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

# MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.

## INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007 AND SPECIAL REVIEW REPORT

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**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.**

**INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007**

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## SPECIAL REVIEW REPORT

To the Management and Shareholders of
Marfrig Frigoríficos e Comércio de Alimentos S.A.
Santo André - SP

1. We have reviewed the individual (Company) and consolidated financial information included in the Quarterly Information Report (ITR) of Marfrig Frigoríficos e Comércio de Alimentos S.A., for the quarter ended September 30, 2008. Such review comprised the balance sheet, as well as the statements of income and cash flows prepared under the responsibility of the Company's management. Other independent auditors of member firms of the BDO network examined the financial statements of the subsidiaries Argentine Breeders & Packers S.A., Frigorífico Tacuarembó S.A., Inaler S.A., Marfrig Chile Inversiones Limitada, Weston Importers Limited, Prestcott International S.A., Masplen Limited, Secculum Participações Limitada, União Frederiquense Participações Limitada, Zanzibar Capital, LLC and Blue Horizon Trading Co., LLC. Our opinion on the balances of investments in those companies and the corresponding equity in their earnings or loss is based on the work of those auditors.

2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors – IBRACON and Federal Accounting Board and comprised: a) inquiring and discussing with the managers responsible for the accounting, financial and operating areas of the Company about the main criteria used in the preparation of the Quarterly Report (ITR) and b) reviewing the information and subsequent events that have or may have material effects on the financial situation of the Company and of its subsidiaries.

3. Based on our review, we are not aware of any significant changes required to the Quarterly Information Report (ITR) referred to above to assure compliance with accounting practices accepted in Brazil and standards provided by the Brazilian Securities and Exchange Commission (CVM) specifically applicable to the preparation of Quarterly Reports, including the Official Report to the Market number 469/08 of CVM, dated January 14, 2008.

**SPECIAL REVIEW REPORT**

To the Management and Shareholders of
Marfrig Frigoríficos e Comércio de Alimentos S.A.
Santo André - SP

4. As mentioned in note 3, Law 11,638 was enacted on December 28, 2007 to be in effect as of January 1, 2008. Such law amended, abolished, and introduced some provisions to Law 6.404/76 (the Brazilian Corporate Law), what brought changes to the accounting practices adopted in Brazil. Although the mentioned Law is already prevailing, the main changes it introduced depend on standardization on the part of the regulating agencies to be fully applicable. The Brazilian Securities and Exchange Commission (CVM), through its Official Report to the Market of January 14, 2008 allowed the non-application of the provisions of Law no. 11,638/07 for the preparation of the Quarterly Information Report during the transition period. Thus, the financial information included in the ITR for the quarter ended March 31, 2008, have been prepared in accordance with specific instructions of CVM and do not contemplate the changes in the accounting practices introduced by Law 11,638/07.

5. The Quarterly Reports of the controlled companies Frigorífico Tacuarembó S.A. and Establecimientos Colônia S.A. mention the recognition of tax benefits that are about to be approved by local authorities of the countries where those companies are located. For that reason, the current liabilities of those companies are understated by R$ 3,873 thousand and R$ 5,396 thousand, respectively, and the statements of income and shareholders' equity for the period overstated by the same amounts.

6. We have examined the individual (Company) and consolidated balances of assets and liabilities of Marfrig Frigoríficos e Comércio de Alimentos S.A., as well as of its controlled companies for the quarter ended June 30, 2008, presented for comparison purposes. Our special review report, dated July 29, 2008 (August 12, 2008 for note 24), contained an emphasis similar to the one mentioned in paragraph 4 of this report. We have also reviewed the amounts of income and expense accounts for the quarter and 9-month period ended September 30, 2007, also presented for comparison purposes. Our special review report on that, dated October 26, 2007 (October 31, 2007 for note 23), included an emphasis referring the presentation of complementary information to the statements of changes in shareholders' equity and changes in financial position in view of the first public offering of the Company's shares at the São Paulo Stock Exchange (BOVESPA) starting from June 29, 2007 (1st trading). Such information was not required by the instructions of the Brazilian Securities and Exchange Commission (CVM) for presentation of the Quarterly Information Report, and was presented to make possible additional analyses.

**SPECIAL REVIEW REPORT**

To the Management and Shareholders of
Marfrig Frigoríficos e Comércio de Alimentos S.A.
Santo André - SP

7. This report is being reissued so as to meet the request contained on OFÍCIO/CVM/SEP/GEA-2/N° 001/2009 sent to the Company, determining the restatement and republication of quarterly information – ITR's, for the quarter ended September 30, 2008, regarding adjustments in the informational content of Note No. 23, which addresses Financial Instruments – Risk Derivatives and Management – Consolidated, according to CVM Resolutions No. 388/01 and 550/08.

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

Ribeirão Preto, October 31, 2008 (November 3, 2008 for note No. 26 and January 19, 2009, for notes No. 1.1 and No. 23)

Estefan George Haddad
Engagement Partner
BDO Trevisan Auditores Independentes

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

**MARFRIG FRIGORÍFICOS E COMÉRCIO DE ALIMENTOS S.A.**

**NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007.**
**(In thousands of Brazilian reais)**

## 1. OPERATIONS

Marfrig Frigoríficos e Comércio de Alimentos S.A. (the "Company"), is a publicly held company that carries out meat packing activities consisting of cattle, swine, ovine 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 the import and export of products and byproducts of animal origin, as well as other activities described in its business purpose.

The financial and equity position of the Company should be considered within the integrated operational context of Marfrig Frigoríficos e Comércio de Alimentos S.A. (Brazil), Frigoclass Alimentos S.A. (Brazil), Argentine Breeders & Packers S.A. (Argentina), which holds 100% interests in the companies Best Beef S.A. (Argentina), Stays del Sur S.A. (Argentina) and Mirab S.A. (Argentina and USA), Frigorífico Tacuarembó S.A. (Uruguay), Inaler S.A. (Uruguay), Marfrig Chile Inversiones Ltda. (Chile), Weston Importers Ltd. (UK), which holds 100% interests in CDB Meats Ltd (UK), Prestcott International S.A. (Uruguay), which holds 100% interests in the company Cledinor S.A (Uruguay), Masplen Ltd (Island of Jersey), (a company that holds 100% interests in Pampeano Alimentos S.A. (Brazil)), Secculum Participações Ltda. (Brazil) and União Frederiquense Participações Ltda. (Brazil), (companies that together have 100% control of the company Frigorífico Mabella Ltda. (Brazil)), Zanzibar Capital, LLC (USA) that holds 100% ownership of the company Establecimientos Colônia S.A. (Uruguay), Blue Horizon Trading Co., LLC (USA) which holds 70.51% interests in the company Quickfood S.A. (Argentina), and the 9.80% interests Marfrig S.A. directly holds in the company Quickfood S.A.

### 1.1 RESTATEMENT OF QUARTERLY INFORMATION – SEPTEMBER 30, 2008

The Company is republicating its quarterly information – ITR's of September 30, 2008, so as to comply with Ofício/CVM/SEP/GEA-2/No. 001/2009, of January 5, 2009, which determined the restatement of said information according to the following aspects:

1) Disclose risk management's purposes and strategies, particularly the property protection policy – "hedge";
2) Disclose risks associated with each market strategy, adapting internal controls and parameters used to manage these risks, and the results of proposed purposes;

3) Disclose the fair value of all derivative financial instruments entered into by the company and explain the accumulated effect, whether positive or negative;
4) Disclose values recorded in asset and liability accounts, segregating by class, risk and market strategy, separating even those instruments entered into for asset hedging purposes from instruments with other purposes;
5) Detail the derivative instruments chart, presenting the reference index, counterpart, instrument trade or registration market, maturity ranges, reference (notional) and fair values;
6) Disclose main future transactions and commitments subject of hedging – cash flow;
7) Disclose value and type of margins pledged as guarantee;
8) Improve the sensitivity chart concerning interest rate and swap transactions sensitivity; and
9) Clarify, through a letter delivered against receipt at the Brazilian Securities and Exchange Commission, the emphasis contained in paragraph 5 of Special Review Report regarding the third quarterly information of 2008.

These points have been duly presented in note No. 23, as well as the letter delivered against receipt at the Brazilian Securities and Exchange Commission.

## 2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements are expressed in thousands of Brazilian reais and have been prepared in accordance with the accounting practices adopted in Brazil, as laid down in the Brazilian Corporate Law (Law 6,404/76 and subsequent amendments), standards and instructions of the Brazilian Securities Commission (CVM), and under the accounting standards issued by the Brazilian Institute of Independent Auditors – IBRACON, considering the CVM Resolution No. 488/05, and IBRACON's pronouncement NPC 27.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted to prepare these financial statements are as follows:

### Accounting estimates

The preparation of 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 definition of the useful lives of property, plant and equipment, the recognition of an allowance for doubtful accounts, of deferred income tax assets and liabilities, of a provision for contingencies and the valuation of inventories and derivatives.

Transaction settlement involving those estimates might result in different values from estimates, due to the inherent inaccuracy of the process.

Recognition of the effects of monetary and exchange variation

The effects are recognized by the monetary restatement of assets and liabilities, indexing them to exchange rates, and recording corresponding entries to financial income and expense accounts.

Result of operations

Revenues and expenses are recognized under the accrual basis and consider:

- Earnings, charges, and effects of monetary variations, calculated at statutory rates or indexes applied to the Company's assets and liabilities.

- The effects of asset adjustments to market or realizable value, when applicable.

Current and long-term assets and liabilities

Assets are stated at realizable values and liabilities at known or estimated values, plus related earnings, charges and monetary variations, when applicable.

Inventories are stated at the average purchase or production cost, which are lower than market or realizable values.

Permanent assets

- Investments

Investments in controlled companies are valued by the equity method.

Other investments are valued according to the acquisition cost, less, when applicable, provision for impairment loss.

- Property, plant and equipment

Property, plant and equipment are carried at historical cost for assets acquired from January 1, 1996. Depreciation is calculated under the straight-line method at rates that consider the estimated useful lives of the assets.

Also, the revaluation of assets as of December 31, 2003 is considered, according to a specialized engineering appraisal report.

On December 31, 2005, based on a specialized engineering appraisal report, the Company performed a valuation of its property, plant and equipment as mentioned in Note 11.

- Deferred charges

These are stated at historical cost. Amortization is calculated under the straight-line method, within a maximum period of 10 (ten) years, as shown in note 12

- Other current and noncurrent assets

Stated at cost or realization value, including, when applicable, incomes earned until the balance sheet dates.

- Income and social contribution taxes

Taxes are calculated and recorded based on taxable income at current rates, as legally stipulated.

Deferred tax liabilities, including deferred income and social contribution taxes, were recognized for the revaluation surplus.

Deferred tax assets were recognized for balances of tax losses and temporary differences, and the deferred social contribution tax asset was recognized for temporary differences.

- Consolidation of financial statements

In the consolidation of financial statements for Marfrig Frigoríficos e Comércio de Alimentos S.A. and controlled companies for the period ended on September 30 and June 30, 2008, intercompany transactions and balances were eliminated.

Financial statements of controlled companies 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 and 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.

Controlled companies included in the consolidation on September 30, 2008, are: Frigoclass Alimentos S.A. (Brazil), Argentine Breeders & Packers S.A. (Argentina), which holds 100% of the companies Best Beef S.A. (Argentina), Stays del Sur S.A. (Argentina) and Mirab S.A. (Argentina and USA), Frigorífico Tacuarembó S.A. (Uruguay) Inaler S.A. (Uruguay), Marfrig Chile Inversiones Ltda. (Chile), Weston Importers Ltd. (UK), which holds 100% of CDB Meats Ltd (UK), Prestcott International S.A. (Uruguay), which holds 100% interests in the company Cledinor S.A. (Uruguay), Masplen Ltd (Island of Jersey), (a company that holds 100% interests in Pampeano Alimentos S.A. (Brazil) and União Frederiquense Participações Ltda. (Brazil), (companies that together hold 100% of the company Frigorífico Mabella Ltda. (Brazil)), Zanzibar Capital, LLC (USA) that holds 100% of the company Establecimientos Colônia S.A. (Uruguay), Blue Horizon Trading Co., LLC (USA) that holds 70.51% of the company Quickfood S.A. (Argentina) and Quickfood S.A, from which Marfrig S.A. directly holds 9.80% interests.

- New Law

As of December 28, 2007, Law 11,638/07 was enacted. It came into effect on January 1, 2008, and amended certain provisions of Law no. 6404/76 (the Brazilian Corporate Law).

This new law established that the accounting standards determined by the Brazilian Securities and Exchange Commission (CVM) should be in consonance with international accounting standards.

Based on the CVM Instruction no. 469, of May 2, 2008, as well as on Decision CVM no. 534, of Jan. 29, 2008 and on the Official Report to the Market issued by CVM on Jan. 14, 2008, the Company's management and its controlled companies consider that the following matters might have an effect on the financial statements for the year ended December 31, 2008:

- Permanent assets - a new subgroup of accounts called "Intangible assets" will be created, where non-physical goods should be recorded, including the goodwill generated in acquisitions. Deferred assets will be restricted to pre-operating and restructuring expenses.

- Shareholder's Equity will have a new subgroup of accounts called "Adjustments to equity valuation", where the following items should be recorded: changes in the valuation of certain financial instruments; exchange variation of investments held overseas whose controlling company is characterized as an independent entity in relation to the parent company in Brazil; exchange variation of hedging operations abroad; and the resulting exchange variation from the translation of the financial statements of subsidiaries overseas, where the functional currency of the investee is different from the one of the controlling company.

As of September 30, 2008, the exchange variation on investments held overseas and the negative exchange variation from the translation of the financial statements of the companies located abroad, if accounted for in the subgroup "Adjustments to the Equity Valuation" would have a negative effect on the net income of the Company of R$ 64,320.

- Financial instruments should be classified as: "held for trading," "held to maturity" and "available for sale," being valuated at cost plus earnings, or at market value, depending on their classification.

- Assets and liabilities stemming from short or long-term operations, when material, should be adjusted to present value.

  As of September 30, 2008, adjustments to present value corresponded to a positive result of R$ 13,182, based on the weighed average between the medium rate of fund raising of the Company and the SELIC rate.

- Periodical analysis should be carried out to check the degree of recovery of the amounts recorded in property, plant and equipment, intangible assets and deferred assets.

- In operations, such as merger, composition, or split, when executed between non-related parties, and contingent upon the actual transfer of control, all assets and liabilities should be valued and accounted for at market value.

- Tax incentives will no longer be classified as capital reserve and should be considered in the result of operations. The portion of the net income that included a tax benefit can be recorded in a "Tax incentive reserve" that will be created. Such reserve can be excluded from the tax basis of obligatory dividends.

- Goods arising from operations where there is transference of benefit, control, and risk should be included in property, plant and equipment, regardless of whether there is ownership transference.

- The Company opted to keep the balances of the revaluation reserves recognized until the date the abovementioned law entered into force. Such amounts are demonstrated in note 11.

- The Company is presenting a Statement of Cash Flows instead of a Statement of Changes in the Financial Position;

- At the end of the fiscal year 2008, the Company will present a Statement of Added Value.

Although the mentioned Law is already prevailing, the main changes it introduced depend on standardization on the part of the regulating agencies to be fully applicable.

## 4. CASH AND CASH EQUIVALENTS

Refer to the cash available in the company, in banks, and as investments as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Cash and cash equivalents | 101,056 | 157,955 | 178,482 | 227,978 |
| Certificates of deposit - DI | 814,460 | 366,895 | 993,731 | 513,059 |
| | 915,516 | 524,850 | 1,172,213 | 741,037 |

Cash and cash equivalents in controlled companies are demonstrated below:

| | 9/30/08 | 6/30/08 |
|---|---|---|
| Cash and cash equivalents | 74,192 | 61,650 |
| Certificates of deposit - DI | 162,240 | 124,831 |
| | 236,432 | 186,481 |

## 5. TRADE ACCOUNTS RECEIVABLE – LOCAL AND FOREIGN CUSTOMERS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Receivables - domestic clients | 450,163 | 333,185 | 557,736 | 444,651 |
| Receivables - international clients | 307,950 | 245,641 | 554,048 | 415,267 |
| (-) Advance on exchange contracts [ACEs] | (61,559) | (127,375) | (76,003) | (140,693) |
| | 246,391 | 118,266 | 478,045 | 274,574 |
| | 696,554 | 451,451 | 1,035,781 | 719,225 |
| Amounts falling due | 626,852 | 440,799 | 927,105 | 677,571 |
| Overdue amounts | | | | |
| from 1 to 30 days | 66,006 | 8,538 | 91,920 | 30,140 |
| from 31 to 60 days | 1,995 | 599 | 6,505 | 3,401 |
| from 61 to 90 days | 170 | 129 | 2,108 | 3,166 |
| For more than 90 days | 1,531 | 1,386 | 25,130 | 24,072 |
| (-) Allowance for doubtful accounts | - | - | (16,987) | (19,125) |
| | 696,554 | 451,451 | 1,035,781 | 719,225 |

The Company sets up an allowance for trade accounts past due for more than 90 days, and notes receivable from insolvent and bankrupt companies, whose possibility of settlement is not assured and/or are not collateralized by a secured guarantee.

At the Controlling Company, based on the aging list, no amounts overdue for more than 90 days were found that could require an allowance for doubtful accounts.

## 6. INVENTORIES OF PRODUCTS AND MERCHANDISE

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Finished products and others | 510,047 | 494,685 | 921,572 | 819,887 |
| Packaging material and storeroom supplies | 29,457 | 32,727 | 75,072 | 76,203 |
| | 539,504 | 527,412 | 996,644 | 896,090 |

In the periods ended on September 30 and June 30, 2008, inventories of finished products were valued at the average purchase and/or production cost, lower than the realizable values, as highlighted in note 3.

Inventories of controlled companies overseas are follows:

| | 9/30/08 | 6/30/08 |
|---|---|---|
| Finished products and others | 269,546 | 184,376 |
| Packaging material and storeroom supplies | 12,773 | 13,698 |
| | 282,319 | 198,074 |

## 7. RECOVERABLE TAXES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| State VAT - ICMS | 154,683 | 144,648 | 190,475 | 173,594 |
| Deemed IPI (Federal VAT) credit | 11,057 | 11,036 | 11,963 | 11,926 |
| PIS (sales tax) credit | 39,063 | 36,019 | 47,717 | 43,202 |
| COFINS (sales tax) credit | 148,386 | 130,124 | 186,931 | 159,246 |
| Income tax | 5,775 | - | 18,092 | 6,279 |
| Social contribution tax | 2,133 | - | 2,740 | 273 |
| Withholding income tax (IRRF) | 15,087 | 13,159 | 15,258 | 13,294 |
| Value added tax (IVA) | - | - | 20,829 | 15,154 |
| Export certificates | - | - | 26,291 | 22,748 |
| Other | - | - | 8,644 | 5,230 |
| | 376,184 | 334,986 | 528,940 | 450,946 |

7.1 ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging, and other materials, in higher values than the debts generated from domestic sales, since foreign market sales are free from this tax.

7.2 PIS and COFINS (Taxes on Sales)

Refer to non-cumulative PIS and COFINS credits levied on the purchase of raw, packaging, and other materials, used on the goods sold in the foreign market.

7.3 Income Tax and Social Contribution Tax

Refer to prepayment of Income and Social contribution taxes in the period ended on September 30, 2008 that will be deducted from the balance payable at the end of the fiscal year 2008.

7.4 Withholding Income Tax - IRRF

Refers to IRRF withheld on the gains from financial investments of the Company.

## 8. RELATED PARTY TRANSACTIONS

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Loans | | Accounts Receivable/Payable | | Sales | | Purchases | |
| Related Party | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Kinlnway Limited | 536,004 | - | - | - | - | - | - | - |
| Marcos Molina | - | - | (733) | - | - | - | 10,757 | 6,237 |
| | 536,004 | - | (733) | - | - | - | 10,757 | 6,237 |

For ends of acquisition of Moy Group Park's societies in the Europe, the Company constituted in August 29, 2008, in accordance with the laws of Ireland of the North, the company Kilnway Limited, which will control the acquired assets at present in the Europe (look at Note 26 - Subsequent Events). In September 30, 2008, related company wasn't consolidated in the financial statements of the Company.

Mr. Marcos Molina Dos Santos and his wife, through Maremar – Administração de Bens S/C Ltda., which is controlled for the same ones, acquired leisure property in the State of São Paulo in April 27, 2007, where also genetic studies for improvement of bovine races of cut are developed. From middle of 2008 the property started to operate a confinement for 7.800 animals, whose it abates is realized by the refrigerating units of bovines of the company. The operational activities of the property are practised by Mr. Marcos Molina Dos Santos, accordant authorization allowed by the Maremar – Administração de Bens S/C Ltda.

## 9. DEFERRED TAXES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Income tax | 8,960 | 7,321 | 26,717 | 17,702 |
| Social contribution tax | 3,226 | 2,637 | 5,081 | 4,188 |
| Other | - | - | 251 | 866 |
| | 12,186 | 9,958 | 32,049 | 22,756 |

Refer to deferred income and social contribution taxes whose payment has been suspended (provisions), and which were added to the computation of taxable income and the social contribution calculation base in 2006 and 2007, as well as on tax losses from controlled companies in Brazil to be realized in 2009 and 2010.

## 10. INVESTMENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Interests in controlled companies | 1,266,433 | 1,023,617 | 1,040,053 | 934,688 |
| Other investments | 128 | 128 | 128 | 26,906 |
| | 1,266,561 | 1,023,745 | 1,040,181 | 961,594 |

## 10.1 - Changes in investments

| | No. of shares | Percentage of voting interest | Listed on stock exchange | Capital stock | Shareholder s' equity | Net income (loss) for the period |
|---|---|---|---|---|---|---|
| Argentine Breeders & Packers S.A (1) | 249,976 | 99.99 | No | 158,373 | 165,018 | (745) |
| Frigoclass Alimentos S.A (2) | 78,573,743 | 100.00 | No | 78,574 | 56,537 | (1,733) |
| Marfrig Chile Inversiones Ltda (1) | 13,358,426,280 | 99.00 | No | 44,770 | 25,571 | (5,856) |
| Inaler S.A (1) | 66,247,320 | 100.00 | No | 2,808 | 33,058 | 24,117 |
| Frigorífico Tacuarembó S.A (1) | 166,925,258 | 93.22 | No | 12,506 | 85,695 | 33,350 |
| Weston Importes Ltd (1) | 1,338,278 | 99.98 | No | 27,678 | 27,586 | 1,289 |
| Masplen Limited (1) | 100 | 100.00 | No | 0 | 20,627 | (6,327) |
| Prestcott International S.A (1) | 79,638,916 | 97.99 | No | 5,594 | 31,911 | 23,167 |
| Secculum Participações Ltda (2) | 9,200,000 | 99.00 | No | 9,200 | 8,925 | 377 |
| União Frederiquense Partic. Ltda (2) | 98,449,805 | 99.00 | No | 98,450 | 140,026 | 5,917 |
| Blue Horizon Trading Co. LLC (5) | 10,000,000 | 100.00 | No | 42,076 | 72,651 | 22,993 |
| Zanzibar Capital LLC (1) | 60,020,000 | 100.00 | No | 30,286 | 80,773 | 42,541 |
| QuickFood S.A (5) | 21,419,606 | 9.80 | Yes | 28,607 | 103,073 | 37,006 |
| Total | | | | 538,922 | 851,451 | 176,096 |

The Company holds 80.31% of the shares of Quickfood S.A. (Argentina), from which 70.51% are held indirectly through a controlled company, Blue Horizon Trading Co LLC, and 9.80% directly.

| | Book balance on June 30, 2008 | Purchased shares | Premium/discount on purchase (3) | Capital increase | Investment in the period | Equity in earnings (loss) (4) | Exchange variation on the calculation of the equity in earnings (loss) | (-) Amortization of goodwill (3) | Book balance on September 30, 2008 |
|---|---|---|---|---|---|---|---|---|---|
| Argentine Breeders & Packers S.A. (1) - Investment | 132,084 | - | - | 10,570 | 10,570 | (5,179) | 27,543 | - | 165,018 |
| Argentine Breeders & Packers S.A. (1) - Goodwill | 24,624 | - | - | - | - | - | - | (477) | 24,147 |
| Frigoclass Alimentos S.A. (2) - Investment | 57,095 | - | - | - | - | (557) | - | - | 56,538 |
| Frigoclass Alimentos S.A. (2) - Discount | (12,478) | - | - | - | - | - | - | - | (12,478) |
| Marfrig Chile Inversiones Ltda. (1) - Investment | 28,867 | - | - | 1,738 | 1,738 | (9,560) | 4,272 | - | 25,317 |
| Inaler S.A. (1) - Investment | 15,611 | - | - | - | - | 11,879 | 5,567 | - | 33,057 |
| Inaler S.A. (1) - Goodwill | 40,150 | - | - | - | - | - | - | (885) | 39,265 |
| Frigorífico Tacuarembó S.A. (1) - Investment | 56,317 | - | - | - | - | 9,095 | 14,424 | - | 79,836 |
| Frigorífico Tacuarembó S.A. (1) - Goodwill | 60,122 | - | - | - | - | - | - | (1,149) | 58,973 |
| Weston Importers Ltd. (1) - Investment | 25,173 | - | - | - | - | (3,692) | 4,352 | - | 25,833 |
| Masplen Limited (1)- Investment | 22,343 | - | - | - | - | (1,716) | - | - | 20,627 |
| Masplen Limited (1)- Goodwill | 18,288 | - | - | - | - | - | - | (516) | 17,772 |
| Prestcott International S.A. (1)- Investment | 22,914 | - | - | - | - | 2,981 | 5,374 | - | 31,269 |
| Prestcott International S.A. (1)- Goodwill | 23,833 | - | - | - | - | - | - | (454) | 23,379 |
| Secculum Participações Ltda. (2) - Investment | 10,878 | - | - | - | - | (2,047) | - | - | 8,831 |
| Secculum Participações Ltda. (2) - Goodwill | 16,733 | - | - | - | - | - | - | (272) | 16,461 |
| União Frederiquense Partic. Ltda. (2) - Investment | 44,980 | - | - | 75,680 | 75,680 | 17,898 | - | - | 138,558 |
| União Frederiquense Partic. Ltda. (2) - Goodwill | 12,070 | - | - | - | - | - | - | (194) | 11,876 |
| Blue Horizon Trading Co. LLC (5)- Investment | 52,113 | - | - | - | - | 8,302 | 12,236 | - | 72,651 |
| Blue Horizon Trading Co. LLC (5)- Goodwill | 202,661 | - | - | - | - | - | - | (3,282) | 199,379 |
| Zamzibar Capital LLC (1) - Investment | 50,928 | - | - | - | - | 16,241 | 13,604 | - | 80,773 |
| Zamzibar Capital LLC (1) - Goodwill | 118,311 | - | - | - | - | - | | (1,916) | 116,395 |
| Quickfood S.A.( 5 )-Investment | - | 7,166 | - | - | 7,166 | 1,392 | 1,547 | | 10,105 |
| Quickfood S.A.( 5 )-Goodwill | - | - | 22,851 | - | 22,851 | - | - | - | 22,851 |
| Other | 128 | - | - | - | - | - | - | - | 128 |
| Total | 1,023,745 | 7,166 | 22,851 | 87,988 | 118,005 | 45,037 | 88,919 | (9,145) | 1,266,561 |
| Investment | 519,431 | 7,166 | - | 87,988 | 95,154 | 45,037 | 88,919 | - | 748,541 |
| Premium/Discount | 504,314 | - | 22,851 | - | 22,851 | - | - | (9,145) | 518,020 |

(1) Those companies had their financial statements as of September 30 and June 30, 2008 reviewed by member firms of the BDO network in their countries, and had limited review reports issued.

(2) Financial statements reviewed by BDO Trevisan Auditores Independentes, including the issue of a limited review report.

(3) The premium recorded for the acquisitions is based on the generation of future income by controlled companies and will be amortized over a 10-year period, starting in January 2007. Future results for the next ten (10) years were projected at an average annual growth rate of 10% p.a., which were discounted to the Long-Term Interest Rate (TJLP) of the last quarters of 2006 and 2007, respectively at 6.85% p.a. and 6.25% p.a.

(4) Refers to equity in earnings (loss) recorded in the year and in the Company's shareholders' equity under the caption "retained earnings (accumulated deficit)".

(5) Such company had its financial statements as of September 30 and June 30, 2008 reviewed by other independent auditors.

Those investments have been properly accounted for under the equity method, as they refer to controlled companies. The financial statements of those companies for the month periods ended September 30 and June 30, 2008 have been prepared according to prevailing law in each country where the companies are located, reviewed by independent auditors and converted into the International Financial Reporting Standards - IFRS and expressed in US dollars. Then, they were translated into Brazilian accounting practices and into Brazil's local currency.

## 10.2 – Changes in Investments in Controlled Companies

| | 9/30/08 | 6/30/08 |
|---|---|---|
| Premium/discount of the Company | 518,020 | 504,314 |
| Other investments | 128 | 94 |
| Premium/discount of controlled companies | 522,033 | 457,186 |
| Total | 1,040,181 | 961,594 |

**INVESTMENT OF CONTROLLED COMPANIES**

| | Book balance on June 30, 2008 | Premium/discount in the acquisition (Reclassif.) | Amount eliminated in the consolidation | Exchange variation | (-) Amortization of goodwill | Book balance on September 30, 2008 |
|---|---|---|---|---|---|---|
| Investment - Estancias del Sur | 46,364 | - | (46,364) | - | - | - |
| Premium - Estancias del Sur | | 59,996 | | - | - | 59,996 |
| Premium - Mirab | - | 37,200 | - | - | - | 37,200 |
| Premium - Best Beef | - | 25,834 | - | - | - | 25,834 |
| Premium - PBP Chile | 395 | - | - | 79 | - | 474 |
| Premium - QuintoCuarto | 1,805 | - | - | 366 | - | 2,171 |
| Discount - QuintoCuarto | (3,359) | 3,359 | - | - | - | - |
| Premium - Frigorífico Patagonia | 8,453 | - | - | 1,712 | - | 10,165 |
| Premium - CDB Meats | 12,600 | - | - | 778 | (180) | 13,198 |
| Premium - Cledinor | 6,999 | - | - | 1,417 | - | 8,416 |
| Premium - DaGranja | 355,384 | - | - | - | - | 355,384 |
| Premium - Carroll´s | 8,591 | - | - | - | - | 8,591 |
| Investment - Ibirapuera Avícola | 19,479 | - | (19,479) | - | - | - |
| Other | 475 | 97 | - | 32 | - | 604 |
| Total | 457,186 | 126,486 | (65,843) | 4,384 | (180) | 522,033 |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | | Company | | | |
|---|---|---|---|---|---|
| | | | | 9/30/08 | 6/30/08 |
| Description | Annual average depreciation rates | Restated and revalued cost | Accumulated depreciation | Net | Net |
| Plots of Land | | 2,058 | - | 2,058 | 1,998 |
| Buildings | 4% | 279,601 | (21,917) | 257,684 | 175,392 |
| Machinery and equipment | 10% | 187,510 | (37,602) | 149,908 | 144,035 |
| Furniture and fixtures | 10% | 4,055 | (865) | 3,190 | 2,929 |
| Facilities | 5% | 155,850 | (3,302) | 152,548 | 38,568 |
| Vehicles | 20% | 10,472 | (9,845) | 627 | 590 |
| IT equipment | 20% | 4,561 | (2,069) | 2,492 | 1,686 |
| Aircrafts | 20% | 382 | (57) | 325 | 344 |
| Advance for acquisition of property, plant and equipment | - | 17,393 | - | 17,393 | 16,814 |
| Leasehold improvements | - | 2,266 | (12) | 2,254 | 2,255 |
| Lease - VRG | - | 3,800 | (1,511) | 2,289 | 3,800 |
| Constructions in progress | - | 93,074 | - | 93,074 | 280,739 |
| Software | 20% | 19,002 | (2,548) | 16,454 | 12,592 |
| Trademarks and patents | - | 15,774 | - | 15,774 | 15,468 |
| Other property, plant and equipment | 4% | 543 | - | 543 | 543 |
| | | 796,341 | (79,728) | 716,613 | 697,753 |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | | | 9/30/08 | 6/30/08 |
| Description | Annual average depreciation rates | Adjusted and revalued cost | Accumulated depreciation | Net | Net |
| Plots of land | | 55,804 | - | 55,804 | 44,854 |
| Buildings | 4% | 566,256 | (24,699) | 541,557 | 440,660 |
| Machinery and equipment | 10% | 385,050 | (42,589) | 342,461 | 309,981 |
| Furniture and fixtures | 10% | 9,741 | (1,542) | 8,199 | 8,319 |
| Facilities | 5% | 192,875 | (4,892) | 187,983 | 92,345 |
| Vehicles | 20% | 14,186 | (10,346) | 3,840 | 3,405 |
| IT equipment | 20% | 10,129 | (2,685) | 7,444 | 5,975 |
| Aircrafts | 20% | 382 | (57) | 325 | 344 |
| Advance for acquisition of property, plant and equipment | | 21,905 | - | 21,905 | 17,533 |
| Leasehold improvements | | 2,480 | (26) | 2,454 | 2,255 |
| Lease - VRG | | 5,145 | (1,524) | 3,621 | 15,234 |
| Constructions in progress | | 142,147 | - | 142,147 | 305,510 |
| Software | 20% | 21,376 | (2,758) | 18,618 | 13,780 |
| Trademarks and patents | | 17,102 | - | 17,102 | 15,521 |
| Other property, plant and equipment | 4% | 41,500 | 148 | 41,648 | 38,637 |
| | | 1,486,078 | (90,970) | 1,395,108 | 1,314,353 |

On December 31, 2005, according to Law no. 6,404/76, the Company recorded a revaluation of property, plant and equipment based on engineers' appraisal reports as follows:

| Description | Appraisal report | Book balance | Revaluation amount |
|---|---|---|---|
| Production unit - Bataguassú/MS | 92,826 | 41,357 | 51,469 |
| Production unit - Promissão/SP | 92,257 | 35,640 | 56,617 |
| Production unit - Tangará/MT | 45,919 | 23,988 | 21,931 |
| | 231,002 | 100,985 | 130,017 |

On the amount of R$ 130,017, corresponding to the appreciation, the respective taxes, in the total amount of R$ 44,182, with R$ 32,480 from Corporate Income Tax – IRPJ, and R$ 11,702 from Social Contribution Tax – CSLL were levied. The revaluation was recorded with a corresponding entry to a specific account in shareholders' equity and was incorporated into capital stock, net of taxes, which are recorded according to current legislation in Long-term liabilities and are being realized according to Law.

## 12. DEFERRED CHARGES

| | | | | Consolidated | |
|---|---|---|---|---|---|
| | | | | 9/30/08 | 6/30/08 |
| Description | Annual average depreciation rates | Restated and revalued cost | Accumulated depreciation | Net | Net |
| Pre-operating expenses | 10% | 22,511 | (7,523) | 14,988 | 15,191 |
| | | 22,511 | (7,523) | 14,988 | 15,191 |

In the period ended September 30, 2008, the controlling company had no-operating expenses.

## 13. TAXES PAYABLE

The following amounts, including the respective legal charges, are shown under current liabilities:

13.1 Accrued payroll and related charges

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| INSS (Social security contribution) payable | 62,148 | 53,228 | 130,166 | 121,039 |
| Accrued salary and labor provisions | 32,623 | 31,066 | 39,179 | 51,734 |
| Other social charges and benefits payable | 1,443 | 1,394 | 49,281 | 20,533 |
| | 96,214 | 85,688 | 218,626 | 193,306 |

On November 21, 2005, Law 11.196 set forth the authorization for offsetting INSS debits against federal tax credits. This procedure was regulated by Interministry Ordinance No. 23 dated February 2, 2006.

13.2. Taxes, Fees, and Contributions

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| ICMS payable | 686 | 685 | 71,347 | 85,859 |
| Special installment payment - PAES | 1,834 | 1,945 | 1,834 | 1,945 |
| Exceptional installment payment - PAEX | 41,397 | 42,760 | 41,397 | 42,760 |
| Income tax payable | 678 | - | 14,725 | 12,013 |
| Federal taxes paid in installments | - | - | 118,889 | 118,500 |
| Other taxes, fees and contributions payable | 330 | 1,102 | 60,840 | 55,135 |
| | 44,925 | 46,492 | 309,032 | 316,212 |
| Current liabilities | 8,391 | 8,344 | 240,792 | 246,187 |
| Long-term liabilities | 36,534 | 38,148 | 68,240 | 70,025 |

## 14. PAES - TAX DEBT REFINANCING PROGRAM – LAW 10.684/2003

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 installments 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 in the amount of R$ 23,562, and those with the SRF in the amount of R$ 4,063, which are payable in 180 monthly installments. INSS debts were migrated to PAEX, as referred to in note 14, therefore only the debts to SRF remain at PAES.

The balance is as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Beginning balance | 2,032 | 2,133 | 2,032 | 2,133 |
| Monetary restatement | 44 | 42 | 44 | 42 |
| (-) payments made | (146) | (143) | (146) | (143) |
| (-) adjustment to present value | (96) | (87) | (96) | (87) |
| Ending balance | 1,834 | 1,945 | 1,834 | 1,945 |
| Current liabilities | 557 | 554 | 557 | 554 |
| Long-term liabilities | 1,277 | 1,391 | 1,277 | 1,391 |

## 15. PAEX – EXTRAORDINARY TAX DEBT REFINANCING - MP NR 303/06

On September 11, 2006, the Company adhered to the PAEX, established by Executive Act No. 330 of June 29, 2006, which provides for payment in installments of debts due to SRF, PGFN, and INSS. The Company declared debts with INSS, including Funrural, and the debts with INSS previously refinanced under PAES, in the amount of R$76,977. No installment payment was agreed with SRF.

The balance is as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 09/30/08 | 06/30/08 | 09/30/08 | 06/30/08 |
| Beginning balance | 63,228 | 65,102 | 63,228 | 65,102 |
| Monetary restatement | 355 | 309 | 355 | 309 |
| (-) payments made | (2,230) | (2,183) | (2,230) | (2,183) |
| (-) adjustment to present value | (19,956) | (20,468) | (19,956) | (20,468) |
| Ending balance | 41,397 | 42,760 | 41,397 | 42,760 |
| Current liabilities | 6,139 | 6,001 | 6,139 | 6,001 |
| Long-term liabilities | 35,258 | 36,759 | 35,258 | 36,759 |

## 16. OTHER PAYABLES

| | Company | | Consolidated | |
|---|---|---|---|---|
| **Consolidated current liabilities** | **9/30/08** | **6/30/08** | **9/30/08** | **6/30/08** |
| Grupo MPE - Carroll´s | - | - | 10,050 | 23,500 |
| Moinhos Cruzeiro do Sul | - | - | 83,051 | 85,830 |
| Valores Catalanes | - | - | 25,977 | 53,021 |
| A Cristi | - | - | - | 2,589 |
| Frigorifico y Matadero Chivilcoy | - | - | - | 1,916 |
| Acquisition of Mirab S/A (AB&P) | - | - | 38,671 | 32,091 |
| Acquisition of Best Beef S/A (AB&P) | - | - | 3,067 | 3,206 |
| Acquisition of Estancias Del Sur S/A (AB&P) | - | - | 4,150 | 3,452 |
| Other | 178 | 1,165 | 16,024 | 31,078 |
| **Total** | **178** | **1,165** | **180,990** | **236,683** |

## 17. LOANS AND FINANCING

| | | | | Company | |
|---|---|---|---|---|---|
| Line of Credit | Charges (% p.a.) | Weighted average interest rate (p.a.) | Weighted average maturity (years) | Balance 9.30.08 | Balance 6.30.08 |
| Domestic currency | | | | | |
| FINAME | TJLP + Fixed Rat | 13.12 | 1.48 | 314 | 361 |
| BNDES Exim | TJLP + Fixed Rat | 10.2 | 0.89 | 103,298 | 110,373 |
| BNDES Finem | TJLP + 1.80 | 8.05 | 4.4 | 10,103 | 9,169 |
| FINEP | TJLP + 1% | 7.25 | 5.08 | 8,751 | 8,751 |
| NCE | Fixed Rate+%CD | 15.12 | 2.2 | 451,879 | 244,074 |
| Other | CDI+4 | 17.59 | 4.23 | 3,304 | 3,304 |
| Total domestic currency | | | | 577,649 | 376,032 |
| Foreign currency | | | | | |
| ACC (US$) | V.C + Fixed Rate | 5.56 | 0.46 | 164,294 | 90,946 |
| Industrial Complex Financing (US$) | 7.35 / 7.28 + V.C | 7.46 | 3.81 | 19,426 | 17,390 |
| Prepayment (US$) | Libor+Fixed Rate + V.C | 7.26 | 5.91 | 831,490 | 714,015 |
| BNDES Exim (US$) | Currency Basket + Fixed Rate | 11.55 | 0.89 | 17,547 | 23,912 |
| Bonds (US$) | Fixed Rate9,625 | 9.625 | 8.21 | 660,749 | 577,195 |
| BNDES Finem | Currency Basket + 1.30 | 8.90 | 4.4 | 2,807 | 3,164 |
| NCE (US$) | %CDI+Fixed Rate+V.C (US$)+Libor | 8.77 | 3.34 | 371,966 | 229,097 |
| Swap | Premium + V.C | Premium + V.C. | | 5,279 | |
| Total foreign currency | | | | 2,073,558 | 1,655,719 |
| Total indebtedness | | | | 2,651,207 | 2,031,751 |
| Sort-term indebtedness | | | | 354,339 | 249,031 |
| Long-term indebtedness | | | | 2,296,868 | 1,782,720 |

| | | | | Consolidated | |
|---|---|---|---|---|---|
| Credit Line | Charges (% p.a.) | Interest Weighted Average (p.a.) | Average Weighted Term (years) | Balance as of 09.30.08 | Balance as of 06.30.08 |
| Local Currency | | | | | |
| FINAME | TJLP* + Fixed Rate | 12.79 | 3.66 | 6,148 | 6,240 |
| BNDES Exim | TJLP + Fixed Rate | 10.2 | 0.89 | 103,298 | 110,373 |
| BNDES Finem | TJLP + 1.80 | 8.05 | 4.4 | 10,103 | 9,169 |
| FINEP | TJLP + 1% | 7.25 | 5.08 | 8,751 | 8,751 |
| NCE | Fixed Rate+%CDI** | 15.45 | 2.17 | 485,972 | 274,074 |
| Working Capital (BRL) | 6,75 to 8,75+CDI | 8.66 | 1 | 35,510 | 23,655 |
| Rural Credit Note (BRL) | 6.75 | 6.75 | 1 | 7,001 | - |
| Financing (BRL) | TJLP + Fixed Rate | 9.25 | 1 | 3,841 | 14,645 |
| Other | CDI+4 | 17.59 | 4.23 | 3,354 | 3,366 |
| Total Local Currency | | | | 663,978 | 450,273 |
| Foreign Currency | | | | | |
| ACC (advance on exchange contracts) (US$) | Fixed Rate + E.V. | 6.04 | 0.6 | 319,626 | 285,981 |
| Industrial Facilities Financing (US$) | 7.35 / 7.28 + E.V. | 7.46 | 3.81 | 19,426 | 17,390 |
| Pre-payment (US$) | Libor+ Fixed Rate + E.V.+ CDI | 12.54 | 6.9 | 949,249 | 716,696 |
| BNDES Exim (US$) | Basket of Currencies + Fixed Rate | 11.55 | 0.89 | 17,547 | 23,912 |
| Bonds (US$) | Fixed Rate 9.625 | 9.625 | 8.21 | 660,749 | 577,195 |
| BNDES Finem | Basket of Currencies + 1.30 | 8.90 | 4.4 | 2,807 | 3,164 |
| NCE (export credit note) (US$) | %CDI + Fixed Rate + E.V. (US$) + Libor | 8.79 | 3.4 | 383,070 | 238,139 |
| Swap | Premium + E.V. | Premium + E.V. | 0.4 | 11,410 | 1,028 |
| Working Capital (US$) | 6.5+ E.V. | 6.5 | | | 3,184 |
| Working Capital (Pesos) | 7.92+ E.V. | 7.92 | 0.3 | 2,226 | 1,948 |
| Overdraft Protection (US$) | 6.35+ E.V. | 6.35 | 1 | 9,508 | 7,688 |
| Bank Loans (US$) | Fixed Rate + Libor + E.V. | 5 | 4.97 | 72,410 | 65,623 |
| Pre-financing of Exports (US$) | 6.5+ E.V. | 6.5 | 0.6 | 39,781 | 18,935 |
| PAE (Export Support Program) (US$) | 4.43 | 4.43 | 0.6 | 10,887 | 13,631 |
| Bank Vouchers (US$) | Libor | 4.3 | 0.9 | 129,501 | 79,032 |
| Financings (US$) | Libor+1.65 | 6.15 | 7.08 | 4,786 | 4,776 |
| Other (Pesos) | from 3.29 to 4.89 | 4.09 | 0.2 | 1,041 | 11,952 |
| Total Foreign Currency | | | | 2,634,024 | 2,070,274 |
| Total Indebtedness | | | | 3,298,002 | 2,520,547 |
| Short-tern Indebtedness | | | | 772,657 | 624,106 |
| Long-term Indebtedness | | | | 2,525,345 | 1,896,441 |

*Long-term interest rate
**Interbank deposit rate
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. These transactions are guaranteed by the acquired asset itself. Repayments will be made until October 2010.

BNDES – EXIM (export finance)

BNDES' credit line to encourage exports passed on by commercial banks. Funds raised under this credit line are used to finance exports. The finance agreement is partially adjusted using the TJLP (Long-term Interest Rate) and the rest is adjusted using the UMBNDES, which is composed of a basket of currencies which reflects the 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. A portion of the principal plus interest will be repaid in monthly installments maturing from May 2008 to 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 composed of a basket of currencies which reflects daily fluctuation of the currencies in which BNDES raise 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 installments maturing from March 2008 to February 2013.

FINEP – Fund for Financing Studies and Projects

FINEP credit line for financing studies and projects. FINEP is a public institution linked to 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. Repayments will be made until October 2013.

NCE - Export Credit Note (ECN)

Credit line which grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. There are transactions conducted in both BRL and US$. These transactions are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. Repayments will be made until March 2012.

Working capital

Foreign credit line for export companies. Funds raised under this credit line are used as working capital financing. There are transactions conducted in both BRL and Pesos. These transactions are guaranteed by endorsement and mortgage. Repayments will be made until August 2011.

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. The transaction matures in September 2009.

ACC - Advance on exchange contracts

Foreign credit line for export companies. Funds raised under this credit line are used to finance exports.

ACC transactions are conducted in US$ and payment is linked to exports. This finance is guaranteed by promissory note. Repayments will be made until August 2009.

Equipment purchase finance

Foreign credit line for acquisition of equipment. This transaction is conducted in US$, and is guaranteed by the financed equipment itself. Repayment is scheduled up to July 2012, with quarterly installments 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 is guaranteed by promissory note, endorsement, supply contract and export documents; in some case, no guarantee is given. Repayments will be made from October 2008 to March 2013.

Bonds

Debt notes issued abroad - 144A./Reg. S - for the acquisition of plants in Argentina and Uruguay. This finance was raised in US$, and does not have guaranties. Principal matures in November 2016, with interest paid every six months.

PAE – Export Loan

Chile's credit line forexport companies. Funds raised under this credit line are used to finance lamb exports. This finance was raised in US$, and is secured by bank guarantee.

Repayments will be maid until March 2009.

Bank vouchers – 1456 BCU Circular Financing

BCU (Central Bank of Uruguay)'s credit line for export. Funds raised under this credit line are used to obtain 30% of the export value in a period from 180 to 270 days. The finance agreement bears Libor, and is guaranteed by financial investments. The maturity of these transactions is forecast for the period between 2008's fourth quarter and 2009's second quarter.

Below is a debt maturity schedule:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 09.30.08 | 06.30.08 | 09.30.08 | 06.30.08 |
| Local Currency | | | | |
| 3Q08 | - | 23,682 | - | 42,028 |
| 4Q08 | 24,078 | 24,199 | 32,422 | 39,168 |
| 1Q09 | 36,958 | 31,218 | 49,800 | 40,828 |
| 2Q09 | 20,565 | 20,234 | 27,394 | 22,274 |
| 3Q09 | 20,555 | - | 39,952 | - |
| 4Q09 | 7,935 | 24,226 | 9,367 | 26,708 |
| 2010 | 96,098 | 90,757 | 130,413 | 114,309 |
| 2011 | 363,998 | 154,809 | 366,637 | 157,499 |
| 2012 | 4,951 | 4,808 | 5,415 | 5,288 |
| 2013 | 2,511 | 2,099 | 2,578 | 2,171 |
| 2014 | - | - | - | - |
| 2015 | - | - | - | - |
| 2016 | - | - | - | - |
| | 577,649 | 376,032 | 663,978 | 450,273 |
| Foreign Currency | | | | |
| 3Q08 | - | 44,474 | - | 132,775 |
| 4Q08 | 100,001 | 21,188 | 295,561 | 229,724 |
| 1Q09 | 97,601 | 47,505 | 168,160 | 74,853 |
| 2Q09 | 44,458 | 36,531 | 108,277 | 42,456 |
| 3Q09 | 10,123 | - | 51,091 | - |
| 4Q09 | 2,357 | 11,623 | 16,038 | 65,231 |
| 2010 | 129,365 | 108,227 | 168,564 | 108,227 |
| 2011 | 369,545 | 232,582 | 432,450 | 244,353 |
| 2012 | 305,986 | 259,337 | 347,565 | 268,506 |
| 2013 | 222,513 | 189,487 | 243,771 | 193,570 |
| 2014 | 86,394 | 72,901 | 91,863 | 75,410 |
| 2015 | 72,926 | 60,644 | 78,395 | 63,949 |
| 2016 | 632,289 | 571,220 | 632,289 | 571,220 |
| | 2,073,558 | 1,655,719 | 2,634,024 | 2,070,274 |
| Total Indebtedness | 2,651,207 | 2,031,751 | 3,298,002 | 2,520,547 |

Following are the guarantees for loans and financing:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 09.30.08 | 06.30.08 | 09.30.08 | 06.30.08 |
| Finance Balance | 2,651,207 | 2,031,751 | 3,298,002 | 2,520,547 |
| Guarantees: | | | | |
| No guarantee | 1,390,844 | 1,028,851 | 1,450,987 | 1,083,650 |
| Promissory Note | 357,219 | 253,233 | 357,219 | 253,233 |
| Trade Notes | 97,186 | 104,323 | 117,509 | 112,412 |
| Bank Guarantee | 12,910 | 12,333 | 31,515 | 27,238 |
| Supply Contract | 38,574 | 32,070 | 49,726 | 41,174 |
| Endorsement | 664,171 | 523,294 | 960,969 | 746,135 |
| Financed Asset | 23,044 | 21,055 | 33,664 | 40,059 |
| Export Documents | 58,508 | 47,841 | 58,508 | 47,841 |
| Facilities | 8,751 | 8,751 | 8,751 | 8,751 |
| Mortgage | - | - | 70,938 | 56,841 |
| Financial Investment | - | - | 148,644 | 95,252 |
| Export Credit | - | - | 9,572 | 7,961 |

Considering that the notes issued by the Company (Marfrig Bonds) account for 20.03% of indebtedness, restrictions related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans and financing outstanding at the balance sheet dates. These restrictions, regarding the indebtedness, correspond to the Interest Coverage Rate (EBITDA / net financial income (losses) ratio), which may not be lower than 1.5; and the Net debt/EBITDA ratio, which may not be higher than 4.0.

## 18. PROVISIONS

The Company and its controlled companies are involved in several lawsuits, of a nature considered normal to their businesses, for which provisions based on legal counselors' estimates have been set up. The principal information about these lawsuits in progress is presented below:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Labor | 3,161 | 3,161 | 34,322 | 34,855 |
| Tax and social security | 40,145 | 40,145 | 44,166 | 44,166 |
| Civil | 670 | 670 | 8,652 | 8,652 |
| Other | - | - | 558 | 310 |
| | 43,976 | 43,976 | 87,698 | 87,983 |

## 19. DEFERRED TAXES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Income tax | 29,933 | 30,531 | 77,006 | 69,548 |
| Social contribution tax | 10,779 | 10,994 | 22,609 | 23,112 |
| | 40,712 | 41,525 | 99,615 | 92,660 |

Refer to deferred taxes recorded when property, plant and equipment items were revalued. They will be settled as revalued assets are sold, written off, depreciated, and amortized, according to the useful life established in the revaluation report.

## 20. SHAREHOLDERS' EQUITY

a. Capital stock

Subscribed and paid-in capital stock as of September 30, 2008 totals R$ 2,111,374 (R$1,183,826 on June 30, 2008), and comprises 247,090,740 common shares (203,948,954 common shares on June 30, 2008), with no par value, already including the subscription made through the exercise of the subscription right to capital increase and which is depending upon the result of a special surplus auction (see note 26).

We demonstrate below the changes in the Company's capital stock along the 2nd quarter of 2008, considering the capital increase approved in the Board of Directors meeting held on August 12, 2008, as follows:

| Date | Description | Value |
|---|---|---|
| 6/30/08 | Capital stock | 1,183,826 |
| 8/29/08 | Paid by MMS Participações S.A. | 25,000 |
| 8/29/08 | Paid by BNDESPAR | 472,483 |
| 9/17/08 | Paid by Laurus Holdings Limited | 430,000 |
| 9/18/08 | Paid by the minority interest holders | 65 |
| 9/30/09 | Capital stock | 2,111,374 |

b. Treasury shares

On May 07, 2008, the Company acquired 205,600 shares for R$ 3,875, which were recorded as treasury shares. In the 3rd quarter of 2008, the Company acquired more 490,000 shares for R$ 9,054, reaching 695,600 shares, which correspond to R$12,929, at a medium cost of R$ 18.5870 per 1,000 shares. Such shares are destined for the long-term bonus and option program, as described in note 21, and will entitle dividends and profit sharing to be distributed by the Company in the future to their holders.

c. Legal reserve

It is 5% of the Company's net income, as defined in its incorporation and operating document and current legislation.

d. Dividends

Shareholders are entitled every year to a minimum mandatory dividend of 25% (twenty-five per cent) of net annual income.

e. Minority interest

Refers to the interest of minority shareholders in the Liquid Assets of the Company.

## 21. MANAGEMENT COMPENSATION

The added value of the compensation received by the Company's managers for services in their respective areas in the 3-month period ended as of September 30, 2008 was R$ 691 (R$ 691 in the previous quarter ended June 30, 2008).

Marfrig has a long-term bonus program, offering restricted shares to its managers and stock options for its directors, with limits already approved during the Extraordinary Meeting held on May 20, 2007.

The Company's objective with this operation is to maximize the generation of value to shareholders, through efficient management of the capital structure and alignment of the interest of executives of Marfrig with the one of the investors in the Market.

The management compensation program has as characteristic the concession of restricted shares (long-term bonus) for executives and stock purchase options for the members of Board of Directors. The release of each batch of shares to the participants (the ones already distributed and to be distributed) is carried out at the ratio of 25% per year in 4 (four) years, counted upon the date of concession, in accordance with the approved regulation.

The Company acquired 695.600 shares during the year, to be kept in treasury and subsequently given to the participants, as authorized by the Board of Directors and disclosed in a communication to the investors on April 08, 2008. Such acquisition observed the limits and conditions established in CVM Instruction no. 10/80. Acquisitions were made by an entity called Hedging Griffo CTVM S.A. during the 2nd and 3rd quarters of 2008, and correspond to R$ 12,929, as commented in note 20.

The granting of lots of shares related to the year 2007 was based on the average of the twenty previous trading operations before March 04, 2008 (concession date), without discount for restricted shares. For the Member of the Board, there was a discount of 10% on abovementioned average, which will be the basis for the option.

## 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 disaster. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

| | Company | | Consolidated | |
|---|---|---|---|---|
| Description | 9/30/08 | 6/30/08 | 9/30/08 | 6/30/08 |
| Buildings and meat-packing facilities | 896,300 | 896,300 | 1,476,031 | 1,580,016 |
| Inventories and loss of profit | 314,800 | 314,800 | 560,144 | 521,383 |
| Third party warehouses | 32,000 | 32,000 | 33,149 | 44,426 |
| Vehicles | 2,469 | 3,803 | 11,411 | 13,345 |
| Transportations of goods | 540,436 | 479,167 | 1,503,549 | 641,123 |
| Insurance of officers | 40,000 | 40,000 | 52,443 | 50,347 |
| Civil liability | 1,673 | 1,673 | 7,432 | 8,796 |
| Other | 81,972 | 66,267 | 423,169 | 79,442 |
| | 1,909,650 | 1,834,010 | 4,067,328 | 2,938,878 |

## 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 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 which do not offer a minimum protection against its exposure to other currencies, and also adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining high level of cash balance and short-term financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

**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 which 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, live cattle and swine, 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.

So as to reduce the impact over commodities, the Company manages inventory levels, keeps cattle confined and trades cattle at BM&F (Futures and Commodities Exchange).

In the period ended September 30, 2008, the Company did not enter into derivative contracts related to commodities.

**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.

The Company believes to have a natural hedge to settle its obligations in other currencies, since about 65% of its revenues are in currencies other than the Brazilian real.

The foreign exchange hedge strategy is under development.

**e) Outstanding foreign currency and derivative position**

Assets and liabilities in foreign currency are presented as follows:

| | | | COMPANY |
|---|---|---|---|
| EXPOSURE | | | Effects on income (loss) Exchange |
| Description | 09.30.08 | 06.30.08 | variationl |
| OPERATIONAL | | | |
| Trade Accounts Receivable | 307,950 | 245,641 | 7,977 |
| Advances on Exchange Contracts - ACEs | (61,559) | (127,375) | (23,558) |
| Imports payable | (13,112) | (6,767) | (663) |
| Investments | 523,858 | 384,007 | 45,434 |
| Subtotal | 757,137 | 495,506 | 29,190 |
| FINANCIAL | | | |
| Receivables from controlled companies | 92,211 | 32,489 | 33,458 |
| Advance - Commitment to acquire investments | 536,004 | 0 | 103,475 |
| Loans and Financing | (1,903,947) | (1,653,252) | (313,500) |
| Subtotal | (1,275,732) | (1,620,763) | (176,567) |
| TOTAL | (518,595) | (1,125,257) | (147,377) |
| Exchange Gains | | | 190,344 |
| Exchange Losses | | | (337,721) |

| EXPOSURE | | | CONSOLIDATED<br>Effects on income (loss) Exchange |
|---|---|---|---|
| Description | 09.30.08 | 06.30.08 | variaton |
| OPERATIONAL | | | |
| Trade Accounts Receivable | 554,048 | 415,267 | 19,214 |
| Advances on Exchange Contracts - ACEs | (76,003) | (140,693) | (21,520) |
| Imports payable | (22,505) | (12,322) | (1,431) |
| Investments | 522,033 | 457,186 | 67,175 |
| Subtotal | 977,573 | 719,438 | 63,438 |
| FINANCIAL | | | |
| Receivables from controlled companies | - | - | 33,458 |
| Advance - Commitment to acquire investments | 536,004 | - | 103,475 |
| Loans and Financing | (2,553,355) | (2,021,223) | (357,419) |
| Subtotal | (2,017,351) | (2,021,223) | (220,486) |
| TOTAL | (1,039,778) | (1,301,785) | (157,048) |
| Exchange Gains | | | 223,322 |
| Exchange Losses | | | (380,370) |

As of September 30, 2009, outstanding derivatives are as follows:

| | | | | | | | 30.09.08 |
|---|---|---|---|---|---|---|---|
| **Instrument** | **Maturity** | **Receivable** | **Payable** | **Counterpart of principal value** | **Preference value (notional)** | **Fair Value (*)** | **Payable amoun** |
| NDF (Counter- CETIP) | 10/13/2008 | US$ lower1.8367 | US$ higher 1.8367 | Citibank | 20,000 | 38,286 | (1,552) |
| NDF (Counter - CETIP) | 11/10/2008 | US$ lower 1.8479 | US$ higher 1.8479 | Citibank | 20,000 | 38,286 | (1,328) |
| NDF (Counter - CETIP) | 12/10/2008 | US$ lower 1.8615 | US$ higher 1.8615 | Citibank | 20,000 | 38,286 | (1,056) |
| NDF (Counter - CETIP) | 01/09/2009 | US$ lower 1.8725 | US$ higher 1.8725 | Citibank | 20,000 | 38,286 | (836) |
| NDF (Counter - CETIP) | 10/13/2008 | US$ lower 1.8318 | US$ higher 1.8318 | ABN | 20,000 | 38,286 | (1,650) |
| NDF (Counter - CETIP) | 11/10/2008 | US$ lower 1.8416 | US$ higher 1.8416 | ABN | 20,000 | 38,286 | (1,454) |
| NDF (Counter - CETIP) | 12/10/2008 | US$ lower 1.8522 | US$ higher 1.8522 | ABN | 20,000 | 38,286 | (1,242) |
| NDF (Counter - CETIP) | 02/02/2009 | US$ lower 1.7805 | US$ higher 1.7805 | Safra | 5,000 | 9,572 | (669) |
| NDF (Counter - CETIP) | 02/02/2009 | US$ lower 1.7805 | US$ higher 1.7805 | Safra | 5,000 | 9,572 | (669) |
| NDF (Counter - CETIP) | 01/12/2009 | US$ lower 1.825 | US$ higher 1.825 | Safra | 5,000 | 9,572 | (447) |
| NDF (Counter - CETIP) | 01/12/2009 | US$ lower 1.948 | US$ higher 1.948 | Bic Banco | 5,000 | 9,572 | 169 |
| Purchase of Option | 12/30/08 | US$ higher 1.93 | 3,05% from period's notional | Citibank | 50.000 | 95,715 | |
| Purchase of Option | 01/02/09 | US$ higher 1.94 | 3,13% in the period | Citibank | 50.000 | 95,715 | |
| Purchase of Option | 01/02/09 | US$ higher 1.925 | 3,22% in the period | Citibank | 50.000 | 95,715 | |
| Purchase of Option | 01/02/09 | US$ higher 2.02 | 4,68% in the period | Citibank | 50.000 | 95,715 | |
| Purchase of Option | 01/02/09 | US$ higher 2.02 | 4,1% in the period | Citibank | 50.000 | 95,715 | |
| Swap (Counter - CETIP) | 11/09/16 | US$ (VC) + 9,625% aa | US$ (VC) + 8% aa or 107,45% CDI | Merril Lynch | 187.500 | 358.931 | |
| | | | | | | 1.143.794 | (10.734) |

| **Instrument** | **Maturity** | **Receivable** | **Payable** | **from Principal** | **Reference (notional)** | **Fair Value** | **Payable Amount (loss)** |
|---|---|---|---|---|---|---|---|
| Swap (Counter - CETIP) | 11/09/16 | US$ (VC) + 9,625% aa | US$ (VC) + 8% aa ou 107,45% CDI | Merril Lynch | 187.500 | 298.481 | |
| | | | | | | **298.481** | |

**(*)** The fair value's determination period used by the Company consists of presenting notional value (US$) by quotation finished in the period's closing date, that is, 1.9143

**Marfrig Sensibility Analysis' Demonstrative Chart – Cash Effect (for each derivative)**

**("No revised")**

| Operation | Risk | Likely Scenario (US$ = BRL 2.00) | Possible Scenario (US$ = BRL 2.50) | Remote Scenario (US$ = BRL 3.00) |
|---|---|---|---|---|
| **Purchase of Options (*)** | Valuation of US$ | 10,250 | 133,250 | 258,250 |
| | | | | |
| **NDF - Sale** | Valuation of US$ | (24,446) | (104,446) | (184,446) |
| | | | | |
| **Swap** | Rise of US$ | **(*)** | | |

(*) Such operation was contracted to minimize the effect of exchange rates and hedge the variation in interest rates. There is no loss possibility in this operation, since it was liquidated on 10/20/2008, with net gains of 215 BRL. See explanatory note 26 – Subsequent Events.

**Calculation - NDF** **US$ / BRL on 09/30** **1.9143**

| US$ Amount | Contracted Parity | Maturity | Result 09/30 | US$ X BRL 2.00 | US$ X BRL 2.50 | US$ X BRL 3.00 |
|---|---|---|---|---|---|---|
| 20,000 | 1.8367 | 10/13/2008 | (1,552) | (3.266) | (13,266) | (23,266) |
| 20,000 | 1.8479 | 11/10/2008 | (1,328) | (3.042) | (13,042) | (23,042) |
| 20,000 | 1.8615 | 12/10/2008 | (1,056) | (2.770) | (12,770) | (22,770) |
| 20,000 | 1.8725 | 01/09/2009 | (836) | (2.550) | (12,550) | (22,550) |
| 20,000 | 1.8318 | 10/13/2008 | (1,650) | (3.364) | (13,364) | (23,364) |
| 20,000 | 1.8416 | 11/10/2008 | (1,454) | (3.168) | (13,168) | (23,168) |
| 20,000 | 1.8522 | 12/10/2008 | (1,242) | (2.956) | (12,956) | (22,956) |
| 10,000 | 1.7805 | 02/02/2009 | (1,338) | (2.195) | (7,195) | (12,195) |
| 5,000 | 1.8250 | 01/12/2009 | (447) | (875) | (3,375) | (5,875) |
| 5,000 | 1.9480 | 01/12/2009 | 169 | (260) | (2,760) | (5,260) |
| 160,000 | 1.8472 | | (10,734) | (24,446) | (104,446) | (184,446) |

**Calculation – Purchase Option**

| Valor US$ | Contracted Parity | Maturity | Result 09/30 | US$ X BRL 2,00 | US$ X BRL 2.50 | US$ X BRL 3.00 |
|---|---|---|---|---|---|---|
| 50,000 | 1.9300 | 12/30/2008 | - | 3,500 | 28,500 | 53,500 |
| 50,000 | 1.9400 | 01/02/2009 | - | 3,000 | 28,000 | 53,000 |
| 50,000 | 1.9250 | 01/02/2009 | - | 3,750 | 28,750 | 53,750 |
| 50,000 | 2.0200 | 01/02/2009 | - | - | 24,000 | 49,000 |
| 50,000 | 2.0200 | 01/02/2009 | - | - | 24,000 | 49,000 |
| 250,000 | 1.9670 | - | - | 10,250 | 133,250 | 258,250 |

Note: if the result of the option is negative, we will not exercise the option.

The Company entered into non-speculative swap, NDF and futures contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing and trade accounts payable, and to hedge against fluctuations in interest rate incurred on financial investments and variable interest rate debts.

In the quarter ended September 30, 2008, a net loss of 11,072 BRL was incurred with derivatives, of which 10,565 BRL corresponded to losses on NDF transactions and 507 BRL to losses on Purchase Option transactions.

Assets and liabilities recorded for asset hedging purposes are shown below:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 30/09/08 | 30/06/08 | 30/09/08 | 30/06/08 |
| NDF - Asset | - | - | 169 | - |
| NDF - Liability | (4,772) | - | (10,734) | - |
| Premium - Purchase Option | (507) | - | (507) | - |
| Swap - Financing (*) | (358,931) | (298,481) | (358,931) | (298,481) |
| | (364,210) | (298,481) | (370,172) | (298,481) |

(*) Such transaction was conducted to minimize the effect of exchange rates and hedge the variation in interest There is no possibility of loss on this transaction, since it was settled on 10/20/2008, with net gains of 215 BRL. See explanatory note 26 – Subsequent Events.

Management understands that the results obtained with derivative transactions are in line with the risk management strategy adopted by the Company.

## 24. INCOME AND SOCIAL CONTRIBUTION TAXES

Income tax and social contribution are calculated as legally stipulated.

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 tax and social contribution account records to the Taxable Income Computation Book is as follows:

| Tax | Group | 9/30/08 | 6/30/08 |
|---|---|---|---|
| Income before taxes | | 26,087 | 74,141 |
| Add-backs | | 36,385 | 25,493 |
| (-) Exclusions | | (164,221) | (75,700) |
| Income and social contribution tax basis | | (101,749) | 23,934 |
| Income tax (15%) | | - | 3,590 |
| Surtax (10%) | | - | 2,381 |
| (-) Workers' Meat Program (PAT) | | - | (144) |
| Total income tax | | - | 5,827 |
| Social contribution tax (9%) | | - | 2,154 |
| Statement - result | | | |
| (-) Income tax - current | Current liabilities | | (5,827) |
| Deferred income tax - Revaluation (1) | Long-term liabilities | 1,794 | 1,195 |
| Deferred income tax - Other (2) | Long-term assets | | (1,637) |
| Net | Result | 1,794 | (6,269) |
| (-) Social contribution tax - Current | Current liabilities | | (2,154) |
| Deferred social contribution tax - Revaluation (1) | Long-term liabilities | 646 | 430 |
| Deferred social contribution tax - Other (2) | Long-term assets | | (590) |
| Net | Result | 646 | (2,314) |

(1) Refer to the reversal of deferred income and social contribution stated in note 19, considering the addition of depreciation of revalued assets to taxable income and the social contribution calculation base.

(2) Refer to the deferred income tax and deferred social contributions, calculated for those taxes whose payment has been suspended (provisions), and which were added to the computation of real profits and the calculation of social contributions, demonstrated in note 9.

## 25. STATEMENT OF CASH FLOWS

**STATEMENT OF CASH FLOWS**
**FOR THE PERIOD ENDED SEPTEMBER 30 AND**
**3RD QUARTER OF 2008**
**(In thousand of Brazilian reais)**

| | COMPANY | | CONSOLIDATED | |
|---|---|---|---|---|
| | 3rd Quarter 2008 | Accumulated 2008 | 3rd Quarter 2008 | Accumulated 2008 |
| Operating activities | | | | |
| Net income in the period | (37,031) | 28,527 | (52,685) | 38,773 |
| Non-cash items | 146,747 | (20,873) | 355,576 | 286,965 |
| Depreciation | 8,753 | 23,087 | 19,086 | 49,537 |
| Amortization | 9,145 | 27,435 | 9,485 | 28,455 |
| Minority interest | | | 1,988 | 9,289 |
| Provision for contingencies | | | (284) | 39,544 |
| Deferred taxes | (3,041) | (2,440) | (2,338) | 30,603 |
| Equity in loss | (88,522) | (146,255) | - | |
| Exchange variation on financing | 265,846 | 122,734 | 357,419 | 185,217 |
| Exchange loss investments | (45,434) | (45,434) | (45,434) | (45,434) |
| Gains from investments | | | 15,654 | (10,246) |
| Changes in shareholders' equity | (796,342) | (1,264,325) | (1,010,145) | (1,128,641) |
| Accounts receivables from customers | (245,103) | (137,292) | (316,556) | (298,406) |
| Inventories | (12,092) | (93,141) | (100,555) | (402,074) |
| Escrow deposits | (2,302) | (5,579) | (3,353) | (11,564) |
| Accrued payroll and related charges | 10,526 | 45,683 | 25,320 | 147,147 |
| Accounts payable and accrued expenses | 1,948 | (69,353) | 19,885 | 8,148 |
| Taxes | (42,765) | (187,274) | (85,260) | (24,837) |
| Financial charges | 49,204 | 135,125 | 57,832 | 151,268 |
| Trade accounts receivable and payable | (548,861) | (904,025) | (565,788) | (790,401) |
| Other assets and liabilities accounts | (6,897) | (48,469) | (41,670) | 92,078 |
| Cash flows from operating activities | (686,626) | (1,256,671) | (707,254) | (802,903) |
| Investment activities | | | | |
| Investments | (118,005) | (168,967) | (30,017) | (276,144) |
| Reduction in investment goodwill | | 10,703 | | 10,703 |
| Consolidation of investments without cash effects | | | (48,787) | (423,044) |
| Investment in permanent assets | (27,613) | (88,034) | (63,336) | (183,484) |
| Investment in deferred items | | | (137) | (4,894) |
| Treasury shares | (9,043) | (12,929) | (9,043) | (12,929) |
| Cash flows from investment activities | (154,661) | (259,227) | (151,320) | (889,792) |
| Financing activities | | | | |
| Dividends/interest on equity capital in the period | | | | |
| Loans and financing | 304,405 | 636,114 | 362,202 | 887,554 |
| Loans contracted | 443,921 | 1,561,971 | 673,823 | 2,296,533 |
| Loans settled | (139,516) | (925,857) | (311,621) | (1,408,979) |
| Issuance of shares | 927,548 | 927,548 | 927,548 | 927,548 |
| Cash flows from financing activities | 1,231,953 | 1,563,662 | 1,289,750 | 1,815,102 |
| Cash flows in the period | 390,666 | 47,764 | 431,176 | 122,407 |
| Cash, bank accounts, and short-term investments | | | | |
| Ending balance | 915,516 | 915,516 | 1,172,213 | 1,172,213 |
| Initial balance | 524,850 | 867,752 | 741,037 | 1,049,806 |
| Change in the period | 390,666 | 47,764 | 431,176 | 122,407 |

## 26 SUBSEQUENT EVENTS

On 01 October 2008 the Company hired an Stock Option dollars, the amount of US$ 50,000,000, totaling US$ 300,000,000 in Options Contracts (in September 30, 2008 the total Options Contracts was US$ 250,000,000, equivalent to R$478,575, as described in the explanatory note 23), with an average price for this set of 1,9783. Such Options were exercised on October 23, 2008, an average price of 2.2838, generating a gross financial gain of US$ 91,653.

On October 15, 2008, under the terms of a Special Auction of Non-Subscribed Surplus Shares, announced on October 10, 2008, shares not subscribed by shareholders of the company entitled to preferential rights were offered in an auction in the São Paulo Stock Exchange, and fully paid. The remaining common shares offered in the auction, corresponding to 20,853,214 shares, were acquired at a price of R$ 21.50 (twenty-one reais and fifty cents), as described below:

| Subscribers | Number of shares | Amount (R$) |
|---|---|---|
| BNDES Participações | 11,310,314 | 243,171,751.00 |
| Other Financial Institutions | 9,425,263 | 202,643,154.50 |
| Laurus Holding LLC(**) | 117,637 | 2,529,195.50 |
| **Total Subscribed Amount** | **20,853,214** | **448,344,101.00** |

In the Council of Administration Meeting of October 21,2008 was ratified the increase of capital which will be ratify in Marfrig Extraordinary General Meeting and after your approved, the Company will have the following share structure:

| Shareholders | Number of shares | % |
|---|---|---|
| MMS Participações* | 135,162,786 | 50.44% |
| BNDESPAR | 39,286,259 | 14.66% |
| OSI Group | 20,117,637 | 7.51% |
| Other | 73,377,272 | 27.39% |
| **Total** | **267,943,954** | **100.00%** |

*Controlling shareholder

Therefore, the capital stock after the sale of the share in auction surplus in the Stock Exchange from São Paulo is as follows:

| Date | Description | Value |
|---|---|---|
| 9/30/08 | Capital stock | 2,111,374 |
| 10/15/08 | Subscription of shares | 448,344 |
| 10/15/08 | Capital stock | 2,559,718 |

On October 20, 2008, the Company settled the Swap transactions described in explanatory note 23, obtaining a financial gain of 215 BRL.

On November 03, 2008, the Company concluded the acquisition of the companies of Moy Park in Europe (England, North Ireland, France and Nethelands) and of other companies of OSI Group in Brazil, after approval of the European Commission on October 13, 2008.

In order to acquire the companies of Moy Park Group in Europe, on August 29, 2008, the Marfrig organized the company Kilnway Limited, according to the laws of North Ireland, which will control the assets acquired in Europe.

The transaction value was US$ 680 million. US$ 270 million was set to be paid in cash (with previously locked exchange), US$ 130 million through debt assumption, and 20,117,637 in shares of the Company, corresponding to the interest of OSI Group. They were issued in a recent Private Capital increase operation and resulted in interests of 7.51% being held in the capital stock of the Company, what entitles the right to elect a member in Marfrig' Board of Directors.

The acquisition of the companies of OSI Group in Brazil and of Moy Park in Europe will be approved in a general meeting to be called in the future, and will be supplied with all necessary documentation, under the terms of article 256 of Law 6.404/76.

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