

2009 MANAGEMENT REPORT

FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008



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1 - MESSAGE FROM THE CEO

The Marfrig Group ("Marfrig Alimentos" or "Marfrig") faced and successfully weathered real adversities in 2009 triggered by the change in the international economic scenario, which put to the test the risk diversification strategy developed since its creation. The global financial crisis altered consumption habits and limited the availability of resources for importers, provoking high volatility in foreign exchange rates, lower exports and export prices, and sharp drops in confidence levels among all agents in the economy.

Having its main base for animal protein production located in Brazil demonstrated the efficiency of Marfrig's structure, with the performance of the domestic market revealing its resilience, which was driven by the stronger growth in income levels and in various industries in relation to the world economy.

In several other countries where Marfrig has local operations in order to gain access to consumers, the weaker propensity to invest or consume more expensive products and the lower incentives to dine out favored home nutrition, generating positive impacts on business performance in these regions.

Marfrig Alimentos aims to be recognized as the company with the most diversified meat base and for its excellence in the Brazilian and international markets in the processing and marketing of high-quality products in all of its segments, through brands that enjoy excellent recognition and increasing acceptance by consumers, while always striving for sustainable growth in the profitability of its business.

In 2009, gross sales revenue grew 51.7% to R$ 10.3 billion, compared with R$ 6.8 billion in 2008. We reversed the loss of R$ 35.5 million recorded in 2008, reaching record net income of R$ 679.1 million in 2009. The delivery of consistent results combined with the strategic actions to expand and diversify make Marfrig a company that is increasingly recognized and respected in the global market, and which is becoming one of the world's most diversified companies in terms of meat products.

In 2009, Marfrig Alimentos took another important step forward in its expansion strategy based on geographic and protein diversification with the acquisition of SEARA (a national value-added brand) and by leasing the plants of meatpackers Mercosul and Margen (where we perceived the prospects for higher world beef consumption).

Through the acquisition of healthy companies with high potential for synergy gains, Marfrig has consolidated its foundation for future growth, and guaranteed a complete and diversified product portfolio with the entry of a solid brand with excellent recognition: SEARA. The brand brought important contributions to Marfrig by consolidating the former Poultry, Pork and Industrialized Products Division into one of the largest Brazilian and global companies in the sector.

With 53 years of operations, SEARA is recognized in Brazil and internationally, and has an excellent industrial infrastructure and a team of highly experienced employees. The consolidation of Marfrig's Poultry, Pork and Industrialized Products Division will result in the creation of a new highly competitive and efficient company to compete with the other players in the processed and prepared food markets.

We believe Marfrig is well positioned as a global food industry to face the barriers that may come to be imposed by the world economy, thanks to its expansion plan that prioritizes operational flexibility and a low-cost structure, which are essential factors for achieving results that are aligned with the expectations of our shareholders and potential investors.

The Company's human resources policy focuses on retaining talent and continually seeks to integrate our culture with the contributions of the companies that are now part of the Marfrig Group. We are signatories to the Global Compact to combat slave labor and deforestation in the Amazon Region.

We would like to thank our investors, shareholders and the Brazilian Development Bank (BNDES) for their support in our public offering and for their confidence in our industry and believing in its strategic importance as a medium- and long-term investment, and for their partnership that continually drives us to improve our corporate governance practices.

It is in this spirit that I would also like to thank the Marfrig Group's employees for their efforts and hard work in the challenging year that was 2009, and I look forward to the same commitment and dedication in 2010. I also would like to thank our clients, suppliers, partners and all those who believed and trusted in Marfrig, making it one of the largest food companies in the world.

Marcos Antonio Molina dos Santos

CEO & Chairman

2 - CORPORATE PROFILE

Marfrig Alimentos S.A. is a food company engaged in the processing and distribution of processed, prepared and fresh beef, pork, mutton and poultry products to clients in Brazil and abroad, as well as in the distribution of other food products (frozen pre-cooked potatoes, vegetables, cold cuts and sausages, fish, ready-to-eat meals and pastas). The diversified and flexible operational base includes 92 plants and offices in South America, North America, Asia, Africa and Europe. Considered one of the most globalized and diversified companies in Brazil's food industry focused on products made from animal proteins, the Group has made 37 acquisitions over the last three years, with most of these acquisitions made abroad, effectively guaranteeing its presence in 13 countries.

With exports to over 100 locations in the world, Marfrig ended 2009 with around 47,000 employees and the following industrial infrastructure: 31 beef slaughter plants (22 in Brazil, 5 in Argentina and 4 in Uruguay), 17 chicken slaughter units (14 in Brazil and 3 in Europe), 33 industrialized products plants (15 in Brazil, 5 in Argentina, 3 in Uruguay, 1 in the United States and 9 in Europe), 4 hog slaughter plants in Brazil, 1 turkey slaughter plant (in Brazil), 5 sheep slaughter plants (2 in Brazil, 2 in Uruguay and 1 in Chile), 4 chicken and hog feed plants and 2 trading houses (Chile and United Kingdom). Marfrig has daily slaughter capacity of 30,200 head of cattle, 10,400 hogs, 10,400 sheep, 30,000 turkeys and 3.1 million chickens. The Company also has installed capacity of approximately 65,000 tonnes of prepared food products and processes over 178,500 leather articles each month.

3 – COMPANY'S STRATEGY

The Marfrig Group's strategy is based on:

- The sustainability of the Marfrig Group's business over the long term associated with the geographic and protein diversification of its operations, the processing of its products and its distribution channels, for a strategy designed to mitigate risks and capitalize on new opportunities;
- Lean, agile, low-cost structure with operational flexibility, which are key factors for achieving results that are consistent with the expectations of our shareholders and potential investors;
- Balanced structure between domestic sales and exports.

4 – 2009 HIGHLIGHTS

- Gross revenue totaled R$ 10.3 million, 51.7% higher than the R$ 6.8 billion recorded in 2008;
- Net revenue totaled R$ 9.6 billion in 2009, 55.0% higher than the R$ 6.2 billion recorded in 2008;
- EBITDA was R$ 820.0 million in 2009, down 7.3% from 2008 (R$ 884.4 million), impacted by the financial crisis and the depreciation in the U.S. dollar against other currencies. EBITDA margin was 8.5% in the year, down 580 basis points from 14.3% in 2008;
- The Company recorded Net Income of R$ 679.0 million, compared with a net loss of R$ 35.5 million in 2008;
- In line with its diversification strategy, the Company entered the turkey meat market and consolidated its positions as one of the food companies with the most diversified animal protein base;
- The acquisition of SEARA expanded the potential for processed food production in Brazil and consolidated Marfrig as the second-largest player in the domestic and export market for poultry and pork and as one of world's largest food companies, while adding SEARA brand, which enjoys national recognition in value-added processed products;
- Leasing of 13 beef plants in Brazil, expanding the Group's cattle slaughter capacity to 22,350 head/day in Brazil and to 30,150 head/day in the overall group;
- Acquisition of 51.0% of Grupo Zenda in Uruguay, which is engaged in the manufacture and marketing of cut leather for the automotive, aviation and furniture industries, resulting in a more vertical orientation and adding value to the beef operations;
- ISO 22000 certification at the 4 plants in the Argentina Division - Quickfood.

5 – INDUSTRY PERFORMANCE

The global economic scenario presented two distinct moments in 2009. In the first, which lasted the entire first half, virtually all countries were impacted by the deterioration in the global economic crisis and suffered from the contraction in demand, the lower levels of employment and confidence and the shortage of credit. During the second half, we observed a reversal in this scenario, with the gradual recovery occurring at more accelerated rates in developing countries.

The year was also marked by high volatility in foreign exchange rates, which led to renegotiations to establish new price levels and adversely affected exporting sectors. The uncertainties regarding the U.S. economy led to depreciation in the dollar against other major currencies. For example, in relation to the Brazilian real, the U.S. dollar stood at R$ 2.337 at the close of 2008, compared with R$ 1.741 at the close of 2009, for depreciation of 25.5% in the year.

The global economic crisis led to a deceleration in meat exports during 2009. The lower funds available for imports in important markets adversely affected exports and reduced exports of the main animal proteins (beef, pork and chicken).

While international markets were affected by the financial crisis that swept the world, some domestic markets, especially Brazil, Argentina and Europe, showed more resilience to the crisis and in animal protein consumption. However, the higher domestic supply as a result of the lower exports impacted domestic prices in the first half of 2009. As international demand for animal protein began to recover gradually in the second half, local prices also picked up gradually, though failed to match the levels recorded in 2008.

Brazil - *Beef*

The beef division was driven by the solid performance of the domestic market, which remained buoyant even during the peak of the global crisis. Beef consumption per capita reached approximately 40 kg per year, driven by the rapid recovery in the domestic economy, and was essential for sustaining margins in the industry.

In the international markets, the still-slow recovery and the depreciation in the U.S. dollar against the Brazilian real impacted exports, reducing beef export volumes by 10.1% to 1.24 million tonnes in 2009, down from 1.38 million tonnes in 2008. The average export price in 2009 was US$ 3,308/tonne, down 14.0% from 2008 (US$ 3,848/tonne). In view of the lower volumes and prices, export revenue fell by 23.0% to US$4.1 billion.

Cattle prices (the raw material that represented approximately 80% of beef operating costs) fell gradually over the course of the year, with the *arroba* price, which stood at over R$ 80.0 at the start of 2009, ending the year at R$ 75.0, dipping below R$ 70.0 in some regions.

The lower arroba price reflects the closure of installed capacity due to the reduction in the number of companies in the industry caused by the financial difficulties brought about by the international crisis, combined with the lower global demand resulting from this scenario.

The cutbacks and closures at certain companies in the industry enabled the remaining companies to gain significant market share. The year was also marked by mergers and acquisitions between large companies, reinforcing the move to consolidate installed capacity in Brazil. In December, the government granted incentives to the sector by exempting the levying of PIS and COFINS taxes on domestic sales of cattle products (animals, beef and leather), which should generate positive effects for the sector in 2010.

Brazil - *Poultry and Hogs*

The poultry and hog industry was also impacted by difficulties during the year, with lower export volumes and prices combined with the currency depreciation in the year, which impacted prices denominated in U.S. dollar. A gradual recovery was observed as of the second half of the year, however, prices ended the year down in relation to 2008.

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.

Chicken exports totaled 3.6 million tonnes, 0.3% lower than in 2008. Revenue was US$ 5.8 billion, down 16.3% from 2008, as a result of the 16.1% drop in the average price, from US$ 1,906/tonne in 2008 to US$ 1,600/tonne in 2009. 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.

Pork exports reached 607,500 tonnes, up 14.7% from 2008. Export revenue was US$ 1.2 billion, down 17.0% from 2008, due to the 27.7% reduction in the average price, from US$ 2,794/ton in 2008 to US$ 2,019/ton in 2009.

According to the Brazilian Pork Producers and Exporters Association (ABIPECS), the main fundamentals of Brazil's pork chain in 2009 were: the robust increase in production resulting basically from higher productivity due to technological advances, the higher supply of meat at competitive prices, the adverse affect on sales from the financial crisis, the sharp drop in prices, the appreciation in the Brazilian real and the strong pressure on costs in the first half of the year.

Argentina – *Beef*

The year 2009 was marked by impacts on cattle supply from the severe drought in Argentina. Live cattle, which were quoted at $2.25 Argentine pesos/kg at the start of 2009, increased 60% to close the year at $3.60 Argentine pesos/kg. This shortage of cattle led the sector to invest in feedlot operations in order to guarantee a sustainable supply of raw material and minimize variations in cattle supply and prices in the coming years.

Despite the crisis and the lower cattle supply, the sector was sustained by domestic consumption and remained buoyant even during the peak of the crisis. With average annual per-capita beef consumption of 70.5 kg, compared with 68.7 kg in 2008, Brazil consolidated itself as the world's largest per-capita beef consumer.

Export volume was 554,200 tonnes in the year, up 54.3% from 359,100 tonnes in 2008. The average price in the year was US$ 3,395/tonnes, down 29.3% from US$ 4,802/tonnes in 2008. Export revenue increased 9.1% from the previous year to US$ 1.8 billion. Russia was the main destination of Argentina's fresh beef, representing around 40% of exports. For cuts exported under the Hilton quota, Germany was the main destination and the United Kingdom accounted for the largest share of processed beef exports.

Uruguay – *Beef*

Although Uruguay's beef consumption remained stable in 2009, the lower international demand for beef caused by the global financial crisis and the depreciation in the U.S. dollar against other currencies impacted the country more than Argentina, since Uruguay exports around 75% of its production.

In 2009, with the impacts from the crisis, cattle prices returned to historical levels, accompanied by lower international meat prices.

Export volume was 389.7 tonnes in 2009, up 3.6% from 376.1 tonnes in 2008. Export revenue was impacted by lower prices and stood 20.6% below the previous year. In 2009, export revenue was US$ 969.9 million, compared to US$ 1.2 billion in 2008. In 2009, the average price per tonnes was US$ 2,489, down 23.4% from US$ 3,249 in 2008. Russia remained the main destination of Uruguayan beef, accounting for 26.6% of its exports, followed by the European Union (23.9%).

Europe – *Chicken*

Europeans clearly changed their habits during the crisis. The lower purchasing power led consumers to have meals at home instead of eating out, benefitting sales of cheaper proteins, such as chicken, whose prospects remain positive for 2010. According to Europe's Association of Poultry Processors (AVEC), chicken production in the United Kingdom remained stable at 1,216,000 tonnes in 2009, compared with 1,214,000 tonnes in 2008. Chicken consumption per capita also remained stable, at around 23.6 kg/year.

In exports, the European Union faces competition from other exports with lower production costs, such as Brazil, Thailand, China and the United States. AVEC estimates Europe's chicken exports will reach 610,000 tonnes, representing a reduction of 17.6% from the 740,000 tonnes projected for 2008. This decline is due to the effects of the crisis on important markets, such as Russia and Ukraine. Russia established new sanitary regulations, which required the approval of all exporting companies and consequently delayed export shipments. Ukraine, which was affected by the crisis and currency depreciation, imposed a 13% duty on imported products.

6 – OPERATIONAL PERFORMANCE

Marfrig's sales volume was 2,186,200 tonnes in 2009, up 47.6% from 1,480,800 tonnes in 2008. This increase is in large part due to the full consolidation of results from the acquisitions made after the first quarter of 2008 (Moy Park, Kitchen Range, Braslo, Penasul and Agrofrango DaGranja, MBL and Penapaulo) and to the Company's organic growth, with capacity expansions at plants manufacturing value-added products and a gradual increase in capacity utilization at the beef slaughter plants.

Other initiatives that contributed to the diversification and higher volume were: the launch of mutton production operations in Brazil in April and of turkey production operations in July 2009, as well as the leasing of beef plants (Mercosul and Margen).

Five of the six leased beef plants of meatpacker Mercosul gradually ramped up production during 4Q09 (the sixth plant launched operations in January 2010), increasing production volume in the quarter and closing the period at approximately 60% capacity utilization. Three of the leased plants of meatpacker Margen launched operations in the first quarter of 2010.

Average capacity utilization in our slaughtering plants in 2009 was around 50.0% for beef plants, 85.0% for poultry, pork and industrialized products plants in Brazil and 95.0% for the plants in Europe.

The table below shows sales volume in 2008 and 2009 by business division:

BY DIVISION / MARKET	2008	2009	Var. % 2008 x 2009
Beef Brazil	**443,695**	**567,144**	**27.8%**
Domestic Market	337,711	409,081	21.1%
Exports	105,984	158,063	49.1%
Retail (Food Service) - Brazil	**84,298**	**95,831**	**13.7%**
Domestic Market	84,298	95,831	13.7%
Exports	-	-	
Pork & Industrialized - Brazil	**108,136**	**123,155**	**13.9%**
Domestic Market	78,061	93,697	20.0%
Exports	30,075	29,458	-2.1%
Chicken & Industrialized - Brazil	**234,789**	**478,802**	**103.9%**
Domestic Market	115,688	265,696	129.7%
Exports	119,101	213,106	78.9%
Total Chicken, Pork & Industrialized	**342,925**	**601,957**	**75.5%**
Domestic Market	193,749	359,393	85.5%
Exports	149,176	242,564	62.6%
Total Brazil	**870,918**	**1,264,932**	**45.2%**
Domestic Market	615,758	864,305	40.4%
Exports	255,160	400,627	57.0%
Argentina	**285,580**	**320,846**	**12.3%**
Domestic Market	244,169	262,329	7.4%
Exports	41,411	58,517	41.3%
Uruguay	**220,970**	**218,365**	**-1.2%**
Domestic Market	127,788	124,570	-2.5%
Exports	93,182	93,795	0.7%
Europe	**103,299**	**382,100**	**269.9%**
Domestic Market	66,026	306,924	364.9%
Exports	37,273	75,176	101.7%
Total Marfrig	**1,480,767**	**2,186,243**	**47.6%**
Domestic Market	1,053,741	1,558,128	47.9%
Exports	427,026	628,115	47.1%

Beef Brazil & Food Service

A total of 663,000 tonnes of beef products was sold in 2009, 25.6% higher than in 2008. This higher volume is mainly due to the gradual increase in capacity utilization at Marfrig's existing plants during the year and the startup of operations at the 5 leased plants at the meatpacker Mercosul in the fourth quarter. The closure of certain companies in the industry and lower raw material prices optimized the use of installed capacity and enabled better capacity utilization. The domestic and export markets accounted for 76.2% and 23.8% of sales volume, respectively.

Cattle supply showed signs of improvement at the close of 2009, reversing the low supply during the year and since 2008 as a result of the high slaughter rates of breeding stocks in previous years. The cattle arroba price, which reached record levels in 2008, fell gradually in 2009 due to the closure of approximately 20% to 25% of installed capacity in Brazil because of industry consolidation, the exit of certain meatpackers and lower international demand at the start of the year.

Marfrig Alimentos slaughtered 1.6 million head of cattle in Brazil in 2009.

Poultry, Pork and Industrialized Products - Brazil

Poultry

Poultry sales totaled 478,800 tonnes in 2009, up 103.9% from 234,800 tonnes in 2008. This growth reflects the full effects of the operations of the companies acquired in 2008 and 2009.

The domestic market remained buoyant and accounted for 55.5% of sales volume, or 265,700 tonnes, an increase of 129.7% from the 115,700 tonnes sold in 2008. Exports grew 78.9%, despite the lower prices, and were directed to the Middle East, Europe and Asia. In 2009, exports totaled 213,100 tonnes, 119.1% higher than in the prior year.

A total of 263.8 million chickens were slaughtered in the year, 81.1% more than the 145.6 million recorded in 2008. The chicken slaughter plants ended the year with capacity utilization of 83.3%.

In June 2009, we launched turkey operations after the acquisition of assets from Doux Frangosul, located in the city of Caxias do Sul, in Rio Grande do Sul state. A total of 2.1 million turkey were slaughtered in the year.

Pork

Hog sales totaled 123,200 tonnes in 2009, up 13.9% from 108,100 tonnes in 2008. This increase is due to the higher consumption in the domestic market, which absorbed 93,700 tonnes, up 20.0% from 78,100 tonnes sold in 2008. In 2009, exports totaled 29,500 tonnes, 2.1% lower than the 30,100 tonnes exported in the prior year.

A total of 992,700 hogs were slaughtered in 2009, an increase of 13.6% from 873,700 in 2008. The pork slaughter plants ended the year with capacity utilization of 89.5%.

Argentina

The Argentina Division recorded sales of 320,800 tonnes of beef products, growing by 12.3% from 285,600 tonnes a year earlier. Marfrig's strategy in Brazil maintained its focus on the domestic market, where it is a marker leader with the brand Paty and which accounted for 81.8% of the Group's sales volume in 2009. Marfrig exported 18.2% of its total production, which was basically composed of value-added prime cuts, with the European Union and Russia remaining the main destinations.

A total of 698,800 cattle were slaughtered in 2009, representing an increase of 12.1% in relation to the 623,300 head slaughtered in 2008. The Argentina Division ended the year with approximately 70.0% capacity utilization.

Uruguay

Sales volume came to 218,400 tonnes, a slight reduction of 1.2% from 220,900 tonnes a year earlier. The domestic market accounted for 57.0% of total volume in 2009, or 124,600 tonnes, down 2.5% from 2008 (127,800 tonnes). Exports remained virtually unchanged in relation to 2008 (+0.7%), despite the impact of the global financial crisis and the depreciation in the U.S. dollar, standing at 93,800 tonnes (93,200 tonnes in 2008).

A total of 554,200 head of cattle were slaughtered in 2009, down 4.1% from 577,900 in 2008. The first quarter of the year was the most impacted, with a gradual recovery as of the second quarter. The Uruguay Division ended the year with approximately 55.0% capacity utilization.

Europe

A total of 382,100 tonnes of products were sold in 2009 (361,400 tonnes of chicken and the remainder composed of 20,700 tonnes of beef and other products), representing an increase of 269.9% in relation to 2008. This increase was driven by the full integration of the Moy Park operations, which occurred only in the fourth quarter of 2008. Domestic sales drove the good performance of the Europe Division, accounting for 80.3% of sales volume, while exports were responsible for 19.7%.

A total of 162.9 million chickens were slaughtered in 2009, and the Division ended the year with 95.4% capacity utilization.

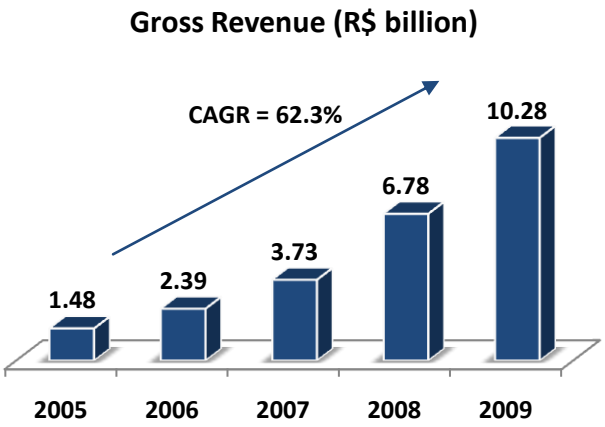
7 - FINANCIAL PERFORMANCE

Operating Revenue

Gross revenue was R$ 10.3 billion in 2009, up 51.7% from 2008. Net revenue totaled R$ 9.6 billion, an increase of 55.0% from the R$ 6.2 billion recorded in 2008. The factors that accounted for the revenue increase in 2009 were:

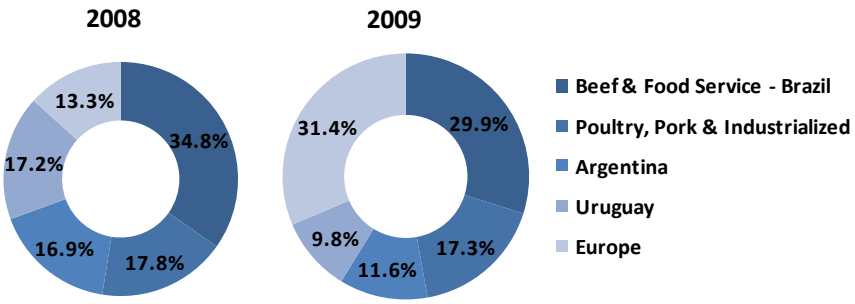
- Higher slaughter capacity utilization in the Beef Division and the positive performance of the Food Service division;
- The full consolidation of the operations of Moy Park, Kitchen Range, Braslo, Penasul and Agrofrango, DaGranja, MBL and Penapaulo, which were only partially consolidated in 2008;
- The startup of mutton operations in Brazil in April and of turkey operations in July 2009;
- Lease of a cattle slaughter plant in Rio Grande do Sul state (Capão do Leão) in July 2009, and the lease of seven plants of meatpacker Mercosul, of which five started up operations in the fourth quarter of 2009;
- The organic growth of all our operations.

The chart below presents the growth in the Consolidated Gross Revenue of the Marfrig Group:



In 2009, domestic sales accounted for 61.8% of Marfrig's consolidated revenue, compared with 53.4% in 2008. Exports as a percentage of sales stood at 38.1%, down from 46.6% in 2008, as a result of the global crisis and the depreciation of the U.S. dollar against other currencies, which reduced the volume and prices of meat in international markets. As of the second half of 2009, a gradual recovery was observed, though still below 2008 levels.

The chart below shows the percentage contribution of each Division of the Marfrig Group to overall net revenue in 2009 and 2009:



The following table shows Net Revenue by Business Division in 2009 and 2008:

BY DIVISION / MARKET	2008	2009	Var. % 2008 x 2009
Beef Brazil	**1,690,203**	**2,293,015**	**35.7%**
Domestic Market	905,777	1,209,111	33.5%
Exports	784,426	1,083,904	38.2%
Retail (Food Service) - Brazil	**467,188**	**578,192**	**23.8%**
Domestic Market	467,188	578,192	23.8%
Exports			
Pork & Industrialized - Brazil	**368,262**	**305,699**	**-17.0%**
Domestic Market	209,987	193,423	-7.9%
Exports	158,275	112,276	-29.1%
Chicken & Industrialized - Brazil	**733,042**	**1,357,988**	**85.3%**
Domestic Market	309,099	584,098	89.0%
Exports	423,943	773,890	82.5%
Total Chicken, Pork & Industrialized	**1,101,304**	**1,663,687**	**51.1%**
Domestic Market	519,086	777,521	49.8%
Exports	582,218	886,166	52.2%
Total Brazil	**3,258,695**	**4,534,894**	**39.2%**
Domestic Market	1,892,051	2,564,824	35.6%
Exports	1,366,644	1,970,070	44.2%
Argentina	**1,048,517**	**1,115,957**	**6.4%**
Domestic Market	621,392	722,690	16.3%
Exports	427,125	393,267	-7.9%
Uruguay	**1,069,570**	**944,732**	**-11.7%**
Domestic Market	294,536	281,348	-4.5%
Exports	775,034	663,384	-14.4%
Europe	**827,015**	**3,020,157**	**265.2%**
Domestic Market	504,799	2,374,486	370.4%
Exports	322,216	645,671	100.4%
Total Marfrig	**6,203,797**	**9,615,740**	**55.0%**
Domestic Market	3,312,778	5,943,348	79.4%
Exports	2,891,019	3,672,392	27.0%

Beef Brazil and Food Service - Brazil

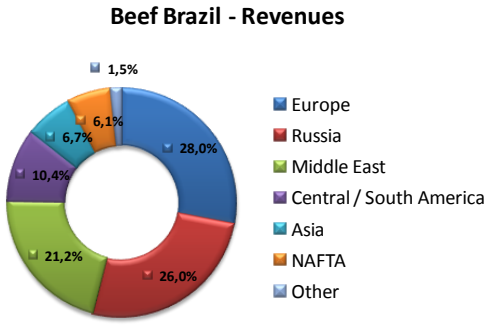
Net revenue from this division came to R$ 2.9 billion in 2009 (R$ 2.3 billion from the Beef Division and R$ 0.6 billion from Food Service), for growth of 33.1% from R$ 2.2 billion in 2008 (R$ 1.7 billion from the Beef Division and R$ 0.5 billion from Food Service). This increase reflects the 25% increase in sales volume compared to the previous year and the 6.5% growth in average prices in relation to the previous year.

Domestic sales corresponded to 62.3% of total sales in 2009 (63.6% in 2008), compared to 37.7% of exports (36.4% in 2008). To prioritize the profitability of its operations, the Company maintained its strategy of prioritizing the best distribution channels in the domestic market, which resulted in an increase of 10.2% in average prices in that market compared to 2008.

Food Service in the Beef Division – Brazil continued posting strong sales in 2009, with an increase of 13.7% in volume and 8.9% in average prices compared to 2008. Net revenue from Food Service grew 24.6% in the year to R$ 0.6 billion.

In the international market, demand for beef exports contracted due to the global crisis and the U.S. dollar depreciation of approximately 25%, which led average prices to fall by 7.3% in relation to the prior year.

Europe remained the main destination of the Marfrig Group's beef exports, accounting for 28.0% of total export revenue, followed by Russia (26.0%) and the Middle East (21.2%). The chart below presents the main destinations of the Uruguay Division in 2009:



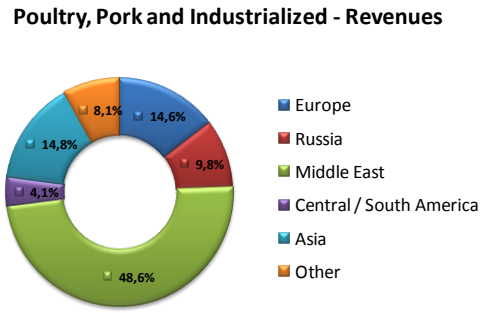
Poultry, Pork and Industrialized Products - Brazil

Net revenue from the Poultry, Pork and Industrialized Products operations amounted to R$ 1.6 billion, up 51.1% from 2008 (R$1.1 billion). The 75.5% increase in sales volume compared to the previous year was driven by the full consolidation of 100% of the poultry operations acquired in 2008 and the startup of the turkey operations in 2009. However, with the financial crisis and the U.S. dollar depreciation, prices fell 13.9% in relation to 2008, and also reflecting the lower international demand and the oversupply in the domestic market.

Net revenue from the chicken operations in Brazil climbed 85.3% to R$ 1.4 billion, from R$ 0.7 billion in 2008. Domestic sales totaled R$ 0.6 million and accounted for 43.0% of revenue. Consumption in the domestic market remained strong, despite the 17.7% decrease in prices spurred by the higher demand than in 2008. Export revenue came to R$ 0.8 billion, up 82.5% on the prior year, with the average price increasing 2.0% in the same period.

Net revenue in the hog operations fell 17.0% to R$ 305.7 million, due to the reduction of 27.1% in prices during 2009 (23.3% in the domestic market and 27.6% in the international market). Despite the higher sales volume, the contraction in international demand generated an oversupply in the domestic market, consequently reducing prices. Domestic sales fell 7.9% over 2008, while exports dropped 29.1%. Russia, the main destination of Brazil's pork exports and which represented around 50% of the country's total pork sales, was one of the country's most impacted by the economic crisis, with importers facing tight credit and impacting pork exports.

The Middle East remained the main destination of chicken and pork exports, accounting for 48.6% of the total, followed by Asia (14.8%) and Europe (14.6%). The chart below presents the main destinations of this Division's exports in 2009:



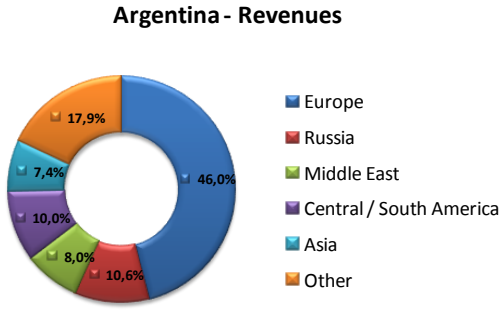
Argentina - (Marfrig Quickfood)

The Argentina Division posted net revenue of R$ 1.1 billion in 2009, 6.4% higher than in 2008. Revenue growth was driven by the higher sales volume in the period (320,800 tonnes, up 12.3% on 2008), despite the reduction of 5.3% in the average price from 2008 (8.3% increase in domestic sales and drop of 34.8% in exports, chiefly due to the dollar depreciation in the period). Marfrig's sales in Argentina primarily target the domestic market, which accounted for 81.8% of total sales volume in 2009, reaching 262,300 tonnes, up 7.4% on 2008 (244,200 tonnes). Net sales in the domestic market represented 64.8% of the total revenue of the Argentina Division. In 2009, annual per-capita beef consumption increased to approximately 70 kg.

Exports came to R$ 393.3 million, down 7.9% from R$ 427.1 million in the prior year, reflecting the increase of 41.3% in sales volume and the reduction of 34.8% in the average price.

In addition to the global price adjustments, other factors impacting the average price of Argentina's beef exports were the average appreciation of 17.9% in the Argentina peso against the U.S. dollar in 2009 and the lower sales under the Hilton quota in the period (as of December, only 20% of the quota allowed for the period from July 2009 to June 2010 had been exported). Marfrig Quickfood ranked 2nd in beef exports and 1st in exports of chilled and frozen cuts in Argentina.

Europe remained the main destination of Argentine exports, accounting for 46.0% of exports, followed by the Middle East (15.2%) and Russia (10.6%). The chart below presents the main destinations of this Division's exports in 2009:



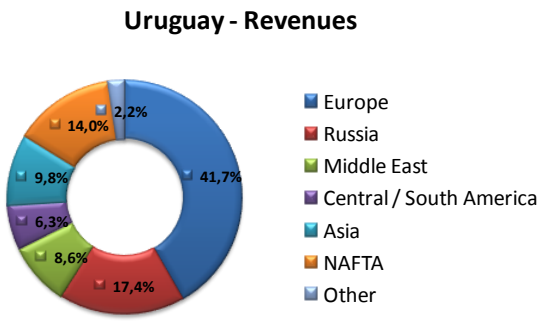
MRFG3
NOVO
MERCADO
BOVESPA BRASIL

Uruguay – (Marfrig Tacuarembó)

The Uruguay Division posted net revenue of R$ 0.9 billion in 2009, versus R$ 1.1 billion in 2008. The 11.7% drop was driven by the reduction of 1.2% in sales volume in 2009, the 10.6% decrease in the average price (2.0% in the domestic market and 15.0% in the international market) and the appreciation in the Uruguay peso against the U.S. dollar.

Domestic sales totaled R$ 0.281 billion, down 4.5% from R$ 0.294 billion in 2008 and corresponding to 29.8% of the Division's revenue (27.5% in 2008). Exports fell 14.4% to R$ 0.7 billion, representing 70.2% of revenue (72.5% in 2008). This performance reflects the difficulties faced by the export sector, which accounts for the biggest part of the Uruguay Division's revenue.

Europe remained the main destination of exports from Uruguay, representing 41.7% of revenue, followed by Russia (17.4%) and the NAFTA countries (14.0%). The chart below presents the main destinations of this Division's exports in 2009:



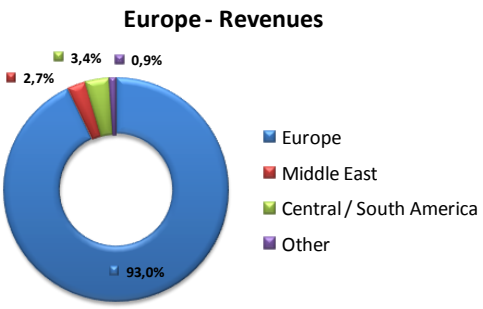
Europe - (Marfrig Moy Park)

Net revenue at the Europe Division was R$ 3.0 billion, an increase of 265.2% from R$ 0.8 billion in 2008. This growth is due to the full consolidation in the year of the Moy Park operations in Marfrig's results, while in 2008 only the fourth quarter was consolidated.

Despite the international crisis, domestic consumption in Europe remained stable due to small changes in habits, with more meals consumed at home.

Sales at the Europe Division are concentrated in the domestic market, which benefitted the sustainability of revenue and margins in 2009. Domestic sales represented 78.6% of revenue, totaling R$ 2.4 billion.

Exports came to R$ 0.6 billion, 100.4% higher than in 2008, as a result of the 101.7% increase in sales volume and the 0.6% drop in the average price. European countries remained the main destination of the Division, representing 93.0% of export revenues. The chart below presents the main destinations of the Europe Division in 2009:



Cost of Goods Sold (COGS)

COGS grew 68.8%, from R$ 4.9 billion in 2008 to R$ 8.2 billion in 2009, due to the consolidation of the companies acquired in 2008 and 2009, the increase in capacity utilization and organic growth, in line with the Group's expansion strategy.

Raw materials, which include animals (cattle, birds and hogs) and inputs for feed (grains) remain the main component of COGS, accounting for 67.8% in 2009 (77.2% in 2008). The COGS breakdown is detailed below:

COGS	2008	Part. % 2008	2009	Part. % 2009	Var %. 2009 / 2008
Raw material	**(3,762.7)**	**77.2%**	**(5,576.9)**	**67.8%**	48.2%
Beef	(2,716.2)	55.7%	(3,035.3)	36.9%	11.7%
Poultry and Pork	(1,046.5)	21.5%	(2,541.6)	30.9%	142.9%
Packages	(175.0)	3.6%	(388.0)	4.7%	121.7%
Electric Power	(90.1)	1.8%	(168.4)	2.0%	86.9%
Dir Expenses + Dir labor (*)	(542.9)	11.1%	(1,340.9)	16.3%	147.0%
Ind Expenses + Outsourcing (**)	(242.1)	5.0%	(524.1)	6.4%	116.5%
Other	(64.0)	1.3%	(236.0)	2.9%	268.6%
TOTAL	**(4,876.8)**	**100.0%**	**(8,234.3)**	**100.0%**	**68.8%**

(*) Direct Expenses and Direct Labor
(**) Indirect Expenses and Outsourcing

Gross Margin and Gross Income

Gross margin stood at 14.4% in 2009, down 7 percentage points from 21.4% in 2008. This margin compression reflects the financial crisis, the dollar depreciation in the year and the lower meat prices (beef, pork and poultry) mainly in export markets.

Prices for the main proteins began a downward trend at the end of 2008, which continued into 2009, driven by the global economic scenario, which led to contraction in demand and credit shortages in certain importing countries.

Gross Income was R$ 1.4 billion, up 4.1% from R$ 1.3 billion in 2008.

In 2009, the Marfrig Group maintained its strategy of seeking more profitable distribution channels, which led to operational improvements, such as cost reductions and synergy gains from the acquired operations.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses amounted to R$ 0.9 billion in 2009, up 62.2% on the R$ 0.6 billion recorded in 2008. SG&A expenses represented 9.6% of net revenue in the year, up 40 basis points from 9.2% in 2008.

The company has been maintaining its strategy to control costs and expenses, mainly by integrating the structures of recently acquired units, exchanging best practices and diluting fixed costs.

EBITDA and EBITDA Margin

In 2009, Marfrig's consolidated EBITDA (earnings before interest tax, depreciation and amortization) came to R$ 819.5 million, down 7.3% from R$ 884.4 million in 2008.

EBITDA margin stood at 8.5%, versus 14.3% in 2008, reflecting the lower gross margin, which in turn was due to the change in the product mix and the lower meat prices (beef, pork and poultry), mainly in export a market. The depreciation in the U.S. dollar against other currencies and the consolidation of the operations of Moy Park, which operated with increasing margins in 2009, though lower than the annual average of the other divisions of the Group, also contributed to the decrease in EBITDA margin.

Consolidated Financial Result

The Company posted net financial income of R$ 23.4 million in 2009, reversing the net financial expense of R$ 0.9 billion recorded in 2008.

The depreciation in the U.S. dollar against the Brazilian real of 25.5% in 2009 generated a foreign exchange gain of R$ 0.6 billion, reversing the foreign exchange loss of R$ 0.7 billion recorded in 2008, when the net financial result was impacted by the appreciation of 31.9% in the dollar against the real.

On December 31, 2009, 75.1% of the company's consolidated gross debt was denominated in foreign currency. Since around 70.1% of net revenue is generated in currencies other than the BRL, Marfrig enjoys a natural hedge for the maturities of its future obligations in foreign currencies. The Company also has a solid financial policy, maintaining high balances of cash and short-term investments at prime financial institutions.

Also under financial expenses, the company announced in December 2009 the allocation of R$ 169.7 million to be distributed as interest on equity (IOE).

Marfrig does not contract leveraged operations involving derivatives or similar instruments that do not have the objective of providing minimum protection against its exposure to other currencies, and maintains a conservative policy of not contracting operations that could jeopardize its financial position.

Net Income and Net Margin

Despite the challenging scenario in 2009, the Company was able to deliver record net income of R$ 0.7 billion, reversing the net loss of R$ 35.5 million in 2008. Net margin in the year stood at 7.1%, compared with the negative margin of 0.6% in 2008.

We believe Marfrig's strategy of diversifying risks through a diversified and integrated animal protein platform in different countries, combined with the gradual increase of industrialized products in the Group's revenue mix, are the foundation for the necessary maintenance of sustainable margins in the medium and long terms.

8 – INVESTMENTS

Since 2006, Marfrig has adopted a strategy of solid expansion of its operations, based on a global and diversified business model. In 3 years, approximately R$ 5 billion was invested in the acquisition of 37 companies, most of which were located abroad, assuring Marfrig's presence in 13 countries.

A portion of the investments announced in 2009 (acquisition of SEARA) was financed through the public issue of 79,040,000 common shares at the price of R$ 19.00, for proceeds of R$ 1.5 billion.

A breakdown of the investments follows:

Consolidated Investments	2008	2009	Var % 2008 X 2009
Investments (payment of previous acquisitions)	603,970	190,346	(68.5%)
CAPEX – Use in fixed assets	485,091	535,483	10.4%
Intangible assets / Deferred goodwill	917,553	5,319	(99.4%)
TOTAL INVESTMENTS	**2,006,614**	**731,148**	**(63.6%)**

Cash flow from investment activities came to R$ 731.1 million, as presented in table 4 of the notes to the financial statements. Capital expenditure was R$ 535.5 million in the year.

The main investments made or announced in 2009 are presented below:

Sheep slaughter operations in Brazil – In April, the Company began sheep slaughter operations in Brazil at the plant located in Promissão, São Paulo. The unit's daily slaughter capacity is 1,000 head, in addition to the 8,400 head/day at the Uruguay and Chile units. Mutton production in Brazil will enhance the Marfrig Group's product mix, which is distributed to the main steakhouses and other restaurants in the country through the Food Service Division.

Launch of turkey operations – In June, the Company acquired the turkey assets in Brazil of Doux Frangosul. The acquisition includes a slaughter plant in Caxias do Sul, Rio Grande do Sul, with daily capacity of 30,000 turkeys. The agreed acquisition price was R$ 65 million. The acquisition marks Marfrig's entry into the turkey market, in line with its strategy of protein diversification and expanding its product portfolio.

Diamantino/Rosário do Oeste Industrial Complex (Mato Grosso) – In June, the Company announced investments in the industrial complex located in the state of Mato Grosso, including the construction of a hog slaughter and prepared product unit, in addition to the expansion of pork production, implementation of biodigesters and cogeneration of energy. The plant will have daily slaughter capacity of 3,000 hogs and 100 tonnes of industrialized products. The initial investment is estimated at R$ 128.0 million and operations should start in the beginning of the second half of 2010. This investment is in line with the Group's strategies of strengthening its presence in the processed food market and diversifying its animal proteins.

Lease of slaughter unit in Rio Grande do Sul – In July, the Company leased for 36 months a slaughter unit in Pelotas, Rio Grande do Sul, with daily slaughter capacity of 400 head of cattle. The plant is certified to export to the European Union, Russia and Chile. The plant is located 51 km from the Port of Rio Grande, which strengthens its export logistics and supply synergies with the slaughter plant in São Gabriel and the Pampeano industrialized products plant in Bagé in the South Region.

Expansion of beef operations in Brazil – In September, the Company signed a letter of intent with Margen S/A and Mercosul S/A for the lease of 13 slaughter units with daily slaughter capacity of 8,800 head of cattle and a beef jerky plant with monthly capacity of 1,700 tonnes. The operation increased the company's cattle slaughter capacity to 22,350 head/day in Brazil and 30,150 head/day overall. Marfrig considers this operation strategic, given the increased cattle supply in Brazil and higher demand in the international market.

Partnership with Martins wholesale group – In September, the Company signed a 5-year commercial partnership with the Martins Group (Martins Com. e Serv. de Distribuição S/A). This partnership is in line with the Group's strategy to expand its operations in the retail segment and its geographic presence in Brazil and to capture new consumers with the products from its beef, poultry, pork and mutton units in Brazil and abroad. Martins is currently the largest wholesale distributor in Latin America, with three warehouses and 39 distribution centers throughout the country.

The investments were adjusted based on equity accounting, since the companies are subsidiaries. The financial statements for fiscal years ended December 31, 2009 and December 31, 2008 of the companies mentioned above have been prepared in accordance with the prevailing legislation of the countries where they are located and were revised by independent auditors. They were converted to the accounting practices established by the International Financial Reporting Standards - IFRS, in USD, and subsequently translated into the accounting standards applicable in Brazil and in local currency.

9 – INDEBTEDNESS

Consolidated Debt

Marfrig's consolidated gross debt amounted to R$ 5.2 billion on December 31, 2009, comprising R$ 1.5 billion of short-term debt (28.6% of total debt) and R$ 3.7 billion in long-term debt (71.4% of total debt). Of the total debt, 24.8% is denominated in BRL and 75.1% is denominated in foreign currency, which is virtually in line with the 70.1% of the Group's revenue generated in other currencies in 2009.

Net debt on December 31, 2009 was R$ 2.1 billion, down 34.6% on the R$ 3.2 billion recorded on December 31, 2008. Marfrig's cash on December 31, 2009 totaled R$ 3.0 billion (R$ 1.5 billion raised through the public share offering held in 4Q09), versus R$ 1.1 billion in the previous year. The net debt/EBITDA (LTM) ratio stood at 2.60x.

Of the total debt, 63.9% is secured by surety bonds or promissory notes. A breakdown of guarantees is provided in Note 16 to the Financial Statements.

Consolidated Debt - Marfrig Group

Short Term	2008	Part. %	2009	Part. %	Var. 2009 x 2008
- Domestic Currency	262.6	6.1%	713.0	13.8%	171.5%
- Foreign Currency	969.5	22.5%	760.6	14.8%	-21.5%
Total Short Term	1,232.1	28.6%	1.473.6	28.6%	19.6%
Long Term	**2008**	**Part. %**	**2009**	**Part. %**	**Var. 4T09 x32T09**
- Domestic Currency	531.7	12.3%	569.1	11.0%	7.0%
- Foreign Currency	2,549.7	59.1%	3,111.5	60.4%	22.0%
Total Long Term	3,081.4	71.4%	3,680.5	71.4%	19.4%
Total Debt	**4,313.5**	**100.0%**	**5,154.1**	**100.0%**	**19.5%**
Cash and equivalents	1,071.7		3,033.4		183.1%
Net Debt	**3,241.8**		**2,120.7**		**-34.6%**
EBITDA	**884.4**		**819.5**		**-7.3%**
Net Debt / EBITDA	**3.7 x**		**2.6 x**		

A schedule of consolidated debt maturities follows:

DOMESTIC CURRENCY		
	12/31/2009	12/31/2008
1Q09	-	70,527
2Q09	-	29,351
3Q09	-	153,129
4Q09	-	9,603
1Q10	189,723	-
2Q10	198,056	-
3Q10	140,407	-
4Q10	184,848	-
2010	-	234,029
2011	454,241	271,092
2012	55,031	10,670
2013	29,955	7,508
2014	24,600	3,580
2015	4,600	3,580
2016	637	1,256
TOTAL	**1,282,098**	**794,325**

FOREING CURRENCY		
	12/31/2009	12/31/2008
1Q09	-	316,512
2Q09	-	364,709
3Q09	-	102,859
4Q09	-	185,407
1Q10	227,421	-
2Q10	134,708	-
3Q10	214,294	-
4Q10	184,154	-
2010	-	206,030
2011	577,931	536,985
2012	533,147	433,836
2013	591,197	303,796
2014	418,396	113,861
2015	215,217	95,846
2016	775,585	859,308
TOTAL	**3,872,050**	**3,519,149**

10 – OWNERSHIP STRUCTURE AND CAPITAL MARKETS

Capital Stock

Marfrig's subscribed and paid-in capital on December 31, 2009 totaled R$ 4,061,478,051, comprising a single class of 346,983,954 common shares.

Rights Offering and Ownership Structure

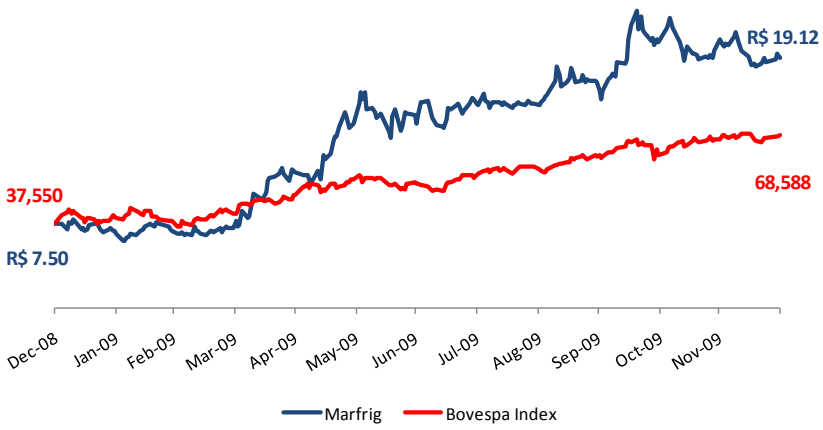
In November 2009, Marfrig carried out a primary public offering of common shares, issuing 79,040,000 new shares, including the over-allotment option. After the conclusion of the Offering, the company's ownership structure is as follows (shareholders holding more than 5% of the capital stock):

Shareholder	Shares	%
MMS Participações	141,478,573	40.77%
Treasury Stock	571,498	0.16%
Board of Directors	8	0.00%
BNDESPAR	48,200,827	13.89%
OSI Group	20,117,637	5.80%
Capital Group	18,065,850	5.21%
Other	118,549,561	34.17%
Total	**346,983,954**	**100.0%**

Stock

Marfrig is listed on the Novo Mercado Special Corporate Governance segment of the São Paulo Stock Exchange (BM&FBovespa) under the ticker MRFG3 and is a component of the Brazil Index (IbrX), the Special Corporate Governance Stock Index (IGC), the Special Tag-Along Stock Index (ITAG), the Industrial Sector Index (INDX), the Small Cap Index (SMLL) and the Consumption Index (ICON).

Marfrig stock was priced at R$ 7.50 at the beginning of 2009, compared with R$ 19.12 at the close of the year, representing a gain of 155%. In the same period, the Bovespa Index increased by 83%. The chart below provides a comparison of the performance of Marfrig stock and the Ibovespa index.



Another highlight in 2009 was the increase in trading volume and the higher liquidity of our stock. Average daily financial trading volume increased from R$ 2.3 million in the first quarter to R$ 22.6 million in the fourth quarter. The table and chart below show average daily financial trading volume and the average daily number of trades:

Daily Average	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10*
# of trades	291	189	201	749	983	1,587	2,006
Financial Volume (R$ Million)	6.1	2.8	2.3	9.8	7.6	22.6	25.8

***Jan and Feb**

We believe the appreciation and higher liquidity of our stock were the result of the Company's strategy, which focuses on delivering sustainable results over the quarters, a firm commitment to the environment and society, a consistent transparency and disclosure policy and respect for shareholders.

11 – CORPORATE GOVERNANCE

Since Marfrig is listed on the Novo Mercado Special Corporate Governance segment of the São Paulo Stock Exchange (BM&FBovespa), the Company's corporate governance principles are based on the best practices concerning transparency, accountability and equal treatment of shareholders, partners and employees.

Its capital comprises only common shares, all of which entitle equal rights regarding the disposal of control of the company (100% tag-along).

Marfrig's Board of Directors is currently formed by 8 members, of whom 3 are independent members and one is appointed by a minority shareholder that holds an interest of more than 5% in the Company's capital stock.

The company currently has 4 committees that support the Board of Directors. They hold monthly meetings to implement initiatives seeking the adoption of best Corporate Governance practices. The following independent directors have been appointed to coordinate the committees:

- Audit Committee: Marcelo Maia de Azevedo Corrêa;
- Financial Committee: Carlos Geraldo Langoni;
- Compensation, Human Resources and Corporate Governance Committee: Antonio Maciel Neto; and
- Commercial Advisory Committee: David G. McDonald.

Code of Ethics

In July 2009, the Marfrig Group launched the second version of its Code of Ethics, which establishes the values, principles and attitudes to be adopted by its employees. Based on moral values that go beyond mere compliance with laws, the Code envisages the paths, attitudes and commitments that will ensure Marfrig's integrity in its business and processes for every initiative, from the acquisition of raw materials in the production process to the Group's commercial and institutional relations with clients, consumers, suppliers, the communities where it operates, the environment and shareholders.

All employees, suppliers, clients and stakeholders may make consultations, suggestions or denunciations about breaches of the Code of Ethics, which is available on the Company's website (www.marfrig.com.br/ri)

Stock Option Plan

The Company also maintains a long-term variable compensation program through stock options limited to its Executive Officers and Directors. The Plan was approved by the Extraordinary Shareholders Meeting of May 7, 2007 and was amended and ratified by the Extraordinary Shareholders Meeting of May 29, 2009, and aims to allow Directors, Officers, employees and third-parties of the Company or subsidiaries to acquire Marfrig stock, subject to certain conditions, in order to: (a) to promote the expansion, success and execution of its social objectives; (b) align the interests of the Company's shareholders to those of its Directors, Officers, employees and service provides or other companies under its control; and (c) enable the Company or its subsidiaries to contract and retain Directors, Officers, employees and service providers.

The Stock Option Plan is available on the Company's website (www.marfrig.com.br/ri) and on the website of the Securities and Exchange Commission of Brazil (www.cvm.gov.br).

Trading Policy

The Securities Trading Policy of Marfrig Alimentos S.A. approved by the Board of Directors meeting of March 18, 2009 establishes the rules and procedures to be adopted by the company and related persons regarding trading in securities issued by Marfrig, assuring all stakeholders ethical conduct by those with access to material information. The Policy also seeks to prevent and punish the improper use of privileged information by those with access to it.

The Securities Trading Policy is available on the Company's website (www.marfrig.com.br/ri) and on the CVM website (www.cvm.gov.br).

12 – SOCIAL REPORT: SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Commitment and dedication to sustainable production, always with respect for the social, environmental and economic dimensions, accompany the rapid expansion of the Marfrig Group and constitute the basis for its activities in line with the precepts of sustainability.

Today, sustainability is part of the company's strategy and guided by the CEO and Executive Officers, who demonstrate their firm commitment to employees, the communities where it operates, clients and suppliers, and especially the environment in which it operates.

The continuous pursuit of improvement in processes and products results in higher production efficiency, lower water and energy consumption and the adequate use of raw materials, while always seeking to reduce waste generation and make the process cleaner and more efficient. In its operations, the Marfrig Group always seeks to reduce the impacts of its operations on the environment and on people, seeking to assure that future generations enjoy an environment that has been preserved within a model of sustainable development that is both coherent and ethical.

With a focus on the food sector, the Marfrig Group believes that food safety is essential for satisfying its clients and for the success of its business. Therefore, the Company adopts the highest international quality management standards, such as BRC (British Retail Consortium), a British retail food certification, and ISO 22000 (International Standardization Organization), an internationally renowned standard for food safety.

Through its actions, the Marfrig Group is leading change in business culture, focusing on greater respect for people and greater commitment to the planet by using natural resources in a sustainable fashion and developing its business to enable it to meet all its clients' needs in terms of product quality as well as the aspects imposed by this new economy.

The Marfrig Group is committed to excellence in the management of its plants and already enjoys certification of integrated management systems. The Integrated Management - Norms ISO 9000, ISO14000, ISO 22000, SA 8000 and OSHAS 18000 are in the process of being implemented, which will differentiate its efforts, resulting in management based on processes recognized internationally for their efficiency and credibility.

The creation of Internal Social and Environmental Management Committees at all units ensure that environmental and labor laws are complied with in the production chain, and also implements and monitors the procedures and practices developed and adopted by the Marfrig Group.

We believe climate change is part of a new reality in which the importance of reducing gas emissions constitutes a business opportunity, while also helping to preserve the planet for future generations. In view of this commitment, the Group develops projects to reduce these emissions at its units through the Clean Development Mechanism, which promotes sustainable development in Brazil, produces clean energy and reduces the impacts on global warming.

13 – SOCIAL REPORT: PEOPLE MANAGEMENT

The dissemination of Marfrig's culture aims to unify HR practices across all the Group's companies. A set of guidelines was developed for the safety and labor health management systems to be implemented at each company of the Group, which is constantly updated and complies with the specific requirements of each country where we operate.

Marfrig's code of ethics includes procedural mechanisms that prevent all forms of discrimination, the development of monitoring systems and the assessment of results. The company complies with all resolutions of the World Labor Organization (WLO), as well as the legislation of the countries where it operates, developing safety orientation campaigns, training on adequate use of personal protection equipment (PPE) and registering all workplace accidents and illnesses.

Each unit has an Internal Accident Prevention Commission (CIPA) composed of members of management and workers that plays an active role and serves all the company's employees. An Internal Accident Prevention Week is held each year, and daily safety inspections are conducted that involve members of the CIPA.

In Brazil, programs sponsored by the company in partnership with the municipal health departments orient all employees on the use of condoms, health campaigns, STDs and AIDS. All information related to Safety and Health is compiled at the units, and to ensure the policies are implemented companywide the Health and Safety departments interact with the Human Resources and Operations departments.

Employees

The Marfrig Group ended 2009 with 46,984 employees in 9 countries, an increase of 19.8% in relation to 2008. The increase mainly reflects the incorporation of the acquired companies and the plants leased in 2009. The table below shows the number of employees by Division:

Business Units	Dec/08	Dec/09
Marfrig Holding	184	238
Beef Brazil & *Food Service*	10,161	15,476
Poultry, Pork and Industrialized Products - Brazil [1]	12,720	14,366
Argentina [2]	3,607	4,020
Uruguay [3]	3,810	4,019
Europe	8,737	8,865
Business Units	**39,219**	**46,984**

[1] Excludes employees at SEARA, which launched operations on January 4, 2010.
[2] Includes Mirab USA employees.
[3] Includes employees in Chile. Excludes ZENDA employees, which launched operations on January 21, 2010.

Of the total employees, 64.4% were men and 35.6% women. We have 332 employees with physical handicaps. The average age of Marfrig's employees is 37 years, with average service of 5 years.

Net revenue per employee grew 10.1% compared with 2008, while sales volume per employee increased 4.8%.

Indicators	2008	2009	Var %
Number of employees*	39,219	46,984	19.8%
Average number of employees per year	29,792	41,930	40.7%
Net revenue by employee /year - R$ '000	208.2	229.3	10.1%
Volume sold by employee (tonnes/year)	49.7	52.1	4.8%

*As of December 31

14 – GUIDANCE

On March 19, 2009 the Company announced its guidance for that year, based on a foreign exchange assumption of R$ 2.30/USD. However, in view of the depreciation in the U.S. dollar of approximately 25.5% observed during the year (R$ 2.33 on January 1, versus R$ 1.74 on December 31), Marfrig updated its guidance on October 26, 2009. The actual results achieved in relation to the guidance given are presented below:

	Guidance 2009	Recorded Results	Guidance % Achievement
Net Revenue	R$ 10.0 billion R$ 10.5 billion	R$ 9.6 billion	(3.8%)
EBITDA[1]	R$ 840 million R$ 1.0 billion	R$ 819.5 million	(2.4%)
EBITDA Margin	8.5% 10.0%	8.52%	+2 b.p.
Net Debt / EBITDA [LTM²]	< 3.0x	2.61x	
CAPEX[3]	R$ 1.85 billion	R$ 0.5 billion	(72.9%)

1 Earnings before interest, tax, depreciation and amortization
2 LTM = Last 12 months
3 Guidance had included SEARA and ZENDA acquisitions

On October 26, 2009, the Group disclosed its guidance for 2010, noting that these projections were made based on the assumptions presented below:

	Guidance 2010
Net Revenue	R$ 16.5 – 18.0 billion
EBITDA[1]	R$ 1.4 - 1.8 billion
EBITDA Margin	8.5% - 10.5%
CAPEX[2]	R$ 400 million

1 Earnings before interest, tax, depreciation and amortization
2 Excludes acquisitions
Main FX assumptions adopted: R$ 1.80/USD and USD 1.70/Pound Sterling
Risks: deterioration in the global economic scenario, with repercussions on the Marfrig Group's strategy to diversify its operations.

15 – COMMITMENT TO ARBITRATION

The company, its officers and its members of the board of directors have committed to resolve through arbitration any dispute or controversy arising between them that relates to or originates from, in particular, the application, validity, effectiveness, interpretation, breach and their effects on the provisions contained in the agreement to adopt Novo Mercado requirements, in the Novo Mercado Listing Regulations, in the Bylaws, in Brazilian Corporation Law, in the regulations issued by the National Monetary Council, by the Central Bank of Brazil or by the Securities and Exchange Commission of Brazil (CVM), in the regulations of the São Paulo Stock Exchange (BM&FBOVESPA), in the other rules applicable to the functioning of the capital markets in general, in the Arbitration Commitment and in the Arbitration Regulations of the Market Arbitration Chamber, with said arbitration conducted in compliance with these latter Regulations.

16 – SUBSEQUENT EVENTS

On January 4, 2010, we concluded the acquisition of Cargill Inc.'s entire Brazilian animal proteins business (poultry, hogs and industrialized products), represented by Seara Alimentos Ltda. and by affiliates in Europe and Asia, including the SEARA brand in Brazil and abroad, 12 plants in the value-added processed products segment and a port terminal). The transaction totaled US$ 899.0 million, with US$ 705.2 million paid in cash and the assumption of US$ 193.8 million in debt following the due diligence process. The US$ 705.2 million was paid to Cargill Inc. on January 4, 2010. The businesses of SEARA Alimentos in Brazil and the offices located abroad will be incorporated into the Poultry, Pork and Industrialized Products Division of the Marfrig Group.

The acquisition is part of the Marfrig Group's strategy of expanding its operations in the processed and prepared product market, expanding its portfolio with a brand which is renowned in Brazil and abroad, gaining market share and becoming an alternative for its clients in the supply of prepared products.

Marfrig will use the SEARA brand to expand and grow in the prepared, processed and fresh food segments, consolidating itself as the second largest player in the Brazilian market and one of the largest in the world in poultry and pork exports. SEARA will enable Marfrig to enter the biggest retail and Food Service networks in Brazil and abroad, expanding the product and client portfolios. The acquisition also helped gain more space on supermarket shelves and will expand the company's reach in important international markets, such as Japan, China, the Middle East, Europe and South Africa.

SEARA was incorporated by the Marfrig Group on January 4, 2010, and it is now part of the former Poultry, Pork and Industrialized Products Division (DASI), which is now called the New SEARA Division. The New SEARA Division will have a simpler, leaner and more agile structure, and focus on both domestic and international markets, which should lead to the capture of important synergies over the next two years, especially logistic costs, selling and general expenses and raw material costs. The brands Mabella, Dagranja and Pena Branca will form the Division's portfolio, operating under the "umbrella" of SEARA, a solid national brand recognized for over 50 years in the market.

On January 22, 2010, we concluded the acquisition of 51% of Grupo Zenda, with the payment of US$ 38.1 million following the due diligence process. The Group, which is engaged in the production and marketing of finished and cut leather, has daily capacity of 7,000 hides. It also has units in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

Grupo Zenda produces and sells high-quality leather to clients in the automaker, aviation and furniture industries. Marfrig expects to obtain significant benefits from this acquisition through synergies generated by capacity expansion and the higher value added nature of its leather operations in Uruguay and Argentina. Marfrig assumed the operations of Grupo Zenda on January 22, 2010.

On January 27, 2010 Marfrig acquired a site in Argentina for the construction of an own feedlot. The investment for this acquisition, which has capacity for 22,000 head of cattle, is estimated at US$ 6.4 million.

On February 23, 2010 the Company announced to shareholders and the general market that it is currently negotiating with Grupo Globoaves the acquisition or lease of two small slaughter units for free range chicken and ducks, including the free range chicken operations of the brand Nhô Bento and the duck operations of the brand Germânia. The deal is dependent on the due diligence process and is not binding.

17 – BOARD OF DIRECTORS

Marcos Antonio Molina dos Santos	Chairman
Márcia Aparecida Pascoal Marçal dos Santos	Director
Rodrigo Marçal Filho	Director
David G. McDonald	Director
Alain Emilie Henry Martinet	Director
Marcelo Correa	Independent Director
Carlos Geraldo Langoni	Independent Director
Antonio Maciel Neto	Independent Director

18 – EXECUTIVE OFFICERS

Marcos Antonio Molina dos Santos	Chief Executive Officer
James Cruden	Chief Operating Officer
Ricardo Florence dos Santos	Planning Director and Investor Relations Officer
Alexandre José Mazzuco	Finance and Administrative Statutory Officer

19 – DECLARATION FROM THE CEO

I, Marcos Antonio Molina dos Santos, hereby declare that: 1 - Based on my knowledge, the planning presented by the auditors and the subsequent discussions on the auditing results, I have revised and I agree, with no restrictions, with the opinions expressed in the report prepared by BDO Auditores Independentes. 2 – I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. related to fiscal year ended December 31, 2009, and based on the subsequent discussions I agree that these Statements adequately reflect all material aspects and the financial position for the periods presented.

São Paulo, March 31, 2010
Marcos Antonio Molina dos Santos

20 – DECLARATION FROM THE INVESTOR RELATIONS OFFICER

I, Ricardo Florence do Santos, hereby declare: 1 - Based on my knowledge, the planning presented by the auditors and the subsequent discussions on the auditing results, I have revised and I agree, with no restrictions, with the opinions expressed in the report prepared by BDO Auditores Independentes. 2 – I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. related to fiscal year ended December 31, 2009, and based on the subsequent discussions I agree that these Statements adequately reflect all material aspects and the financial position for the periods presented.

São Paulo, March 31, 2010
Ricardo Florence dos Santos

(Convenience translation into English from the original previously issued in Portuguese)

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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(Convenience translation into English from the original previously issued in Portuguese)

MARFRIG ALIMENTOS S.A.

FINANCIAL STATEMENTS FOR THE YEARS ENDED AS OF 31 DECEMBER 2009 AND 2008

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(Convenience translation into English from the original previously issued in Portuguese)
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.

4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Ribeirão Preto, 26 March 2010

José Luiz Sanches
Engagement Partner
BDO Auditores Independentes

Esmir de Oliveira
Engagement Partner
BDO Auditores Independentes

(Convenience translation into English from the original previously issued in Portuguese)

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
	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
	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
Total assets	9,452,811	6,668,862	11,451,641	9,155,172

	Company		Consolidated	
	31/12/09	31/12/08	31/12/09	31/12/08
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
	4,184,285	2,729,851	4,184,285	2,729,851
Total liabilities and shareholders' equity	9,452,811	6,668,862	11,451,641	9,155,172
	-	-	-	-

The accompanying notes are an integral part of these financial statements.

(Convenience translation into English from the original previously issued in Portuguese)

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.

(Convenience translation into English from the original previously issued in Portuguese)

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.

(Convenience translation into English from the original previously issued in Portuguese)

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.

(Convenience translation into English from the original previously issued in Portuguese)

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.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

MARFRIG ALIMENTOS S.A.

NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS AS OFDECEMBER 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:
  - 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 Goias. The mentioned units are in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia;

- 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:
  - 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:
  - 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%;
  - 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:
  - Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughtering and beef processing unit – 93.45%;
  - Inaler S.A. (Uruguay), cattle and sheep slaughtering unit – 100%;
  - 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;
  - Prestcott International S.A. (Uruguay), which holds 100% Cledinor S.A (Uruguay), beef and lamb packing plant in the city of Salto – 100%;
  - Establecimientos Colonia S.A. (Uruguay), beef packing plant in the city of the same name - 100%.

- Europe Division:

  - 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%

  - 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, 2010and 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, 2009are 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
	2,629,725	774,160	3,033,438	1,071,664

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
	30,670	29,220	373,043	268,284

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		Consolitated	
	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
	405.840	293.469	617.046	395.662

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
					2.211.035	474.310
Loans and receivables						
Remunerated account	03/31/2014	4.31	Dollar	0.35	5.333	6.379
					5.333	6.379
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
					7.889	214
Total					2.224.257	480.903
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
					2.402.824	662.777
Loans and receivables						
Interest-bearing account	03/31/2014	4.31	Dollar	0.35	5.333	6.379
					5.333	6.379
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
					11.061	11.041
Total					2.419.218	680.197
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 cam 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	(3.210)	(2.554)	(3.445)	(2.737)
	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	(1.831)	(1.354)	(2.182)	(1.705)
	200.244	115.847	228.944	315.877
	695.391	496.834	987.759	1.001.912
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	(3.166)	-	(30.143)	(28.234)
	695.391	496.834	987.759	1.001.912

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	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Finished products and others	985,740	743,801	1,635,067	1,468,800
Packaging material and storeroom supplies	27,981	31,071	91,415	113,134
	1,013,721	774,872	1,726,482	1,581,934

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	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Finished products and others	274,048	234,870	375,279	490,129
Packaging material and storeroom supplies	38,143	61,953	25,291	20,110
	312,191	296,823	400,570	510,239

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	677,531	457,582	1,058,445	734,024
Current assets	386,685	455,572	719,422	689,393
Noncurrent assets	290,846	2,010	339,023	44,631
Total	677,531	457,582	1,058,445	734,024

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

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Related parties	1,213,338	1,566,063	-	-
Other notes receivable	2,269	23,266	3,069	363
Noncurrent assets	1,215,607	1,589,329	3,069	363

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:

	COMPANY					
	12/31/2009				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 (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	-
	83,682	16,112	1,213,338	61,865	84,704	228,754

(1) Current name of Frigoclass Alimentos S.A.

	COMPANY					
	12/31/2008				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	-	-	-
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	-
	7,587	10,602	1,566,063	43,209	52,764	79,016

	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 '*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 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
	173,025	275,597	244,458	303,568
Current liabilities	19,468	-	19,468	-
Non - Current liabilities	153,557	275,597	224,990	303,568

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:

	Company		Consolidated	
Description	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	127,225	45,800	183,332	61,126

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
	173,025	244,458

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
	1,473,582	867,354	746	1,197

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				1,140,983	1,501,736	89,639

(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
Masplen Limited (1)	27,437	503	-	-	-	(7,059)	149	21,030
Prestcott International S.A. (1)	36,032	89	-	-	-	11,105	(10,150)	37,076
Secculum 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

				Company	
				12/31/2009	12/31/2008
Description	Average annual depreciation rates	Cost	Accumulated depreciation	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
		1,195,078	(178,124)	1,016,954	890,682

				Consolidated	
				12/31/2009	12/31/2008
Description	Average annual depreciation rates	Cost	Accumulated depreciation	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
		2,766,030	(350,954)	2,415,076	2,235,688

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:

	12/31/2009	12/31/2008
Intangible assets - Company	530.568	525.038
Intangible assets - Controlled companies	1.339.725	1.619.174
	1.870.293	2.144.212

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	16,163	3,220	-	-	19,383
Total	525,038	3,220	1,769	541	530,568

(1) Current name of Frigoclass Alimentos S.A.

12.2 – Changes in intangible assets (controlled companies)

	Book balance as of December 31, 2008	Reclassification	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**
QuintoCuarto - 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
Secculum 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
	70.144	97.492	205.349	269.793

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
	103,536	46,384	393,305	353,217
Current liabilities	22,077	9,297	138,789	274,543
Noncurrent liabilities	81,459	37,087	254,516	78,674
	103,536	46,384	393,305	353,217

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 debits 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	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	(1,655)	-	(1,655)	-
Ending balance	-	1,808	-	1,808
Current liabilities	-	570	-	570
Noncurrent liabilities	-	1,238	-	1,238

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 debits 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					
FINAME	TJLP (Long-Term Interest Rate + Fixed rate	13.12	0.21	71	260
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					
FINAME	TJLP (Long-Term Interest Rate + Fixed rate	6,01	2,29	8.897	11.544
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		1.282.098	794.325
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		3.872.050	3.519.149
Total indebtedness		8,37		5.154.148	4.313.474
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				116.020	143.018	151.517
Total of the Company				116.020	143.018	151.517
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				117,051	144,050	151,517
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				41,023	55,236	53,179
Total Consolidated				158,074	199,286	204,696
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	-	-
	116.020	151.517

	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	-	-
	117.051	151.517

	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	-	-
	41.023	53.179
	158.074	204.696

	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				21.231	7.215

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	-
Frigorifico 4 Rios	Meat packing plant	12/01/09	IGP-M year	4,2	9.600	-
	Total local currency				185.731	7.715

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	-
	14.016

	Consolidated 12/31/2009
Local currency	
Up to 1 year	41.980
From 1 year to 5 years	129.266
More than 5 years	-
	171.246

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
	6,558	44,990	38,829	108,475

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:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
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
	136,925	80,756	167,469	87,156

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, Dagranja'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 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 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	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Income tax	26,772	29,336	74,835	86,105
Social contribution tax	9,638	10,563	20,501	22,914
	36,410	39,899	95,336	109,019

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:

Date	Description	Amount
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	173,280
12/31/2009	Capital stock	4,061,478

Considering the above, the Company incurred expenses in the issuance of shares, as demonstrated below:

Description	Amount
Commission of coordinators	28,086
Commission - CBLC	526
Audit	277
Lawyers	1,019
Publication	827
Registration fees	133
Provisions - (Other Expenses)	6,656
Total	37,524

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	645,125
Mandatory dividends	161,281
(-) Interest on equity capital, net (1)	(146,059)
Dividends payable	15,222

(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)
	3	MASTER 07-08	3/3/2008	3/4/2009	13.800	13,588	9/2/2009	5,532		76	(70)
Board of Directors	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)
	21	EXEC 07-08	3/3/2008	3/4/2009	53.169	-	9/2/2009	19,120		1.017	(242)
Executives	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)
	3	MASTER 08-09	07/28/2009	3/4/2010	27.650	6,77830	3/3/2011	12,412	343		(328)
Board of Directors	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)
	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)
Executives	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:

	Company		Consolidated	
Description	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
Merchandize 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
	1,808,073	2,053,996	8,997,546	9,593,088

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
EXPOSURE			Effects of exchange variation on
Description	12/31/2009	12/31/2008	results
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	185,876	92,677	-6,774
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	-3,358,244	-1,374,682	588,763
TOTAL	-3,172,368	-1,282,005	581,989
Exchange variation gain			635,247
Exchange variation loss			-53,258
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	411.238	(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	189.044	271.659	(36.251)
FINANCIAL			
Receivables from controlled companies	-	1.397.086	-
Loans and financing	(3.368.293)	(2.938.164)	552.706
Notes payable	(31.976)	(134.343)	5.906
Advance on exchange contract (ACC)	(503.757)	(580.985)	125.083
Balance of banks and financial investments	440.207	119.084	(10.726)
Other	11.979	-	6.798
Subtotal	(3.451.840)	(2.137.322)	679.767
TOTAL	(3.262.796)	(1.865.663)	643.516
Exchange variation gain			728.678
Exchange variation loss			(85.162)
Exchange variation, net			643.516

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	

Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US$ (notional value)	Fair value R$ (3)	12.31.09 Payable value (-)	12.31.08 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	-

Instrument	Record	Maturity	Receivable	Payable	Counterpart of the principal amount	Reference value US$ (notional value)	Fair value R$ (3)	12.31.09 Payable value (-)	12.31.08 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%
481,800		6,017		13,116		20,216	

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 exercises 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
	(36,948)	(24,735)	(36,948)	(32,330)

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	(700.959)	(279.101)	(859.365)	(481.936)
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)	-	-	-	-
Total income tax	-	-	48.056	52.778
Social contribution tax (9%)	-	-	17.648	19.060
	-	-	65.704	71.838
(-) Rate difference on foreign income			(37.462)	(24.735)
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)	(47.417)	196.076	(34.119)	144.174
(-) 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)	(26.233)	70.588	(17.030)	67.635

(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 Murtinho, 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.

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