2010 MANAGEMENT REPORT

MARFRIG GROUP

A Global Food Company



150 production, commercial and distribution units
distributed in 22 countries on 5 continents

Diversified and high value-added products
present in the main restaurants
and supermarkets over 150 countries

Pioneer in sustainable actions
in the animal protein production chain

MARFRIG QUICKFOOD S.A. Tacuarembó SEARA Moy park KEYSTONE FOODS LLC

Summary

1 - MESSAGE FROM THE CEO....1

2 - CORPORATE PROFILE....4

3 – COMPANY'S STRATEGY....5

4 – 2010 HIGHLIGHTS....5

5 – INDUSTRY PERFORMANCE....6

6 – OPERATING AND FINANCIAL PERFORMANCE (2010)....7

7 – PERFORMANCE BY PROTEIN/BUSINESS....12

8 – INVESTMENTS....16

9 – CAPITAL STRUCTURE, LIQUIDITY AND RATINGS....17

10 – CAPITAL MARKETS....18

11 – CORPORATE GOVERNANCE....19

12 – SOCIAL AND ENVIRONMENTAL RESPONSIBILITY....21

13 – PEOPLE MANAGEMENT....22

14 – GUIDANCE....23

16 – COMMITMENT TO ARBITRATION....24

17 – RELATION WITH AUDITORS....25

18 – SUBSEQUENT EVENTS....25

19 – BOARD OF DIRECTORS....26

20 – EXECUTIVE OFFICERS....27

21 – DECLARATION OF THE CHIEF EXECUTIVE OFFICER....27

22 – DECLARATION OF THE INVESTOR RELATIONS OFFICER....27

23 – DECLARATION OF THE CHIEF OPERATING OFFICER....27

24 – DECLARATION OF THE CHIEF ADMINISTRATIVE AND FINANCIAL OFFICER....28

1 - MESSAGE FROM THE CEO

We successfully reached the end of 2010, which I consider the most important year in the recent history of the Marfrig Group. Executing a strategy adopted in 2005 based on diversifying risk and growing both organically and through acquisitions, Marfrig has unquestionably become one of the largest and most diversified global food companies.

The particular phases we have developed since then were:

2005-2007: Expansion of capacity and diversification across Brazil's regions

2007-2009: Diversification in terms of proteins (poultry and pork), with a focus on prepared and processed products and organic growth in the beef segment

2009-2010: Consolidation of the brands and strengthening of the global distribution platform

Marfrig is geared towards serving its clients' needs in terms of products and services and is focused primarily on sustainable growth in its revenue from prepared and processed products based on animal proteins. It was recognized in 2010 by the magazine *Exame* as the Best Agribusiness Company in Brazil and by the magazine *Isto É Dinheiro* as the Best Company in Financial Sustainability, and also received other distinctions in the period.

Today, with 150 production, commercial and distribution units distributed in 22 countries on 5 continents, Marfrig is formed by over 90,000 people, who each day continue to build its history, its future and its success. Becoming a global food company was what we needed to consolidate our strategy, without losing focus on continuing to each day become leaner, more agile and simpler.

The strategic growth objectives achieved in 2010 include:

- The acquisition of Keystone Foods LLC, announced in June and concluded in October 2010, which consolidated the Company's strategy to become a global food company based on animal proteins. Keystone Foods is a producer of prepared meats and has a global platform for distributing products to major restaurant chains. The acquisition brings operational benefits, such as production and distribution synergies, a product mix with a higher share of prepared and processed products and access to markets supported by its local knowledge and presence, mainly in China.
- The acquisition of Seara Alimentos, which was announced in 2009 and concluded in 2010. With the acquisition of Seara, the Marfrig Group becomes the second-largest producer of chicken, pork and prepared and processed products in the Brazilian market.
- The strengthening of the Seara brand in Brazil and abroad, with actions that included the launch of 120 new products and investments in sports marketing, which included sponsorship of the 2010 FIFA World Cup in South Africa, the 2014 World Cup in Brazil and the Brazilian National Team, with whom it has exclusivity in the food segment until 2026, increasing consumers' exposure to the prestige and image synonymous with health and quality of life of the Seara brand.
- The growth in beef production operations in Brazil, with higher capacity utilization at our plants and market share gains in both the domestic and export markets. The

strategy based on growing the Brazilian operations is explained by the higher demand for beef in the domestic market, driven by the increases in purchasing power of Brazil's growing middle class, the growth in exports and the gradual return of export markets.

Our record gross revenue of R$ 17.0 billion represented growth of 65.5% in relation to 2009, which was achieved primarily because of the consolidation of the operations of Seara Alimentos and Keystone Foods, this latter as of October 2010. EBITDA in the year in accordance with the newly adopted International Financial Reporting Standards (IFRS) was R$ 1.5 billion, for growth of 107.2% from the R$ 725.0 million in the previous year. Net income in the period was R$ 146.1 million, in comparison with R$ 534.4 million in 2009. The effects on revenue caused by the appreciation in the Brazilian real against other currencies, combined with the adverse scenario of low supplies of finished cattle in Argentina and Uruguay, were offset by the good performance in the domestic market at the Beef Division in Brazil, by the growth in the exports of beef, poultry and pork, and by the growth registered at our operations in Europe.

It is important to emphasize that these results were achieved by following the Group's strategy of positioning itself always closer to final clients, offering higher-value-added products and services and capturing synergy gains at all of the acquisitions made, while focusing on forging a common corporate culture based on ethical and sustainable business practices.

The year 2010 was particularly challenging for companies in the food industry, given the hikes in the costs of raw materials such as cattle and grains, the volatility in currencies such as the U.S. dollar, pound sterling and euro in relation to the Brazilian real, and the growing demand for meat in the domestic and global markets.

The first few months of 2011 have proven to be no different from the previous year, with challenges posed by the new hikes in commodity prices, the political instability in countries in the Middle East and the natural catastrophes in Asia, signaling that the year will be replete with challenges to overcome.

Our initiatives and priorities for 2011 are:

- Delivering attractive operational results through our businesses and the regions where we operate;
- Increasing the control of our working capital needs, while always seeking the ideal balance between our cash flow and our capital structure;
- Continuing to invest in the company's sustainable expansion, while ensuring adequate returns in accordance with the profile of the business;
- Capturing synergies arising from the integration of our business units through the efforts of a synchronized and united team; and
- Investing in our management, our processes, our products and markets, our safety and the environment, thereby ensuring Marfrig's operational performance as a sustainable company before all of its stakeholders.

To achieve these goals, I would like to once again count on the commitment of all of our 90,000 employees in our pursuit of sustainable results and growth, better opportunities and constant operational improvements. All of us play important roles in perpetuating the success of our business, our work and our lives.

In closing, I would like to thank once again all of Marfrig's stakeholders who have been fundamental to our success: our employees, for their dedication and commitment; our clients, for their confidence in the quality of our products; our shareholders, for their support and confidence in our sustainable growth strategy focused on the Group's medium and long term; our suppliers, clients and partners for their trust and ever stronger partnership.

Marcos Antonio Molina dos Santos

CEO & Chairman

2 - CORPORATE PROFILE

Marfrig Alimentos S.A. is one of the largest and most diversified global food companies based on animal proteins, with activities in the segments of the production and distribution of fresh, processed and prepared beef, pork, mutton and poultry products, semi-finished and finished leathers and other food products (frozen pre-cooked potatoes, vegetables, cold cuts and sausages, fish, ready-to-eat meals and pastas).

The company has a portfolio of solid, well positioned and well known brands that are symbols of high-quality food products, which include SEARA, BASSI, MONTANA, PATY, PEMMICAN, TACUAREMBÓ and MOY PARK. Marfrig also has a complete portfolio of products to serve all the needs of its clients in the food service and retail segments.

With a successful track record in integrating acquired companies, Marfrig made over 40 acquisitions in the last four years, including companies, assets and brands, all of which have high growth potential and underwent successful integration processes.

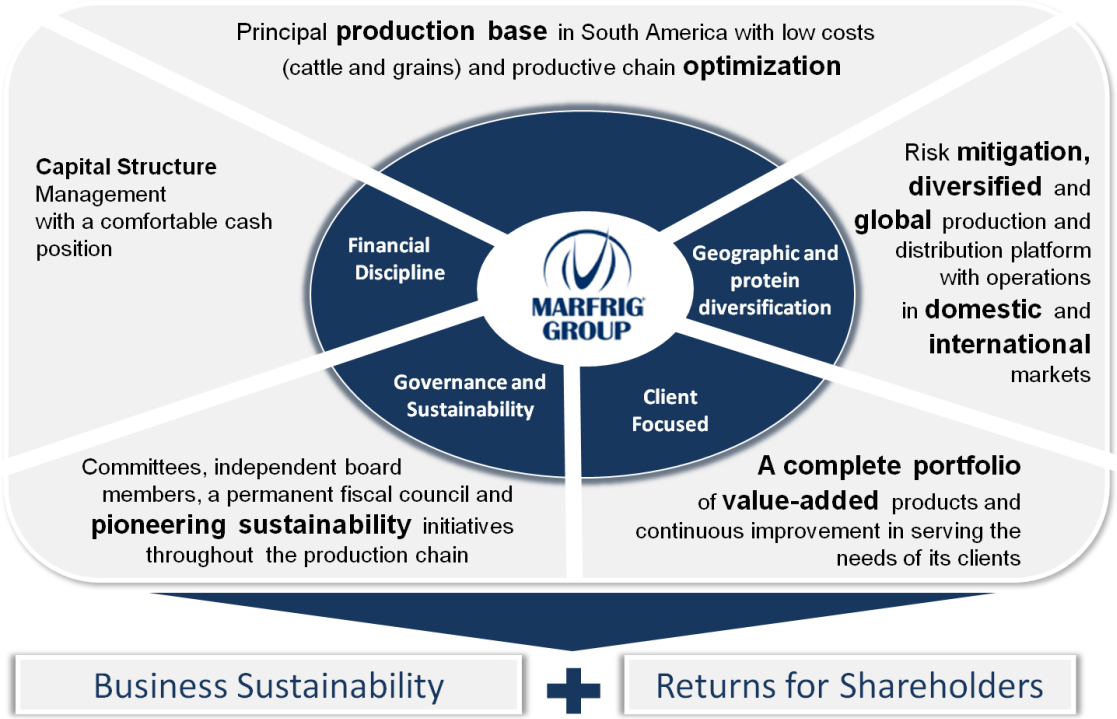
Marfrig's recent acquisitions have leveraged the development of a broad, diversified and flexible operational base, which today comprises 151 units, including production and processing plants, commercial offices and distribution centers, guaranteeing the Company's presence in 22 countries on five continents:

- 45 beef and mutton production and processing units (28 in Brazil, 8 in Argentina, 5 in Uruguay, 2 in the United States, 1 in Chile and 1 in France);
- 51 pork and poultry production and processing units (24 in Brazil, 13 in Europe, 9 in the United States, 1 in China, 1 in Thailand, 1 in Malaysia, 1 in South Korea, 1 in Australia);
- 14 leather production units and commercial offices (1 in Brazil, 4 in Uruguay, 1 in China, 1 in Germany, 2 in the United States, 1 in Argentina, 1 in Mexico and 3 in South Africa);
- 28 distribution centers of Keystone (8 in France, 6 in Australia, 4 in the United States, 4 in the Middle East, 3 in England, 1 in New Zealand, 1 in Malaysia and 1 in South Korea) and a complete distribution chain in South America with own and third-party units;
- 2 trading units (1 in Chile and 1 in England);
- 1 hog production and sales unit in Brazil;
- 3 integrated poultry and animal feed production units in the United States; and
- 6 own and 12 third-party finishing feedlots (9 in Argentina, 5 in Brazil and 4 in Uruguay).

At the close of 2010, the company had daily installed processing capacity of 31,700 head of cattle, 10,400 hogs, 12,900 sheep, 50,000 turkeys and 3.7 million chickens, as well as the capacity to produce 126,000 tonnes of prepared and processed products and 178,500 leather articles per month and to distribute 200 million cases per year.

3 – COMPANY'S STRATEGY

The Marfrig Group's strategy is based on the **sustainability of its businesses over the long term** and **generating returns for its shareholders**. To achieve these goals, the Company is guided by the following strategic objectives:



4 – 2010 HIGHLIGHTS

Financial Highlights

- Gross Revenue of R$ 17.0 billion, up 65.5% on the R$ 10.3 billion recorded in 2009, with pro-forma revenue, which includes the acquired companies, of R$ 20.6 billion;
- Net revenue in 2010 of R$ 15.9 billion, up 65.0% on the R$ 9.6 billion recorded in 2009, with pro-forma net revenue, which includes the acquired companies, of R$ 19.5 billion;
- EBITDA in the year of R$ 1.5 billion, 107.2% higher than the R$ 725.0 million recorded in 2009, with pro-forma EBITDA of R$ 1.7 billion, 127,4% higher than in2009;
- EBITDA margin of 9.5%, improving 193 basis points from 7.5% in 2009. Pro-forma EBITDA margin, which includes the acquired companies, was 8.9%. The margin expansion is basically explained by:
    - Higher capacity utilization rates at the beef plants in Brazil;
    - Sales growth through the Food Service business;
    - Growth in exports with sales directed to more profitable channels;
    - Capture of synergy gains at the Seara operations; stronger sales at Seara and its consolidation over the entire year;
    - Ability to pass through higher input prices; and
    - Solid performance of the operations in Europe.

- Marfrig recorded Net Income of R$ 146.1 million, down 72.7% from the R$ 534.4 million recorded in 2009;

Operating and Strategic Highlights

- The acquisition of Keystone Foods, which sealed the Company's strategy of becoming a global food company based on animal proteins with a global distribution platform;
- The consolidation of Seara, which led the Marfrig Group to become the 2nd largest player in poultry, pork and processed and prepared products in Brazil's domestic market and in exports of these proteins from the country;
- The Marfrig group became the 2nd largest Brazilian exporter of chicken and pork, based on a comparison of the company's data with the data published by Brazil's Foreign Trade Secretariat (SECEX);
- Growth in the Beef Division Brazil, with market share gains in the domestic and export markets;
- Growth in the Europe Division through the acquisition of O'Kane Poultry;
- Company's focus on integration and capturing synergies at the acquired companies.

5 – INDUSTRY PERFORMANCE

The year 2010 was marked by gradual recovery in the world economy, following the impacts from the international crisis in 2008 and the associated repercussions during 2009. In 2010, countries whose economies had been significantly affected already began to show signs of recovery, which leaves us optimistic on 2011. Although still facing high unemployment, which stood at 8.9% in February 2011, according to the Bureau of Labor and Statistics, the United States is already showing positive signs and good prospects for economic expansion. In Europe, some countries were forced to resort to severe and austere measures to adjust their deficits and ensure the sustainability of their economies.

Commodity markets were marked by high volatility throughout the year. Soybean prices on the Chicago Board of Trade (CBOT) ended 2010 at US$ 13.94/bushel, for an increase of 34% in the year. Wheat, which is also used in animal feed, ended the year at US$ 7.94/bushel, or 46.7% higher than at the close of 2009. Corn prices ended 2010 at US$ 6.29/bushel, for an increase of 51.7% from the US$ 4.15/bushel at the end of 2009. The hikes in grain prices were due to the crop shortfalls in important producing countries, such as Russia and Australia, and the growing world demand for grains.

The beef market in South America in 2010 was once again marked by the limited supply of cattle for slaughter and the high cost of finished cattle, which is explained by the stage of the cattle production cycle in which each region figured and the drought in Argentina and Uruguay, as well as by specific factors in each region. Brazil benefitted from the adverse scenario faced by Argentina and Uruguay, with the country increasing its capacity utilization rate and its share of world export flows in 2010.

For emerging countries, 2010 was in general positive, with lower impacts from the crisis. In Brazil, GDP grew by 7.5% from 2009, marking the country's strongest economic expansion since 1986. According to the Brazilian Geography and Statistics Institute (IBGE), the unemployment rate in the country's six main metropolitan areas stood at 5.3% in December, which is the lowest level ever of the historical data series initiated in 2002. Average real

income in these regions also increased in 2010, with the monthly figure reaching R$ 1,530 in December, for an increase of 5.9% from the R$ 1,445 recorded in December 2009. The higher levels of employment, income and credit in the country fueled household consumption.

Even though the Brazilian real gained 4.5% against the U.S. dollar, reaching R$/US$ 1.6662, inflation as measured by the IPCA consumer price index stood at 5.9%, remaining within the inflation target established by the National Monetary Council (CMN). According to the IBGE, the price of commodities was one of the key drivers of headline inflation in 2010, and consequently of food inflation, led by meat prices, which increased by 29.7% in the year. The hike in meat prices is basically explained by the higher costs of raw materials (finished cattle and grains) and producers subsequently passing through these increases to their clients.

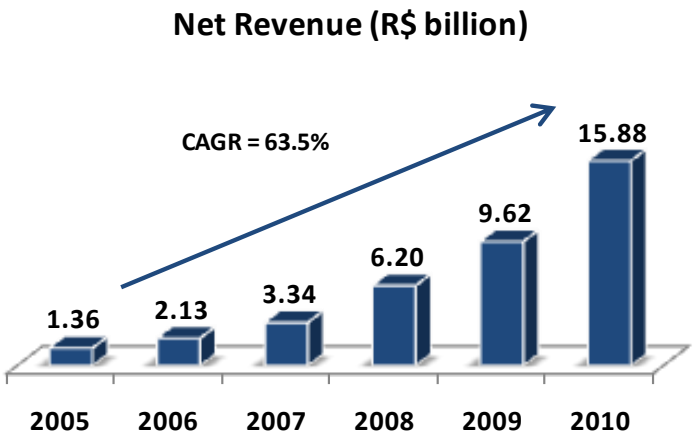
6 – OPERATING AND FINANCIAL PERFORMANCE (2010)

In 2010, the Consolidated Net Revenue of the Marfrig Group came to R$ 15,878.5 million, increasing by 65.0% from the R$ 9,623.6 million in 2009. On a pro-forma basis, net revenue was R$ 19,485.2 million. The main drivers of revenue growth in 2010 were:

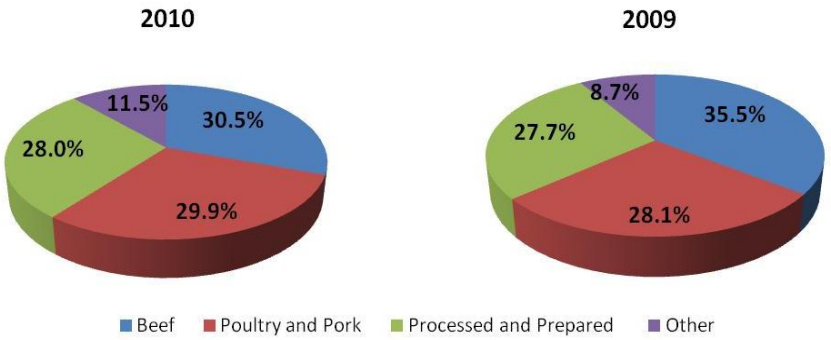
- Higher capacity utilization in the Beef Division and the positive performance of the Food Service business;
- Full consolidation of the Seara operations in the year;
- Consolidation of the Keystone Foods operations in 4Q10;
- Consolidation of the O'Kane Poultry operations at the Europe Division;
- Higher sales at the Europe Division, which recorded a solid performance in 2010; and
- Organic growth of our operations.

In 2010, domestic sales accounted for 59.8% of Marfrig's consolidated revenue, versus 61.8% in 2009, which shows that conditions remained positive in the domestic market. Exports represented 40.2% of consolidated revenue, in comparison with 38.2% in 2009, reflecting the gradual recovery in exports starting in mid-2010.

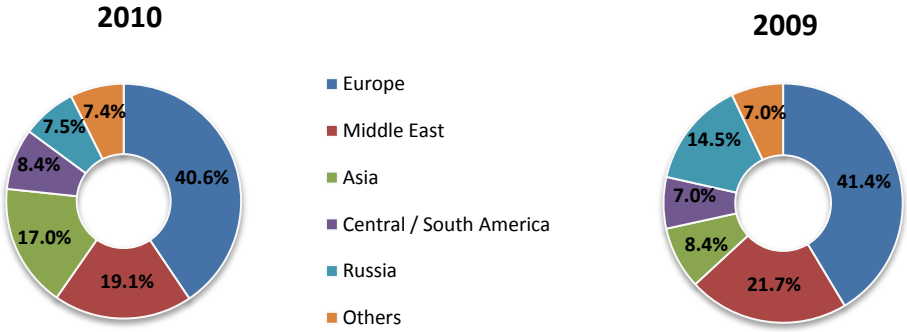
The following chart presents the growth in the Consolidated Revenue of the Marfrig Group:



The following chart presents the share contributed by each protein to Net Revenue in 2010:



The following chart presents the main destinations of exports in 2010:



Europe remained the main destination of the Group's exports, followed by the Middle East and Asia, which significantly increased its share in the Group's exports with the consolidation of the Seara operations in 2010.

- Cost of Goods Sold (COGS)

CPV	2010	Part%	2009	Part%	Var %. 2010 / 2009
Raw Material	**(8,842,0)**	**66.6%**	**(5,632.9)**	**67.3%**	57.0%
Packages	(549.9)	4.1%	(388.0)	4.6%	41.7%
Electric Power	(157.5)	1.2%	(168.4)	2.0%	-6.5%
Dir Expenses + Dir labor (*)	(2,973.9)	22.4%	(1,372.3)	16.4%	116.7%
Ind Expenses + Outsourcing (**)	(670.6)	5.1%	(511.9)	6.1%	31.0%
ADJUSTMENTS IFRS(***)	(83.1)	0.6%	(148.0)	1.8%	-48.8%
TOTAL	**(13,277.0)**	**100.0%**	**(8,369.4)**	**100.0%**	**58.6%**

(*) Direct expenses and direct labor
(**) Indirect expenses and indirect labor
(***) See Item 2.3 of the Notes to the Financial Statements

Cost of goods sold (COGS) increased by 58.6% to R$ 13,277.0 million in 2010, from R$ 8,369.4 million in 2009, reflecting the higher raw material prices (cattle and grains) in 2010, the consolidation of Seara over the entire year, the partial consolidation of the O'Kane and

Keystone operations, the higher capacity utilization in the beef division and the organic growth in the period.

The main component of COGS continues to be raw materials, which include animals and feed inputs (grains) and accounted for 66.6% of total COGS in 2010, in comparison with 57.0% in 2009.

The beef division represented 43.0% of COGS, while the poultry, pork, prepared foods and processed foods operations accounted for 57.2% of the total. In the beef division, cattle represented approximately 80% of COGS, while in the poultry, pork, prepared foods and processed foods operations, grains and meals accounted for approximately 40% of COGS.

- Gross Income and Gross Margin

In 2010, Gross Margin was 16.4%, expanding by 335 basis points from the 13.0% margin in 2009. This margin expansion is explained by the increase in capacity utilization at the Beef Division - Brazil, the improvement in the European operations and the still gradual ramp-up in sales of prepared and processed products, which had higher margins. Pro-forma consolidated gross margin in 2010 was 15.6%.

Gross Income reached R$ 2,601.4 million, growing by 107.4% from the R$ 1,254.2 million registered in 2009, reflecting the reasons cited above and the inclusion of the operations of Seara Alimentos, O'Kane Poultry and Keystone Foods in 2010. Pro-forma consolidated gross income in 2010 was R$ 3,048.7 million.

- Operating Expenses

In 2010, selling, general and administrative (SG&A) expenses totaled R$ 1,970.2 million, 111.6% higher than the R$ 931.2 million recorded in 2009, which is explained by the higher headcount due to the inclusions of the operations of Seara Alimentos, O'Kane Poultry and Keystone Foods during 2010 and by the investment in marketing and advertising associated with the development of the group's brands, especially the global brand Seara.

SG&A expenses represented 12.4% of net revenue in 2010, up 270 basis points from 9.7% in 2009. Consolidated pro-forma SG&A expenses came to R$ 2,234.3 million in 2010, corresponding to 11.5% of net sales.

The main lines recording increases were freight charges on sales, marketing, labor and benefits and charges, which accompanied the growth in sales.

Operating revenue/expenses include the negative goodwill from the acquisition of Seara of R$ 192.0 million, and are detailed in Item 2.3 of the Notes to the Financial Statements.

Marfrig has been maintaining its strategy of controlling costs and expenses, which has been led by its efforts to merge the structures of the recently acquired units, exchange best practices and dilute fixed costs.

- EBITDA and EBITDA Margin

In 2010, Marfrig's consolidated EBITDA (earnings before interest tax, depreciation and amortization) came to R$ 1,502.5 million, for growth of 107.2% from R$ 725.0 million in 2009. Pro-forma EBITDA in the year was R$ 1,740.2 million, 139.9% higher than in 2009.

	IFRS REAL			PRO - FORMA		
	2010	2009	2010 X 2009	2010	2009	2010 x 2009
EBITDA	1,502.5	725.0	107.2%	1,740.9	765.4	127.4%
EBITDA Margin	9.5%	7.5%	193 b.p.	8.9%	4.5%	448 b.p.

EBITDA margin stood at 9.5% in the period, compared with 7.5% in 2009. The expansion in EBITDA margin is explained by: the increase in capacity utilization at the beef plants in Brazil (diluting costs and improving margins); the higher sales in the Food Service operations; the growth in exports with sales directed to more profitable channels; the higher sales and capture of synergy gains at the Seara operations, which was consolidated over the entire year; the company's ability to pass through higher costs and the solid performance of the Europe Division.

The inclusion of the Keystone operations will help support the strategy adopted for 2011, by increasing both the share of prepared and processed products in the revenue mix and sales through more profitable distribution channels, which should lead to margins that are more sustainable over the long term.

The following table shows the nonrecurring effects on EBITDA that should be considered:

	IFRS REAL			PRO-FORMA		
	2010	2009	2010 X 2009	2010	2009	2010 X 2009
Adjusted EBITDA	1,258.0	643.9	95.4%	1,498.4	679.6	120.5%
Adjusted EBITDA Margin*	7.9%	6.7%	123 bp	7.7%	4.0%	373 bp

(*) The adjustments related to the adoption of IFRS were incorporated in the line other operating revenue/expenses and are explained in detail in Item 2.3 of the notes to the financial statements.

- Financial Result

	2010	2009	2010 X 2009
Financial income	253.6	176.7	43.5%
Exchange and monetary effects - Gains	282.7	728.7	-61,2%
Financial expense	(1,295.8)	(675.1)	91,9%
Exchange and monetary effects - Losses	(378.8)	(85.2)	355,3%
FINANCIAL REVENUES (EXPENSES)	**(1,147.2)**	**145.1**	**N/A**

In 2010, the Company recorded net financial expenses of R$ 1,147.2 million, which compares with the net financial income of R$ 145.1 million recorded in 2009.

Interest expenses increased 89.5%, reflecting the higher net debt generated by the investments in working capital for the expansion of existing plants in 2009 and the new funding operations for the acquisitions made in 2010, including the mandatory convertible debentures.

In 2010, given the appreciation in the Brazilian real against the U.S. dollar of 11.8% in the period, the company recorded a currency translation loss of R$ 105.0 million, reversing the currency translation gain of R$ 643.5 million in 2009.

The net loss in the period from Market Operations was R$ 218.8 million, which is explained by the hedge instruments contracted for the acquisition of Keystone Foods, an effect that was partially offset by the acquisition price.

Other Financial Expenses increased 89.2% to R$ 184.9 million, reflecting the higher volume of financial operations, fees and charges generated by the company's transactions, especially those involving Seara and Keystone Foods in 2010.

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

Net Income in 2010 was R$ 146.1 million, down 72.7% from 2009 (R$ 534.4 million), when the result was leveraged by the currency translation gain of R$ 643.5 million. Net margin in the period was 0.9%, versus 5.6% in 2009. On a pro-forma basis, net income was R$ 259.1 million, for net margin of 1.3%.

The temporary effect caused by foreign exchange variation on debt and the financial impact of investments in working capital were the main factors adversely affecting net income in 2010.

We believe that Marfrig's strategy of diversification across regions and proteins, combined with a globalized distribution platform and a higher share of prepared and processes products, provides us with the ideal conditions to achieve profitability that is sustainable in the medium and long terms.

7 – PERFORMANCE BY PROTEIN/BUSINESS

SLAUGHTERING	2010	2009	Var % 2010 X 2009
BEEF			
Brazil	2,652,694	1,567,661	69.2%
Argentina	569,641	698,823	-18.5%
Uruguay	503,222	554,236	-9.2%
TOTAL BEEF	**3,725,557**	**2,820,720**	**32.1%**
CHICKEN (thousand heads)			
Brazil	649,278	263,805	146.1%
Europe	189,206	162,881	16.2%
TOTAL CHICKEN	**838,484**	**426,686**	**96.5%**
TOTAL PORK	**2,624,895**	**992,730**	**164.4%**
TOTAL TURKEY	**5,859,982**	**2,132,102**	**174.8%**
LAMB			
Uruguay	98,336	212,569	-53.7%
Chile	163,286	194,721	-16.1%
Brazil	64,376	16,087	300.2%
TOTAL LAMB	**325,998**	**423,377**	**-23.0%**

BEEF, LAMB AND LEATHER

The year 2010 was marked by growth in the Beef Food Service operations in Brazil. We closed the year with an average capacity utilization rate of approximately 65%. The Division's solid performance was the result of the positive economic scenario, with robust domestic consumption and gradual growth in exports, which facilitated the pass-through to prices of the higher cattle costs. This strong demand not only made it possible to start operations at the plants leased by the company in late 2009, but also resulted in higher capacity utilization at own plants, which led to important market share gains. In the year, 2.6 million head of cattle were slaughtered, 69.2% more than the 1.6 million in 2009. In the same period, slaughter volume in Brazil grew by 0.4%. Marfrig's share of the country's total slaughter volume increased from 7.3% in 2009 to 12.2% in 2010 (based only on cattle inspected by the Ministry of Agriculture, Livestock and Supply - MAPA), while its market share in 4Q10 stood at 14.6%.

The strategy adopted by the Marfrig Group for exports supported an increase in volume shipped, taking advantage of the gradual recovery in consumption in international markets. Export sales volume totaled 173,400 tonnes in 2010, 21.1% more than the 143,200 tonnes exported in 2009, even considering the strong demand in the domestic market. Despite the impact from the stronger Brazilian real, export revenue came to R$ 1.3 billion, growing 25.4% from R$ 1.0 billion in 2009. The Company's share of the country's beef exports stood at 18.1% in 2010, up from 12.1% in 2009, and reached 22.3% in 4Q10.

The strategy of growth through higher capacity utilization in Brazil should continue, taking advantage of the cattle cycle, which bodes well for the coming years, supported also by the buoyant domestic market and the gradual growth in exports. Another highlight was the launch of beef products with the Seara brand, including: the Seara Angus line, made from Angus beef, which is renowned worldwide for its high standards of tenderness, flavor and succulence; the Seara Lamb line, which aims to meet the growing demand for this protein and increase the popularity of lamb cuts in Brazil.

The operation in Argentina faced a challenging scenario in 2010, with high cattle costs, price controls in the domestic market and restrictions on exports. However, the Company's strategy enabled it to offset these difficulties and close the year with average capacity utilization of approximately 60%.

Since its entry into Argentina (2007), Marfrig has focused on the domestic market, with a strong presence in prepared and processed products. These products are less impacted by variations in cattle prices and their prices are not controlled by the government, unlike fresh meat cuts. In 2010, we reached market share of 64.2% in the hamburger market and 20.6% in the wiener market with the brand PATY in Argentina.

In 2011, we will continue to expand the line of prepared and processed products. We will also seek to capture synergies with other operations of the group, including the launch of Seara products (chicken, turkey, pork and prepared and processed products), with the aim of meeting the growing demand for these proteins in Argentina. In the export market, we will remain focused on exporting value-added prime cuts and seek to use our entire Hilton quota.

Marfrig is the largest private company in Uruguay and will continue to benefit from its leading position to leverage sales and from the country's sanitary status, which makes possible beef exports to countries that currently have imposed restrictions on exports from our other production bases.

In Uruguay, 2010 was also a challenging year, due to the low supply of finished cattle and hikes in prices, which are explained by the cattle cycle, the exports of live cattle and the drought in 2009. Marfrig opted to conduct maintenance stoppages at some of its plants in the second half of 2010, with the aim of optimizing its performance and operational structure. In 2010, a total of 503,900 head of cattle were slaughtered in the country, down 9.2% from 554,300 in 2009. Due to the adverse scenario in Uruguay, the average capacity utilization rate in 2010 stood at 50%.

The performance of Zenda (operation based in Uruguay with finished leather production units serving automakers in several countries) has impacted the division's results since January 2010, reflecting the increase in cattle leather prices in the period, which could only be passed through to final clients over the course of the year.

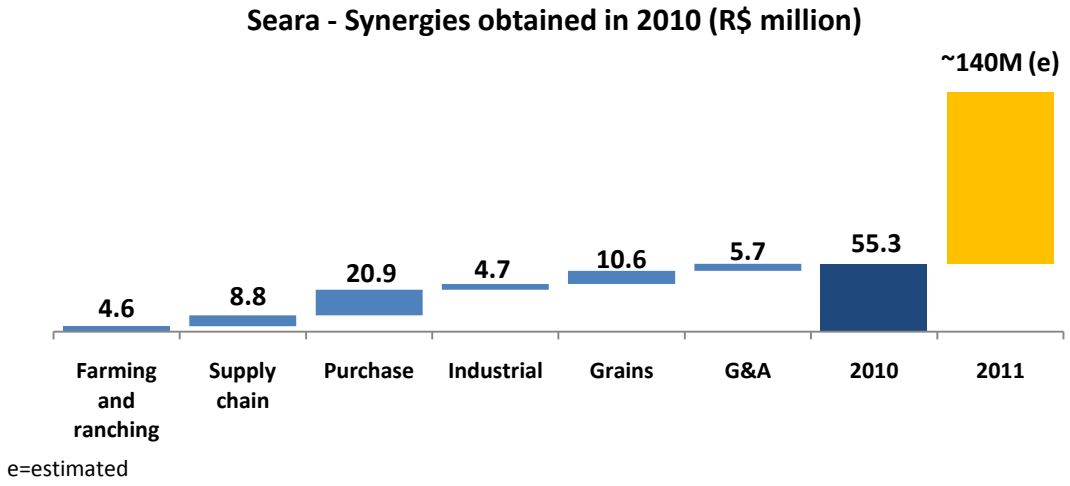
Since Uruguay is a net beef exporter, it was more difficult to pass through the price increases in both meat and leather. As a result, margins at this division contracted during the year, with the biggest impact in the third quarter, a period that is seasonally weaker due to the dry season. However, at the end of the year, the sector began to show signs of recovery, with a higher supply of finished cattle and declines in raw material prices. As a result, the plants in Uruguay returned to their previous utilization rates of 80%, which helped improve the profitability of the division by the middle of the fourth quarter.

The trend of gradual improvement in the supply of finished cattle observed at the close of 2010 should continue in 2011, leading to higher prices and gradual recovery in margins to prior levels.

POULTRY, PORK AND PREPARED / PROCESSED PRODUCTS

The year 2010 was marked by the merger of the Seara operations with the former Poultry, Pork and Prepared Products Division (DASI), with the standardization of the platform and systems of the entire operation, with a focus on improving the company's processes, management and organization, investing to reestablish the brand and expanding the prepared and processed products line. Investments were also made in the logistics operation to expand the availability of Seara products to put them within closer reach of all Brazilians.

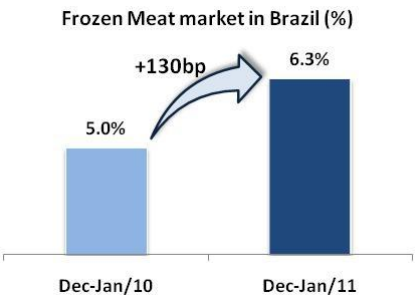
Many of the objectives established were reached already in 2010. Despite the challenging scenario we faced in 2010, with high grain prices and a stronger local currency, we can say that the results obtained reflect the successful strategy established for the Nova Seara Division. A highlight was the capture of synergy gains, which totaled R$ 55.3 million in the year (92% of the amount projected for the year), with synergy gains of around R$ 140 million still expected in 2011. The following chart presents a breakdown of the synergies obtained in 2010 (in R$ million):

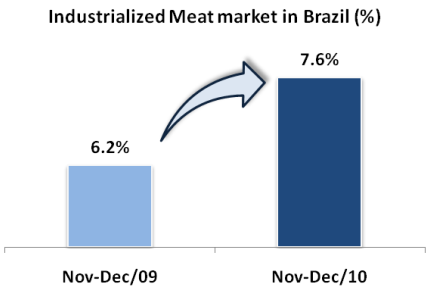


e=estimated

Another highlight was the progress achieved in the logistics area to improve efficiency in the delivery and distribution of products in the national market. The main initiatives include the opening of new distribution centers, the expansion and adjustment of the fleet and storage facilities, and the revitalization of programs such as PEEN 10 (Excellence in Delivery Program), which standardized customer service.

Another highlight in the year was the gain in market share in the domestic market (see table below), thanks to the distribution and marketing efforts and the launch of 120 new products, of which more than 80% targeted the domestic market, consisting mostly of prepared and processed products with higher value added.

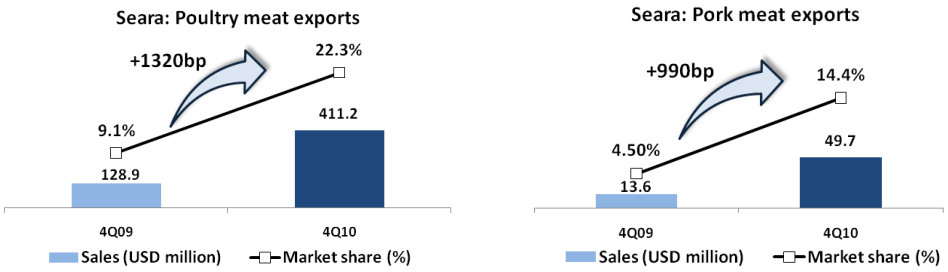




[1] Frozen meats: meatballs, cuts, hamburgers, kebbeh, ready-to-eat products, nuggets, ready-to-eat dishes, stuffed products, snacks, steaks and pies
[2] Prepared and processed meat products: Afiambrado, pressed ham, healthy meats, coppa, bologna, Parma ham, ham, salami and wieners.
Source: AC Nielsen

Exports continued to deliver a solid performance, with higher volumes and the passthrough to prices of the higher grain costs. Marfrig reached market shares of 20.5% in chicken exports and 12.9% in pork exports in 2010 (Source: SECEX). Regions like the Middle East, Asia and Europe increased their import volumes of chicken and pork.

The following charts show Seara's share of Brazil's total poultry and pork exports:



Source: Secex

In 2011, we aim to increase the production of prepared and processed products with the launch of 80 new products, further diversifying our product portfolio. We will also focus on broadening our client base by expanding distribution in Brazil and consequently gaining market share in the subsequent years.

The local operation in Europe continued to present a solid performance in 2010, driven mainly by chicken consumption in the United Kingdom. Starting in 3Q10, with the acquisition of O'Kane Poultry, average prices at the Europe Division contracted slightly, reflecting the change in the product mix, since O'Kane has a higher share of fresh products than Moy Park.

Moy Park will continue to maintain its leadership position in the UK chicken market, with a strong presence in major retail chains and in the Food Service segment, growing its sales in the local market as well as in other European markets.

Part of the Division's strategy is to capture synergy gains with the distribution gained from the Keystone operations and with the higher share of products from South America, offering a portfolio that is increasingly broader and complete to existing channels, adding value with these more customized offerings and meeting the needs of each client.

On October 1st, 2010, the acquisition was concluded that sealed the Company's strategy of becoming a global food company based on animal proteins. Keystone brings operational benefits, such as synergies in the production and distribution areas, a higher share of prepared and processed products and access to markets in which we did not have a strong physical presence, like Asia (with plants and distribution centers), as well as financial benefits, such as consistent cash flow and margins and stable businesses.

Keystone operates in the production of prepared and processed meats (chicken, beef, pork and fish) and has a global platform for distribution to restaurants, in particular the McDonald's franchises. In the United States, Keystone is the largest supplier of both chicken and beef, the

second-largest supplier of fish and the third-largest supplier to McDonald's. The Company operates 54 units in 13 countries, including the United States, United Kingdom, France, Australia, New Zealand, the Middle East (United Arab Emirates, Kuwait, Bahrain, Qatar and Oman) and Asia (China, Malaysia, Thailand and South Korea).

Keystone began its relationship with McDonald's when it developed a technology for freezing hamburgers known as cryogenics, which enabled the chain to significantly reduce the number of suppliers. Keystone has been one of the main suppliers to McDonald's since 1970, and it is highly renowned for its innovation, reliability and food safety and quality. The company also processes chicken products for more than 20 fast food chains.

In 2010, Keystone USA produced approximately 725,800 tonnes of chicken products, 118,500 tonnes of beef products and 9,300 tonnes of fish. It also processed more than 187.9 million chickens. In the year, Keystone also delivered 200 million cases to its clients worldwide.

8 – INVESTMENTS

Among the investments completed in 2010, we highlight the acquisition of Cargill Inc.'s entire Brazilian animal proteins business (poultry, hogs and industrialized products), represented by Seara Alimentos Ltda. (current Seara Alimentos S.A.) 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, this way Marfrig expanded and grew 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, at the same time that adds the brand SEARA in processed products of high added value, of major importance in the Brazilian and international markets.

Another highlight was the acquisition of 100% of the shares issued by Keystone Foods from Lindsay Goldberg. Keystone Foods operates worldwide in the development, production, trading and distribution of chicken, fish, pork and beef food, and is specialized in food services. This acquisition puts Marfrig at a leading position as supplier of the whole international chain of McDonald's and other companies of the food segment. Keystone Foods LLC is the largest US private corporation engaged in animal protein processing, according to Forbe's 2009 America's Largest Private Companies of 28th October 2009. It is headquartered in West Conshohocken, Pennsylvania, USA, and serves more than 28,000 restaurants in 13 countries, including USA, France and United Kingdom (Europe), China, Thailand, Malaysia and South Korea (Asia), Australia, New Zealand and United Arab Emirates, Kuwait, Bahrain, Qatar and Oman (Middle East).

The following chart presents a breakdown of the Marfrig Group's investments made in 2010.

Consolidated Investments (R$ million)	2010	2009	Var % 2010 X 2009
Net investment	1,534.9	190.3	706.6%
CAPEX – Invested in fixed assets	1,119.1	538.6	107.8%
Intangible Assets/ Goodwill/ Deferred	1,295.5	106.2	1,119.7%
TOTAL INVESTMENT	**3,949.5**	**835.2**	**372.9%**

9 – CAPITAL STRUCTURE, LIQUIDITY AND RATINGS

Consolidated Debt

The Company's consolidated gross debt increased by R$ 4,073.7 million, while cash and cash equivalents increased by R$ 842.9 million, reflecting the investment of R$ 3,94 billion made in the period (which included Keystone Foods in October 2010 and Seara Alimentos in January 2010) and the investment in working capital made to increase capacity utilization rates at the beef plants and to boost sales at Seara.

The leverage ratio (net debt of R$ 5.351,4 million and pro-forma EBITDA of R$ 1,740.9 million) stood at 3.07x (leverage ratio based on LTM EBITDA of R$ 1,502.5 million was 3.56x). The composition of gross debt by currency was 24.8% in Brazilian real and 75.2% in other currencies, in line with the revenue generated by the Group in currencies other than the BRL in 2010 of 73.3%.

At the end of 2010, 30.9% of the total debt was short term debt, versus 28.6% in 2009. In 2011 the Company will focus in the capital structure management heading towards long term operation. Cash and cash equivalents stood at R$ 3,876.4 million on December 31, 2010, up 27.8% from R$ 3,033.4 million in 2009, which is sufficient to cover 1.4 times the current debt of R$ 2,852.6 million.

Of the total debt of the Group, 56.5% is secured by surety bonds or promissory notes. A breakdown of surety bonds and details of non-current debt are included in Note 16 to the Financial Statements.

Debt breakdown (R$ thousand)	Current	Dec/2010 Non current	Total	Current	Dec/2009 Non current	Total
Local currency	1,254.3	1,598.3	2,291.0	713.0	569.1	1,282.1
Other currencies	1,036.6	5,338.6	6,936.8	760.6	3,11.4	3,872.1
Consolidated Debt	**2,291.0**	**6,936.8**	**9,227.8**	**1,473.6**	**3,680.6**	**5,154.1**
Cash	682.6		682.7	617.0		617.0
Current Investments	3,206.7		3,206.7	2,419.3		2,419.2
Cash and cash equivalents	3,889.3		3,889.3	3,036.2		3,036.3
Net Debt			(5,338.5)			(2,078.3)

The operations to finance the company's investments in 2010 and to adjust the debt profile include the issue of debentures mandatorily convertible into shares in July 2015 worth R$ 2.5 billion and the USD 500 million bond issue maturing in 2010 and with a coupon of 9.5%. Note that cash at the close of 2009 already included the result from the stock issue worth R$ 1.5 billion held in December of that year for the acquisition of Seara.

Global Risk Rating

At the end of 2010, the risk rating agencies Fitch, Moody's and Standard & Poor's reaffirmed their ratings ('B+', 'B1' and 'B+', respectively), with stable outlooks in both foreign and local currency, which considered our investments in the period. In a year marked by the strong expansion of Marfrig Alimentos via acquisitions, the maintenance of these ratings confirms the confidence in the company's ability to capture the projected synergies, reduce working capital needs and consequently deleverage.

10 – CAPITAL MARKETS

Capital Stock

Marfrig's subscribed and paid-in capital on December 31, 2010 totaled R$ 4,061,478,051, comprising a single class of 346,983,954 common shares.

Ownership Structure

The following table shows Marfrig's ownership structure, considering shareholders who own more than 5% of the capital:

SHAREHOLDERS	# SHARES	Part.%
MMS Participações	150,903,836	43.49%
Treasury Stock	394,198	0.11%
Management	135,608	0.03%
BNDESPAR	48,200,827	13.89%
OSI Group	20,117,637	5.80%
GWI Asset Management S.A.	18,128,300	5.22%
Templeton Asset Management	17,407,331	5.02%
Others	91,696,217	26.43%
Total	**346,983,954**	**100.0%**

Debentures mandatorily convertible into shares in 2015

On July 15, 2010, Marfrig Alimentos issued 250,000 debentures mandatorily convertibles into shares, worth a total of R$ 2,500,000, which is detailed in Note 21, Item 2.

The two hundred and fifty thousand (250,000) debentures were subscribed on various dates in September, with BNDES Participações S.A. being the main debentureholder.

Based on the characteristics of the operation, the Company registered the debentures issued as Capital Reserve. As established in the Deed of Issue and notwithstanding the possibility of voluntary conversion, the conversion price will be the lowest of the following items: (i) R$ 21.50, plus the interest paid to the debentureholders on the nominal value of the issue, less the remuneration distributed per share, both restated by the CDI overnight rate from the payment date, in the case of interest on the debentures, or the ex-remuneration date, in the case of remuneration, until the date of conversion; and (ii) the greater of the market price or R$ 24.50, with this latter figure not adjusted for remuneration in cash or monetary restatement.

Stock Performance in 2010:

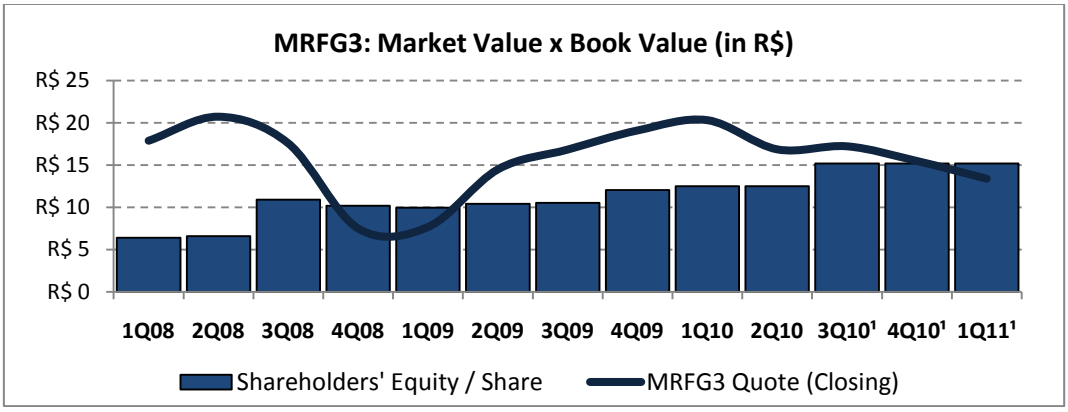
Marfrig is listed on the Novo Mercado special corporate governance segment of the BM&FBovespa S.A. - Securities, Commodities and Futures Exchange under the ticker MRFG3 and is a component of the Brazil Index (IbrX), the Special Corporate Governance Stock Index

(IGC), the Special Tag-Along Stock Index (ITAG), the Industrial Sector Index (INDX), the Small Cap Index (SMLL) and the Consumption Index (ICON).

In 2010, Marfrig stock was included in the portfolios of the Ibovespa and Brazil IBX-50 stock indexes, reflecting the increase in its trading liquidity. They were also included in the Carbon Efficiency Index (ICO2) created by BM&FBOVESPA and the Brazilian Development Bank (BNDES) to promote the management of climate change by publicly traded companies.

Average daily financial volume was R$ 27.0 million in 2010, versus R$ 10.4 million in 2009. Average daily trades came to 2,589 in 2010, versus 876 in 2009. Marfrig stock was quoted at R$ 15.50 at the close of 2010, for a decline of 18.9% in the year. In the same period, the Bovespa Index gained 1.0%.

The following chart provides a comparison of the market value and book value of Marfrig stock.



[1]Adjusted by the maximum number of shares equivalent to the mandatory convertible bonds in 2015.

11 – CORPORATE GOVERNANCE

Overview

Marfrig is committed to best corporate governance practices, following the recommendations of the Brazilian Code of Best Corporate Governance Practices of the Brazilian Corporate Governance Institute (IBGC). Marfrig believes that constantly improving its governance practices helps increase its value, improve its performance, facilitate its access to capital at lower costs and contribute to the sustainability of its business.

Independent Board of Directors

Marfrig's Board of Directors is currently formed by 8 members, of whom 3 are independent members and 1 is appointed by a minority shareholder that holds an interest of more than 5% in the Company's capital stock.

Standing Audit Committee

The Audit Committee is a non-statutory body whose objective is to oversee Management's acts, give opinions on certain issues and provide information to the company's partners. The installation of Marfrig's Audit Committee was approved by a Shareholders' Meeting. It is composed of 3 members and 3 alternate members, of whom 1 member and 1 alternate

member were appointed by minority shareholders who hold more than 5% of the Company's capital stock.

Support Committees

The company currently has 3 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; and
- Compensation, Human Resources and Corporate Governance Committee: Antonio Maciel Neto;

Code of Ethics

Marfrig's Code of Ethics 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 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 corporate objectives; (b) align the interests of the Company's shareholders with 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/ir) 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. 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).

Risk Management

The Company is subject to market risks in its activities related to fluctuations in currency exchange rates, interest rates and commodity prices. With the aim of mitigating these risks, the Company establishes policies and procedures to manage such exposures, and can use hedge instruments, as long as previously approved by the Audit Committee. The Market Risk Management Policy aims to mitigate the economic and accounting exposure of its operational activities from variations in exchange rates, interest rates, commodity prices and credit risks.

12 – SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Marfrig Group develops and implements innovative initiatives and comprehensive social and environmental responsibility policies throughout its production chain with the objective of guaranteeing the sustainability of its business over the long term.

In this context, each of the Group's Business Divisions develops initiatives based on the particularities of the local operations, which, taken as a whole, guarantee and contribute to the sustainability of the entire production system.

The Code of Ethics of the Marfrig Group is the same for everyone and is followed by all industrial, commercial and administrative units located in all countries where the Company operates. This enables the development of a unique and global culture, guided by the same social and environmental values.

The most visible aspect of the Company's commitment to the best sustainability practices are the working groups it leads or participates in and the public commitments it makes in partnership with the largest global organizations working to protect sustainable production and preserve biodiversity.

To learn about the main positions held by the Marfrig Group, please go to the company's website www.marfrig.com.br. Some positions held by the Marfrig Group are listed below:

- Chairman of the Board of Directors and member of the Executive Steering Committee of the Working Group on Sustainable Ranching, a World Bank initiative through the International Finance Corporation (IFC) that aims to promote the sustainability of the beef production chain.
- Member of the Leather Working Group, an international multi-stakeholder working group that aims to devise an environmental performance protocol for leather producers and promote the best sustainability practices in the leather industry.
- Signatory to the Sustainable Connections Business Pact for the financing, production, use, distribution, sale and sustainable consumption of beef products originating from the Amazon and destined to the city of São Paulo.
- Signatory to the National Pact for the Eradication of Slave Labor in Brazil, an initiative of the Ethos Institute for Companies and Social Responsibility, the Social Observatory Institute, the NGO Repórter Brasil, and the International Labor Organization, which implements tools to prevent the business community and Brazilian society from selling products from suppliers involved in slave labor practices.

Through its Business Divisions, the Marfrig Group has implemented various programs and initiatives of global scope related to the theme of sustainability. These programs form a solid basis that enables the creation of operational synergies among the Divisions. They also enable the dissemination of best practices throughout the entire Group through the exchange of experiences and analysis of the results from each Division.

The main ongoing projects targeting the **Environment** include:

- Projects to reduce greenhouse gas emissions
- Improved effluent treatment systems
- Programs to measure and offset GHG emissions

- Programs for the use of renewable energy
- Social and environmental monitoring system for the Amazon Biome
- Organic production programs
- Animal welfare programs
- Recycling programs
- Integrated management systems
- Reforestation projects
- Water consumption management
- Seara Environmental Education Center

The main ongoing **Social Responsibility** projects include:

- Marfrig's Social Responsibility Institute
- Partnership with the Ronald McDonald Institute
- Support for non-profit organizations
- "Minha Casa" project
- "Portas Abertas" project
- Support for local communities
- Education and placing in the labor market
- Employee safety and health policies

More information on the projects is available on the Company's website (www.marfrig.com.br) or via telephone at +55 11 3728-8600.

13 – PEOPLE MANAGEMENT

In 2010, the Marfrig Group continued to work on unifying its HR practices and policies, focusing this year primarily on consolidating the companies Seara, O'Kane and Zenda and beginning the process to integrate Keystone.

The guidelines of the workplace health and safety system were enhanced to mitigate worker exposure to the risks of accidents and occupational illnesses. In Brazil, Marfrig conducted various internal campaigns to combat H1N1, programs to educate people on driving safely and campaigns to collect donations for the victims of natural disasters.

Marfrig's Code of Ethics was inspired by moral values that beyond merely complying with the law and formalizes the Marfrig Group's relations with its clients, consumers, employees, shareholders, suppliers, government authorities and society. The Code of Ethics was implemented in all divisions of the Marfrig Group.

Marfrig's also seeks to be a company recognized for its citizenship, with its management practices focused on its employees and surrounding communities putting it in a vanguard position in the approach adopted for its myriad relationships at the national and international levels. The company complies with all resolutions of the World Labor Organization (WLO), as well as the laws of the countries where it operates, developing safety awareness campaigns, training on the adequate use of personal protection equipment and registering all workplace accidents and illnesses. In 2010, a corporate sustainability department was created to develop global programs to promote the issues cited above.

Employees

The Marfrig Group ended 2010 with 90,625 employees worldwide, for an increase of 91% in relation to 2009. The increase mainly reflects the incorporation of the acquired companies and the plants leased during 2010, which included Seara, Zenda, O'Kane and Keystone. The following table shows the number of employees by Division:

Division	Dec/09	Dec/10
Marfrig Holding[1]	238	104
Argentina[2]	4,019	4,138
Europe	8,865	10,603
Beef Brazil	15,476	20,390
Poultry, Pork and Processed	14,366	36,435
Uruguay [3]	4,020	5,827
Keystone[4]	-	13,128
Total	46,984	90,625

[1] The employees of the shared services team allocated at the holding company were transferred to the Beef Division - Brazil
[2] Includes employees at Marfood.
[3] Includes employees in Chile.
4 Does not include information for Keystone.

Men and women represented 59% and 41%, respectively, of all employees, which confirms the growth of 14% by women in the job market in relation to 2009. Because Marfrig is a young company, 73% of employees has been working at the company for up to 5 years, and 27% for more than 5 years.

In terms of age, 62% of our employees are 35 years old or younger, with 36% aged between 25 and 35 and 28% older than 35.

Our average monthly turnover is 3.79%.

Net revenue per employee declined by 10.8% from 2009, while sales volume per employee fell 22.1%.

Indicators	2009	2010	Var %
Number of employees *	46,984	90,625	92.9%
Average number of employees	41,930	77,683	85.3%
Net revenue per employee / year – R$ thousand	229.3	204.,4	-10.8%
Volume sold by employee (tonnes/year)	52.1	40.6	-22.1%

*On December 31, 2010

14 – GUIDANCE

On October 26, 2009, the Group presented its guidance[1] for 2010, based on the following assumptions for exchange rates: R$ 1.80/USD and USD 1.70/pound sterling.

The Company did not meet its Guidance, due to the following factors:

Foreign exchange volatility: The recovery in the U.S. economy did not occur at the pace expected by the government, which continued to inject dollars in the market in order to stimulate consumption. The average dollar exchange rate was R$ 1.7585 in 2010, 2.3% lower than the assumption adopted by the Company for its projections.

The deterioration in certain European economies also impacted currencies like the pound sterling and euro. Currency depreciation was one of the strategies adopted by some governments to help them emerge from the crisis. The average pound sterling/USD rate was US$ 1.5457 in 2010, 9.1% lower than the assumption adopted for our guidance (US$ 1.70).

Beef plants leased in Brazil: In 2009, Marfrig leased 14 cattle slaughter plants in Brazil to expand its presence in the country. The Company expected the 14 plants to become operational in the beginning of 2010. However, factors such as the slow process for obtaining environmental licenses, difficulties in hiring specialized labor and the need for higher investments in equipment led the plants to start operating only during the second half of 2010.

Scenarios in Argentina and Uruguay: Both countries faced low cattle supplies due to the cattle cycle and, especially, the drought in 2009. The low supply of cattle led to higher prices, forcing the industry to reduce slaughter volume and optimize operations.

The actual results achieved in relation to the guidance given are presented below:

	Guidance 2010[3]	Results in 2010[4]
Net Revenue	R$ 16.5 to 18.0 billion	15.88 billion
EBITDA[1]	R$ 1.4 to 1.8 billion	1.50 billion
EBITDA Margin	8.5% to 10.5%	9.5%
CAPEX[2]	R$ 400 million	R$ 3.94 billion

1 Earnings before interest, tax, depreciation and amortization
2 CAPEX guidance did not include breeding stocks and acquisitions
3 Risks: deterioration in the world economic scenario and currency volatility, with repercussions for the Marfrig Group's strategy of diversifying its operations.
4 2010 – IFRS

16 – 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.

17 – RELATION WITH AUDITORS

In compliance with CVM Instruction No. 381/2003, that refers to the provision of other services by our independent auditors – BDO Network of Members Firms, we inform that the total amount for other services than the independent audit represented no more than 35% of the total fees paid to BDO from Marfrig Alimentos SA and its subsidiaries.

18 – SUBSEQUENT EVENTS

- On January 3, 2011, the Company disclosed a Notice to the Market announcing that on December 28, 2010, the fund Templeton Asset Management reached an interest of 5.02% in the capital of Marfrig Alimentos S.A. The acquisition of said interest does not seek to change the composition of the company's controlling block or the capital structure of Marfrig Alimentos S.A.

- On January 7, 2011, the Company announced to the market that the funds administrated by GWI Asset Management, jointly with Mr. Mu Hak You, the Chief Executive Officer of said funds, jointly reached an interest of 5.22% in the capital of Marfrig Alimentos S.A. The Company also informed that the acquisition of this increase is exclusively for the purpose of a passive investment and does not seek to change the composition of the company's controlling block or the capital structure of the Company.

- On January 18, 2011, the Company disclosed a Material Fact announcing that the Board of Directors' Meeting held on January 14, 2011, approved the 3rd Issue of Non-Convertible Secured Debentures, with additional sureties, in up to two series, in the total amount of up to six hundred million reais (R$600,000,000.00), for public distribution with limited placement efforts, in accordance with CVM Instruction 476, dated January 16, 2009.

  The Restricted Offer exclusively targeted qualified investors, pursuant to items I and II of Article 4 of CVM Instruction 476, with the public distribution automatically waived from registration at the CVM, in accordance with Article 19 of Federal Law 6,385, dated December 7, 1976, as amended, pursuant to CVM Instruction 476.

  On March 4, Marfrig announced to the market the conclusion of the 3rd Issue of Non-Convertible Secured Debentures, with additional sureties, in up to two series, in which the company raised R$610 million, which will be used to reinforce the company's long-term working capital and to pay short-term debt.

  The Company also informed that since more than two-thirds of its revenue (in the first nine months of 2010) originated in currencies other than the Brazilian real and with the aim of maintaining its current debt profile, it opted to hedge the remuneration from this Debentures Issue in U.S. dollar. Therefore, it contracted a swap operation so that the First Series of the Debentures, which is remunerated at 127.60% of the DI rate for one day "over extra-grupo", and the Second Series of the Debentures, which is restated monetarily by the IPCA consumer price index plus interest of 9.5% per annum, are now pegged to the variation in the U.S. dollar against the Brazilian real plus interest of 6.98% per annum.

- On February 7, 2011, the Company informed in a Material Fact that its Board of Directors approved a Stock Buyback Program in a meeting held on the same date. The Plan provides for the use of up to one hundred million reais (R$ 100,000,000.00) for the acquisition of up

to five million eight hundred thousand (5,800,000) common shares issued by the Company, in accordance with CVM Instruction 10/80. The objective of the Plan is to maximize value creation for shareholders through efficient management of the capital structure.

The stocks acquired under the scope of the Stock Buyback Program will be held in treasury to be used for the exercise of stock options by the beneficiaries of the Company's Stock Option Plan and/or subsequently canceled or sold. The period for acquiring the Company's stocks under the buyback plan expires on February 2, 2012 (365 days), and the Executive Board is responsible for determining the actual dates on which shares are repurchased.

- On February 18, 2011, the Company informed through a Notice to the Market the conclusion of the full transfer of the prepared and processed food industrial unit from São José do Rio Preto to the plant in Jaguariúna, in line with the process to adjust and modernize the Seara Division's production chain. The migration will improve productivity in the Seara division, reduce maintenance costs and bring important benefits in terms of logistics.

- The Extraordinary Shareholders' Meeting held on March 1, 2011, approved the merger by Marfrig Alimentos S.A. of its wholly-owned subsidiary Keystone Foods International Holdings LLC, a company duly organized under the laws of the State of Delaware, United States of America, under the terms of the Protocol and Justification of Merger made available on the websites of the Securities and Exchange Commission of Brazil - CVM (www.cvm.gov.br) and of the Company (www.marfrig.com.br/ri). Following the merger, the Company will substitute the investments it holds in Keystone Foods International for the net assets of the latter company, which will be dissolved. The Merger will not result in any changes in the shareholders' equity of the Company, and consequently no new shares will be issued, effectively eliminating any need to establish an exchange ratio.

  The same Shareholders Meeting ratified the appointment and contracting of the specialized firm BDO Auditores Independentes to value the net assets of Keystone Foods International, which will be transferred at book value to the Company. The meeting also approved the valuation report of the net book value of Keystone Foods prepared by BDO Auditores Independentes.

  Lastly, the meeting approved the re-ratification of the terms of the Deed of the 2nd Issue of Debentures convertible into shares executed between Marfrig Alimentos S.A. and the trustee Planner Trustee DTVM Ltda., so that the final version of the Deed includes the adjustments made through the 1st and 2nd addendums on August 6 and 19, respectively, which are duly registered at the Commercial Registry of the State of São Paulo.

19 – 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

20 – EXECUTIVE OFFICERS

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

21 – DECLARATION OF THE CHIEF EXECUTIVE OFFICER

I, Marcos Antonio Molina dos Santos, declare that: 1 - Based on my knowledge, on the planning presented by the auditors and on the subsequent discussions involving the audit results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO Trevisan Auditores Independentes. 2 – I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2010, and based on the subsequent discussions I agree that said Statements adequately reflect all material aspects and the financial position corresponding to the periods presented.

São Paulo, March 31, 2011
Marcos Antonio Molina dos Santos

22 – DECLARATION OF THE INVESTOR RELATIONS OFFICER

I, Ricardo Florence do Santos, declare that: 1 - Based on my knowledge, on the planning presented by the auditors and on the subsequent discussions involving the audit results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO Trevisan Auditores Independentes. 2 – I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2010, and based on the subsequent discussions I agree that said Statements adequately reflect all material aspects and the financial position corresponding to the periods presented.

São Paulo, March 31, 2011
Ricardo Florence dos Santos

23 – DECLARATION OF THE CHIEF OPERATING OFFICER

I, James Cruden, declare that: 1 - Based on my knowledge, on the planning presented by the auditors and on the subsequent discussions involving the audit results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO Trevisan Auditores Independentes. 2 - I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2010, and based on the subsequent discussions I agree that said Statements adequately reflect all material aspects and the financial position corresponding to the periods presented.

São Paulo, March 31, 2011

James Cruden

24 – DECLARATION OF THE CHIEF ADMINISTRATIVE AND FINANCIAL OFFICER

I, Alexandre José Mazzuco, declare that: 1 - Based on my knowledge, on the planning presented by the auditors and on the subsequent discussions involving the audit results, I have reviewed and fully agree with the opinions expressed in the report prepared by BDO Trevisan Auditores Independentes. 2 - I have reviewed this report of the Financial Statements of MARFRIG ALIMENTOS S.A. for the fiscal year ended December 31, 2010, and based on the subsequent discussions I agree that said Statements adequately reflect all material aspects and the financial position corresponding to the periods presented.

São Paulo, March 31, 2011
Alexandre José Mazzuco