10,474
Seculum Participações Ltda.	30,501	(5,865)	-	45	484	-	25,165
Pena Paulo - Goodwill	292	(57)	-	-	-	-	235
MBL (Carroll's) - Goodwill	514	(100)	-	-	-	-	414
Dagranja - Goodwill	21,252	(4,088)	-	-	-	-	17,164
Agrofrango - Goodwill	1,695	(326)	-	-	-	-	1,369
Penasul - Goodwill	596	(114)	-	-	-	-	482
Braslo - Goodwill	786	(151)	-	-	-	-	635
Mas do Brasil - Goodwill	5,363	(1,032)	-	-	-	-	4,331
Trademarks and patents / other	3	3	-	45	484	-	535
Total	1,619,174	(3,317)	864,514	1,132	(276,476)	(865,302)	1,339,725

The goodwill recorded in the Company and in its controlled companies was based on expectation of future profitability of the respective acquired companies

Pursuant to CVM Resolution no. 527/2007, an analysis was executed to check impairment of property, plant, and equipment. Based on the tests carried out, there are no assets recorded at amounts that exceed the value recoverable through use or sale.

The tests comprised valuation reports of subsidiaries, duly prepared by experts to check the degree of recoverability of the amounts recorded in intangible assets.

13. DEFERRED CHARGES

					Consolidated	
					12/31/2009	12/31/2008
Description	Annual average amortization rates	Cost	Reclassification (1)	Accumulated amortization	Net	Net
	10%	21.507	(3.908)	(6.170)	11.429	18.252
Prepaid expenses		21.507	(3.908)	(6.170)	11.429	18.252

(1) Refers to the balance of goodwill of the controlled company Weston Importers Ltd, which was duly reclassified to intangible assets, as demonstrated in note 12.2.

In the years ended December 31, 2009 and 2008, the Company incurred no pre-operating expenses.

The balance of deferred charges (consolidated) will be maintained until it is fully amortized, pursuant to CVM Resolution no. 565/08.

14. ACCRUED PAYROLL AND RELATED CHARGES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
INSS (social security contribution) payable	49.752	75.107	82.646	147.119
Salaries and labour provisions	18.763	21.101	104.061	72.981
Other social charges and benefits payable	1.629	1.284	18.642	49.693
	<u>70.144</u>	<u>97.492</u>	<u>205.349</u>	<u>269.793</u>

On November 21, 2005, Law 11,196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministry Ordinance No. 23 dated February 2, 2006.

15. TAXES PAYABLE

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
ICMS (State VAT) payable	1,994	601	23,833	29,974
Special tax debt instalment payment program - PAES	-	1,808	-	1,808
Extraordinary tax debt instalment payment program - PAEX	-	42,276	-	42,276
Instalment payment - Law 11,941	92,993	-	268,526	-
Income tax payable	-	-	15,847	36,160
PIS and COFINS (taxes on sales) payable	-	-	38,259	-
Instalment payment of federal taxes	-	-	-	118,813
Other	8,549	1,699	46,840	124,186
	<u>103,536</u>	<u>46,384</u>	<u>393,305</u>	<u>353,217</u>
Current liabilities	22,077	9,297	138,789	274,543
Noncurrent liabilities	81,459	37,087	254,516	78,674
	<u>103,536</u>	<u>46,384</u>	<u>393,305</u>	<u>353,217</u>

15.1. PAES - Special Tax Debt Instalment Payment Program - Law No. 10,684/03

On July 31, 2003, the Company adhered to PAES, established by Law No. 10,684 of May 30, 2003, which provides for the payment in instalments of debts to the SRF - Federal Revenue Service, the PGFN - National Treasury Attorney General, and the INSS - National Social Security Institute. The company declared debts to the INSS, including Funrural (rural worker assistance fund) corresponding to R\$ 23,562, and those with the SRF in the amount of R\$ 4,063, which are payable in 180 monthly instalments. On September 30, 2009, the Company adhered to Special Debt Instalment Payment Program (New REFIS) established in law 11,941 dated May 27, 2009. PAES debts were transferred to the new plan and will be settled in 180 months as referred to in note 15.3.

The balance is as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Beginning balance	1,808	2,282	1,808	2,282
Monetary variation	148	175	148	175
Reversal of discount to present value	(149)	-	(149)	-
(-) payments made	(203)	(579)	(203)	(579)
(-) discount to present value	51	(70)	51	(70)
(-) adhesion to new REFIS program	<u>(1,655)</u>	<u>-</u>	<u>(1,655)</u>	<u>-</u>
Ending balance	<u>-</u>	<u>1,808</u>	<u>-</u>	<u>1,808</u>
Current liabilities	-	570	-	570
Noncurrent liabilities	<u>-</u>	<u>1,238</u>	<u>-</u>	<u>1,238</u>

15.2 PAEX - Extraordinary Tax Debt Instalment Payment - Executive Act No. 303/06

On September 11, 2006, the Company adhered to the PAEX, established by Executive Act No. 303 of June 29, 2006, which provides for payment in instalments of debts due to the SRF, the PGFN, and the INSS. The Company declared debts to INSS, including Funrural, and the debts to INSS previously refinanced under PAES, in the amount of R\$76,977. No instalment payment was agreed with SRF. On September 30, 2009, the Company adhered to Special Debt Instalment Payment Program (New REFIS) established in law 11,941 dated May 27, 2009. PAEX debts were transferred to the new plan and will be settled in 180 months as referred to in note 15.3.

The balance is as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Beginning balance	42,276	66,978	42,276	66,978
Monetary variation	1,489	1,328	1,489	1,328
Reversal of discount to present value	9,264	-	9,264	-
(-) payments made	(6,979)	(7,856)	(6,979)	(7,856)
(-) discount to present value	8,159	(18,174)	8,159	(18,174)
(-) adhesion to new REFIS program	(54,209)	-	(54,209)	-
Ending balance	-	42,276	-	42,276
Current liabilities	-	8,946	-	8,946
Noncurrent liabilities	-	33,330	-	33,330

15.3 Special Debt Instalment Payment Plan (New REFIS) - Law 11,941/2009

On September 30, 2009, the Company adhered to the Special Instalment Payment Plan (New REFIS), established by Law no. 11,941, of May 27, 2009. It provides on the payment in instalments of debts due to the SRF, the PGFN, and the INSS. The Company declared debts with those agencies and transferred to it debts included in other payment plans and mentioned in notes 15.1 and 15.2, to be settled in up to 180 months, as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Beginning balance	172,589	-	350,787	-
(-) Offset of fine and interest on tax loss carryforwards	(40,044)	-	(46,197)	-
Adjustment interest	2,729	-	7,567	-
Discount to present value	(39,597)	-	(39,597)	-
Debit balance	95,677	-	272,560	-
(-) payment made	(2,684)	-	(4,034)	-
Ending balance	92,993	-	268,526	-
Current liabilities	11,534	-	26,222	-
Noncurrent liabilities	81,459	-	242,304	-

16. LOANS AND FINANCING

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 12/31/09	Balance 12/31/08
Local currency					
	TJLP (Long-Term Interest Rate + Fixed rate	13.12	0.21	71	260
FINAME					
BNDES Exim	TJLP + Fixed rate	10.19	-	-	74,236
BNDES Finem	TJLP + 1.80%	8.05	3.13	10,954	14,203
FINEP	TJLP + 1%	7.25	3.81	37,603	29,857
NCE	Fixed rate+%CDI	10.99	1.49	907,363	471,494
Working capital	CDI + Fixed rate	11.08	2.63	65,586	-
Prepayment (interest)	%CDI	9.85	0.50	1,648	341
Total local currency		10.83		1,023,225	590,391
Foreign currency					
ACC (US\$)	Fixed rate + Exchange variation	6.66	0.51	272,626	387,905
Financing of industrial complex (US\$)	Libor+Fixed rate+Exchange variation	3.93	2.54	9,993	21,899
Prepayment (US\$)	Libor+Fixed rate+Exchange variation	7.19	4.96	2,033,016	1,027,046
BNDES Exim (US\$)	Basket of currencies+Fixed rate	11.55	-	-	20,661
Bonds (US\$)	variation	9.63	6.94	643,583	869,188
BNDES Finem	Basket of currencies + 1,30%	1.30	3.13	2,149	2,792
NCE (US\$)	Fixed rate+ Exchange variation (US\$)+Libor	8.53	2.00	389,580	452,966
Swap	Premium + Exchange variation + Libor			42,484	24,735
Total foreign currency		7.66		3,393,431	2,807,192
Total indebtedness		8.39		4,416,656	3,397,583
Current liabilities				932,953	577,500
Noncurrent liabilities				3,483,703	2,820,083

Consolidated

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 12/31/09	Balance on 12/31/08
Local currency					
	TJLP (Long-Term Interest Rate + Fixed rate	6,01	2,29	8.897	11.544
FINAME					
BNDES Exim	TJLP + Fixed rate	10,19	-	-	74.236
BNDES Finem	TJLP + 1.80	8,05	3,13	10.954	14.203
FINEP	TJLP + 1%	7,25	3,81	37.603	29.857
NCE	Fixed rate+%CDI	11,34	1,52	1.064.319	512.221
Working capital (R\$)	Fixed rate+%CDI	8,36	1,38	133.648	102.814
Rural credit note (R\$)	Fixed rate	6,77	0,44	25.029	49.076
Prepayment (interest)	%CDI	9,85	0,50	1.648	341
Other		-	-	-	33
Total local currency		10,75		<u>1.282.098</u>	<u>794.325</u>
Foreign currency					
ACC (US\$)	Fixed rate + Exchange variation.	6,83	0,52	503.757	580.985
Financing of industrial complex (US\$)	Libor+Fixed rate + Exchange variation	3,66	2,12	20.771	40.186
Prepayment (US\$)	Libor+Fixed rate + Exchange variation	7,26	4,87	2.138.133	1.335.609
BNDES Exim (US\$)	Basket of Currencies + Fixed rate	11,55	-	-	20.661
Bonds (US\$)	Fixed rate + Exchange variation	9,63	6,94	643.583	869.188
BNDES Finem	Basket of Currencies + 1.30	1,30	3,13	2.149	2.792
NCE (US\$)	%CDI+Fixed rate+Exchange variation (US\$)+Libor Premium + Exchange variation	8,53	1,99	398.149	466.296
Swap				42.484	32.330
Working Capital (US\$)	Fixed rate + Libor	5,19	2,85	31.882	58.797
Working Capital (Pesos)	Stimulation unit	5,10	0,30	52	8.830
Bank loan (US\$)	Fixed rate	5,21	2,52	21.366	76.801
PAE (US\$)	Fixed rate	4,80	0,20	8.376	12.559
Financing (US\$)	Fixed rate	5,96	0,44	4.650	14.115
Overdraft account (US\$)	Libor + Fixed rate	2,52	0,77	3.896	-
Negotiable liabilities	Fixed rate	6,70	4,30	52.802	-
Total foreign currency		7,58		<u>3.872.050</u>	<u>3.519.149</u>
Total indebtedness		8,37		<u>5.154.148</u>	<u>4.313.474</u>
Current liabilities				1.473.611	1.232.097
Noncurrent liabilities				3.680.537	3.081.377

The Company's types of loans and financing can be described as follows:

FINAME - Machinery and Equipment Finance

BNDES (National Bank for Economic and Social Development) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust values is URTJLP, based in the variation of TJLP (Long-Term Interest Rate). These transactions are guaranteed by the acquired asset itself. Repayments will be made until October 2014.

BNDES EXIM

BNDES' credit line to encourage exports passed on by commercial banks. Funds raised under this credit line are used to finance exports. This finance agreement is partially adjusted using the TJLP (Long-Term Interest Rate) and the rest is adjusted using the UMBNDES, which is made up of a basket of currencies that reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is partially guaranteed by a percentage of trade notes kept by agents who pass on the credit and endorsement. Repayments are made monthly. Instalments include interest and mature until October 2010.

BNDES FINEM - Business Finance

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. This finance agreement is partially adjusted using the TJLP (Long-Term Interest Rate) and the rest is adjusted using the UMBNDES, which is made up of a basket of currencies that reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is secured by bank guarantees given by Banco Bradesco. A portion of the principal plus interest will be repaid in monthly instalments maturing until February 2013.

FINEP - Fund for Financing Studies and Projects

FINEP credit line for financing studies and projects. FINEP is a public institution linked to the Ministry of Science and Technology. The currency used for adjusting the finance agreement is URTJ01, which is based on TJLP variation. The finance agreement is guaranteed by a contract with Bradesco. It will be repaid in monthly instalments maturing from January 2010 to March 2016.

NCE - Export Credit Note (ECN)

Credit line that grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, some of them denominated in R\$ and some in US\$, are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. The rates used for adjustment of those operations in American dollars are: Libor ((London Interbank Offered Rate) and/or fixed rate, and for operations in reais the one of CDI and/or fixed rate. They mature until December 2014.

Working capital

Funds raised under this credit line are used as working capital financing. There are transactions conducted in both BRL and Pesos. They are guaranteed by endorsements and mortgages. The adjustment indexes used for that operation are CDI and/or fixed rate. Repayments will be made until November 2012.

Rural credit note

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in BRL and linked to production. This finance is guaranteed by endorsement. Repayments will be made until August 2010.

ACC - Advance on exchange contracts

Foreign credit line for export companies. Funds raised under this credit line are used for export financing.

ACC transactions are conducted in US\$. Payment is linked to exports and guaranteed by promissory notes. The adjustment rate used for those operations is a fixed rate. Repayment is scheduled up to August 2010.

Financing of industrial complex (US\$)

Foreign credit line for acquisition of equipment. This transaction is conducted in US\$, and is guaranteed by the financed equipment itself. The rates used for adjustment of those operations are Libor (*London Interbank Offered Rate*), plus fixed rate. Repayment is scheduled up to July 2012, with quarterly instalments of the principal and interest.

Prepayment

Foreign credit line for export companies. Funds raised under this credit line are used for export financing. This transaction is conducted in US\$ and guaranteed by promissory notes, endorsements, supply contracts and export documents. In some cases, no collaterals are offered. The indices for adjustment for those operations are Libor (*London Interbank Offered Rate*), plus fixed rate. Repayments will be made until December 2016.

Bonds

Debt notes issued abroad - 144A. / Reg. S, which were used to acquire the units in Argentina and Uruguay. This finance was raised in US\$, and does not have guaranties. The adjustment rate used for those operations is a fixed rate. Principal matures in November 2016, with interest paid every six months.

PAE - Export Loan

Chile's credit line for export companies. The purpose of the loans raised under this credit line, which may be used for any export contract, is to finance exports of lamb, food fish, and other products brought to Brazil. The difference between this line and a normal one is that its exempt from ITE - "Impuesto de Timbre y Estampilla" (equivalent to the tax on financial

transactions in Brazil) and only in 2009 there will no difference in relation to a common loan. Lines are raised in US\$ and are collateralized by bank guarantees.

Below is a debt maturity schedule:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Local currency				
1T09	-	46,257	-	70,527
2T09	-	22,385	-	29,351
3T09	-	24,139	-	153,129
4T09	-	7,861	-	9,603
1T10	140,853	-	189,723	-
2T10	57,820	-	198,056	-
3T10	103,867	-	140,407	-
4T10	156,424	-	184,848	-
2010	-	196,675	-	234,029
2011	450,251	267,774	454,241	271,092
2012	54,324	9,622	55,031	10,670
2013	29,849	7,262	29,955	7,508
2014	24,600	3,580	24,600	3,580
2015	4,600	3,580	4,600	3,580
2016	637	1,256	637	1,256
	1,023,225	590,391	1,282,098	794,325
Foreign currency				
1T09	-	86,303	-	316,512
2T09	-	236,402	-	364,709
3T09	-	35,617	-	102,859
4T09	-	118,536	-	185,407
1T10	134,236	-	227,421	-
2T10	77,276	-	134,708	-
3T10	131,507	-	214,294	-
4T10	130,970	-	184,154	-
2010	-	158,538	-	206,030
2011	512,735	457,992	577,931	536,985
2012	483,899	380,419	533,147	433,836
2013	558,252	278,077	591,197	303,796
2014	392,725	107,023	418,396	113,861
2015	203,238	89,028	215,217	95,846
2016	768,593	859,257	775,585	859,308
	3,393,431	2,807,192	3,872,050	3,519,149
Total indebtedness	4,416,656	3,397,583	5,154,148	4,313,474

Following are the guarantees for loans and financing:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Financing balance	4,416,656	3,397,583	5,154,148	4,313,474
Guarantees:				
No guarantee	1,776,473	1,662,974	1,861,385	1,802,053
Promissory note	1,508,620	626,878	1,510,085	640,483
Trade bills	124,579	55,850	175,891	74,387
Bank guarantee	13,103	16,995	49,602	90,712
Supply contract	35,095	47,104	36,851	60,434
Endorsement	691,119	865,565	872,412	1,267,993
Financed asset	71	260	15,301	13,764
Export documents	-	70,201	193,396	103,283
Facilities	47,596	51,756	59,409	51,756
Mortgage	-	-	45,192	56,774
Financial investment	220,000	-	221,857	115,905
Export credit	-	-	112,767	35,930

Considering that the notes issued by the Company (Bonds Marfrig), maturing in 2016, account for 12.49% of consolidated indebtedness (20.15% as of December 31, 2008), requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing outstanding on the balance sheet date. These requirements, regarding indebtedness, correspond to: Interest Coverage Rate (EBITDA / net financial result ratio) may not be lower than 1.5; Net debt/EBITDA ratio may not be higher than 4.0 and it is not considered a violation if they are solely the result of exchange rate variation.

17. LEASE PAYABLE

The Company is a lessee in various agreements, classified as operating or finance leases.

a) Finance lease

According to CVM Decision No. 554/08, finance lease operations are now recognized under the Company's current liabilities, instead of noncurrent liabilities, with an offsetting entry of the asset into property, plant and equipment, according to note 11.

Transactions agreed before the issuance of the decision referred to above are not considered in the calculation of the covenants referred to in note 16.

Company						
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturities (years)	Balance on 12/31/09 (at present value)	Future payments on 12/31/09	Balance on 12/31/08 (at present value)
Local currency						
Finance lease of Vehicles	CDI + Rate	11,2%	2,6	14.808	19.515	20.080
Finance lease of IT equipment	CDI + Rate	8,5%	2,8	11.214	14.302	14.486
Finance lease of Machinery and Equipment	CDI + Rate	12,4%	3,4	18.141	26.994	22.209
Finance lease of Industrial Facilities	CDI + Rate	11,3%	2,4	35.473	45.867	53.710
Finance lease of Buildings	CDI + Rate	11,6%	1,8	29.826	36.340	41.032
Finance lease - discount to present value				6.558		
Total local currency				<u>116.020</u>	<u>143.018</u>	<u>151.517</u>
Total of the Company				<u>116.020</u>	<u>143.018</u>	<u>151.517</u>
Current liabilities				47.641		43.914
Noncurrent liabilities				68.379		107.603

Consolidated

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturities (years)	Balance on 12/31/09 (at present value)	Future payments on 12/31/09	Balance on 12/31/08 (at present value)
Local currency						
Finance Lease Vehicles	CDI + Rate	11.2%	2.6	14,918	19,625	20,080
Finance Lease - IT Equipment	CDI + Rate	8.5%	2.8	11,213	14,302	14,486
Finance Lease - Machinery and Equipment	CDI + Rate	12.4%	3.4	18,141	26,994	22,209
Finance Lease - Industrial facilities	CDI + Rate	11.3%	2.4	36,396	46,789	53,710
Finance Lease - Buildings	CDI + Rate	11.6%	1.8	29,825	36,340	41,032
Finance lease - discount to present value				6,558		
Total local currency				<u>117,051</u>	<u>144,050</u>	<u>151,517</u>
Foreign currency						
Finance Lease Vehicles	Rate	6.3%	2.2	1,449	2,210	1,359
Finance Lease - IT Equipment	Rate	8.0%	4.0	4,383	7,496	-
Finance Lease - Machinery and Equipment	Rate	7.6%	1.8	30,082	37,701	42,894
Finance Lease - Industrial facilities	Rate	12.0%	2.5	2,056	3,219	2,576
Finance Lease - Buildings	Rate	3.6%	2.1	3,053	4,610	6,350
Total foreign currency				<u>41,023</u>	<u>55,236</u>	<u>53,179</u>
Total Consolidated				<u>158,074</u>	<u>199,286</u>	<u>204,696</u>
Current Liabilities				61,683		62,582
Noncurrent liabilities				96,391		142,114

According to Technical Pronouncement CPC No. 12, approved by CVM Decision No. 564/08, finance lease payable was adjusted at present value as described in note 3, letter L.

Below is the lease maturity schedule:

	Company		Consolidated	
	12/31//2009	12/31/2008	12/31//2009	12/31/2008
Local currency				
1Q09	-	10.681	-	10.681
2Q09	-	10.883	-	10.883
3Q09	-	11.065	-	11.065
4Q09	-	11.285	-	11.285
1Q10	11.887	-	11.971	-
2Q10	11.906	-	11.990	-
3Q10	11.926	-	12.010	-
4Q10	11.922	-	11.996	-
2010	-	45.432	-	45.433
2011	45.878	42.232	46.141	42.232
2012	20.069	17.719	20.330	17.719
2013	2.431	2.220	2.587	2.219
2014	1	-	26	-
Total local currency	116.020	151.517	117.051	151.517
Foreign currency				
1Q09	-	-	-	5.511
2Q09	-	-	-	4.598
3Q09	-	-	-	4.390
4Q09	-	-	-	4.170
1Q10	-	-	3.758	-
2Q10	-	-	3.493	-
3Q10	-	-	3.279	-
4Q10	-	-	3.186	-
2010	-	-	-	14.220
2011	-	-	11.582	10.668
2012	-	-	10.559	8.567
2013	-	-	4.301	1.055
2014	-	-	865	-
Total foreign currency	-	-	41.023	53.179
Total	116.020	151.517	158.074	204.696

The schedule of current and future minimum lease payments is the following:

	Company	
	12/31/09 (at present value)	12/31/08 (at present value)
Local currency		
Up to one year	47.641	43.914
From one to five years	68.379	107.603
More than five years	-	-
	<u>116.020</u>	<u>151.517</u>

	Consolidated	
	12/31/09 (at present value)	12/31/08 (at present value)
Local currency		
Up to one year	47.967	43.914
From one to five years	69.084	107.603
More than five years	-	-
	<u>117.051</u>	<u>151.517</u>

	31/12/09	31/12/08
Local currency		
Up to one year	13.716	18.669
From one to five years	27.307	34.510
More than five years	-	-
	<u>41.023</u>	<u>53.179</u>
	<u>158.074</u>	<u>204.696</u>

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Local currency				
Guarantees:	-	-	-	-
Financed asset	116,020	151,517	117,051	151,517
Total local currency	116,020	151,517	117,051	151,517
Foreign currency				
Guarantees:	-	-	-	-
Financed asset	-	-	41,023	53,179
Total foreign currency	-	-	41,023	53,179
Total	116,020	151,517	158,074	204,696

b) Operating Lease

The recognition of the operating lease still uses the previous accounting criterion, that is, the expense on lease is monthly recorded, according to CVM Decision No. 554/08.

Operating lease as of December 31, 2009 is as follows:

OPERATING LEASE

						Company
Financial institution	Leased asset	Beginning date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense amount on 12/31/09
	Local currency					
CSI LATINA A. M. S.A	IT equipment	04/21/2007	11.73%	2.9	1,344	545
CSI LATINA A. M. S.A	IT equipment	09/21/2007	10.09%	2.9	1,173	464
CSI LATINA A. M. S.A	IT equipment	08/17/2008	12.77%	4.4	1,046	292
CSI LATINA A. M. S.A	IT equipment	11/12/09	12.77%	2.9	989	74
CSI LATINA A. M. S.A	Machinery and equip.	04/29/2006	8.45%	3.7	693	238
CSI LATINA A. M. S.A	Machinery and equip.	05/21/2006	6.95%	3.9	2,278	497
CSI LATINA A. M. S.A	Machinery and equip.	07/21/2008	12.15%	4.4	3,700	1,068
CSI LATINA A. M. S.A	Machinery and equip.	04/30/2007	11.19%	2.9	10,008	4,037
	Total local currency				<u>21,231</u>	<u>7,215</u>

						Consolidated
Financial institution	Leased asset	Beginning date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense amount on 12/31/09
	Local currency					
CSI Latina A. M. S.A	IT equipment	04/21/2007	11.73%	2.9	1,344	545
CSI Latina A. M. S.A	IT equipment	09/21/2007	10.09%	2.9	1,173	464
CSI Latina A. M. S.A	IT equipment	17/08/08	12.77%	4.4	1,046	292
CSI Latina A. M. S.A	IT equipment	11/12/09	12.77%	2.9	989	74
CSI Latina A. M. S.A	Machinery and equip.	04/29/2006	8.45%	3.7	693	238
CSI Latina A. M. S.A	Machinery and equip.	05/21/2006	6.95%	3.9	2,278	497
CSI Latina A. M. S.A	Machinery and equip.	07/21/2008	12.15%	4.4	3,700	1,068
CSI Latina A. M. S.A	Machinery and equip.	04/30/2007	11.19%	2.9	10,008	4,037
Frigorifico Mercosul	Meat packing plant	09/21/2009	IGP-M year	4.2	100,000	500
Frigorifico Margem	Meat packing plant	10/09/09	IGP-M year	4.2	54,900	6,450
Frigorifico 4 Rios	Meat packing plant	12/01/09	IGP-M year	4.2	9,600	320
	Total local currency				<u>185,731</u>	<u>14,485</u>

The maturities of operating lease are as follows:

		Company 12/31/2009
Up to 1 year		9,260
From 1 year to 5 years		4,756
More than 5 years		-
		<u>14,016</u>
		Consolidated 12/31/2009
Local currency		
Up to 1 year		41,980
From 1 year to 5 years		129,266
More than 5 years		-
		<u>171,246</u>

The operating leases the Company contracted do not present any restrictions or contingencies and there is a description of their tax bases. The agreements have been executed according to common market practices and there are no adjustment clauses established for the terms of the contracts.

The value of the leased assets is calculated at total definitive cost, what includes transportation costs, taxes and documentation. The value of consideration is calculated on the value of total definitive cost, by applying a predefined percentage for each contract. In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancel all rights arising from the lease agreement; claim the return of the leased goods; and (iii) require an advanced expiration of the lease contract. In that case, the lessee undertakes to pay unsettled debts, including instalments overdue and coming due, besides possible pending expenses, taxes and charges, plus a fine of 10% on the debit balance. The lessee, without prejudice to the lessor, is entitled to claim damages and losses.

In relation to the renewal option, the lessee should previously manifest his wish, otherwise the renewal is automatic and the conditions should be adjusted between the parties. In the event there is no agreement between the parties, the lessee should opt for the purchase of the goods at market value or for returning them.

18. PROVISIONS

The Company and its controlled companies are involved in several lawsuits, in the ordinary course of business, for which provisions based on legal counsellors' estimates have been set up. The principal information about these lawsuits is presented below:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Labour and social security	2,044	39,548	8,501	73,645
Tax	2,177	3,351	26,046	24,596
Civil	2,337	2,091	4,134	9,793
Other	-	-	148	441
	<u>6,558</u>	<u>44,990</u>	<u>38,829</u>	<u>108,475</u>

Labour complaints

As of December 31, 2009, the Company and its controlled companies were parties to various labour complaints. Based on the Company's payment history, and on payments over the last two years, a provision of R\$8,501 was set up. According to the opinion of the management and legal counsellors, the provision is sufficient to face probable losses. Most of the labour claims filed against the Company refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, break time for personnel who works in refrigerated environment, and *in itinere* hours among others.

Tax

Tax contingencies refer mostly to the following taxes:

ICMS (State VAT)

According to the management, all tax lawsuits of the Company are rated as a probable unfavourable outcome, seeing the historical value paid of R\$3,320. They refer to ICMS in several states where the Company has activities. The Company is claiming the use of credits from the transfer of goods, at the historical value of R\$1,110, and the issuance of electronic tax documents, at the historical value of R\$1,525. Besides, the Company is discussing an erroneous issuance of invoices at the Manaus Free-Trade Zone, for the historical value of R\$685.

Federal Taxes and Contributions

As of December 31, 2009, there was an administrative proceeding stating income omission at the historical value of R\$1,233. The administrative defence was filed, which was analyzed by authorities. A final report was issued establishing an amount payable of R\$28, which it is accrued for. Besides, the Company recognized a provision of R\$22,698 for possible contingencies.

Civil suits

The civil suits of the Company and of its controlled companies involve controversies typically related to business agreements and indemnities. None of those proceedings is individually material. As of December 31, 2009, the Company's management, based on the opinion of legal advisors, recognized a provision at the amount of the actions rated as probable losses, totalling R\$4,134.

Contingent liabilities, not subject to accounting, according to prevailing standards, are demonstrated below:

	<u>Company</u>		<u>Consolidated</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Labor and social security	31,342	14,007	40,340	14,638
Tax	104,145	63,765	123,787	68,009
Civil	1,438	2,984	3,342	4,509
	<u>136,925</u>	<u>80,756</u>	<u>167,469</u>	<u>87,156</u>

Besides what was described above in relation to labour and civil actions, we present below the tax matters discussed at court that in the opinion of the management and legal counsellors are rated as possible losses for the Company and its controlled companies.

Federal Taxes and Contributions

As of December 31, 2009, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R\$38,893, claiming (i) the amounts related to Corporate Income Tax, and Social Contribution Tax on Net Income, Contributions for the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS), payable due to assumed omission of income, determined by comparison of amounts stated and booked with invoices presented by suppliers, (ii) differences in payments of PIS and COFINS debts, at historical value of approximately R\$2,371, for which a provision was not recognized and, based on the opinion of legal advisors, are rated as possible losses, (iii) exclusion of ICMS from the tax bases of PIS and COFINS. This last action is the most significant one, addressing a refund request at the historical value of R\$32,432, for which a provision was not set up, as according to opinion of the legal counsellors, they are rated only as possible losses. The Company has filed administrative defences, stating its non-enforceability and that part of the debts is barred by the statute of limitations, as well as the incorrectness in their tax bases, and that inspectors deemed the amounts, what is forbidden in certain cases. Such defences have not been analyzed yet.

The controlled companies have administrative proceedings associated with federal tax credits offset with social security debts. The amounts are the following: Penasul's corresponds to R\$3,383, Dagranga's to R\$6,503, Mabella's to R\$5,525, Pampeano's to R\$1,053 and Agrofrango's to R\$1,262. Such companies are parties to court actions discussing their right to the offset under the manner executed.

PIS and COFINS on import

In November 2004, the Company filed a lawsuit challenging the enforceability of PIS and COFINS on imports and claimed the non-payment of those contributions. A provisional remedy was granted and confirmed in a sentence that currently is in effect, against which the Federal Government has filed an appeal that will be judged at the 3rd Federal Court of Appeals. The mentioned action generates favourable effects to cash flows, as allows the payment of those taxes during the sale of the goods, and not in advance during the import.

ICMS (State VAT)

The discussions related to ICMS involving the Company address the administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia and Rio Grande do Sul that question the credits from the transfer of goods, non-compliance of accessory obligations and erroneous issuance of invoices, which amount to the historical value of R\$28,910. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R\$685. In the State of Mato Grosso, the actions refers to the disregard of the tax regimen established with the State and the absence of issuance of electronic invoice, corresponding to R\$6,120.

The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transference invoices of goods sent by the branch located in the State of Mato Grosso do Sul to the branches in the State of São Paulo, that is, a "Tax War." The entered values correspond to the difference between the amount separately identified in the goods receiving documents at the distribution centre and paid to the State of origin. The Company has filed administrative defences questioning the demand of those debts that have not been analyzed yet in a definitive manner. The historical value demanded in those administrative proceedings corresponds to R\$118,186. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, whose administrative phase has been finished. The controlled company Dگرانja is a party to administrative proceedings also filed by the Finance Department of the State of São Paulo claiming the ICMS on the tax benefit granted by the States of Mina Gerais and Paraná. They correspond to the historical value of R\$16,975, and are in discussion at administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

19. DEFERRED TAXES

	Company		Consolidated	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Income tax	26,772	29,336	74,835	86,105
Social contribution tax	<u>9,638</u>	<u>10,563</u>	<u>20,501</u>	<u>22,914</u>
	<u>36,410</u>	<u>39,899</u>	<u>95,336</u>	<u>109,019</u>

These deferred taxes were recorded when property, plant and equipment items were revalued. They will be settled as revalued assets are sold, written off, depreciated, or amortized, according to their useful lives established in the revaluation report.

20. SHAREHOLDERS' EQUITY

a. Capital stock

Subscribed and paid-in capital stock as of December 31, 2009 totals R\$ 4,061,478 (R\$2,559,718 as of December 31, 2008), and comprises 346,983,954 common shares without par value. Capital, less the expenditure with the public and private issuance of shares, corresponds to R\$3,989,875 (2.525.639 as of December 31, 2008).

Based on CVM Decision No. 556/08, the Company recorded under shareholders' equity the costs incurred with the raising funds through public issue of shares executed in 2007 and 2009 and private issuance in 2008.

Pursuant to the Company's by-laws, at discretion of the Board of Directors, capital stock can be increased through issuance of up to 500,000,000 (five hundred million) common shares and under the conditions the Board defines, independently of changes in the mentioned by-laws.

Also at discretion of the Board of Directors, the Company can issue shares without preferential rights or with the period reduction provided in paragraph 4 of article 171 of Law no. 6,404/76 for shares and debentures convertible into shares or subscription bonuses. Their placement should be made through sale at stock exchange or public subscription, or by means of exchange for shares in a public offer for acquisition of ownership interest, under the terms of the law and within the limit of authorized capital.

The Board of Directors defines issuance conditions (prices and periods).

The call option of shares, the conditions under which shareholders will have preferential rights to subscription, or the inexistence of such right in relation to the management, employees, or individuals who render services to the Company or other companies under its control are presented in note 21.

We demonstrate below the changes in the Company's capital stock along the year 2009, considering the capital increase approved in the meetings of the Board of Directors, held on November 11, 2009 and November 30, 2009, as follows:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/31/2009	Capital stock	2,559,718
11/11/2009	Public issuance of shares	1,328,480
11/30/2009	Public issuance of shares	<u>173,280</u>
12/31/2009	Capital stock	<u><u>4,061,478</u></u>

Considering the above, the Company incurred expenses in the issuance of shares, as demonstrated below:

<u>Description</u>	<u>Amount</u>
Commission of coordinators	28,086
Commission - CBLC	526
Audit	277
Lawyers	1,019
Publication	827
Registration fees	133
Provisions - (Other Expenses)	<u>6,656</u>
Total	<u><u>37,524</u></u>

b. Income reserves

Legal reserve

It is based on 5% (five per cent) of the Company's net income, as defined in its by-laws and current legislation. In 2009, the amount of R\$33,954 was recognized as legal reserve. The adjusted balance as of December 31, 2009 was R\$37,171.

Appropriation of net income

During a General Shareholders' Meeting to be held on April 30, 2010, it will be proposed an appropriation of net income corresponding to R\$460,183, destined to finance part of the investments projected for 2010, whose amount is supplied in the Management Report - item 14 - Business Projections of Results.

Treasury shares

In the year 2008, the Company acquired 695,600 shares for R\$12,966, at an average cost per share of R\$18.64. These shares are for the long-term share bonus and option program, as described in note 21. These shares will be entitled to dividends and earnings occasionally distributed by the Company.

In the year 2009, 124,100 shares were transferred to the management of the Company, in compliance with the option plan described in note 21.

As of December 31, 2009, the balance of treasury shares changed to 571,498, booked at the value of R\$10,653.

The value of treasury shares, priced at R\$19.12/share in the last trading session of the year 2009, corresponds to R\$10,927.

c. Asset and liability valuation adjustment

Considering CVM Decision No. 534/08, the Company created the account subgroup "Asset and Liability Valuation Adjustments" to record exchange variations of corporate investments abroad. The controlled company is an entity independent from the head office in Brazil.

d. Accumulated translation adjustments

According to Circular Letter CVM/SNC/SEP No. 01, of January 30, 2009, and CVM Decision No. 534/08, the Company created a caption called "Accumulated Translation Adjustments" to record exchange variations resulting from the translation of the foreign subsidiaries' financial statements where the investee's functional currency is different from that of the controlling company.

e. Dividends

Under the provisions of the Brazilian Corporate Law and its by-laws, the Company's obligatory dividend is of at least 25% of adjusted net income determined in the Company's financial statements. The annual statement of dividends, including their payment, besides the obligatory minimum dividend, requires approval during an Ordinary General Meeting by the vote of the majority of shareholders' holding the shares of Marfrig and depends on several factors. Among those factors, we can mention operating income, financial status, cash needs, and future perspectives of the Company, among others that the Board of Directors and shareholders deem relevant.

In the General Shareholders' Meeting to be held on April 30, 2010, the following distribution of dividends for the year 2009 will be proposed:

Description	In thousands of reais
Net income before interest on equity capital	679,079
(-) Legal reserve	(33,954)
Adjusted net income for dividend purposes	<u>645,125</u>
Mandatory dividends	161,281
(-) Interest on equity capital, net (1)	<u>(146,059)</u>
Dividends payable	<u><u>15,222</u></u>

(1) The calculation of interest on equity capital is demonstrated in note 20, letter F.

f. Interest on equity capital

Article 9 of Law No. 9,249 of December 26, 1995, with the modifications introduced by article 88, XXVI, Law No. 9,430/96 allowed the deductibility, for purposes of income tax and social contribution, of interest on equity capital paid to shareholders, calculated based on long-term interest rate variation - TJLP, as presented below:

Description	In thousands of reais
Shareholders' equity on December 31, 2008	2,729,851
(x) Accumulated TJLP for the period from January to December 2009	6.2997%
Limit established in law	171,972
Increase in capital in November 2009	1,296,273
(x) TJLP of December 2009	0.5000%
Limit established in law	6,481
Limit established in law - total	178,453
Value of interest on equity capital	169,720
(-) Withholding income tax (IRRF)	(23,661)
Value of interest on equity capital, net	146,059

g. Minority interest

Refers to the interest of minority shareholders in the Company's equity.

21. MANAGEMENT'S COMPENSATION

Management compensation comprise the earnings of 4 members of Board of Directors (the other 4 opted for not receiving compensation as Counsellors), as well as of the management team organized according to the Company's by-laws.

The added value of the compensation received by the Company's management for their services, and by the Board of Directors is defined through market practices, with the participation of the Corporate Governance and Compensation Committee, formed by one Member of Board of Directors, (coordinator), Chairman and Corporate Human Resources Chief Officer.

The amounts paid in 2009 are the following:

COMPENSATION OF COUNSELLORS / MANAGEMENT

Department	Total Compensation		Total
	Fixed compensation	Variable compensation	
Board of Directors	2,194,495	-	2,194,495
Management	3,136,588	2,030,000	5,166,588
	5,331,083	2,030,000	7,361,083

The Company has a long-term bonus program with restricted shares for officers and share options for counsellors, as follows:

i. Approval of the plan

On May 7, 2007, the Company's shareholders approved a share purchase option plan (the "Plan"), changed and consolidated by the shareholders in the Extraordinary General Meeting held on May 29, 2009.

Chapter 4 of the Plan establishes that the Board of Directors can create other option plans related to shares issued by the Company under specific conditions to participants, number of granted options, performance targets or performance reached, exercise price and other conditions, which might not follow the general conditions established in the Plan ("Specific Programs").

Therefore, three Specific Programs were created, which were analyzed by the Compensation and Corporate Governance Committee on June 29, 2009 and submitted to the Board of Directors.

The law firm Tozzini & Freire prepared the specific plans and contract models, and analyzed the legal aspects of the matter to assure the conformity with the terms of the Brazilian law and provisions of the Brazilian Securities and Exchange Commission (CVM).

Beneficiaries should adhere to the Policies of Negotiable Securities issued by Marfrig Alimentos S/A that is available at the Company's website of Relations with investors in the Internet.

The total number of treasury shares (balance) corresponds to 571,498 shares, booked at the value of R\$10,653 and described in note 20b, what is enough to cover the exercise of options until 2011 of plans already implemented. For that purpose, new issuances are required only in 2012.

ii. Acquisition of shares through the repurchase program for the share options plan and their maintenance in Treasury

On April 9, 2008, the Board of Directors authorized the acquisition of up to 699,489 shares of the Company, equivalent to 1% of outstanding shares, to be kept in treasury and further distributed to the participants of the long-term share bonus and option program, with limits previously approved at the Extraordinary Shareholders' Meeting held on May 29, 2007.

Such acquisition observed the provisions of CVM Instruction 10/80. The authorization will be valid until December 31, 2008 for the financial institutions Credit Suisse Hedging Griffo CTVM S.A., Bradesco BBI S.A. and ABN AMRO Real S.A., executed as described in the table below.

DATE OF TRADING SESSION	FINANCIAL INSTITUTION	PURCHASE		
		No. OF SHARES	TOTAL VALUE	COST PER SHARE
05/02/2008	CREDIT SUISSE HEDGING-GRIFFO	205,600	3,885,817.67	18.8999
08/14/2008	CREDIT SUISSE HEDGING-GRIFFO	300,000	5,680,645.39	18.9355
08/15/2008	CREDIT SUISSE HEDGING-GRIFFO	90,000	1,693,631.69	18.8181
08/26/2008	CREDIT SUISSE HEDGING-GRIFFO	69,300	1,188,645.57	17.1522
08/27/2008	CREDIT SUISSE HEDGING-GRIFFO	30,700	517,307.70	16.8504
	TOTAL SHARES PURCHASED	695,600	12,966,048.02	18.6401

The maximum average daily price in those operations was R\$18.9355/share on 19/8/2008 and the minimum R\$16.8504/share on 27/8/2008. The above indicated average values include brokerage expenses and taxes on operations.

iii. Concession

1. Master Plan 07-08: In 2008, 55,200 share options were granted to the Board of Directors, based on the average of twenty sales trading sessions previous to March 4, 2008, (R\$15.097/ share), with a discount of 10% on the average mentioned above (R\$13.588/share). In accordance with the rules, the exercise will be made at the ratio of 25% per year in 4 years, 25% by the end of the first year; 25% by the end of the second year; 25% by the end of the third year; and 25% by the end of the fourth year. There was also the granting of 212,676 restricted shares to 21 managers, which were submitted to a mutual rescission and replacement due to the restructuring of the Plan approved in the General Meeting of May 29, 2009 and implementation of Specific Plan I (2007/2008) approved in the meeting of Board of Directors as of July 28, 2009.
2. Master Plan 08-09: The concession of 165,800 (related to 2008) in 2009 to the Board of Directors was also reconfirmed in a contract, at the price per share of R\$6.7783 (55,200 - R\$13.597 and 110,600 - R\$6.7783), based on the average of the 20 (twenty) trade sessions previous to March 3, 2009, date of implementation of the Master Option Plan, to be exercised at the above mentioned amount between 2010 and 2013 at the ratio of 25% per year.

The Compensation and Governance Committee approved the implementation of the three Specific Programs on June 29, 2009 and the Board of Directors approved them on July 28, 2009, according to the authorization rendered during the Meeting of May 29, 2009, under the following conditions:

3. Specific Long-Term Plan 07-08 (ESP LT 07-08): For the period 2007/2008, the option was established to be exercised in 4 instalments of 25% each per year, the first up to July 28, 2009 and the 3 remaining ones in the following manner: from March 3, 2010 to September 2, 2010; from March 3, 2011 to September 2, 2011 and from March 3, 2012 to September 2, 2012.

4. Specific Short-Term Plan 08-09 (ESP ST 08-09): Referring to the period 2008/2009 (Short-Term) - the option should be exercised until November 30, 2009 (100%).
5. Specific Long-Term Plan 08-09 (ESP LT 08-09): Concerning the period 2008/2009 (Long-Term) - the options should be exercised in 4 instalments of 25% each, as follows: from March 3, 2010 to September 2, 2010 (1st); from March 3, 2011 to September 2, 2011 (2nd), from March 3, 2012 to September 2, 2012 (3rd) and from March 3, 2013 to September 2, 2013) (4th).

The exercise prices will be:

- 1- R\$0.75485 for shares referring the long-term plan ESP LT 07-08
- 2- R\$1.03823 for shares referring the short-term plan ESP ST 08-09
- 3- R\$0.67783 for shares referring the long-term plan ESP LT 07-08

The following criteria were adopted for the concession of options to executives of Marfrig:

- In 2008 - Weighted average of 20 trading sessions before March 3, 2008: R\$15,097/share
- 2. In 2009:
 - ESP Long-Term 07-08: Weighted average of 20 trading sessions before March 3, 2008: R\$15.097/share
 - ESP Short-Term 08-09: Weighted average of 20 trading sessions before May 11, 2009: R\$10.3823/share
 - ESP Long-Term 08-09: Weighted average of 20 trading sessions before March 3, 2009: R\$6.7783/share

The total options granted by those 3 programs in 2009 corresponded to 710,930 shares, from which 128,6000 with options maturing in 2009, 158,083 in 2010 and the remaining ones up to 2013.

The total number of shares granted by those three plans corresponded to 0.26% of capital stock (0,20% of current capital stock), therefore, within the 0.5% limit the Board of Directors established for approval in the General Meeting of May 29, 2009.

As of December 31, 2009, the option plan of the Company had 78 participants.

In the year 2009, 124,100 10,600 shares were transferred to the management of the Company, according to the criteria established in the option plan, representing a negative effect on income for the period ended December 31, 2009 of R\$2,197.

There will be no dilution of the participation of current shareholders when the restricted shares or options are exercised, given that the shares are kept in treasury for this purpose.

iv. Participants' rights

All dividends and profit sharing, or their equivalent (cash, shares, or other) over unexercised Restricted Actions, will be considered participant's rights and will be credit by the Company for further release in their accounts upon the maturity of the restrictions.

The Company will have the option to pay such credits through accumulated dividends or profit sharing, or the equivalent amount in cash, Company's shares, or other form. If the payment is made through shares, the conversion will be by the average amount of the 20 trading sessions of BM&F BOVESPA previous to payment date, adjusted to the net amount of income tax levied on the credit granted.

The rights will be lost if the participant quits, or no longer provides services to the Company for any reason except death, disability, retirement or termination without cause. In these cases, all the restricted shares will mature and those not in effect will have the amounts released and become totally effective.

Upon capital increase, participants will be entitled to exercise subscription rights with own resources on the total amount granted, and the subscribed shares will be immediately released to the participant.

v. Changes in the Options Plan and effects on the statement of operations if accounting was effective as of December 31, 2009

The total number of options not exercised at the end of 2009 was 752,630 options.

The fair value of the options was calculated according to the Black-Scholes methods, based on Long-Term Interest Rate (TJLP) of 6% p.a. and with implicit volatility of 81%. The value of the options on 31/12/2009 in the different programs and maturities was between the maximum of R\$14.924 and the minimum of R\$5.532 per share for counsellors and between the maximum of R\$18.569 and the minimum of R\$18.082 per action for the management.

The table below demonstrates the changes occurred since the beginning of the program of options plans:

Share Option Plan

	Sole Beneficiaries	Options Plan	Granting date	Performance period	Number of Implied Shares - Options not exercised	Option Exercise Price	Option Expiration Date	Value of Option on 31/dez/2009 (Black Scholes) in R\$	Market Value of options not vested on 31/dez/2009 (R\$'000)	Market Value of options vested on 31/dez/2009 (R\$'000)	Effect on income in case of accounting
Outstanding options on 12/31/2007	-				-				-	-	-
Cancelled Options	-				-						
Granted Options	24				267.876				3.412	1.093	(1.248)
Board of Directors	3	MASTER 07-08	3/3/2008	3/4/2009	13.800	13,588	9/2/2009	5,532		76	(70)
	3	MASTER 07-08	3/3/2008	3/4/2010	13.800	13,588	9/2/2010	6,081	84		(70)
	3	MASTER 07-08	3/3/2008	3/4/2011	13.800	13,588	9/2/2011	9,153	126		(70)
	3	MASTER 07-08	3/3/2008	3/4/2012	13.800	13,588	9/2/2012	11,045	152		(70)
Executives	21	EXEC 07-08	3/3/2008	3/4/2009	53.169	-	9/2/2009	19,120		1.017	(242)
	21	EXEC 07-08	3/3/2008	3/4/2010	53.169	-	9/2/2010	19,120	1.017		(242)
	21	EXEC 07-08	3/3/2008	3/4/2011	53.169	-	9/2/2011	19,120	1.017		(242)
	21	EXEC 07-08	3/3/2008	3/4/2012	53.169	-	9/2/2012	19,120	1.017		(242)
Exercised Options	-				-				-	-	-
Expired Options	-				-				-	-	-
Outstanding options on 12/31/2008	24				267.876				3.412	1.093	(1.248)
Granted Options	76				823.130				12.278	2.368	(13.373)
Board of Directors	3	MASTER 08-09	07/28/2009	3/4/2010	27.650	6,77830	3/3/2011	12,412	343		(328)
	3	MASTER 08-09	07/28/2009	3/4/2011	27.650	6,77830	3/3/2012	13,247	366		(328)
	3	MASTER 08-09	07/28/2009	3/4/2012	27.650	6,77830	3/3/2013	14,162	392		(328)
	3	MASTER 08-09	07/28/2009	3/4/2013	27.650	6,77830	3/3/2014	14,924	413		(214)
Executives	13	ESP II CP 08-09	07/28/2009	07/28/2009	80.200	1,03823	11/30/2009	18,082		1.450	(1.348)
	20	ESP I LP 07-08	07/28/2009	07/28/2009	50.000	0,75485	9/2/2010	18,365		918	(894)
	20	ESP I LP 07-08	07/28/2009	3/4/2010	50.000	0,75485	9/2/2010	18,373	919		(894)
	20	ESP I LP 07-08	07/28/2009	3/4/2011	50.000	0,75485	9/2/2011	18,416	921		(894)
	20	ESP I LP 07-08	07/28/2009	3/4/2012	50.000	0,75485	9/2/2012	18,460	923		(894)
	73	ESP III LP 08-09	07/28/2009	3/4/2010	108.083	0,67783	9/2/2010	18,449	1.994		(1.978)
	73	ESP III LP 08-09	07/28/2009	3/4/2011	108.083	0,67783	9/2/2011	18,488	1.998		(1.978)
	73	ESP III LP 08-09	07/28/2009	3/4/2012	108.082	0,67783	9/2/2012	18,527	2.002		(1.773)
	73	ESP III LP 08-09	07/28/2009	3/4/2013	108.082	0,67783	9/2/2013	18,569	2.007		(1.522)
Exercised Options	(11)	ESP I LP 07-08			(45.500)					(836)	-
Exercised Options		ESP II LP 08-09			(78.600)					(1.421)	-
Cancelled Options	(21)	EXEC 07-08			(212.676)				(3.050)	(1.017)	968
Expired Options	(1)	ESP II CP 08-09	1/10/2009		(1.600)					(29)	27
Outstanding options on 31/12/2009					752.630				12.640	158	(13.626)

22. INSURANCE COVERAGE

It is the Company's policy to insure its property, plant, and equipment and inventories at risk, for amounts deemed sufficient to cover possible casualties. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

Below is a summary of the amounts insured by the Company:

Description	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Meat-packing buildings and facilities	903,300	896,300	4,090,665	3,991,019
Inventories and loss of profit	192,876	346,800	1,983,914	2,850,404
Third party storage	12,000	-	42,603	-
Vehicles	22,997	20,305	29,555	31,251
Merchandise transportation	333,333	540,436	2,043,969	1,625,975
Director's guarantees	40,000	40,000	68,730	104,341
Civil liability	-	1,673	192,456	306,960
Other	303,567	208,482	545,654	683,138
	<u>1,808,073</u>	<u>2,053,996</u>	<u>8,997,546</u>	<u>9,593,088</u>

23. FINANCIAL INSTRUMENTS - DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

a) Overall Perspective

The Company is exposed to market risks related to exchange, interest rate and commodities price fluctuations of a nature considered normal to its business. In order to minimize these risks, the Company has policies and procedures to minimize these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

The Company's policies consist mainly of the following: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimizing the foreign exchange exposure of its debts, cash flows and interest rates.

Management is authorized to perform any and all acts related below up to the amount equivalent to ten percent (10%) of the Company's equity based on the last financial statements disclosed in the market, except that for amounts higher than five percent (5%) of Shareholder's Equity, an additional authorization from the Company's Finance Committee is necessary.

The Company's acts mentioned in the former paragraph are: (a) Offer guarantee for the obligations of the Company's controlled companies and/or wholly owned subsidiaries; (b) approve the acquisition of and/or disposal of permanent asset items; (c) Approve financial transactions, including leases; and (d) Approve single or group of transactions involving the Company and related parties, directly or indirectly.

The Company does not enter into leveraged transactions with derivatives or similar instruments that do not offer a minimum protection against its exposure to other currencies, and adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining high level of cash balance and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not affect a single year.

b) Interest rate risk management

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates that affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR or CDI (interbank deposit rate).

In order to reduce debt service costs, the Company continually monitors market interest rates to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates.

c) Commodity price risk management

During its activities, the Company purchases some commodities, such as: corn, soybean meal, and live cattle, which are the biggest individual components of the production cost and are subject to certain variables.

The price of cattle and swine acquired from third parties is directly related to market conditions, being influenced by domestic availability and foreign market demand.

Corn and soybean meal are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others.

To reduce the impact over commodities, the Company manages inventory levels, keeps cattle confined, and trades cattle at BM&F BOVESPA.

In 2009, the Company did not have derivatives for hedging against commodity price fluctuations.

d) Exchange risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 70.08% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural *hedge* against the maturities of future obligations in foreign currency.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term financial investments with solid financial institutions.

We believe that the Company's consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

e) Outstanding foreign currency and derivative position

Assets and liabilities in foreign currency are as follows:

			COMPANY
			Effects of
			exchange
			variation on
			results
EXPOSURE			
Description	12/31/2009	12/31/2008	
OPERATING			
Accounts receivable	224,336	168,488	-42,568
Advance on export contracts - ACEs	-22,261	-52,641	33,729
Imports payable	-16,199	-23,170	2,065
Subtotal	<u>185,876</u>	<u>92,677</u>	<u>-6,774</u>
FINANCIAL			
Receivables from controlled companies	-	1,376,694	-
Loans and financing	-3,120,805	-2,419,287	524,567
Notes payable	-31,976	-38,729	12,086
Advance on exchange contract (ACC)	-272,626	-387,905	62,800
Balance of banks and financial investments	67,163	94,545	-10,690
Subtotal	<u>-3,358,244</u>	<u>-1,374,682</u>	<u>588,763</u>
TOTAL	<u>-3,172,368</u>	<u>-1,282,005</u>	<u>581,989</u>
Exchange variation gain			635,247
Exchange variation loss			<u>-53,258</u>
Exchange variation, net			581,989

			CONSOLIDATED
EXPOSURE			
Description	12/31/2009	12/31/2008	Effects of exchange variation on results
OPERATING			
Accounts receivable	253,387	456,554	-71,828
Advance on export contracts - ACEs	-22,261	-93,656	35,657
Imports payable	-109,538	-45,923	2,528
Other	67,456	-	-2,608
Subtotal	<u>189,044</u>	<u>316,975</u>	<u>-36,251</u>
FINANCIAL			
Receivables from controlled companies	-	1,397,086	-
Loans and financing	-3,368,293	-2,694,124	552,706
Notes payable	-31,976	-134,343	5,906
Advance on exchange contract (ACC)	-503,757	-592,085	125,083
Balance of banks and financial investments	152,875	119,084	-10,726
Other	11,979	-	6,798
Subtotal	<u>-3,739,172</u>	<u>-1,904,382</u>	<u>679,767</u>
TOTAL	<u>-3,550,128</u>	<u>-1,587,407</u>	<u>643,516</u>
Exchange variation gain			728,678
Exchange variation loss			-85,162
Exchange variation, net			<u>643,516</u>

As of December 31, 2009, outstanding derivatives were as follows:

Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US\$ (notional value) (2)	Fair value R\$ (1)	Payable value (-)	Receivable value (-)
Swap Inter. Rate	(4)	08/02/2012	Libor higher than 2,02%	Libor lower than 2,02%	BB London	16,800	29,705	-453	-
Swap Inter. Rate	(4)	02/25/2011	Libor higher than 1,83%	Libor lower than 1,83%	BB London	20,000	35,242	-418	-
Swap Inter. Rate	(4)	02/22/2012	Libor higher than 2,08%	Libor lower than 2,08%	BB London	30,000	53,251	-1,015	-
Swap Inter. Rate	(4)	02/14/2013	Libor higher than 2,4%	Libor lower than 2,4%	BB London	39,500	70,031	-1,254	-
Swap Inter. Rate	(4)	03/20/2013	Libor higher than 2,38%	Libor lower than 2,38%	BB London	10,500	18,557	-274	-
Swap Inter. Rate	(4)	03/06/2015	Libor higher than 2,18%	Libor lower than 2,18%	BB London	75,000	130,954	-364	-
Swap Inter. Rate	(4)	12/24/2012	Libor higher than 2,10%	Libor lower than 2,10%	BB London	30,000	52,903	-667	-
Swap Inter. Rate	CETIP	08/14/2014	Libor higher than 1,94%	Libor lower than 1,94%	Citibank	100,000	173,891	229	-
Swap Inter. Rate	CETIP	08/14/2014	Libor higher than 2,00%	Libor lower than 2,00%	Citibank	160,000	277,561	1,031	-
						481,800	842,095	-3,185	

								12.31.09	12.31.08
Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US\$ (notional value)	Fair value R\$ (3)	Payable value (-)	Receivable value (-)
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,17% in the period	Bradesco	200,000	348,240	-11,078	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,03% in the period	Bradesco	100,000	174,120	-5,267	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,03% in the period	Bradesco	50,000	87,060	-2,633	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,03% in the period	Bradesco	100,000	174,120	-5,267	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,03% in the period	Bradesco	100,000	174,120	-5,267	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,25% in the period	Bradesco	50,000	87,060	-2,839	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,25% in the period	Bradesco	50,000	87,060	-2,839	-
Purchase option	CETIP	01/04/10	US\$ higher than 1.88	3,26% in the period	Bradesco	50,000	87,060	-2,850	-
						700,000	1,218,840	-38,040	-

								12.31.09	12.31.08
Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US\$ (notional value)	Fair value R\$ (3)	Payable value (-)	Receivable value (-)
NDF	CETIP	01/04/10	US\$ higher than 1.7265	US\$ lower than 1.7265	Bradesco	290,964	506,626	4,277	-
						290,964	506,626	4,277	-

- (1) The fair value informed is determined through the market-to-market method (MTM) that consists in determining the future value based on agreed conditions and discounting that to present value based on the market curves, extracted from Bloomberg's database and from BM&FBOVESPA.
- (2) The reference value (notional value) is not conditioned to a hedge operation. It is only the basis for the payment flows, which are pegged to LIBOR (Libor Interbank Offered Rate), which in its turn is fixed.
- (3) Operation settled on 01/04/2010. The fair value was measured based on the US\$ rate on 12.31.2009, considering that it is the same rate used at the settlement date.
- (4) Bilateral/over the counter transaction. It is not registered with a custody /clearance chamber.

SWAP SCENARIOS

Value	Maturity	Probable		Possible		Remote	
JS\$ (thousands)		R\$	Libor	R\$	Libor	R\$	Libor
16,800	2/8/2012	(61)	1.78%	28	2.13%	118	2.49%
20,000	02/25/2011	(156)	1.05%	(114)	1.26%	(72)	1.47%
30,000	02/22/2012	(417)	1.38%	(251)	1.66%	(85)	1.94%
39,500	02/14/2013	(275)	2.17%	238	2.60%	752	3.03%
10,500	03/20/2013	(78)	2.17%	81	2.60%	240	3.03%
75,000	6/3/2015	2,921	3.40%	4,545	4.09%	6,169	4.77%
30,000	12/24/2012	52	2.17%	382	2.60%	712	3.03%
100,000	08/14/2014	1,518	2.45%	2,971	2.94%	4,423	3.43%
160,000	08/14/2014	2,513	2.45%	5,236	2.94%	7,959	3.43%
<u>481,800</u>		<u>6,017</u>		<u>13,116</u>		<u>20,216</u>	

Other hedge operations were settled on January 4, 2010. Therefore, there are no other scenarios to present.

The Company entered into non-speculative swap to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing.

Purchase options in US\$, corresponding to US\$700, were also contracted at the rate of R\$1.88/US\$, as exchange hedge for the payment of the acquisition of the company SEARA Alimentos. Such options were not exercised and were settled on January 4, 2010.

In the year ended December 31, 2009, the net financial income from derivatives totalled R\$33,980. An amount of R\$67,146 is related to expenses and R\$33,166 refers to net revenues.

Assets and liabilities recorded as of December 31, 2009 for derivative transactions conducted for asset protection purposes are stated as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Swap	(3,185)	(15,372)	(3,185)	(15,372)
Purchase option	(38,040)	-	(38,040)	-
NDF	4,277	(9,363)	4,277	-16,958
	<u>(36,948)</u>	<u>(24,735)</u>	<u>(36,948)</u>	<u>(32,330)</u>

Management understands that the results obtained with derivative transactions are in line with the risk management strategy the Company adopted.

24. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated in accordance with prevailing legislation and the Temporary Tax Regime, provided for in Executive Act No. 449/2008.

Income and social contribution tax calculations and returns are open to review and final assessment by tax authorities for varying statutory periods in relation to the payment or filing date.

Reconciliation of income and social contribution taxes presented in the statement of income for the year:

Tax	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Income (loss) before tax effects	583.009	(268.879)	568.488	(236.474)
Add-backs	115.795	185.814	195.297	186.032
(-) Deductions	<u>(700.959)</u>	<u>(279.101)</u>	<u>(859.365)</u>	<u>(481.936)</u>
Income and social contribution tax bases	(2.155)	(362.166)	(95.580)	(532.378)
Company with social contribution tax losses	-	-	291.667	744.161
Tax basis after offset	(2.155)	(362.166)	196.087	211.783
Income tax (15%)	-	-	29.413	31.767
Surtax (10%)	-	-	18.643	21.011
(-) PAT (Workers' Meal Program)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income tax	-	-	48.056	52.778
Social contribution tax (9%)	<u>-</u>	<u>-</u>	<u>17.648</u>	<u>19.060</u>
	-	-	65.704	71.838
(-) Rate difference on foreign income			<u>(37.462)</u>	<u>(24.735)</u>
Total taxes			28.242	47.103

Effect on the statement of income

Tax	Group	12/31/2009	12/31/2008	12/31/2009	12/31/2008
(-) Current income tax	Current liabilities	-	-	(28.242)	(46.962)
Tax paid overseas		25.432	-	25.432	-
Deferred income tax - Revaluation (1)	Non-current liabilities	2.564	2.391	(140)	2.391
Deferred income tax - Other (2)	Non-current assets	(75.413)	193.685	(31.169)	188.745
Net	Income (loss)	<u>(47.417)</u>	<u>196.076</u>	<u>(34.119)</u>	<u>144.174</u>
(-) Current social contribution tax	Current liabilities	-	-	-	(141)
Deferred social contribution tax - Revaluation (1)	Non-current liabilities	926	861	(48)	861
Deferred social contribution - Other (2)	Non-current assets	(27.159)	69.727	(16.982)	66.915
Net	Income (loss)	<u>(26.233)</u>	<u>70.588</u>	<u>(17.030)</u>	<u>67.635</u>

- (1) Refer to the reversal of deferred income and social contribution taxes stated in note 19, considering the add-back of depreciation of revalued assets to the taxable income and the social contribution tax bases.

- (2) Refer to deferred income and social contribution taxes, calculated on: Taxes whose payment has been suspended (provisions), and which were added to the calculation of the taxable income and the social contribution tax basis; utilization for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in note 9.

25. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company has been fulfilling its social development role in all countries where it operates. In 2007 the Social Action Department was created to develop social projects.

The Company has been contributing annually, with an increasing amount of funds and human resources, for hospitals, charitable entities and social projects, destining part of its production for poor communities in various Brazilian regions.

To assure the sustainability of Marfrig's operations, the Company takes all the measures to preserve environmental conditions and generate a positive effect on the communities where the Company has activities.

Meetings are held with the presence of the Company's officers, where environmental projects are defined and goals established. Among the green house pollutant emission reduction projects in progress (carbon credits), we can highlight: (i) generation of electricity from biomass; (ii) use of tallow in the burners in the plants, instead of fossil fuels; and (iii) treatment of effluents in anaerobic reactors (biodigestors) with capture and burn of the methane gas. Besides, effluent treatment was implemented through biodigestors in the plants of Bataguassu, Porto Murinho, Tangará da Serra, Promissão I and II. If determined feasible in the development researches, it will also be implemented in the plants in Mineiros, Chupinguaia, Paranatinga and São Gabriel

In relation to the purchase of cattle, the Company follows the policy of not acquiring it from farms included in the list of areas embargoed by Administrative Act no. 19, of IBAMA (Brazilian Institute of Environment and Natural Resources) of July 02, 2008 and Decree 6,321 of December 21, 2007 and in respective amendments, as well as those included in the Black List of Slave-Like Work from the Labour Ministry (Administrative Act 540/2004 of Oct. 15, 2004), proactively acting in relation to producers who violate current laws and arranging their prompt withdrawal from the list of suppliers of animals for slaughter.

The Company adopts adequate practices in relation to prevailing environmental and labour regulations, besides being one of the signers of the National Agreement for Eradication of Slave-Like Working Conditions and of the *Pacto Conexões Sustentáveis* (sustainability agreement) since October 2008, where the company undertakes to inspect and keep its business relations under ethic and human respect codes.

Starting June 22, 2009, the Company undertook to not acquire, slaughter or sell cattle from the Amazonian Biome area that has been deforested, starting on that date, demonstrating the commitment in searching for a sustainable development of livestock. In relation to that, beginning on the mentioned date, the Company requested BDO

Auditores Independentes to audit 100% of cattle acquisitions, to confirm the commitment undertaken.

BDO has executed the audit work of cattle purchases starting June 22, 2009, and has not identified any purchases from the farms blacklisted by IBAMA (embargoed areas) and by the Labour Ministry (slave-like work listing).

The company is committed to work in partnership with state governments, in special with the government of the State of Mato Grosso, in the Program *MT Legal* and with the Brazilian society in the development of a program to guarantee the origin of the animals, including the adhesion of the suppliers that make the fattening of cattle with animals from other properties. That will:

- Assure that the cattle for slaughter is not from areas embargoed by IBAMA or included in the black list of slave-like work of the Brazilian Labour Ministry.
- Implant a plan of control of properties of suppliers, so that they do not acquire animals from farms included in the list of areas embargoed or black listed.

Marfrig also has the objective, as part of its sustainability policies of:

- Developing good social and environmental practices with cattle farmers.
- Implementing the Impulso Pecuário Program, that aims the training and recognition of worth of good practices to improve productivity in the field, as with what happens with the foodstuff companies in Argentina and Uruguay.
- Making available the results of the abovementioned programs for consultation.
- Implementing a social-environmental mapping of the properties that supply cattle, increasing adequacy standards and assuring the commitment with sustainability in the whole chain.

The Company confirms that follows the strict conduct of not acquiring cattle from farms included in the list of embargoed areas, proactively acting in relation to producers that violate current laws and immediately excluding them from the list of suppliers of animals for slaughter and that it already adopts appropriate practices in relation to environmental and labour laws in effect.

26. SUBSEQUENT EVENTS

The enactment of Law no. 11,638/07 updated the Brazilian Corporate Law to align the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS). New standards, pronouncements, interpretations and guidelines were issued during the year 2009, whose adoption is mandatory for financial statements of the year ended December 2010 and for financial statements of 2009 to be disclosed together with the financial statements of 2010, for comparison purposes. The Company's management is in the process of evaluating the effects of the mentioned pronouncements, interpretations and guidelines issued by the Committee of Accounting Pronouncements (CPC).

On January 4, 2010, it was concluded the acquisition of all the Brazilian business of animal protein (poultry, pigs and industrialized products) from Cargill Inc., represented by the enterprise Seara Alimentos Ltda. and affiliates in Europe and Asia (including the trademark SEARA in Brazil and abroad, besides 12 plants in the segment of added-value processed products and a port terminal). The amount of the transaction was US\$899 million, from which US\$705.2 million was paid in cash on January 4, 2010 and US\$193.8 million in debt assumption after due diligence. As of February 24, 2010, an amount of US\$32.4 million was added to the value of the operation, due to positive balance of working capital of SEARA in favour of Cargill, that has not affected economically the value of the transaction for the Company. The business of Seara Alimentos in Brazil and the offices overseas were integrated into the Poultry, Swine and Industrialized Products Brazilian Division of Marfrig Group.

On January 22, 2010, it was concluded the acquisition of 51% of Zenda Group, through the payment of US\$ 49.5 million. Zenda Group, whose activity is the industrialization and sale of processed and cut leather, has the daily capacity of producing up to 7,000 pieces of leather. It is headquartered in Uruguay and it has units in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

On January 27, 2010, Marfrig acquired a plot of land in Argentina for the construction of a feet lot. The investment for acquisition of the land and construction is approximately US\$6.4 million for a capacity of 22,000 heads of cattle.

On February 23, 2010, the Company communicated to shareholders and market in general that it is in negotiation with Globoaves Group for acquisition or lease of two small size meat-packing plants for the slaughtering of free-range chicken and duck, what includes the poultry businesses with the trademark *Nhô Bento* and *Germânia* for duck. The negotiation depends on the due diligence process and is not binding.

On 1 March 2010, the assets from a small-sized meat-packing plant for the slaughter of free-range chicken of the brand "Nhô Bento", previously belonging to the Group Globoaves, were acquired for the amount of R\$9,200. This acquisition will improve the diversification of the Company's animal protein products offered in Brazil.

On 26 March 2010, the Company announced that the holders of Senior Notes issued in 2006 by its subsidiary Marfrig Overseas in the amount of US\$375,000,000 bearing annual interest at 9.625% and maturing in 2016 (the “Notes”), approved the alteration of some clauses of the transaction agreement, which was guaranteed by Marfrig Alimentos S.A., on 16 March 2010. Among the changes they included the elimination or alteration of certain clauses and restrictions described in the agreement of such transaction and solved any past non-compliances, which allowed the addition or change of those clauses. There was no change as for the term or annual interest rates levied on those Notes.

The approval referred to above was given by the holders of the outstanding Notes who announced their consent until 25 March 2010, and it was signed by Marfrig Alimentos S.A., União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A., the last three considered relevant subsidiaries which also became guarantors of the transaction.

* * *

MARFRIG HOLDINGS (EUROPE) B.V.

Amsterdam, the Netherlands

FINANCIAL REPORT 2010

MARFRIG HOLDINGS (EUROPE) B.V.

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MARFRIG HOLDINGS (EUROPE) B.V.

Balance sheet as at
(in EUR, before appropriation of results)

	Notes	December 31, 2010	December 31, 2009
ASSETS			
Fixed assets			
Financial fixed assets	4	528,242,688	241,634,000
Current assets			
Receivables	5	5,594,006	5,455,430
Cash and cash equivalents	6	--	--
		<u>5,594,006</u>	<u>5,455,430</u>
TOTAL ASSETS		<u><u>533,836,694</u></u>	<u><u>247,089,430</u></u>
EQUITY AND LIABILITIES			
Shareholders' Equity	7		
Issued and paid-up capital		240,380,600	245,685,400
Other reserve		1,341,068	(1,200)
Result for the year		<u>1,205,868</u>	<u>1,342,268</u>
		<u>242,927,536</u>	<u>247,026,468</u>
Non-current Liabilities	8	282,956,250	--
Current Liabilities	9	7,952,908	62,962
TOTAL EQUITY AND LIABILITIES		<u><u>533,836,694</u></u>	<u><u>247,089,430</u></u>

MARFRIG HOLDINGS (EUROPE) B.V.

Income statement for the financial year ended

(in EUR)

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
General and administrative expenses	11	304,562	62,960
Operating expenses		<u>304,562</u>	<u>62,960</u>
Interest income on loans to group companies		8,160,458	133,870
Interest expense on loans from shareholder		(7,272,771)	--
Exchange differences		782,739	1,271,358
Financial income and expenses		<u>1,670,426</u>	<u>1,405,228</u>
RESULT BEFORE TAXATION		<u>1,365,864</u>	<u>1,342,268</u>
Income tax expense		159,996	--
NET RESULT AFTER TAXATION		<u><u>1,205,868</u></u>	<u><u>1,342,268</u></u>

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

1 GENERAL

Marfrig Holdings (Europe) B.V. is a Dutch private company with limited liability, incorporated in Amsterdam on October 8, 2007. The Company mainly acts as a holding and finance company and currently has its office address at Naritaweg 165, 1043 BW, Amsterdam, the Netherlands.

(a) Group structure

The Company is a member of the Marfrig group. The ultimate parent company of this group is Marfrig Alimentos S.A. The financial statements of the Company are included in the consolidated financial statements of Marfrig Alimentos S.A. in Sao Paulo, Brazil.

(b) Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

(c) Consolidation

Consolidated Financial Statements have not been prepared, as is permitted by Article 408, Book 2 of the Netherlands Civil Code. Pursuant to the conditions of this article, the Company will file with the Trade Register of the Chamber of Commerce in Amsterdam the consolidated financial statements of its (ultimate) parent company Marfrig Alimentos S.A., Sao Paulo, Brazil.

(d) Use of estimates

In applying the accounting policies and guidelines for preparing the financial statements, management makes a range of estimates and judgments that might be essential for the amounts disclosed in the financial statements. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the Financial Statement items in question. Actual amounts may differ from these estimates.

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

2 ACCOUNTING POLICIES FOR THE BALANCE SHEET

The accompanying Financial Statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were incurred or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

(a) Comparison with previous year

The accounting policies have been consistently applied to all the years presented.

(b) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

(c) Financial fixed assets

Participating interests, including majority investments where significant influence can be exercised, are stated at acquisition cost in accordance with Article 214.325 of the Guideline for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board, with reference to Title 9, Book 2, Article 408 of the Dutch Civil Code or in case of a permanent impairment of the value of the shares, it is measured at impaired value; any write-offs are disclosed in the income statement (refer to note d).

(d) Impairment

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised immediately in the income statement.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised. A reversal of an impairment loss is recognised immediately in the income statement.

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

(e) Receivables

Receivables are valued at face value less a provision for possible uncollectible accounts.

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

(a) General

Profit or loss is determined as the difference between the realisable value of the goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognised in the year in which they are realised.

(b) Exchange rate differences

Exchange rate differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they arise.

(c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(d) Selling expenses, and general and administrative expenses

Selling expenses, and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods sold.

(e) Financial income and expenses

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

(f) Taxation

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

FIXED ASSETS

4 FINANCIAL FIXED ASSETS

Movements in financial fixed assets can be broken down as follows:

	Amounts due from group companies	Investments in group companies	Total
Opening balance	73,380,150	168,253,850	241,634,000
Movements 2010			
Additions	202,481,317	73,629,580	276,110,897
Capitalized interest	2,832,456	--	2,832,456
Exchange differences	7,665,335	--	7,665,335
Closing balance	<u>286,359,258</u>	<u>241,883,430</u>	<u>528,242,688</u>

The amounts due from group companies are specified as follows:

Name	Interest	CCY	Amount in CCY	2010	2009
Moy Park Holding (Europe) Ltd	3.542302%	GBP	67,626,874	78,858,008	73,380,150
MFG (USA) Holdings, Inc	10.25000%	USD	275,000,000	207,501,250	--
				<u>286,359,258</u>	<u>73,380,150</u>

The intercompany receivable from Moy Park Holding (Europe) Ltd bears a blended daily overnight LIBOR rate + 3% interest, with a maturity date of October 22, 2013.

Based on the loan agreement between the Company and Moy Park Holdings (Europe) Limited, the accrued interest should be capitalized and added to the principal amount. Parties have decided not to capitalize the interest in 2009, the amount of GBP 118,968 was considered as a short term interest payable. Parties have decided to capitalize the accrued interest in the amount of GBP 2,429,051 (EUR 2,832,455), consisting of GBP 118,968 for 2009 plus GBP 2,310,083 for 2010, on December 31, 2010. This amount has been reflected in these financial statements.

The Company incorporated MFG (USA) Holdings, Inc. on September 1, 2010, and contributed an amount of USD 100,000,000 (EUR 73,639,580).

On September 28, 2010, a loan agreement was concluded between the Company and MFG (USA) Holdings, Inc. for an amount of USD 275,000,000. The loan agreement has been concluded for a term of 72 months, thus the maturity date is November 1, 2016, the interest percentage for this loan is 10.25%.

The company's investments in group companies comprise the following:

Name	Registered office	Ownership	Acquisition cost 2010	Acquisition cost 2009
Moy Park Holding (Europe) Limited	Craigavon, United Kingdom	100.00%	168,253,850	168,253,850
MFG (USA) Holdings, Inc	Dover, USA	100.00%	73,629,580	--
			<u>241,883,430</u>	<u>168,253,850</u>

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

CURRENT ASSETS

5 RECEIVABLES

As at December 31, 2010, this item can be detailed as follows:

	2010	2009
Amounts due from shareholders	--	5,321,559
Amounts due from group companies	5,594,006	133,871
Total receivables	5,594,006	5,455,430

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

Amounts due from shareholder are specified as follows:

Name	CCY	Amount in CCY	2010	2009
Marfrig Alimentos S.A.			--	16,800
Marfrig Alimentos S.A. *			--	5,304,759
			--	5,321,559

* In August 2010, a total of 1,105,908 ordinary shares - with a nominal value of EUR 100 each - have been repurchased and cancelled and subsequently this receivable on shareholder was eliminated. Out of these 1,105,908 ordinary shares 53,047 ordinary shares relate to the current receivable. (see note 7 for origine of this receivable)

Amounts due from group companies are specified as follows:

Name	CCY	Amount in CCY	Ownership	2010	2009
Moy Park Holding (Europe) Limited	GBP	-	100.00%	--	133,871
MFG (USA) Holdings, Inc.	USD	7,413,699	100.00%	5,594,006	--
				5,594,006	133,871

In accordance with the loan agreement between MFG (USA) Holdings, Inc. and the Company, the first repayment date for the loan in the amount of USD 275,000,000 would be November 1, 2010. Parties have agreed that the first payment date of the accrued interest would be May 1, 2011. The interest to be paid in May 2011, will cover the period September 29, 2010, up to and including April 30, 2011.

6 CASH AND CASH EQUIVALENTS

Description	CCY	Amount in CCY	2010	2009
Current account Banco Itau BBA SA Nassau Branch	USD	--	--	--

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

7 SHAREHOLDERS' EQUITY

The Company's authorised share capital amounts to EUR 750,000,000 and consists of 7,500,000 ordinary shares with a nominal value of EUR 100 each.

As at December 31, 2010, 2,403,806 shares were issued and fully paid-up. The movements in the year under review can be summarised as follows:

	Issued and paid-up capital	Share premium	Other reserve	Result for the year	Total
Opening balance 2009	18,000	--	--	(1,200)	16,800
Additions	245,667,400	--	--	--	245,667,400
Result for the year	--	--	--	1,342,268	1,342,268
Profit appropriation	--	--	(1,200)	1,200	--
Opening balance 2010	<u>245,685,400</u>	<u>--</u>	<u>(1,200)</u>	<u>1,342,268</u>	<u>247,026,468</u>
Withdrawals	(5,304,800)	--	--	--	(5,304,800)
Result for the year	--	--	--	1,205,868	1,205,868
Profit appropriaton	--	--	1,342,268	(1,342,268)	--
Closing balance 2010	<u>240,380,600</u>	<u>--</u>	<u>1,341,068</u>	<u>1,205,868</u>	<u>242,927,536</u>

8 NON-CURRENT LIABILITIES

	Interest	Repayment obligation in 2011	Remaining term more than 5 years	Closing balance 2010	Opening balance 2010
Loans from group companies	10.00%	--	--	282,956,250	--
Total		<u>--</u>	<u>--</u>	<u>282,956,250</u>	<u>--</u>

The loans from group companies are specified as follows:

Name	CCY	Amount in CCY	2010	2009
Marfrig Overseas Limited	USD	375,000,000	282,956,250	--

On September 28, 2010, a loan agreement was concluded between Marfrig Overseas Limited and the Company for an amount of USD 375,000,000. The loan agreement has been concluded for a term of 72 months, thus the maturity date is November 1, 2016, the interest percentage for this loan is 10.00%.

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

9 CURRENT LIABILITIES

	2010	2009
Payables to group companies	7,442,137	--
Payables to shareholder	26,601	15,712
Trade payables	220,014	5,750
Corporate income tax	159,996	--
Other debts, accruals and deferred income	104,160	41,500
Total	7,952,908	62,962

The payables to shareholder are specified as follows:

Name	CCY	Amount in CCY	Ownership	2010	2009
Marfrig Alimentos S.A.			100.00%	26,601	15,712

The payables to group companies are specified as follows:

Name	CCY	Amount in CCY	2010	2009
Marfrig Overseas Ltd.	USD	9,863,014	7,442,137	--

In accordance with the loan agreement between Marfrig Overseas Limited and the Company, the first repayment date for the loan in the amount of USD 375,000,000 would be November 1, 2010. Parties have agreed that the first payment date of the accrued interest would be May 1, 2011. The interest to be paid in May 2011, will cover the period September 29, 2010, up to and including April 30, 2011.

10 COMMITMENTS AND CONTINGENCIES NOT INCLUDED IN THE BALANCE SHEET

Contingent liabilities

On November 16, 2006, 9.625% senior notes in the amount of USD 375,000,000, were issued by Marfrig Overseas Limited, guaranteed by Marfrig Alimentos S.A., União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The Company has been added as subsidiary guarantor as per March 25, 2010. The notes are due on November 16, 2016. This commitment has been entered into during 2010.

On May 4, 2010, 9.50% senior notes in the amount of USD 500,000,000, were issued by Marfrig Overseas Limited, also guaranteed by Marfrig Alimentos S.A., União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The notes are due on May 4, 2020.

On March 31, 2008, a loan ("Export Prepayment Agreement") was granted by Credit Suisse to Marfrig Alimentos S.A. in the amount of USD 100,000,000, guaranteed by União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The loan agreement is due on March 31, 2014. This commitment has been entered into during 2010.

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

10 COMMITMENTS AND CONTINGENCIES NOT INCLUDED IN THE BALANCE SHEET

Contingent liabilities (continued)

A further loan ("Export Credit Note") was granted by Credit Suisse to Marfrig Alimentos S.A. amounting to USD 100,000,000, on August 31, 2009, also guaranteed União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The loan agreement is due on August 31, 2014. This commitment has been entered into during 2010.

On June 4, 2008, Credit Suisse granted a loan ("Export Credit Note") to DaGranda Agroindustrial Ltda. In the amount of USD 50,000,000, guaranteed by Marfrig Alimentos S.A., União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The loan agreement is due on June 1, 2013. This commitment has been entered into during 2010.

A loan ("Export Credit Note") in the amount of USD 135,000,000 was granted by Deutsche Bank to Marfrig Alimentos S.A. on November 9, 2010, guaranteed by União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The loan agreement is due on November 12, 2015. This commitment has been entered into during 2010.

A further loan ("Export Credit Note") was granted by Credit Suisse to Marfrig Alimentos S.A. on September 29, 2010, in the amount of USD 82,488,805.09, guaranteed União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The loan agreement is due on April 14, 2016.

Marfrig Alimentos S.A., União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. can be held jointly and severally liable for the full amount of the issued bonds and/or the loans.

11 GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Legal expenses	188,080	46,940
Accounting expenses	25,000	1,500
Tax advisory expenses	26,265	--
Audit expenses	40,100	--
Management expenses	25,000	13,455
General expenses	117	1,065
	<u>304,562</u>	<u>62,960</u>

MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2010

(in EUR)

12 NUMBER OF EMPLOYEES AND EMPLOYEES COSTS

Neither during the year under review nor in the previous year did the Company have any employees. Hence, it did not pay any wages and related social security.

13 DIRECTOR

During the year under review, the Company had one Managing Director, who received no remuneration during the current or the previous financial year. The Company has no Board of Supervisory Directors.

The Managing Director,

[was signed]

Trust International Management (T.I.M.) B.V.

Amsterdam, May 6, 2011

MARFRIG HOLDINGS (EUROPE) B.V.

Other Information

Other reserves

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared, the other reserves are at the disposal of the shareholder in accordance the Company's Articles of Association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves.

Appropriation of result

The Board of Managing Directors proposes to add the net profit for the year to the other reserve. This proposed appropriation of result has not been reflected in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

Post balance sheet events

Debentures

On January 18, 2011, Marfrig Alimentos S.A. has issued 'non-convertible regular debentures' for an aggregated amount up to six hundred million Brazilian reais (R\$ 610,000,000.00, equivalent being USD 358,000,000). The debentures are being jointly and severally guaranteed by União Frederiquense Participações LTDA, Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. The duration of the bonds shall be forty-eight (48) months commencing from the issue date, thus maturing on January 18, 2015.

Senior unsecured guaranteed notes

It is expected that the Company will issue 8.375% senior unsecured guaranteed notes for a total amount of USD 750,000,000, due in 2018, on May 9, 2011. The notes will be unconditionally and irrevocably guaranteed by Marfrig Alimentos S.A., and by certain subsidiaries of Marfrig Alimentos S.A., being União Frederiquense Participações LTDA, Seara Alimentos S.A. and Marfrig Overseas Limited.

The notes will rank pari passu with all unsecured and unsubordinated obligations of the issuer.

The guarantee of the notes will rank pari passu with all unsecured and unsubordinated obligations of Marfrig Alimentos S.A. There is currently no public market for the notes, therefore the Company will apply to have these notes listed on the official list of the Luxembourg Stock Exchange and traded on the unregulated EuroMTF market.

Audit

Auditor's report

Reference is made to the auditor's report hereinafter.

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders and the Management of Marfrig Holdings (Europe) B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Marfrig Holdings (Europe) B.V., Amsterdam, which comprise the balance sheet as at December 31, 2010, the income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Marfrig Holdings (Europe) B.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination, to the extent we can assess, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed.

Amstelveen, 6 May 2011

BDO Audit & Assurance B.V.
on its behalf,
w.s.

J.A. de Rooij RA

MARFRIG HOLDINGS (EUROPE) B.V.

Amsterdam, the Netherlands

FINANCIAL REPORT 2009

THIS FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2009, HAS BEEN PREPARED AND AUDITED FOR SPECIAL PURPOSES BEING THE LISTING OFFERING MEMORANDUM FOR THE LUXEMBOURG STOCK EXCHANGE RELATING TO THE ISSUANCE OF MARFRIG HOLDINGS (EUROPE) B.V.'S 8.375% SENIOR UNSECURED GUARANTEED NOTES DUE 2018 FOR AN AGGREGATE PRINCIPAL AMOUNT OF USD 750,000,000.

SPECIAL PURPOSE FINANCIAL STATEMENTS

MARFRIG HOLDINGS (EUROPE) B.V.

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SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Balance sheet as at
(in EUR, before appropriation of results)

	<u>Notes</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
ASSETS			
Fixed assets			
Financial fixed assets	4	241,634,000	--
Current assets			
Receivables	5	5,455,430	16,800
TOTAL ASSETS		<u>247,089,430</u>	<u>16,800</u>
EQUITY AND LIABILITIES			
Shareholders' Equity	6		
Issued and paid-up capital		245,685,400	18,000
Other reserve		(1,200)	--
Result for the year		1,342,268	(1,200)
		<u>247,026,468</u>	<u>16,800</u>
Current Liabilities	7	62,962	--
TOTAL EQUITY AND LIABILITIES		<u>247,089,430</u>	<u>16,800</u>

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Income statement

(in EUR)

	<u>Notes</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
General and administrative expenses	8	62,960	1,200
Operating expenses		<u>62,960</u>	<u>1,200</u>
Interest income on loans to group companies		133,870	--
Exchange differences		1,271,358	--
Financial income and expenses		<u>1,405,228</u>	<u>--</u>
RESULT BEFORE TAXATION		<u>1,342,268</u>	<u>(1,200)</u>
NET RESULT AFTER TAXATION		<u><u>1,342,268</u></u>	<u><u>(1,200)</u></u>

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

1 GENERAL

Marfrig Holdings (Europe) B.V. is a Dutch private company with limited liability, incorporated in Amsterdam on October 8, 2007. The Company mainly acts as a holding and finance company and currently has its office address at Naritaweg 165, 1043 BW, Amsterdam, The Netherlands.

(a) Group structure

The Company is a member of the Marfrig group. The ultimate parent company of this group is Marfrig Alimentos S.A. The financial statements of the Company are included in the consolidated financial statements of Marfrig Alimentos S.A. in Brazil.

(b) Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

(c) Consolidation

Consolidated Financial Statements have not been prepared, as is permitted by Article 408, Book 2 of the Netherlands Civil Code. Pursuant to the conditions of this article, the Company will file with the Trade Register of the Chamber of Commerce in Amsterdam the consolidated financial statements of its (ultimate) parent company Marfrig Alimentos S.A., Sao Paulo, Brazil.

(d) Use of estimates

In applying the accounting policies and guidelines for preparing the financial statements, management makes a range of estimates and judgments that might be essential for the amounts disclosed in the financial statements. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the Financial Statement items in question. Actual amounts may differ from these estimates.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

2 ACCOUNTING POLICIES FOR THE BALANCE SHEET

The accompanying Financial Statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were incurred or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

(a) Comparison with previous year

The accounting policies have been consistently applied to all the years presented.

(b) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

(c) Financial fixed assets

Participating interests, including majority investments where significant influence can be exercised, are stated at acquisition cost in accordance with Article 214.325 of the Guideline for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board, with reference to Title 9, Book 2, Article 408 of the Dutch Civil Code or in case of a permanent impairment of the value of the shares, it is measured at impaired value; any write-offs are disclosed in the income statement (refer to note d).

(d) Impairment

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised immediately in the income statement.

(e) Receivables

Receivables are valued at face value less a provision for possible uncollectible accounts.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

(a) General

Profit or loss is determined as the difference between the realisable value of the goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognised in the year in which they are realised.

(b) Exchange rate differences

Exchange rate differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they arise.

(c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(d) Selling expenses, and general and administrative expenses

Selling expenses, and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods sold.

(e) Financial income and expenses

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

(f) Taxation

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

FIXED ASSETS

4 FINANCIAL FIXED ASSETS

Movements in financial fixed assets can be broken down as follows:

	Amounts due from group companies	Investments in group companies	Total
Opening balance	--	--	--
Movements 2009			
Additions	72,108,792	168,253,850	240,362,642
Exchange differences	1,271,358	--	1,271,358
Closing balance	<u>73,380,150</u>	<u>168,253,850</u>	<u>241,634,000</u>

The amounts due from group companies are specified as follows:

Name	CCY	Amount in CCY	2009	2008
Moy Park Holding (Europe) Limited	GBP	65,197,823	<u>73,380,150</u>	<u>--</u>

These intercompany receivables bear interest at 3,50466 % per annum. (LIBOR + 3%) with maturity date of October 22, 2013.

The company's investments in group companies comprise the following:

Name	Registered office	Ownership	Acquisition cost 2009	Acquisition cost 2008
Moy Park Holding (Europe) Limited	Craigavon, United Kingdom	100.00%	<u>168,253,850</u>	<u>--</u>

The Company acquired one share (100%) of Moy Park Holding (Europe) Limited for GBP 1 from Weston Importers Ltd., a related party of the Company, on June 30, 2009. The Company acquired 222,122,450 new shares by entering into the "Contract take-over agreement" on November 30, 2009.

Both parties entered into an subscription agreement as part of this agreement for the Issuance of 222,122,450 new shares in exchange for taking over and capitalisation of the debt that Moy Park Holding (Europe) Limited had against Mafrig Alimentos S/A., a related party of the Company.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

CURRENT ASSETS

5 RECEIVABLES

As at December 31, 2009, this item can be detailed as follows:

	2009	2008
Amounts due from shareholders	5,321,559	16,800
Amounts due from group companies	133,871	--
Total receivables	5,455,430	16,800

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

Amounts due from shareholder are specified as follows:

Name	CCY	Amount in CCY	2009	2008
Marfrig Alimentos S.A.			16,800	16,800
Marfrig Alimentos S.A. *			5,304,759	--
			5,321,559	16,800

* In August 2010, a total of 1,105,908 ordinary shares - with a nominal value of EUR 100 each - have been repurchased and cancelled and subsequently this receivable on shareholder was eliminated. Out of these 1,105,908 ordinary shares 53,047 ordinary shares relate to the current receivable. (see note 6 for origine of this receivable)

Amounts due from group companies are specified as follows:

Name	CCY	Amount in CCY	Ownership	2009	2008
Moy Park Holding (Europe) Limited	GBP	118,943	100.00%	133,871	--

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

6 SHAREHOLDERS' EQUITY

The Company's authorised share capital amounts to EUR 750,000,000 and consists of 7,500,000 ordinary shares with a nominal value of EUR 100 each.

As at December 31, 2009, there were 2,456,854 shares issued and fully paid-up. The movements in the year under review can be summarised as follows:

	Issued and paid-up capital	Share premium	Other reserve	Total
Opening balance 2008	18,000	--	--	18,000
Opening balance 2009	18,000	--	--	18,000
Addition by share increase on December 22, 2009	245,667,400	--	--	245,667,400
Profit appropriation	--	--	(1,200)	(1,200)
Closing balance 2009	245,685,400	--	(1,200)	245,684,200

An amount of GBP 317,317,785 was contributed to the Company by means of a number of loans. This amount was partially converted at the same day in EUR by the issuance of shares in the amount of EUR 245,667,400. The loan (corresponding with the contribution value) in the amount of GBP 317,317,785 should have been GBP 217,326,077 (being EUR 240,362,641), based on this fact not all shares could have been issued at the time. As it was never the intention of the parties involved to contribute more capital to the Company then the initial contribution, the documentation was amended in August 2010. In total 1,105,908 ordinary shares - with a nominal value of EUR 100 each - have been repurchased and cancelled and subsequently the alleged receivable on shareholder was eliminated. Out of these 1,105,908 ordinary shares 53,047 ordinary shares relate to the shareholder receivable under note 4.

7 CURRENT LIABILITIES

	2009	2008
Payables to shareholder	15,712	--
Trade payables	5,750	--
Other debts, accruals and deferred income	41,500	--
Total	62,962	--

The remaining term of the current liabilities is less than one year

The payables to shareholder are specified as follows:

Name	CCY	Amount in CCY	Ownership	2009	2008
Marfrig Alimentos S.A.			100.00%	15,712	--

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V.

Notes to the balance sheet and income statement as at December 31, 2009
(in EUR)

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Bank expenses	--	119
Legal expenses	46,940	929
Accounting expenses	1,500	--
Management expenses	13,455	--
General expenses	1,065	152
	<u>62,960</u>	<u>1,200</u>

9 NUMBER OF EMPLOYEES AND EMPLOYEES COSTS

Neither during the year under review nor in the previous year did the Company have any employees. Hence, it did not pay any wages and related social security.

10 DIRECTOR

During the year under review, the Company had one Managing Director, who received no remuneration during the current or the previous financial year. The Company has no Board of Supervisory Directors.

The Managing Director.

[was signed]

Trust International Management (T.I.M.) B.V.

Amsterdam, May 6, 2011

SPECIAL PURPOSE FINANCIAL STATEMENTS MARFRIG HOLDINGS (EUROPE) B.V.

Other Information

Other reserves

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared, the other reserves are at the disposal of the shareholder in accordance the Company's Articles of Association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves.

Appropriation of result

The Board of Managing Directors proposes to add the net profit for the year to the other reserve. This proposed appropriation of result has not been reflected in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

Post balance sheet events

In January 2010, the Company issued 1,052,860 shares to convert the remaining part (30%) of the initial loans received in 2009. The amount of GBP 95,195,355 (being EUR 105,409,539) was converted into shares and share premium. However, in August 2010, it became clear by a review of the group auditors that an incorrect contribution price valuation of the share increase was supplied and therefore, the contribution value was overvalued. The loan (corresponding with the initial valuation price) in the amount of GBP 317,317,785 should have been GBP 217,326,077 (being EUR 240,362,641), based on this fact not all shares could have been issued at the time. As it was never the intention of the parties involved to contribute more capital to the company then the initial contribution, the documentation was amended. 1,105,908 ordinary shares - with a nominal value of EUR 100 each - have been repurchased and cancelled and the alleged receivable on shareholder was eliminated. Due to the cancellation of the shares, the total equity was meant to be EUR 240,380,600, which corresponds to the actual loans amounts that were taken over by the Company in respect to the investments. The above has already been processed in these financial statements.

On September 28th, 2010, the Company incorporated, by means of a cash payment, MFG (USA) Holdings, Inc. in the amount of USD 100,000,000. On the same day the Company lent an amount of USD 275,000,000 to MFG (USA) Holdings, Inc. These movements were fully covered by a loan of USD 375,000,000 received from Marfrig S.A. With these transactions, the acquisition of Keystone Foods, LLC was realized at the level of MFG (USA) Holdings, Inc. Keystone Foods is a company with global operations in the development, production, sale and distribution of poultry, fish, pork and beef products, with specialization in the food service segment.

Audit

Since the Company qualifies as a "small sized company", it is not legally required to have its accounts audited as provided for in Article 396, paragraph 1, of Book 2 of the Dutch Civil Code.

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders and the Management of Marfrig Holdings (Europe) B.V.

Report on the financial report

We have audited the accompanying financial report 2009 of Marfrig Holdings (Europe) B.V., Amsterdam, prepared for the listing offering memorandum for the Luxembourg stock exchange relating to the issuance of loan notes by Marfrig Holdings (Europe) B.V., which comprise the balance sheet as at December 31, 2009, the income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of this financial report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this financial report based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial report

In our opinion, the financial report gives a true and fair view of the financial position of Marfrig Holdings (Europe) B.V. as at December 31, 2009 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination, to the extent we can assess, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed.

Amstelveen, 6 May 2011

BDO Audit & Assurance B.V.
on its behalf,
w.s.

J.A. de Rooij RA

MARFRIG HOLDINGS (EUROPE) B.V.
(Formerly known as Morche Alphen
B.V.)
Amsterdam, the Netherlands

FINANCIAL REPORT 2008

**THIS FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED ON
DECEMBER 31, 2008, HAS BEEN PREPARED AND AUDITED FOR SPECIAL
PURPOSES BEING THE LISTING OFFERING MEMORANDUM FOR THE
LUXEMBOURG STOCK EXCHANGE RELATING TO THE ISSUANCE OF
MARFRIG HOLDINGS (EUROPE) B.V.'S 8.375% SENIOR UNSECURED
GUARANTEED NOTES DUE 2018 FOR AN AGGREGATE PRINCIPAL
AMOUNT OF USD 750,000,000.**

SPECIAL PURPOSE FINANCIAL STATEMENTS

MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

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SPECIAL PURPOSE FINANCIAL STATEMENTS

MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Balance sheet as at
(in EUR, before appropriation of results)

	<u>Notes</u>	<u>2008</u>
ASSETS		
Current assets		
Receivables	4	16,800
TOTAL ASSETS		<u>16,800</u>
EQUITY AND LIABILITIES		
Shareholders' Equity	5	
Issued and paid-up capital		18,000
Result for the year		<u>(1,200)</u>
		<u>16,800</u>
TOTAL EQUITY AND LIABILITIES		<u>16,800</u>

SPECIAL PURPOSE FINANCIAL STATEMENTS

MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Income statement

(in EUR)

	<u>Notes</u>	<u>2008</u>
General and administrative expenses	6	1,200
Operating expenses		<u>1,200</u>
Interest income on loans to group companies		--
Exchange differences		--
Financial income and expenses		<u>--</u>
RESULT BEFORE TAXATION		<u>(1,200)</u>
NET RESULT AFTER TAXATION		<u><u>(1,200)</u></u>

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Notes to the balance sheet and income statement as at December 31, 2008
(in EUR)

1 GENERAL

Marfrig Holdings (Europe) B.V. (Formerly Known As Morche Alphen B.V.) is a Dutch private company with limited liability, incorporated in Amsterdam on October 8, 2007. The Company mainly acts as a holding and finance company and currently has its office address at Naritaweg 165, 1043 BW, Amsterdam, The Netherlands.

(a) Group structure

The Company is a member of the Marfrig group. The ultimate parent company of this group is Marfrig Alimentos S.A. The financial statements of the Company are included in the consolidated financial statements of Marfrig Alimentos S.A. in Brazil.

(b) Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

(c) Use of estimates

In applying the accounting policies and guidelines for preparing the financial statements, management makes a range of estimates and judgments that might be essential for the amounts disclosed in the financial statements. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the Financial Statement items in question. Actual amounts may differ from these estimates.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Notes to the balance sheet and income statement as at December 31, 2008
(in EUR)

2 ACCOUNTING POLICIES FOR THE BALANCE SHEET

The accompanying Financial Statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were incurred or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

(a) Comparison with previous year

As this is the Company's first financial statement there are no comparative figures available.

(b) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

(c) Receivables

Receivables are valued at face value less a provision for possible uncollectible accounts.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Notes to the balance sheet and income statement as at December 31, 2008
(in EUR)

3 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

(a) General

Profit or loss is determined as the difference between the realisable value of the goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognised in the year in which they are realised.

(b) Exchange rate differences

Exchange rate differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they arise.

(c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(d) Selling expenses, and general and administrative expenses

Selling expenses, and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods sold.

(e) Taxation

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Notes to the balance sheet and income statement as at December 31, 2008
(in EUR)

CURRENT ASSETS

4 RECEIVABLES

As at December 31, 2008, this item can be detailed as follows:

	2008
Amounts due from shareholders	16,800
Total receivables	16,800
All receivables fall due in less than one year. The fair value of the receivables approximates the book value.	
Marfrig Alimentos S.A.	16,800

5 SHAREHOLDERS' EQUITY

The Company's authorised share capital amounts to EUR 90,000 and consists of 900 ordinary shares with a nominal value of EUR 100 each.

As at December 31, 2008, there were 180 shares issued and fully paid-up. The movements in the year under review can be summarised as follows:

	Issued and paid-up capital	Share premium	Other reserve	Total
Balance at incorporation October 8, 2007	18,000	--	--	18,000
Opening balance 2008	18,000	--	--	18,000
Result for the year	--	--	(1,200)	(1,200)
Closing balance 2008	18,000	--	(1,200)	16,800

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Notes to the balance sheet and income statement as at December 31, 2008
(in EUR)

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2008
Bank expenses	119
Legal expenses	929
General expenses	152
	1,200

7 NUMBER OF EMPLOYEES AND EMPLOYEES COSTS

Neither during the year under review nor in the previous year did the Company have any employees. Hence, it did not pay any wages and related social security.

8 DIRECTOR

During the year under review, the Company had one Managing Director, who received no remuneration during the current year. The Company has no Board of Supervisory Directors.

The Managing Director,

[was signed]

Trust International Management (T.I.M.) B.V.

Amsterdam, May 6, 2011

SPECIAL PURPOSE FINANCIAL STATEMENTS
MARFRIG HOLDINGS (EUROPE) B.V. (Formerly known as Morche Alphen B.V.)

Other Information

Other reserves

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared, the other reserves are at the disposal of the shareholder in accordance the Company's Articles of Association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves.

Appropriation of result

The Board of Managing Directors proposes to add the net loss for the year to the other reserve. This proposed appropriation of result has not been reflected in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

Audit

Since the Company qualifies as a "small sized company", it is not legally required to have its accounts audited as provided for in Article 396, paragraph 1, of Book 2 of the Dutch Civil Code.

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders and the Management of Marfrig Holdings (Europe) B.V.

Report on the financial report

We have audited the accompanying financial report 2008 of Marfrig Holdings (Europe) B.V. (formerly known as Morche Alphen B.V.), Amsterdam, prepared for the listing offering memorandum for the Luxembourg stock exchange relating to the issuance of loan notes by Marfrig Holdings (Europe) B.V., which comprise the balance sheet as at December 31, 2008, the income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of this financial report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this financial report based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial report

In our opinion, the financial report gives a true and fair view of the financial position of Marfrig Holdings (Europe) B.V. (formerly known as Morche Alphen B.V.) as at December 31, 2008 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination, to the extent we can assess, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed.

Amstelveen, 6 May 2011

BDO Audit & Assurance B.V.
on its behalf,
w.s.

J.A. de Rooij RA

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