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

MARFRIG ALIMENTOS S.A.

Individual and consolidated interim financial statements for the six-month period ended June 30, 2012 and independent auditors' review report of the interim financial statements

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

MARFRIG ALIMENTOS S.A.

Individual and consolidated interim financial statements for the six-month period ended June 30, 2012 and independent auditors' review report of the interim financial statements

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

Independent auditors' review report on the interim financial statements

To the Shareholders, Board of Directors and Management of
MARFRIG ALIMENTOS S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial statements of **MARFRIG ALIMENTOS S.A. ("Company"),** included in the Quarterly Information for the quarter ended June 30, 2012, which comprise the balance sheet as of June 30, 2012 and the respective income statement, statements of comprehensive income, statements of changes in shareholders' equity and cash flows for the six-month period ended June 30, 2012, including the summary of the main accounting practices and other notes.

The Company's management is responsible for the fair presentation and preparation of the individual financial statements in accordance with the Technical Pronouncement CPC 21 (R1) – Interim Statement, and for the consolidated interim financial statements according to Technical Pronouncement CPC 21 (R1) – Interim Statement and with the International Accounting Standards IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of these statements in accordance with the accounting standards adopted in Brazil. Our responsibility is to express an opinion on those interim financial statements based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an opinion.

Conclusion on the individual interim financial statements

Based on our review, we are not aware of any fact that leads us to believe that the above-mentioned individual interim financial statements have not been prepared, in all material respects, in accordance with the CPC 21 (R1) applicable to the preparation of the Quarterly Information and presented according to the accounting standards adopted in Brazil.

Conclusion on the consolidated on the consolidated financial statements

Based on our review, we are not aware of any fact that leads us to believe that the consolidated interim financial statements have not been prepared, in all material respects, in accordance with the CPC 21 (R1) and IAS 34, applicable to the preparation of the Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other issues

Interim statements of value added

We have also reviewed the interim statements of value added, Company and Consolidated, for the six-month period ended June 30, 2012, whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by the IFRS, which do not require the disclosure of the statement of value added. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the interim financial statements, individual and consolidated, taken as a whole.

Audit of the previous year's amounts

The amounts for the year ended December 31, 2011 and for the six-month period ended June 30, 2011, presented for comparative purposes, were previously audited and review by other independent auditors, whose reports thereon, dated March 25, 2012 and August 12, 2011, respectively, were unqualified.

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

São Paulo, August 13, 2012.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Jairo da Rocha Soares
Contador CRC 1 SP 120458/O-6

Raul Corrêa da Silva
Contador CRC 1SP 079028/O-1

EXHIBIT 1
MARFRIG ALIMENTOS S.A.

BALANCE SHEETS AS OF JUNE 30, 2012 AND DECEMBER 31, 2011
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Note	06/30/12	12/31/11	06/30/12	12/31/11
ASSETS					
Current assets					
Cash and cash equivalents	4	335,115	422,367	957,212	1,076,820
Marketable securities	5	710,380	877,065	2,071,171	2,400,140
Trade accounts receivable - domestic	6	267,968	193,588	876,147	1,032,510
Trade accounts receivable - foreign	6	115,834	187,634	229,430	270,396
Inventories of goods and merchandise	7	451,264	533,513	2,414,885	2,526,827
Biological assets	8	34,871	25,609	767,977	711,169
Recoverable taxes	9	469,892	467,002	1,114,700	1,025,496
Prepaid expenses		6,538	6,143	81,153	85,689
Notes receivable	10	702,507	405,193	72,870	28,362
Advances to suppliers		18,361	17,179	44,240	33,166
Other receivables		12,439	19,954	167,113	168,538
Total current assets		3,125,169	3,155,247	8,796,898	9,359,113
Non-current assets					
Marketable securities	5	100	100	886	897
Court deposits		26,668	23,375	29,201	24,901
Notes receivable	10	1,617,371	1,594,075	31,320	37,912
Deferred income and social contribution taxes	11	860,703	721,548	1,609,399	1,443,536
Recoverable taxes	9	644,917	618,731	1,247,026	1,188,552
Other receivables		4,599	5,341	59,799	85,294
		3,154,358	2,963,170	2,977,631	2,781,092
Investments	12	5,235,800	4,728,944	11,602	13,195
Property, plant and equipment	13	1,501,915	1,448,238	7,382,722	7,095,302
Biological assets	8	-	-	235,582	219,783
Intangible assets	14	912,540	968,775	4,106,674	4,354,956
		7,650,255	7,145,957	11,736,580	11,683,236
Total non-current assets		10,804,613	10,109,127	14,714,211	14,464,328
Total assets		13,929,782	13,264,374	23,511,109	23,823,441

		Parent		Consolidated	
	Note	06/30/12	12/31/11	06/30/12	12/31/11
LIABILITIES					
Current liabilities					
Trade accounts payable		194,068	344,484	2,027,090	2,783,120
Accrued payroll and related charges	15	76,981	50,507	483,456	483,685
Taxes payable	16	21,337	23,398	144,909	171,246
Loans and financing	17	916,567	900,473	2,641,709	2,277,035
Notes payable	20	477,652	237,583	543,593	434,158
Lease payable	19	6,795	3,970	47,029	59,911
Dividends payable	23.5	-	412	-	412
Interest on equity capital	23.6	-	14,465	-	14,465
Debentures payable	18	199,400	-	199,400	-
Interest on debentures	18	262,349	180,299	262,349	180,299
Advances from customers		81,193	84,350	108,392	106,918
Other payables		5,220	14,706	185,622	161,850
Total current liabilities		2,241,562	1,854,647	6,643,549	6,673,099
Non-current liabilities					
Loans and financing	17	4,108,248	4,205,854	8,253,467	8,326,043
Taxes	16	80,136	78,921	245,693	244,048
Deferred income and social contribution taxes	22	111,525	128,737	1,290,464	1,415,676
Provisions for contingencies	21	12,055	12,055	219,408	188,725
Lease payable	19	3,497	4,756	119,915	242,823
Debentures payable	18	395,368	593,951	395,368	593,951
Notes payable	20	1,154,063	651,745	211,806	30,537
Other payables		-	-	184,997	210,018
Total non-current liabilities		5,864,892	5,676,019	10,921,118	11,251,821
Shareholders' equity					
Share capital	23.1	4,061,478	4,061,478	4,061,478	4,061,478
(-) Share issue expenses	23.1	(74,960)	(74,960)	(74,960)	(74,960)
Capital reserve		2,479,307	2,460,085	2,479,307	2,460,085
Debentures convertible into shares	23.2	2,500,000	2,500,000	2,500,000	2,500,000
Charges on issue of convertible debentures	23.2	(20,693)	(20,693)	(20,693)	(20,693)
Acquisition of shares in subsidiaries		-	(19,222)	-	(19,222)
Profit reserves		32,736	38,122	32,736	38,122
Legal reserve	23.3.1	44,476	44,476	44,476	44,476
Retained earnings		7,348	7,348	7,348	7,348
Shares held in treasury	23.3.2	(19,088)	(13,702)	(19,088)	(13,702)
Other comprehensive income	23.4	478,616	508,844	478,616	508,844
Asset and liability valuation adjustment	23.4.1	(131,562)	(51,359)	(131,562)	(51,359)
Cumulative translation adjustment	23.4.2	610,178	560,203	610,178	560,203
Accumulated losses		(1,153,849)	(1,259,861)	(1,153,849)	(1,259,861)
Controlling shareholders' equity		5,823,328	5,733,708	5,823,328	5,733,708
Non-controlling interest	23.7	-	-	123,114	164,813
Total shareholders' equity		5,823,328	5,733,708	5,946,442	5,898,521
Total liabilities and shareholders' equity		13,929,782	13,264,374	23,511,109	23,823,441

The accompanying notes are an integral part of this quarterly financial information

EXHIBIT 2

MARFRIG ALIMENTOS S.A.

STATEMENT OF OPERATIONS FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian reais - R$, except earnings (loss) per share)

		Parent				Consolidated			
	Note	2nd Quarter 2012	Accumulated 2012	2nd Quarter 2011	Accumulated 2011	2nd Quarter 2012	Accumulated 2012	**Reclassified** 2nd Quarter 2011	**Reclassified** Accumulated 2011
NET SALES	24	1,127,923	2,094,426	1,155,723	2,223,617	5,705,308	10,711,737	5,107,267	10,158,881
Cost goods sold	25	(790,845)	(1,478,502)	(879,517)	(1,719,726)	(4,879,022)	(9,118,327)	(4,433,474)	(8,789,092)
GROSS PROFIT		337,078	615,924	276,206	503,891	826,286	1,593,410	673,793	1,369,789
OPERATING INCOME (EXPENSES)		(327,800)	(608,869)	(359,198)	(578,524)	(1,265,907)	(2,060,036)	(813,642)	(1,534,837)
Sales expenses	25	(68,477)	(134,703)	(82,280)	(148,994)	(381,751)	(743,846)	(389,128)	(739,823)
General and administrative expenses	25	(54,126)	(103,255)	(29,147)	(71,465)	(186,362)	(364,580)	(185,146)	(354,673)
Equity in earnings (losses) of subsidiaries		85,210	35,717	(128,018)	(171,550)	-	-	-	-
Other operating income (expenses)		220,832	241,790	35,896	42,815	155,458	148,935	(12,072)	(35,622)
Financial income (expenses)	26	(511,239)	(648,418)	(155,649)	(229,330)	(853,252)	(1,100,545)	(227,296)	(404,719)
Financial income		62,012	97,449	32,439	167,159	104,781	190,154	36,426	207,623
Exchange gain		63,543	203,993	71,492	162,529	143,591	360,804	137,426	230,425
Financial expenses		(230,290)	(477,576)	(248,363)	(532,944)	(436,717)	(864,023)	(362,037)	(758,513)
Exchange loss		(406,504)	(472,284)	(11,217)	(26,074)	(664,907)	(787,480)	(39,111)	(84,254)
(LOSS) INCOME FROM OPERATIONS		9,278	7,055	(82,992)	(74,633)	(439,621)	(466,626)	(139,849)	(165,048)
(LOSS) INCOME BEFORE TAXES		9,278	7,055	(82,992)	(74,633)	(439,621)	(466,626)	(139,849)	(165,048)
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES		119,667	156,366	(7,973)	7,170	193,763	248,639	44,783	91,842
Income tax	32	87,990	114,975	(5,832)	5,303	147,362	190,425	37,482	73,509
Social contribution tax	32	31,677	41,391	(2,141)	1,867	46,401	58,214	7,301	18,333
NET INCOME IN THE PERIOD FROM CONTINUED OPERATIONS		128,945	163,421	(90,965)	(67,463)	(245,858)	(217,987)	(95,066)	(73,206)
NET INCOME IN THE PERIOD FROM DISCONTINUED OPERATIONS	34	(113,494)	(113,494)	-	-	254,907	256,322	7,625	10,980
(LOSS) INCOME FOR THE PERIOD BEFORE SHAREHOLDING		15,451	49,927	(90,965)	(67,463)	9,049	38,335	(87,441)	(62,226)
ATTRIBUTABLE TO:									
Marfrig Alimentos - controlling shareholders - continued operation		128,945	163,421	(90,965)	(67,463)	(240,172)	(207,008)	(97,887)	(77,655)
Marfrig Alimentos - controlling shareholders - discontinued operation		(113,494)	(113,494)	-	-	255,623	256,935	6,922	10,192
Marfrig Alimentos - Controlling shareholders - Total		15,451	49,927	(90,965)	(67,463)	15,451	49,927	(90,965)	(67,463)
Non-controlling shareholders - continued operation		-	-	-	-	(5,686)	(10,979)	2,821	4,449
Non-controlling shareholders - discontinued operation		-	-	-	-	(716)	(613)	703	788
Non-controlling shareholders - Total		-	-	-	-	(6,402)	(11,592)	3,524	5,237
		15,451	49,927	(90,965)	(67,463)	9,049	38,335	(87,441)	(62,226)
Basic earnings (losses) per share - common - continued operation	28	0.3739	0.4739	(0.0828)	(0.1946)	0.0506	(0.6002)	(0.2828)	(0.2240)
Basic earnings (losses) per share - common - discontinued operation	28	(0.3291)	(0.3291)	-	-	(0.0058)	0.7450	0.2000	0.0294
Basic earnings (losses) per share - common - Total	28	0.0448	0.1448	(0.0828)	(0.1946)	0.0448	0.1448	(0.0828)	(0.1946)

The accompanying notes are an integral part of this quarterly financial information

EXHIBIT 3

MARFRIG ALIMENTOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED JUNE 30, 2012 AND YEAR ENDED DECEMBER 31, 2011
(In thousands of Brazilian reais - R$)

	Attributable to controlling shareholders												
				Profit reserves			Other comprehensive income						
	Share capital	Share issue expenses	Capital reserve	Legal reserve	Profit retention	Shares held in treasury	Asset and liability valuation adjustment	Cumulative translation adjustment	Accumulated losses	Total	Total controlling interest	Total non-controlling interest	Total shareholders' equity
AT DECEMBER 31, 2010	4,061,478	(74,960)	2,468,450	44,476	7,348	(7,348)	109,423	307,565	(563,144)	6,353,288	6,353,288	143,125	6,496,413
Charges on issue of convertible debentures	-	-	(8,365)	-	-	-	-	-	-	(8,365)	(8,365)	-	(8,365)
Exchange gains (losses) on net investments	-	-	-	-	-	-	(111,487)	-	-	(111,487)	(111,487)	22,359	(89,128)
Exchange losses from balance sheet translation	-	-	-	-	-	-	-	252,638	-	252,638	252,638	-	252,638
Realization of deemed cost	-	-	-	-	-	-	(49,295)	-	49,295	-	-	-	-
Write-off (acquisition) of treasury shares	-	-	-	-	-	(6,354)	-	-	-	(6,354)	(6,354)	-	(6,354)
Loss for the year	-	-	-	-	-	-	-	-	(746,012)	(746,012)	(746,012)	(671)	(746,683)
AT DECEMBER 31, 2011	4,061,478	(74,960)	2,460,085	44,476	7,348	(13,702)	(51,359)	560,203	(1,259,861)	5,733,708	5,733,708	164,813	5,898,521
Write-off of shares in subsidiaries	-	-	19,222	-	-	-	-	-	-	19,222	19,222	-	19,222
Exchange gains (losses) on net investments	-	-	-	-	-	-	(24,118)	-	-	(24,118)	(24,118)	(30,107)	(54,225)
Exchange losses from balance sheet translation	-	-	-	-	-	-	-	49,975	-	49,975	49,975	-	49,975
Realization of deemed cost	-	-	-	-	-	-	(56,085)	-	56,085	-	-	-	-
Write-off (acquisition) of treasury shares	-	-	-	-	-	(5,386)	-	-	-	(5,386)	(5,386)	-	(5,386)
Net income for the period	-	-	-	-	-	-	-	-	49,927	49,927	49,927	(11,592)	38,335
AT JUNE 30, 2012	4,061,478	(74,960)	2,479,307	44,476	7,348	(19,088)	(131,562)	610,178	(1,153,849)	5,823,328	5,823,328	123,114	5,946,442
												-	

The accompanying notes are an integral part of this quarterly financial information

EXHIBIT 4

MARFRIG ALIMENTOS S.A.

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
				Reclassified
	Accumulated 2012	Accumulated 2011	Accumulated 2012	Accumulated 2011
NET (LOSS) INCOME ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	49,927	(67,463)	49,927	(67,463)
Non-cash items	442,996	484,410	782,690	821,168
Depreciation	35,473	35,652	253,528	237,910
Amortization	1,032	-	132,927	117,760
Non-controlling interest	-	-	(11,592)	5,236
Provision for contingencies and non-realization of tax credits	-	-	16,408	1,849
Deferred taxes	(156,367)	(13,000)	(349,168)	(84,418)
Equity in earnings (losses) of subsidiaries	(35,717)	171,550	-	-
Exchange gains (losses) on loans and financing	233,327	(112,093)	403,728	(197,244)
Exchange gains (losses) on other asset and liability accounts	34,964	(24,362)	14,685	51,207
Interest expense on financing debts	220,221	219,623	450,308	388,592
Interest expense on finance lease	5,429	12,926	10,729	18,336
Interest expense on debentures	181,011	196,987	181,011	196,987
Lease adjustment to present value	4,728	(4,832)	4,728	(4,832)
Write-off of PPE – asset exchange	(195,087)	-	(195,087)	-
Gain or loss from discontinued operation	113,494	-	(193,756)	-
Write-off of property, plant and equipment	488	1,959	64,241	89,785
Changes in shareholders' equity	(11,884)	(352,441)	(594,057)	(931,575)
Trade accounts receivable	(5,737)	(75,902)	(200,845)	(21,954)
Current inventories and biological assets	72,987	(68,524)	29,705	(291,797)
Court deposits	(3,293)	(1,268)	(5,096)	(2,618)
Accrued payroll and related charges	7,764	7,157	35,242	40,599
Trade accounts payable	(151,597)	(10,406)	(18,804)	58,620
Current and deferred taxes	(29,923)	(222,528)	(169,055)	(462,424)
Notes receivable and payable	170,049	(405)	(61,724)	(133,089)
Other asset and liability accounts	(72,134)	19,435	(203,480)	(118,912)
Net cash provided by (used in) operating activities	481,039	64,506	238,560	(177,870)
Cash flows from investing activities				
Investments	(17,450)	-	(9,222)	(7,591)
Discontinued operations net of cash	-	-	494,903	(86,489)
Acquisition of property, plant and equipment and biological assets	(89,638)	(68,790)	(423,116)	(505,717)
Acquisition of intangible assets	(2,032)	(730)	(17,967)	(13,123)
Net cash provided by (used in) investing activities	(109,120)	(69,520)	44,598	(612,920)
Cash flows from financing activities				
Dividends / interest on equity capital paid in the year	(14,877)	(61,936)	(14,877)	(61,936)
Debentures	817	591,171	817	591,171
Interest on debentures / bonds – settled	(62,759)	-	(209,383)	(61,529)
Loans and financing	(535,060)	(536,401)	(613,935)	546,698
New loans	594,189	938,847	2,283,163	3,642,124
Settled loans	(1,129,249)	(1,475,248)	(2,897,098)	(3,095,426)
Lease payable	(8,591)	(37,215)	(19,114)	(47,723)
New Lease	5,918	946	32,540	14,599
Settled leases	(14,509)	(38,161)	(51,654)	(62,322)
Shares held in treasury	(5,386)	2,311	(5,386)	2,311
Net cash provided by (used in) financing activities	(625,856)	(42,070)	(861,878)	968,992
Exchange gains (losses) on cash and cash equivalents	-	-	130,143	(80,110)
Cash flow for the period	(253,937)	(47,084)	(448,577)	98,092
Cash and cash equivalents				
End of period	1,045,495	2,206,936	3,028,383	3,974,448
Beginning of period	1,299,432	2,254,020	3,476,960	3,876,356
Changes in the period	(253,937)	(47,084)	(448,577)	98,092
	-		-	

The accompanying notes are an integral part of this quarterly financial information

EXHIBIT 5

MARFRIG ALIMENTOS S.A.

STATEMENT OF VALUE ADDED FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	Accumulated 2012	Accumulated 2011	Accumulated 2012	Accumulated 2011
REVENUES	2,088,041	2,229,031	11,396,425	10,731,285
Sales of goods and services	2,094,426	2,223,617	11,050,754	10,574,151
Other revenues	-	-	417,490	91,220
Allowance for doubtful accounts - Reversal (recognition)	(6,385)	5,414	(71,819)	65,914
SUPPLIES PURCHASED FROM THIRD PARTIES (including taxes - ICMS, IPI, PIS and Cofins)	866,590	1,553,450	7,637,493	8,210,152
Cost of goods sold and services rendered	584,639	1,040,420	5,290,347	6,227,405
Material, energy, outsourced services and other	131,700	169,039	2,098,568	1,589,021
Loss / Recovery of assets	150,251	343,991	248,578	393,726
GROSS VALUE ADDED	1,221,451	675,581	3,758,932	2,521,133
DEPRECIATION AND AMORTIZATION	36,505	35,652	386,455	355,670
NET VALUE CREATED BY COMPANY	1,184,946	639,929	3,372,477	2,165,463
VALUE ADDED RECEIVED THROUGH TRANSFER	337,159	158,138	559,809	442,938
Equity in earnings (losses) of subsidiaries	35,717	(171,550)	-	-
Financial income and exchange rate gains	301,442	329,688	559,809	438,664
Other	-	-	-	4,274
TOTAL VALUE ADDED TO BE DISTRIBUTED	**1,522,105**	**798,067**	**3,932,286**	**2,608,401**
VALUE ADDED DISTRIBUTION	**1,522,105**	**798,067**	**3,932,286**	**2,608,401**
Employees	160,603	173,768	989,098	1,257,236
Direct compensation	129,129	113,300	752,360	919,903
Benefits	21,051	49,496	219,788	265,239
FGTS (severance pay fund)	10,423	10,972	16,950	72,094
Taxes	271,676	215,654	675,691	425,003
Federal	211,973	195,123	537,257	329,611
State	59,686	20,516	135,212	91,120
Municipal	17	15	3,222	4,272
Value distributed to providers of capital	1,039,899	476,108	2,205,978	993,625
Interest	949,860	468,145	2,046,986	917,562
Rentals	90,039	7,963	158,992	76,063
Value distributed to shareholders	49,927	(67,463)	61,519	(67,463)
Retained earnings/Loss for the period	49,927	(67,463)	49,927	(72,699)
Non-controlling interest in retained earnings (losses)	-	-	11,592	5,236

The accompanying notes are an integral part of this quarterly financial information

EXHIBIT 6

MARFRIG ALIMENTOS S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent				Consolidated			
	2nd Quarter 2012	Accumulated 2012	2nd Quarter 2011	Accumulated 2011	2nd Quarter 2012	Accumulated 2012	**Reclassified** 2nd Quarter 2011	**Reclassified** Accumulated 2011
NET INCOME FOR THE PERIOD	15,451	49,927	(90,965)	(67,463)	9,049	38,335	(87,441)	(62,226)
Exchange gains (losses) on net investments	(53,105)	(24,118)	30,113	(33,447)	(53,105)	(24,118)	30,113	(33,447)
Exchange gains (losses) on balance sheet translation	115,356	49,975	(72,819)	(94,492)	115,356	49,975	(72,819)	(94,492)
	62,251	25,857	(42,706)	(127,939)	62,251	25,857	(42,706)	(127,939)
Total comprehensive income/loss for the period	77,702	75,784	(133,671)	(195,402)	71,300	64,192	(130,147)	(190,165)
ATTRIBUTABLE TO:								
Marfrig Alimentos - controlling shareholders – continued operation	191,196	189,278	(133,671)	(195,402)	(177,921)	(181,151)	(140,593)	(205,594)
Marfrig Alimentos - controlling shareholders – discontinued operation	(113,494)	(113,494)	-	-	255,623	256,935	6,922	10,192
Marfrig Alimentos - controlling shareholders – total	77,702	75,784	(133,671)	(195,402)	77,702	75,784	(133,671)	(195,402)
Non-controlling interest – continued operation	-	-	-	-	(5,686)	(10,979)	2,821	4,449
Non-controlling interest – discontinued operation	-	-	-	-	(716)	(613)	703	788
Non-controlling interest – total	-	-	-	-	(6,402)	(11,592)	3,524	5,237

The accompanying notes are an integral part of this quarterly financial information

Record quarterly net revenue of R$5.82 billion grows 9.3% from 2Q11
Gross margin expands 130 bps and expenses decrease 110 bps from 2Q11

CONSOLIDATED FINANCIAL HIGHLIGHTS:

- Net operating revenue was R$5.82 billion, an increase of 9.3% from 2Q11, driven by the growth of 38.8% in sales of higher-value products (accounting for 46.8% of the Corporation's revenue, compared to 36.8% in the prior year) and by the USD appreciation against the BRL in the period;
- Gross Margin expansion of 130 bps to 14.7%, explained by the marked improvement in beef margins and better sales mix, with an increased share of higher-value products;
- EBITDA in the period was R$767.6 million, up 176.4% from 2Q11, driven by the dilution of fixed expenses, improvement in gross margin and gains from the purchase and sale of assets in the period;
- EBITDA margin stood at 13.2% in the quarter, compared to 5.2% in 2Q11;
- Earnings per share was R$0.04, reversing the loss in 2Q11, with operational gains partially offsetting the noncash impact from exchange variation caused by USD appreciation on the Corporation's foreign-denominated debt;
- Operating cash flow excluding discontinued operations was R$328.4 million, reversing the loss of R$89.9 million in the prior quarter;
- The leverage ratio (net debt/EBITDA) ended 2Q12 at 3.73x, down from 4.51x in 1Q12.
- On April 30, we concluded the partial sale of the specialized logistics services business of Keystone Foods to The Martin-Brower Company, with inflow of US$390.1 million into the Corporation's cash position;
- In June, we began operations at the first plants producing higher-value products arising from the asset exchange agreement with BRF that exchanged the Quickfood asset in Argentina for assets in Brazil.

Income Statement (In R$ million)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
NET OPERATING REVENUE	**5,818.2**	**5,322.0**	**5,232.5**	**9.3%**	**11.2%**
GROSS PROFIT	**852.9**	**712.3**	**803.3**	**19.7%**	**6.2%**
% Gross Margin	*14.7%*	*13.4%*	*15.4%*	*130 bps*	*-70 bps*
SG&A	***(592.3)***	***(600.9)***	***(573.7)***	**-1.4%**	**3.2%**
SG&A as % of Net revenue	*-10.2%*	*-11.3%*	*-11.0%*	*110 bps*	*80 bps*
Selling	*(381.9)*	*(389.8)*	*(362.7)*	-2.0%	5.3%
General and administrative	*(210.4)*	*(211.1)*	*(211.0)*	-0.3%	-0.3%
Oper. income (loss) before financial effects	**567.5**	**100.5**	**224.4**	**464.8%**	**152.9%**
Financial Result	**(846.2)**	**(229.8)**	**(249.5)**	**268.2%**	**239.2%**
NET INCOME (LOSS)	**15.5**	**(91.0)**	**34.5**	**-117.0%**	**-55.0%**
Earnings per Share - R$	**0.04**	**(0.26)**	**0.10**	**-117.0%**	**-55.0%**
EBITDA	**767.6**	**277.8**	**410.7**	**176.4%**	**86.9%**
EBITDA Margin	13.2%	5.2%	7.8%	*800 bps*	*530 bps*
Adjusted EBITDA	**460.8**	**288.7**	**415.9**	**59.6%**	**10.8%**
Adjusted EBITDA Margin	7.9%	5.4%	7.9%	*250 bps*	*0 bps*

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MESSAGE FROM MANAGEMENT

In the **MARFRIG BEEF** segment, the higher cattle supply and lower cattle prices compared to prior periods supported growth in cattle slaughter volume in Brazil of 14.9% from 1Q12, with the solid margins achieved in the previous quarter maintained.

The depreciation in the Brazilian real against the U.S. dollar in the period helped drive growth in export volumes, with Marfrig Beef, always seeking the most profitable sales destinations, opting to increase its export sales, while maintaining its sales to the domestic market stable in relation to the previous quarter.

Export growth was driven by the gradual recovery in consumption in important international markets, such as the Middle East and Chile, as well as by the low levels of global beef inventories and the more favorable stage of the cattle production cycle in Brazil compared to other exporting countries. For the second half of the year, the expectation of higher shipments to Russian and European markets, if confirmed, should support further growth in export revenues.

In the **SEARA FOODS** segment, we continued to successfully expand the Seara brand in Brazil's domestic market, with the highlights the increase in the average price of higher-value products (+11.4% in 2Q11), the expansion in our client base, from 28,000 clients in March to 36,000 in June, and the increase in our market share, in line with the strategy to position Seara as consumers' second option for higher-value products in Brazil. Volumes at Moy Park and Keystone Foods grew by 5.9% from the prior year, demonstrating the resilience of chicken consumption in a challenging economic environment, which was accompanied by expansion in the client bases in their markets.

The performance of chicken and pork exports proved challenging for Seara in Brazil in the second quarter, since even with help from the weaker local currency, the recovery in export prices in U.S. dollar expected at the start of the year failed to materialize. Certain important destinations, such as Japan, the Middle East and Europe, still hold excess inventories, which has contributed to the slow pace of recovery in prices and volumes to mid-2011 levels.

Looking ahead, the third quarter now appears even more challenging, given the increases already observed in grain prices. Seeking to minimize these effects, the Corporation has been working to reposition its prices in both the domestic and export markets, always seeking the highest profitability when selecting markets and sales channels. We also continued to increase our market share in processed and higher-value products, for which the impact from higher commodity prices tends to be lower.

With the full consolidation of the new assets in Brazil focused on higher-value branded products (with 95% of these volumes consisting of processed products sold in the domestic market), we expect the percentage of sales by Seara Brasil to the domestic market to increase from the current level of 37% to around 50%, which will help to mitigate commodity-price and currency risks while improving tax-credit utilization and cash generation.

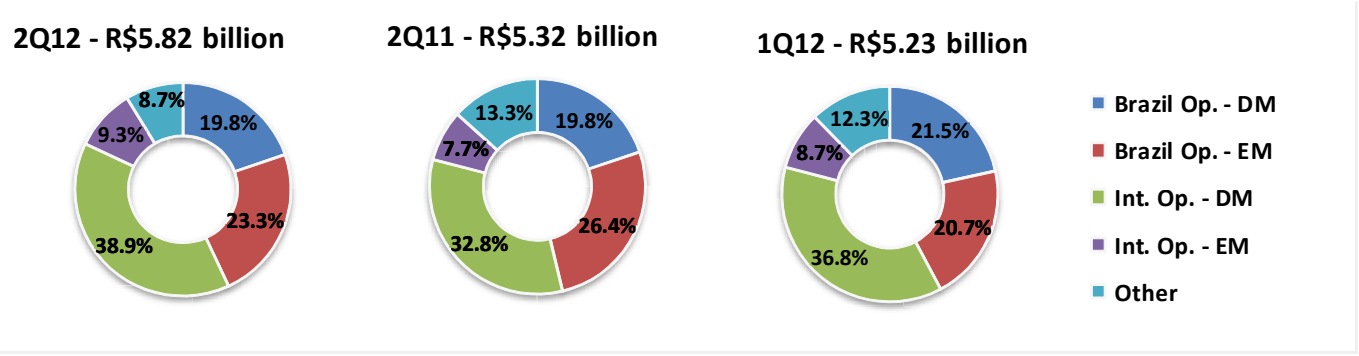
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COMMENTS ON 2Q12 PERFORMANCE - CONSOLIDATED

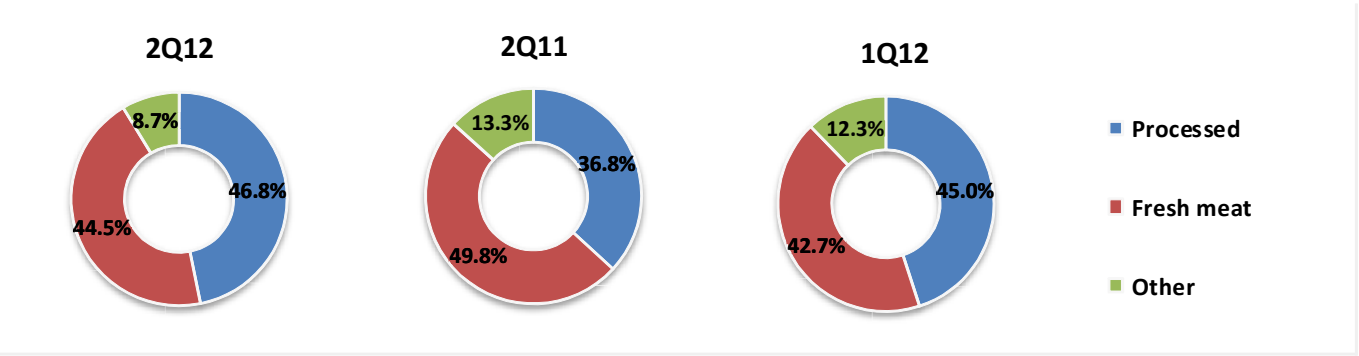
NET OPERATING REVENUE

- Consolidated net operating revenue was R$5.82 billion:
  - increasing 9.3% from R$5.32 billion in 2Q11, driven by the 23.0% appreciation in the USD against the BRL in the period and by the growth in sales of higher-value products, which increased their share in the Corporation's sales mix to 46.8%, from 36.8% a year earlier and 45.0% in 1Q12; and
  - increasing 11.2% from R$5.23 billion in 1Q12, driven by the growth of approximately 10% in slaughter volume at Marfrig Beef, the higher sales at Seara Foods and the better currency translation effects resulting from the 11.1% appreciation in the USD against the BRL.

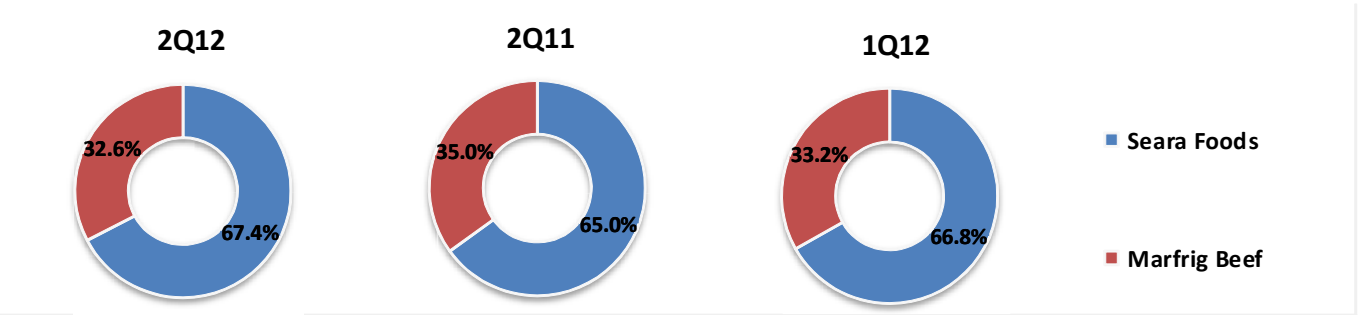
REVENUE BY OPERATION:



REVENUE BY PRODUCT:



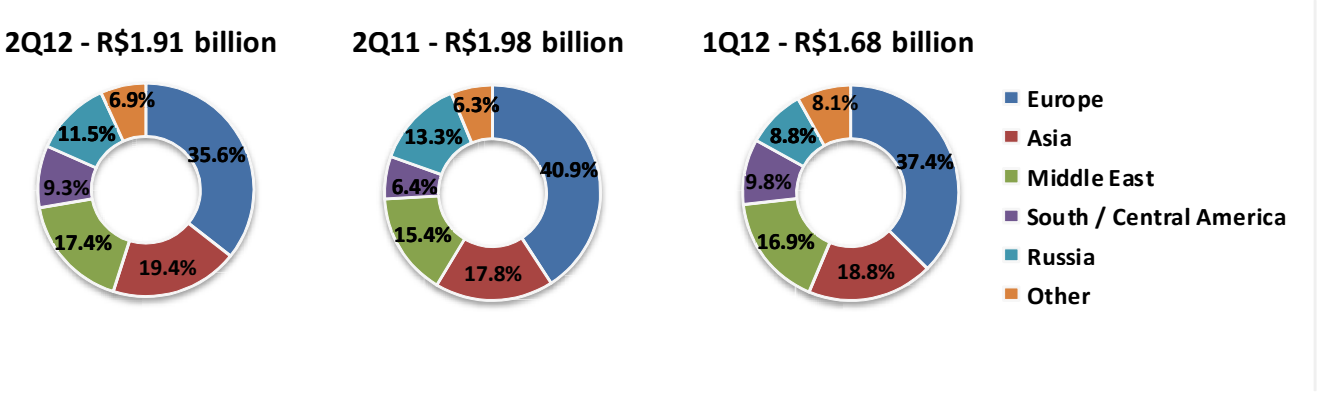
REVENUE BY SEGMENT:



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EXPORT REVENUE BY DESTINATION

A breakdown of the Marfrig Group's consolidated export revenue by destination follows:



COST OF GOODS SOLD

The increase in COGS from the prior year period basically reflects the higher grain costs caused by the severe drought in the United States, which led to sharp increases in soybean prices in international markets. The impact from corn prices was not significant in 2Q12. However, corn prices should begin to have a greater impact in the coming quarter. The table below provides a summary of the main lines.

COGS	2Q12	%	2Q11	%	1Q12	%	2Q12 / 2Q11	2Q12 / 1Q12
Raw Materials	**(3,569.9)**	**71.90%**	**(3,075.3)**	**66.71%**	**(3,068.5)**	**69.28%**	**16.08%**	**16.34%**
Packaging	(165.0)	3.32%	(157.5)	3.42%	(152.6)	3.44%	4.72%	8.13%
Electricity	(28.8)	0.58%	(35.8)	0.78%	(30.0)	0.68%	-19.61%	-4.13%
Direct Expenses + MOD (*)	(1,048.9)	21.13%	(1,116.0)	24.21%	(1,017.5)	22.97%	-6.01%	3.09%
Indirect Expenses + MOID (**)	(152.8)	3.08%	(225.1)	4.88%	(160.7)	3.63%	-32.13%	-4.91%
TOTAL	**(4,965.3)**	**100.00%**	**(4,609.7)**	**100.00%**	**(4,429.3)**	**100.00%**	**7.71%**	**12.10%**

(*) Direct Costs and Labor / Indirect Costs and Labor

Compared to 1Q12, the increase in COGS was driven by the 14.9% increase in cattle slaughter volume in Brazil, accompanying the higher volume of beef exports, and by the increase in grain prices mentioned above.

In 2Q12, Seara Foods accounted for 70.1% of total COGS, compared to 67.9% in 2Q11 and 69.2% in 1Q12. Meanwhile, Marfrig Beef accounted for 29.9% of total COGS in 2Q12. The following table presents a summary of the price variations in our main raw materials:

Cattle prices (arroba) – In US$						
	2Q11	1Q12	2Q12	3Q12	2Q12 / 2Q11	2Q12 / 1Q12
Brazil	57.63	50.95	44.99	41.84	-21.9%	-11.7%
Australia	59.37	59.37	56.07	57.86	-5.6%	-5.5%
USA	61.52	68.15	65.65	61.92	6.7%	-3.7%
Argentina	53.08	54.87	54.07	52.37	1.9%	-1.5%
Uruguay	60.62	55.11	54.59	51.71	-10.0%	-1.0%

Source: CEPEA-ESALQ, ABARE, USDA, ONCCA, INAC

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Commodity prices – In local currency						
	2Q11	1Q12	2Q12	3Q12	2Q12 x 2Q11	2Q12 x 1Q12
CORN – ESALQ (R$/sack)	26.00	25.83	22.70	27.56	-12.7%	-12.1%
SOYBEAN - ESALQ (R$/sack)	43.83	47.16	62.97	76.40	43.7%	33.5%
CORN – CBOT (c U$/bu)	732.21	640.47	617.88	788.23	-15.6%	-3.5%
SOYBEAN - CBOT (c U$/bu)	1361.37	1269.16	1426.08	1659.57	4.8%	12.4%
MEAL – ESALQ (R$/ton)	591.19	679.84	870.48	1180.27	47.2%	28.0%

Source:
Corn – Esalq: average of regions: Passo Fundo, Cascavel, Chapecó, Norte do Paraná, Ponta Grossa, Southeastern Paraná,
Soybean - Esalq average of regions: Passo Fundo, Ijuí, Paranaguá, Norte do Paraná, Ponta Grossa, Western Paraná,
Meal Esalq: average of regions: Western and Northern Paraná, Ponta Grossa, Chapecó, Triângulo Mineiro and

GROSS INCOME AND GROSS MARGIN

Gross income was R$852.9 million, growing 19.7% from R$712.3 million in 2Q11. Gross income growth was driven by (i) the improvement in the sales mix, with an increased share of higher-value products, (ii) the higher prices of our processed products, which increased 11.4% from a year earlier in the Brazilian market, and (iii) the currency translation impacts due to the 23.0% appreciation in the USD against the BRL compared to 2Q11.

Gross income increased by 6.2% from R$803.3 million in 1Q12, which is explained by: (i) the increase in export revenue due to currency translation, with the Brazilian real depreciating 11.1% in the period, and (ii) the lower cattle costs in Brazil as a result of the higher supply.

Gross margin was 14.7%, increasing 130 bps from 13.4% in 2Q11 and decreasing 70 bps from 15.4% in 1Q12.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were R$592.3 million in 2Q12, decreasing 1.4% from R$601 million in 2Q11 and increasing 3.2% from R$573.7 million in 1Q12.

As a ratio of net revenue, SG&A expenses decreased by 110 bps from 2Q11 and by 80 bps from 1Q12, demonstrating the efficiency gains and dilution of fixed expenses in the period.

Nominal selling expenses in BRL decreased by 2.0% compared to 2Q11, which is explained by the lower expenses with logistics and exporting. General and Administrative expenses remained stable compared to 2Q11.

Compared to 1Q12, the increase in selling expenses is mainly explained by the higher expenses with logistics (4.9%) and exports (8.0%) due to the higher sales volume. Compared to 2Q11, General and Administrative expenses continued to trend downwards, diluted by the higher sales volumes.

Income Statement (In R$ million)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
NET OPERATING REVENUE	**5,818.2**	**5,322.0**	**5,232.5**	**9.3%**	**11.2%**
SG&A	***(592.3)***	***(601.0)***	***(573.8)***	**-1.4%**	**3.2%**
SG&A ias % of Net revenue	*-10.2%*	*-11.3%*	*-11.0%*	*110 bps*	*80 bps*
Selling	*(381.9)*	*(389.8)*	*(362.7)*	-2.0%	5.3%
	-6.6%	*-7.3%*	*-6.9%*	*80 bps*	*40 bps*
General and administrative	*(210.4)*	*(211.1)*	*(211.0)*	-0.3%	-0.3%
	-3.6%	*-4.0%*	*-4.0%*	*40 bps*	*40 bps*

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We remain committed to improving and reducing our costs and expenses, with the results captured over the medium term, which will focus on the integration synergies to be captured and the consolidation of the Marfrig Beef and Seara Foods structures, as well as the dilution of fixed and variable expenses.

OTHER OPERATING REVENUE AND EXPENSES

In 2Q12, we recognized a gain in the amount of R$306.8 million from the purchase and sale of assets in the period.

EBITDA AND EBITDA MARGIN

The table below presents a reconciliation of EBITDA and Adjusted EBITDA:

EBITDA Reconciliation (in R$ million)	2Q12	2Q11	1Q12
NET INCOME (LOSS)	**15.5**	**(91.0)**	**34.5**
(-) Provision for Income and Social Contribution taxes	287.8	41.9	54.4
(-) Net financial charges	(333.2)	(328.0)	(344.2)
(-) Net exchange variation	(513.1)	98.2	94.7
(+) Depreciation/amortization	200.1	177.3	186.3
(+) Non-controlling interest	6.4	(3.5)	5.2
EBITDA	**767.6**	**277.7**	**410.6**
EBITDA Margin	**13.2%**	**5.2%**	**7.8%**
(-) Other operating revenues/expenses	306.8	(10.9)	(5.2)
Adjusted EBITDA	**460.7**	**288.7**	**415.9**
Adjusted EBITDA Margin	**7.9%**	**5.4%**	**7.9%**

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NET FINANCIAL RESULT

FINANCIAL RESULT (R$ million)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
Financial Income	**104,8**	**64,3**	**85,7**	**63,0%**	**22,3%**
Financial result with derivatives	48,6	26,2	30,8	85,5%	57,8%
Interest income, yield from financial investment	54,9	43,0	48,6	27,7%	13,0%
Discounts, other	1,3	(4,9)	6,3	-126,5%	-79,4%
Exchange and monetary effects - Gains	**152,0**	**137,4**	**217,3**	**10,6%**	**-30,1%**
Total financial income	**256,8**	**201,7**	**303,0**	**27,3%**	**-15,3%**
Financial Expenses	**(438,0)**	**(392,4)**	**(429,8)**	**11,6%**	**1,9%**
Provisioned interest	(241,1)	(240,7)	(237,3)	0,2%	1,6%
Interest on debentures	(80,9)	(106,2)	(100,1)	-23,8%	-19,2%
Interest on leasing	(7,8)	(5,6)	(3,4)	39,3%	129,4%
Derivatives	(56,1)	(14,6)	(38,3)	284,2%	46,5%
Bank fees, Commissions and Charges	(54,8)	(22,2)	(29,5)	146,8%	85,8%
Other	2,7	(3,1)	(21,2)	-187,1%	-112,7%
Exchange and monetary effects - Loss	**(665,1)**	**(39,2)**	**(122,6)**	**1596,7%**	**442,5%**
Total financial expenses	**(1.103,1)**	**(431,6)**	**(552,4)**	**155,6%**	**99,7%**
Net financial result	**(846,3)**	**(229,9)**	**(249,4)**	**268,2%**	**239,4%**

The net financial result in the quarter was impacted by the depreciation in the BRL against the USD of 11.1% compared to 1Q12 and of 23.0% compared to 2Q11. This variation generated a negative noncash impact on net exchange variation of R$513.0 million in the period.

NET INCOME/LOSS

In view of the foregoing, the Corporation posted net income of R$15.5 million or earnings per share of R$0.04 in 2Q12, compared to the net loss of R$91.0 million or negative earnings per share of R$0.26 in 2Q11 and the net income of R$34.5 million or earnings per share of R$0.10 in 1Q12.

DISCONTINUED OPERATIONS

On the page twenty we are presenting the appendix "PRO-FORMA INCOME STATEMENT EXCLUDING DISCONTINUED OPERATIONS", following the "CPC 15" that requires the Income Statement, excluding the discontinued operations on ITR.

Both Income Statement and Balance Sheet of discontinued operations can be checked on ITR.

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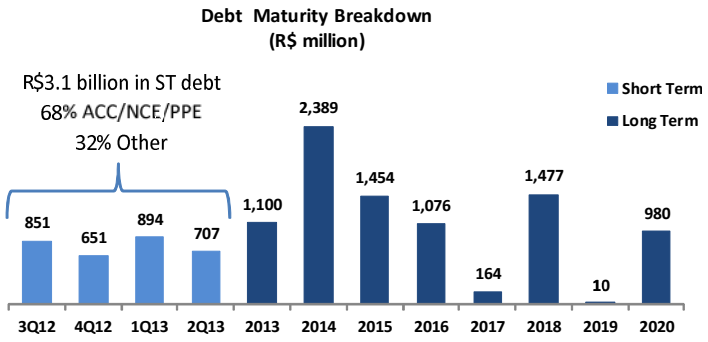
OTHER FINANCIAL HIGHLIGHTS

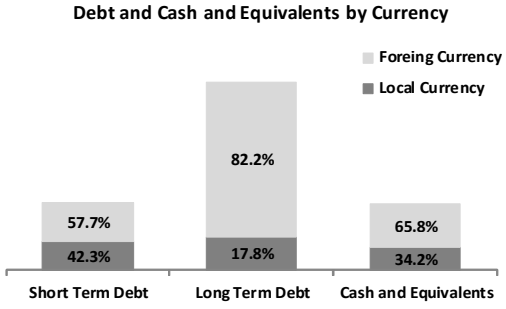
OPERATING CASH FLOW FROM DISCONTINUED OPERATIONS

Simplified Cash Flow (In million R$)	1Q12	2Q12
Operating Activities		
Net Income for the period	34,476	15,451
Items not affecting cash	389,110	393,582
Working capital changes – operating accounts (1)	(374,997)	15,998
Accounts Receivable	*(53,915)*	*(146,930)*
Suppliers and Advances	*(168,930)*	*150,125*
Inventories	*(30,026)*	*59,731*
Taxes	*(122,127)*	*(46,929)*
Other assets and liabilities	(138,475)	(96,583)
Cash flow from operating activities [1]	(89,887)	328,448

(1) Includes Accounts Receivable, Inventories, Trade Payables and Taxes

DEBT AND FINANCIAL LEVERAGE





The composition of gross debt by currency was 24.3% in Brazilian real and 75.7% in other currencies, which was consistent with the 76.8% of the Group's revenue generated in currencies other than the Brazilian real.

At the end of 2Q12, cash and cash equivalents totaled R$3.03 billion, in line with the short-term portion of the debt.

At the end of 2Q12, the weighted average cost of our consolidated debt decreased by 27 bps to 7.98% p.a., compared to 8.25% p.a. at the end of 1Q12, which is explained by the lower borrowing cost for short-term operations.

The leverage ratio, based on pro-forma EBITDA in the last 12 months considering the exit of Quickfood and the logistics operations of Keystone and the entry of the operations of the assets coming from BRF, stood at 3.50 times, as shown in the following table.

Pro-Forma Leverage Ratio

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Debt - in R$ million	2Q12 Current	2Q12 Non-current	2Q12 Total	1Q12 Current	1Q12 Non-current	1Q12 Total
Domestic currency	1,313.9	1,539.7	2,853.6	1,115.6	1,732.5	2,848.1
Foreign currencies	1,789.6	7,109.1	8,898.7	1,906.8	6,902.5	8,809.3
Consolidated Debt	**3,103.5**	**8,648.8**	**11,752.3**	**3,022.4**	**8,635.0**	**11,657.4**
Cash and cash equivalents			3,028.4			3,321.0
Net debt			**8,723.9**			**8,336.4**
LTM EBITDA			**2,337.1**			**1,847.2**
Net Debt/LTM EBITDA			**3.73**			**4.51**
(-) LTM EBITDA KF Logística			45.5			
(-) LTM EBITDA Quickfood			-12.5			
(+) LTM EBITDA BRF Asset Exchange			189.0			
Pro-forma LTM EBITDA			**2,493.1**			
Net Debt/Pro-forma LTM EBITDA			**3.50**			

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Capital expenditure:

Investing activities (R$ million)	1Q12	2Q12
Investments in Fixed Assets	**189.5**	**232.8**
Fixed	103.5	131.6
Breeding stock	86.0	101.2
Investment in Intangible Assets	**2.0**	**17.0**
Total CAPEX	**191.5**	**249.8**

Investments in fixed assets increased 27.2% from 1Q12 to R$131.7 million, two-thirds of which were concentrated in capacity-expansion and maintenance projects at Seara Foods.

The investments in intangible assets of R$17.0 million were mainly allocated to the installation of systems at the new Seara Alimentos units in Brazil associated with the asset-exchange transaction and pre-operating expenses at these units.

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PERFORMANCE BY BUSINESS SEGMENT – SEARA FOODS

FINANCIAL AND STRATEGIC HIGHLIGHTS:

- Consolidated Net Revenue for the Seara Foods business segment was R$3.92 billion in 2Q12:
  - increasing 13.3% from R$3.46 billion in 2Q11, driven by the increased share of higher-value products, which accounted for 59.3% of total net revenue in 2Q12, compared to 50.1% a year earlier, and the 23.0% appreciation in the USD against the BRL in the period;
  - growing 12.2% from R$3.49 billion in 1Q12, driven by higher exports by Seara Alimentos, by the 5.0% sales volume growth at Moy Park and Keystone due to the start of summer in the Northern Hemisphere, when the consumption of animal proteins, higher-value products and ready-to-eat meals typically increases, and by the 11.1% appreciation in the USD against the BRL in the period;
- The share of higher-value products in the net revenue of the business segment reached 59.3%, compared to 50.4% in 2Q11 and 55.9% in 1Q12;
- EBITDA was R$440.2 million in 2Q12, increasing by 218.9% and 111.1% from R$138.0 million and R$208.6 million in 2Q11 and 1Q12, respectively;
- EBITDA margin stood at 11.2% in 2Q12, up 720 bps and 530 bps from 4.0% in 2Q11 and 6.0% in 1Q12;
- Excluding the gains from asset divestments, EBITDA was R$239.0 million (margin of 6.1%), compared to R$151.1 million in 2Q11 (margin of 4.4%) and R$215.8 million in 1Q12 (margin of 6.2%);
- In June, we began operations at the first plants producing higher-value products resulting from the transaction to exchange the Quickfood asset in Argentina for the BRF assets in Brazil;
- On April 30, we concluded the sale of the specialized logistics services business of Keystone Foods to The Martin-Brower Corporation, with inflow of US$390.1 million into the Corporation's cash position in 2Q12.

INCOME STATEMENT - SEARA FOODS R$ millio	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
NET OPERATING REVENUE	**3,921.9**	**3,461.1**	**3,495.2**	**13.3%**	**12.2%**
Cost of goods sold	(3,478.5)	(3,050.7)	(3,063.9)	14.0%	13.5%
GROSS PROFIT	**443.4**	**410.4**	**431.3**	**8.0%**	**2.8%**
Gross Margin	*11.3%*	*11.9%*	*12.3%*	-60 bps	-100 bps
SG&A	**(368.9)**	**(405.7)**	**(367.2)**	**-9.1%**	**0.5%**
SG&A as % of Net Revenue	*-9.4%*	*-11.7%*	*-10.5%*	*230 bps*	*110 bps*
Selling Expenses	(252.3)	(255.7)	(238.5)	-1.3%	5.8%
General and Administrative Expenses	(116.6)	(150.0)	(128.7)	-22.3%	-9.4%
Other operating revenue/expenses	201.2	(13.1)	(7.2)	n/a	n/a
EBITDA	**440.2**	**138.0**	**208.6**	**219.0%**	**111.0%**
EBITDA MARGIN	***11.2%***	***4.0%***	***6.0%***	***720 bps***	***530 bps***
ADJUSTED EBITDA (*)	**239.0**	**151.1**	**215.8**	**58.2%**	**10.7%**
ADJUSTED EBITDA MARGIN(*)	***6.1%***	***4.4%***	***6.2%***	***170 bps***	***-10 bps***

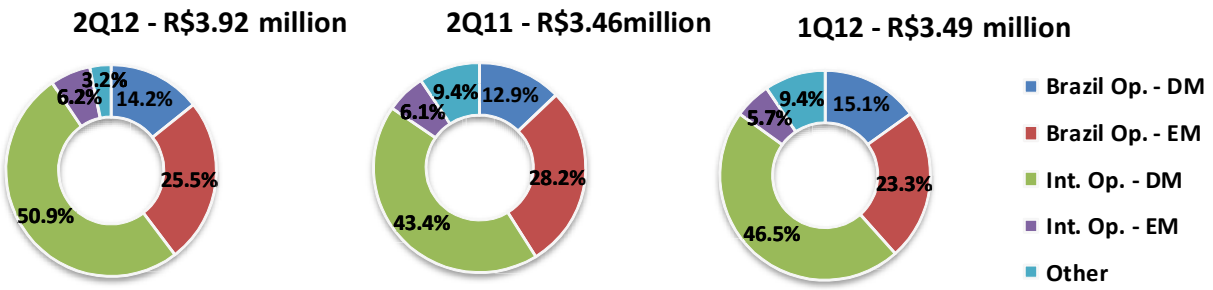
(*)Excludes other operating revenues/expenses

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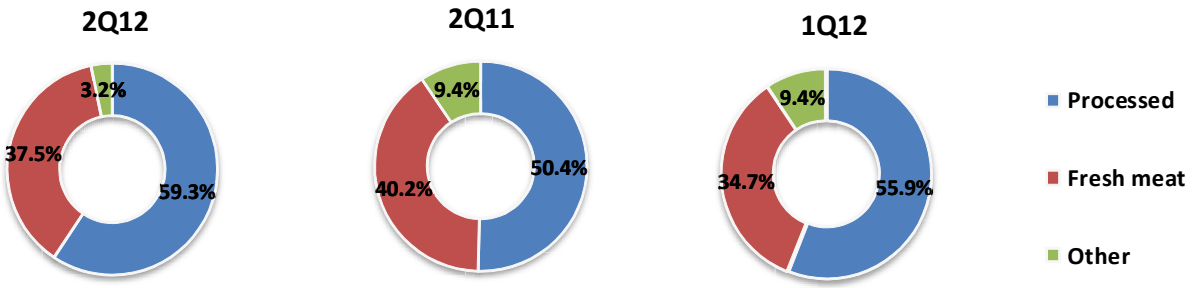
PRODUCTION	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
POULTRY					
Brazil	142,964,000	163,180,466	155,226,000	-12.4%	-7.9%
Europe	53,316,733	53,451,384	52,317,741	-0.3%	1.9%
USA	45,295,924	44,059,739	45,416,082	2.8%	-0.3%
APMEA	5,326,752		4,101,551		29.9%
TOTAL POULTRY	**246,903,409**	**260,691,589**	**257,061,374**	**-5.3%**	**-4.0%**
TOTAL PORK	**691,686**	**687,742**	**707,494**	**0.6%**	**-2.2%**
TURKEY	**1,506,373**	**1,312,821**	**1,400,148**	**14.7%**	**7.6%**

SEARA FOODS

REVENUE BY OPERATION:

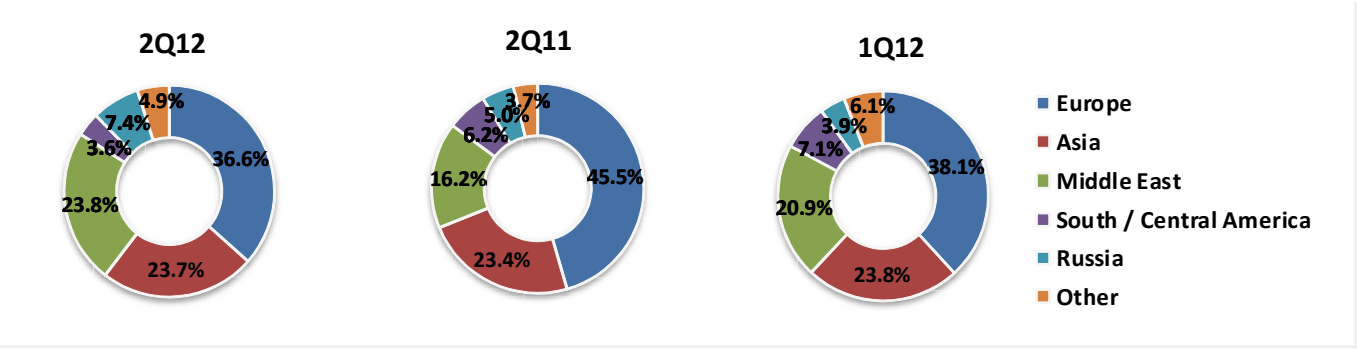


REVENUE BY PRODUCT:



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EXPORT REVENUE BY DESTINATION:



SEARA FOODS

Brazil Operation – Seara Brasil

The growth of 16.1% in revenue from Seara Alimentos in 2Q12 compared to 2Q11 is basically explained by the increased volume of processed (higher-value) products sold in the domestic market. The 16.4% growth in sales volume combined with the 11.4% increase in the average sales price of these products led to growth of 29.6% in revenue from processed products from the prior year period. This result confirms the Corporation's strategy to increase the share of branded, higher-value products in Brazil's domestic market, which already account for 70.2% of Seara's revenue from sales in Brazil to the domestic market, compared to 67.7% in 2Q11. The higher sales of processed products in the domestic market also led to a gradual increase in the market share of the Seara brand, which already accounts for 9.6% of the frozen meat market and for 7.7% of processed meat products (Source: Nielsen, April/May 2012).

Another factor contributing to the goods result of Seara Alimentos was the average increase of 22.3% in fresh poultry prices in the domestic market. The better pricing compared to 2Q11 is the result of our constant search for the most profitable sales channels, which contributed to the growth of 13.7% in fresh poultry revenue from 2Q11, despite the 7.0% reduction in sales volume.

The Corporation has been expanding its client base in the Brazilian domestic market, seeking especially to increase the exposure of its products to an increasingly higher number of small and midsized retailers distributed nationwide and to establish SEARA as consumers' second choice in higher-value products. We expanded our fixed client base from 28,000 retailers in March to reach the end of July with 36,000 retailers served by the brand's dedicated sales team.

In 2Q12, the international scenario remained challenging, with some of the main consumer markets, such as Japan, Europe and the Middle East, recovering more slowly than expected and still well below the historical volume and price levels reached in 2011.

In this scenario, the Corporation opted to prioritize the most profitable markets and cuts and to direct part of its production to the domestic market, where consumers proved more receptive to price increases. On the other hand, the 11.1% depreciation in the BRL against the USD from 1Q12 had a positive impact on the average price, which increased by 12.3% from 1Q12 and, combined with the 9.0% increase in volumes, supported growth of 22.6% in export revenue compared to 1Q12. Compared to 2Q11, export revenue increased by 2.5%, reflecting the reduction in export volumes due to the unfavorable scenario.

International Operations – Moy Park and Keystone Foods

Consolidated revenue from the international operations grew by 22.6% from 1Q12 (5.0% in volume, 16.7% in prices) and by 30.6% from 2Q11. This improvement was driven by organic growth at both Moy Park and Keystone Foods, which registered consistent advances especially in the volumes and prices of processed products sold in their domestic markets, which is explained by the start of summer in the Northern Hemisphere, when the consumption of animal proteins, ready-to-eat meals and higher-value products typically increases.

At Keystone Foods, performance was influenced by higher sales of processed products to the food service segment in Asia, driven by the ramp-up of the Joint Venture to integrate poultry production in China, which currently produces 130,000 birds/day.

At Moy Park, the highlight was the strong performance of domestic sales, driven by the events connected to the Queen's Diamond Jubilee and the launch of a new line of ready-to-eat meals signed by famous British chef Jamie Oliver, as well as the launch of the first line of Moy Park/Seara products in the UK market.

Gross Margin

Seara Foods recorded gross margin of 11.3% in 2Q12, compared to 11.9% in 2Q11 and 12.3% in 1Q12. Compared to 2Q11, the 60 bps decrease in gross margin was due to the higher prices of raw materials that comprise the base for animal feed, which corresponds to around 65% of our total costs. The increase in raw material prices is mainly explained by the crisis in the global agriculture industry caused by the potential shortage of grain resulting from the record drought in the United States.

Note that the impact from the higher grain prices was partially offset by the higher share of processed (higher-value) products, which increased to 55.9% in 2Q11, from 50.4% in 2Q12 and 55.9% in 1Q12, as well as by the higher increases practiced by the Corporation in both the domestic and export markets.

EBITDA and EBITDA Margin

Seara Foods recorded EBITDA of R$440.2 million in 2Q12, increasing by 218.9% from R$138.0 million in 2Q11 and by 111.1% from R$208.6 million in 1Q12, driven by the 11.1% appreciation in the USD against the BRL in relation to both periods, the reduction in expenses and resulting dilution due to the higher sales volume and the increased share of higher-value products in the sales mix, as well as the gains from the asset divestments. EBITDA margin was 11.2% in the quarter, compared to 4.0% in 2Q11 and 6.0% in 1Q12.

Seara Foods' Adjusted EBITDA, which excludes the nonrecurring effects from Other Operating Revenue/Expenses, was R$239.0 million (margin of 6.1%), increasing by 58.1% from R$151.1 million in 2Q11 (margin of 4.4%) and by 10.8% from R$215.8 million in 1Q12 (margin of 6.2%).

PERFORMANCE BY BUSINESS SEGMENT – MARFRIG BEEF

FINANCIAL AND STRATEGIC HIGHLIGHTS:

- Consolidated Net Revenue from the Marfrig Beef business segment was R$1.89 billion in 2Q12, in line with the R$1.86 billion in the prior year period and up 9.1% from R$1.73 billion in 1Q12, which is explained by:
  - the growth of 14.9% in slaughter volume driven by the gradual improvement in cattle supply due to the favorable stage of the cattle cycle in Brazil, with cattle prices down slightly from the first quarter;
  - the growth of 26.4% in exports driven by the depreciation in the Brazilian real and the stronger demand in export markets; and
  - the still-high domestic demand supported by the increased purchasing power of Brazilians.
- EBITDA in the segment was R$327.5 million in 2Q12, increasing by 134.3% from R$139.7 million in 2Q11 and by 62.0% from R$202.1 million in 1Q12;
- EBITDA Margin stood at 17.3%, expanding 980 bps and 560 bps from 2Q11 (7.5%) and 1Q12 (11.6%), respectively;
- Excluding the nonrecurring effects, EBITDA was R$221.9 million (margin of 11.7%), compared to R$137.6 million in 2Q11 (margin of 7.4%) and R$200.1 million in 1Q12 (margin of 11.5%).

INCOME STATEMENT - MARFRIG BEEF R$ million	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
NET OPERATING REVENUE	**1,896.3**	**1,861.0**	**1,737.3**	**1.9%**	**9.1%**
Cost of goods sold	(1,486.8)	(1,559.0)	(1,365.4)	-4.6%	8.9%
GROSS PROFIT	**409.5**	**302.0**	**372.0**	**35.6%**	**10.1%**
Gross Margin	*21.6%*	*16.2%*	*21.4%*	*540 bps*	*20 bps*
SG&A	(223.3)	(195.2)	(206.4)	14.4%	8.2%
SG&A as % of Net Revenue	*-11.8%*	*-10.5%*	*-11.9%*	*-130 bps*	*10 bps*
Selling Expenses	(129.6)	(134.1)	(124.2)	-3.4%	4.3%
General and Administrative Expenses	(93.7)	(61.1)	(82.3)	53.4%	13.9%
Other operating rev/exp	105.6	2.2	2.0	N/A	N/A
EBITDA	**327.5**	**139.7**	**202.1**	**134.3%**	**62.0%**
EBITDA MARGIN	***17.3%***	***7.5%***	***11.6%***	***980 bps***	***560 bps***
ADJUSTED EBITDA (*)	**221.9**	**137.6**	**200.1**	**61.3%**	**10.9%**
ADJUSTED EBITDA MARGIN(*)	***11.7%***	***7.4%***	***11.5%***	***430 bps***	***20 bps***

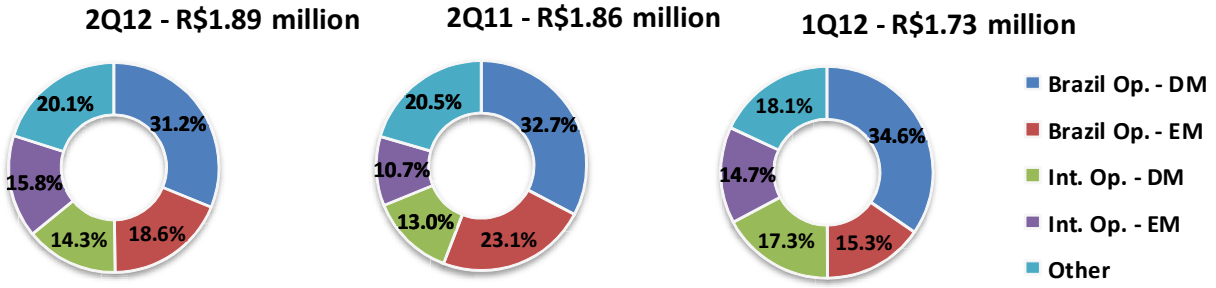
(*)Excludes other operating revenues/expenses

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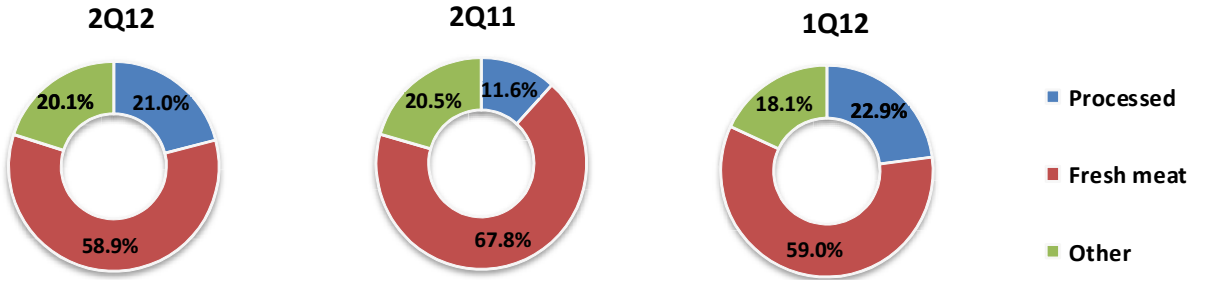
PRODUCTION	2Q12	2Q11	1Q12	2Q12 x 2Q11	2Q12 / 1Q12
BEEF					
Brazil	599.667	630.049	522.101	-4,8%	14,9%
Argentina	103.667	140.343	137.265	-26,1%	-24,5%
Uruguay	122.674	120.403	99.506	1,9%	23,3%
TOTAL BEEF	**826.008**	**890.795**	**758.872**	**-7,3%**	**8,8%**
LAMB					
Uruguay	4.544		3.347		35,8%
Chile	27.128	50.147	95343	-45,9%	-71,5%
Brazil	26.741	25.263	26.961	5,9%	-0,8%
TOTAL LAMB	**58.413**	**75.410**	**125.651**	**-22,5%**	**-53,5%**

[1] *Considers only the number of cattle slaughtered, excluding meat purchases from third parties*

REVENUE BY OPERATION:

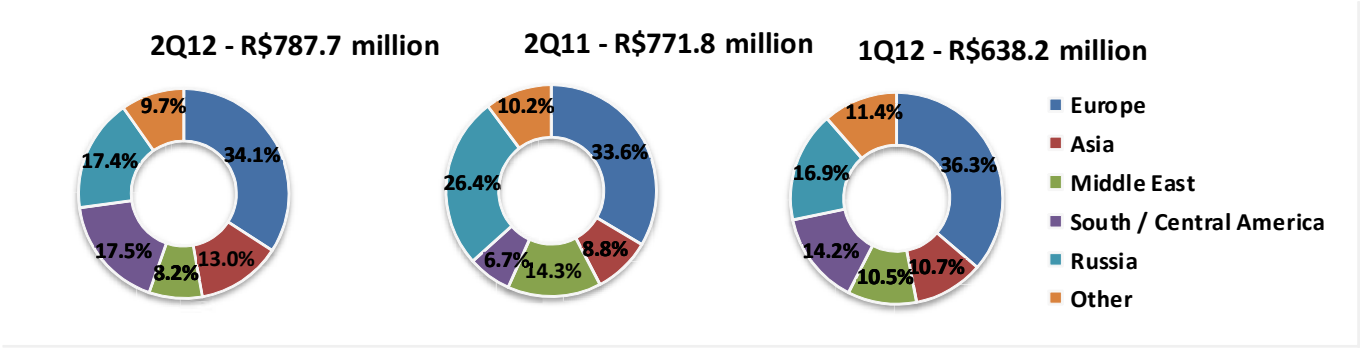


REVENUE BY PRODUCT:



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REVENUE BY EXPORT DESTINATION:



Net Revenue

Brazil Operation

Net operating revenue at the Marfrig Beef operations in Brazil was R$944.5 million in 2Q12, decreasing 9.1% from 2Q11 and increasing 9.0% from 1Q12.

The reduction in sales volume compared to 2Q11 was caused by the lower slaughter volume in 3Q11 due to the temporary shutdown of 9 plants for operational improvements. Of these 9 plants, 1 is already operating at 70% capacity utilization, and another 2 are awaiting approval of the licenses needed to reopen.

We ended the quarter with average capacity utilization of 70.1% considering our plants in operation.

Compared to 1Q12, sales in the Brazilian operations grew by 9.0%, which partially offset the lower sales in the international operations affected by the cattle cycle in Argentina and Uruguay, where the supply of cattle has not returned to normalized levels and prices remain high.

International Operations

Revenue from the international operations of the Marfrig Beef business segment was R$570.9 million in 2Q12, up 29.8% from 2Q1 and 2.6% from 1Q12.

The revenue growth compared to 2Q11 was mainly due to the higher sales of processed and elaborated products in the domestic market, as well as to the significant increase in the sales prices of these products and higher exports of fresh beef.

The decrease in sales in 2Q12 compared to 1Q12 was partially offset by the higher price of fresh products in the domestic market and especially the higher price of processed and elaborated products in both the domestic and export markets.

Gross Margin

The combination of lower cattle prices, BRL depreciation, efforts to pursue more profitable sales channels and markets, and the operational improvements implemented in the business segment since the integration of all operations contributed to gross margin expansion of 540 bps compared to 2Q11 and of 20 bps compared to 1Q12.

In the period, the average cattle price decreased by 21.9% in Brazil and by 10% in Uruguay compared to 2Q11, and remained virtually stable in Argentina.

EBITDA and EBITDA Margin

Marfrig Beef posted EBITDA of R$327.5 million in 2Q12, increasing by 134.3% from R$139.7 million in 2Q11 and by 62.0% from R$202.1 million in 1Q12. EBITDA margin was 17.3% in the quarter, compared to 7.5% in 2Q11 and 11.6% in 1Q12.

Marfrig Beef's Adjusted EBITDA, which excludes the nonrecurring effects from Other Operating Revenue/Expenses, was R$221.8 million (margin of 11.7%), increasing by 61.3% from R$137.6 million in 2Q11 (margin of 7.4%) and by 10.8% from R$200.1 million in 1Q12 (margin of 11.5%).

The EBITDA improvement is explained by the sales growth, the higher cattle supply and the lower cattle prices compared to 1Q12, which supported growth of 14.9% in beef slaughter volume in Brazil, although with no impact on the solid margins achieved in the previous quarter. Another factor was the depreciation in the BRL against the USD in the period, which helped drive export growth, with the Corporation, always seeking the highest profitability in its sales, opting to increase exports at the expense of sales in the domestic market.

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Conference Calls: August 14, 2012

Portuguese

9:30 a.m. (Brasília) / 8:30 a.m. (US EST) / 12:30 p.m. (GMT)

Dial-in: +55 (11) 4688-6361

Code: Marfrig

English

11:00 a.m. (Brasília) / 10:00 a.m. (US EST) / 2:00 p.m. (GMT)

Dial-in (Brazil): +55 (11) 4688-6361

Dial-in (other countries): +1 (786) 924-6977

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Income Statement (In R$ million)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
NET OPERATING REVENUE	**5,818.2**	**5,322.0**	**5,232.5**	**9.3%**	**11.2%**
Cost of goods sold	(4,965.3)	(4,609.7)	(4,429.3)	7.7%	12.1%
% Net Revenue	85.3%	86.6%	84.6%	*-130 bps*	*70 bps*
GROSS PROFIT	**852.9**	**712.3**	**803.3**	**19.7%**	**6.2%**
% Gross margin	*14.7%*	*13.4%*	*15.4%*	*130 bps*	*-70 bps*
SG&A	***(592.3)***	***(600.9)***	***(573.7)***	***-1.4%***	***3.2%***
% of Net revenue	*-10.2%*	*-11.3%*	*-11.0%*	*110 bps*	*80 bps*
OPERATING REV/EXP	**(285.4)**	**(611.8)**	**(578.9)**	**-53.3%**	**-50.7%**
Selling	(381.9)	(389.8)	(362.7)	-2.0%	5.3%
General and administrative	(210.4)	(211.1)	(211.0)	-0.3%	-0.3%
Other operating revenue (expenses)	306.8	(10.9)	(5.2)	N/A	N/A
Oper. income (loss) before financial effects	**567.5**	**100.5**	**224.4**	**464.7%**	**152.9%**
% Operating Margin	*7.8%*	*1.9%*	*4.3%*	*590 bps*	*350 bps*
FINANCIAL INCOME (EXPENSES)	**(846.2)**	**(229.8)**	**(249.5)**	**268.2%**	**239.2%**
Financial income	104.9	64.3	85.6	63.1%	22.5%
Exchange and monetary effects - Gains	152.0	137.4	217.3	10.6%	-30.1%
Financial expenses	(438.0)	(392.4)	(429.8)	11.6%	1.9%
Exchange and monetary effects - Losses	(665.0)	(39.2)	(122.6)	1596.2%	442.2%
OPERATING RESULT	**(278.7)**	**(129.3)**	**(25.1)**	**115.5%**	**1010.5%**
Provision for Income/Social Contribution taxes	**287.8**	**41.9**	**54.4**	**587.1%**	**429.2%**
Income Tax	241.4	34.6	42.6	597.9%	467.0%
Social Contribution	46.4	7.3	11.8	535.5%	292.8%
Non-controlling Interest	6.4	(3.5)	5.2	-281.7%	23.4%
NET INCOME (LOSS)	**15.5**	**(91.0)**	**34.5**	**10.3%**	**-391.0%**
No. Shares (million)	347.0	347.0	347.0	N/A	N/A
EARNINGS PER SHARE - R$	0.04	(0.26)	0.10	-117.0%	-55.2%
EBITDA	**767.6**	**277.8**	**410.7**	**176.4%**	**86.9%**
EBITDA Margin	***13.2%***	***5.2%***	***7.8%***	***800 bps***	***530 bps***
ADJUSTED EBITDA (*)	**460.8**	**288.7**	**415.9**	**59.6%**	**10.8%**
ADJUSTED EBITDA Margin	***7.9%***	***5.4%***	***7.9%***	***250 bps***	***0 bps***

(*)Excludes Other Operating Revenue/Expenses

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PRO-FORMA INCOME STATEMENT EXCLUDING DISCONTINUED OPERATIONS

Income Statement (in million R$	1Q12 Consol.	1Q12 Discont. Oper.	1Q12 Cont. Oper.	2Q12 Consol.	2Q12 Discont. Oper.	2Q12 Cont. Oper.
NET OPERATING REVENUE	**5.232,5**	**(226,1)**	**5.006,4**	**5.818,3**	**(113,0)**	**5.705,3**
Cost of goods sold	(4.429,3)	189,9	(4.239,4)	(4.965,3)	86,3	(4.879,0)
% Net Revenue	84,6%	84,0%	84,7%	85,3%	76,4%	85,5%
GROSS PROFIT	**803,2**	**(36,2)**	**767,0**	**852,9**	**(26,6)**	**826,3**
% Gross margin	*15,4%*	*16,0%*	*15,3%*	*14,7%*	*23,6%*	*14,5%*
SG&A	***(573,7)***	***33,3***	***(540,4)***	***(592,3)***	***24,2***	***(568,1)***
% of Net revenue	*-11,0%*	*-14,7%*	*-10,8%*	*-10,2%*	*-21,4%*	*-10,0%*
OPERATING REVENUE (EXPENSES)	**(578,9)**	**32,0**	**(546,9)**	**(285,5)**	**(127,1)**	**(412,6)**
Selling	(362,7)	0,6	(362,1)	(381,9)	0,2	(381,7)
General and administrative	(211,0)	32,7	(178,3)	(210,4)	24,0	(186,4)
Other operating revenue (expenses)	(5,2)	(1,3)	(6,5)	306,8	(151,3)	155,5
OPERATING INCOME (LOSS) before financial effects	**224,3**	**(4,2)**	**220,1**	**567,4**	**(153,7)**	**413,7**
% Operating Margin	*4,3%*	*1,9%*	*4,4%*	*9,8%*	*136,0%*	*7,3%*
FINANCIAL RESULT	**(249,5)**	**2,2**	**(247,3)**	**(846,2)**	**(7,1)**	**(853,3)**
Financial income	85,6	(0,3)	85,3	104,9	(0,1)	104,8
Exchange and monetary effects - Gains	217,3	(0,1)	217,2	152,0	(8,4)	143,6
Financial expenses	(429,8)	2,5	(427,3)	(438,0)	1,3	(436,7)
Exchange and monetary effects - Losses	(122,6)	0,1	(122,5)	(665,1)	0,1	(665,0)
OPERATING RESULT	**(25,2)**	**(2,0)**	**(27,2)**	**(278,8)**	**(160,8)**	**(439,6)**
Provision for Income and Social Contribution taxes	**54,4**	**0,5**	**54,9**	**287,8**	**(94,0)**	**193,8**
Income Tax	42,6	0,5	43,1	241,4	(94,0)	147,4
Social Contribution	11,8	-	11,8	46,4	0,0	46,4
Non-controlling Interest	5,2	0,1	5,3	6,4	-	6,4
Net Income/Loss	**34,4**	**(1,4)**	**33,0**	**15,4**	**(254,8)**	**(239,4)**

[1] PRO-FORMA excluding Keystone Logística, partially sold in 2Q12.

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CONSOLIDATED BALANCE SHEET (In R$ million)	2Q12	1Q12	2Q12 / 1Q12
CURRENT ASSETS	**8,796.9**	**9,310.1**	**-5.5%**
Cash and cash equivalents	3,028.4	3,321.1	-8.8%
Accounts receivable from domestic clients	876.1	1,075.8	-18.6%
Accounts receivable from foreign clients	229.4	249.4	-8.0%
Inventories	2,414.9	2,530.4	-4.6%
Biological assets	768.0	698.0	10.0%
Recoverable taxes	1,114.7	1,107.2	0.7%
Deferred expenses	81.2	102.1	-20.5%
Notes receivable	72.9	19.4	275.7%
Advances to suppliers	44.2	36.6	20.9%
Other accounts receivable	167.1	170.1	-1.8%
NON CURRENT ASSETS	**14,714.2**	**14,401.9**	**2.2%**
Financial investments	0.9	0.9	-1.5%
Demand deposits	29.2	26.3	11.0%
Notes receivable	31.3	31.5	-0.6%
Deferred taxes	1,609.4	1,489.0	8.1%
Recoverable taxes	1,247.0	1,222.2	2.0%
Other accounts receivable	59.8	81.0	-26.2%
Investments	11.6	13.5	-14.1%
Fixed assets	7,382.7	7,026.3	5.1%
Biological assets	235.6	214.0	10.1%
Intangible assets	4,106.7	4,297.2	-4.4%
TOTAL ASSETS	**23,511.1**	**23,712.0**	**-0.8%**

CONSOLIDATED BALANCE SHEET (In R$ million)	2Q12	1Q12	2Q12 / 1Q12
CURRENT LIABILITIES	**6,643.5**	**6,919.7**	**-4.0%**
Trade accounts payable	2,027.1	2,521.1	-19.6%
Payroll and related charges	483.5	476.9	1.4%
Taxes, fees and contributions	144.9	161.8	-10.4%
Loans and financing	2,641.7	2,625.3	0.6%
Leasing payable	47.0	54.6	-13.9%
Notes payable	543.6	398.6	36.4%
Prepaid accounts from clients	108.4	116.6	-7.0%
Interest on Debentures - Convertible	223.3	197.7	13.0%
Interest on Debentures – Non-convertible	238.4	199.4	19.6%
Other payables	185.6	167.7	10.7%
NON CURRENT LIABILITIES	**11,024.6**	**10,911.3**	**1.0%**
Loans and financing	8,253.5	8,239.8	0.2%
Leasing payable	119.9	235.5	-49.1%
Debentures payable	395.4	395.2	0.0%
Taxes, fees and contributions	245.7	248.2	-1.0%
Deferred taxes	1,393.9	1,376.6	1.3%
Provision for contingencies	219.4	210.7	4.2%
Notes payable	211.8	5.7	3631.9%
Other	185.0	199.7	-7.4%
SHAREHOLDERS' EQUITY	**5,719.9**	**5,725.2**	**-0.1%**
Share Capital	4,061.5	4,061.5	0.0%
(-) Expenses with capital increase	(75.0)	(75.0)	0.0%
Capital Reserve	2,479.3	2,460.1	0.8%
Convertible debentures	2,500.0	2,500.0	0.0%
Mandatorily convertibles issuance expenses	(20.7)	(20.7)	0.0%
Acquisition of shares in subsidiaries	0.0	(19.2)	-100.0%
Profit reserve	32.7	31.6	3.8%
Legal reserve	44.5	44.5	0.0%
Retained earnings	7.3	7.3	0.0%
Treasury shares	(19.1)	(20.3)	-5.8%
Asset valuation adjustments	(131.6)	(65.0)	102.3%
Cumulative translation adjustments	610.2	494.8	23.3%
Accumulated Losses	(1,203.8)	(1,217.2)	-1.1%
Net Income for the period	(53.5)	34.5	-255.3%
Non-controlling Interest	123.1	155.8	-21.0%
TOTAL LIABILITIES	**23,511.1**	**23,712.0**	**-0.8%**

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CASH FLOW STATEMENT - R$ million Excludes Discontinued Operations	1Q12	2Q12	6M 2012
Operating Activities			
Net income for the period	**34,476**	**15,451**	**49,927**
Items not affecting cash	**389,110**	**393,580**	**782,690**
Depreciation	121,716	131,812	253,528
Amortization	64,596	68,330	132,927
Non-controlling interest	(5,189)	(6,403)	(11,592)
Provision for contingencies	2,149	14,259	16,408
Deferred taxes	(55,841)	(293,327)	(349,168)
Exchange variation on financing	(153,356)	557,084	403,728
Exchange variation on other assets and liabilities	58,690	(44,006)	14,685
Interest expenses on financial debt	214,005	236,303	450,308
Interest expenses on financial leasing	5,816	4,912	10,729
Interest expenses on debentures	100,146	80,865	181,011
Leasing adjustment to present value	2,627	2,100	4,728
Write-off of permanent assets – Asset exchange	-	(195,087)	(195,087)
Gain/Losses in discontinued operations	-	(193,756)	(193,756)
Write-off of permanent assets	33,750	30,495	64,245
Equity changes	**(513,473)**	**(80,585)**	**(594,057)**
Trade accounts receivable	(53,915)	(146,930)	(200,845)
Inventories	(30,026)	59,731	29,705
Escrow deposits	(1,451)	(3,645)	(5,096)
Payroll and related charges	(9,208)	44,449	35,242
Suppliers and advances	(168,930)	150,125	(18,804)
Current and deferred taxes	(122,127)	(46,929)	(169,055)
Notes receivable and payable	(59,179)	(2,545)	(61,724)
Other assets and liabilities	(68,638)	(134,841)	(203,479)
Cash flow from operating activities	**(89,887)**	**328,447**	**238,560**
Investing activities	**-**	**-**	**-**
Investments	(680)	(8,542)	(9,222)
Discontinued operations net of cash	(54,639)	549,542	494,903
Investments in fixed and biological assets	(189,489)	(233,627)	(423,116)
Investments in intangible assets	(1,308)	(16,659)	(17,967)
Cash flow from investing activities	**(246,117)**	**290,715**	**44,598**
Financing activities			-
Dividends / Interest on equity in period	(14,877)		(14,877)
Interest settled debentures / Bonds	(62,759)	(146,624)	(209,383)
Debentures	654	163	817
Loans and financing	321,384	(935,319)	(613,935)
Leasing payable	(14,385)	(4,729)	(19,114)
Treasury shares	(6,569)	1,183	(5,386)
Cash flow from financing activities	**223,447**	**(1,085,325)**	**(861,878)**
Exchange variation on cash and equivalents	(43,276)	173,419	130,143
Cash flow for the period	**(155,833)**	**(292,745)**	**(448,577)**
Cash, banking accounts and short term investments			-
Balance at end of period	3,321,126	3,028,383	3,028,383
Balance at start of period	3,476,959	3,321,126	3,476,959
Changes in period	**(155,833)**	**(292,743)**	**(448,576)**

NET REVENUE (R$ million)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
MARFRIG BEEF - BRAZIL	**944.5**	**1,039.3**	**866.7**	**-9.1%**	**9.0%**
Domestic Market	**591.3**	**608.9**	**600.9**	**-2.9%**	**-1.6%**
Fresh Meat	398.0	520.3	396.5	-23.5%	0.4%
Processed and Elaborated Products	193.3	88.7	204.4	118.0%	-5.4%
Exports	**353.2**	**430.4**	**265.8**	**-17.9%**	**32.9%**
Fresh Meat	305.4	400.7	224.1	-23.8%	36.3%
Processed and Elaborated Products	47.8	29.7	41.7	60.8%	14.6%
MARFRIG BEEF - INTERNATIONAL	**570.9**	**439.7**	**556.5**	**29.8%**	**2.6%**
Domestic Market	**270.7**	**241.2**	**300.5**	**12.2%**	**-9.9%**
Fresh Meat	154.3	151.2	176.8	2.1%	-12.8%
Processed and Elaborated Products	116.4	90.0	123.6	29.3%	-5.9%
Exports	**300.3**	**198.5**	**256.0**	**51.3%**	**17.3%**
Fresh Meat	259.8	190.1	227.7	36.6%	14.1%
Processed and Elaborated Products	40.5	8.4	28.2	384.2%	43.3%
Lamb, Leather and Other	**380.9**	**381.9**	**314.2**	**-0.3%**	**21.2%**
TOTAL MARFRIG BEEF	**1,896.3**	**1,861.0**	**1,737.3**	**1.9%**	**9.1%**
Fresh Meat	1,117.4	1,262.3	1,025.2	-11.5%	9.0%
Processed and Elaborated Products	397.9	216.8	398.0	83.6%	0.0%
Lamb, Leather and Other	380.9	381.9	314.2	-0.3%	21.2%
SEARA FOODS - BRAZIL	**1,558.3**	**1,421.8**	**1,341.9**	**9.6%**	**16.1%**
Domestic Market	**558.4**	**446.1**	**526.2**	**25.2%**	**6.1%**
Fresh Poultry	125.1	110.0	98.6	13.7%	26.9%
Fresh Pork	41.4	33.8	43.5	22.6%	-4.8%
Processed and Elaborated Products	391.9	302.3	384.1	29.6%	2.0%
Exports	**999.9**	**975.7**	**815.8**	**2.5%**	**22.6%**
Fresh Poultry	839.6	828.9	682.9	1.3%	23.0%
Fresh Pork	108.5	86.5	77.3	25.5%	40.4%
Processed and Elaborated Products	51.7	60.3	55.6	-14.2%	-7.0%
SEARA FOODS - INTERNATIONAL	**2,236.5**	**1,713.1**	**1,825.0**	**30.6%**	**22.6%**
Domestic Market	**1,994.8**	**1,503.0**	**1,626.0**	**32.7%**	**22.7%**
Fresh Meat	323.4	289.6	280.7	11.7%	15.2%
Processed and Elaborated Products	1,671.4	1,213.4	1,345.3	37.7%	24.2%
Exports	**241.7**	**210.0**	**198.9**	**15.1%**	**21.5%**
Fresh Meat	32.4	41.9	28.8	-22.6%	12.5%
Processed and Elaborated Products	209.3	168.1	170.1	24.5%	23.0%
Other	127.2	326.2	328.3	-61.0%	-61.3%
TOTAL SEARA FOODS	**3,921.9**	**3,461.0**	**3,495.2**	**13.3%**	**12.2%**
Fresh Meat	1,470.5	1,390.7	1,211.7	5.7%	21.4%
Processed and Elaborated Products	2,324.3	1,744.2	1,955.2	33.3%	18.9%
Other	127.2	326.2	328.3	-61.0%	-61.3%
TOTAL MARFRIG PROTEINS	**5,818.2**	**5,322.0**	**5,232.5**	**9.3%**	**11.2%**
Fresh Meat	2,587.9	2,652.9	2,236.9	-2.5%	15.7%
Processed and Elaborated Products	2,722.2	1,961.0	2,353.2	38.8%	15.7%
Other	508.1	708.1	642.5	-28.2%	-20.9%
TOTAL MARFRIG PROTEINS	**5,818.2**	**5,322.0**	**5,232.5**	**9.3%**	**11.2%**
Domestic Market	3,415.2	2,799.3	3,053.6	22.0%	11.8%
Exports	1,895.0	1,814.6	1,536.5	4.4%	23.3%
Other	508.1	708.1	642.5	-28.2%	-20.9%

VOLUME (Tons)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
MARFRIG BEEF - BRAZIL	**101,681**	**121,672**	**93,550**	**-16.4%**	**8.7%**
Domestic Market	**64,903**	**74,212**	**63,956**	**-12.5%**	**1.5%**
Fresh Meat	49,889	64,447	48,521	-22.6%	2.8%
Processed and Elaborated Products	15,015	9,765	15,435	53.8%	-2.7%
Exports	**36,778**	**47,460**	**29,593**	**-22.5%**	**24.3%**
Fresh Meat	32,851	44,656	26,065	-26.4%	26.0%
Processed and Elaborated Products	3,927	2,804	3,529	40.0%	11.3%
MARFRIG BEEF - INTERNATIONAL	**60,254**	**57,838**	**64,363**	**4.2%**	**-6.4%**
Domestic Market	**35,231**	**40,528**	**43,866**	**-13.1%**	**-19.7%**
Fresh Meat	24,476	25,439	25,168	-3.8%	-2.8%
Processed and Elaborated Products	10,754	15,089	18,697	-28.7%	-42.5%
Exports	**25,024**	**17,310**	**20,497**	**44.6%**	**22.1%**
Fresh Meat	21,597	16,423	17,921	31.5%	20.5%
Processed and Elaborated Products	3,427	887	2,577	286.3%	33.0%
Lamb, Leather and Other	**145,636**	**165,482**	**125,867**	**-12.0%**	**15.7%**
TOTAL MARFRIG BEEF	**307,572**	**344,992**	**283,779**	**-10.8%**	**8.4%**
Fresh Meat	128,813	150,965	117,675	-14.7%	9.5%
Processed and Elaborated Products	33,123	28,545	40,237	16.0%	-17.7%
Lamb, Leather and Other	145,636	165,482	125,867	-12.0%	15.7%
SEARA FOODS - BRAZIL	**351,575**	**348,818**	**332,218**	**0.8%**	**5.8%**
Domestic Market	**122,400**	**113,259**	**122,254**	**8.1%**	**0.1%**
Fresh Poultry	26,901	28,941	26,601	-7.0%	1.1%
Fresh Pork	7,861	9,021	9,495	-12.9%	-17.2%
Processed and Elaborated Products	87,638	75,297	86,158	16.4%	1.7%
Exports	**229,175**	**235,559**	**209,964**	**-2.7%**	**9.1%**
Fresh Poultry	200,557	207,869	182,646	-3.5%	9.8%
Fresh Pork	21,162	18,978	17,286	11.5%	22.4%
Processed and Elaborated Products	7,456	8,712	10,032	-14.4%	-25.7%
SEARA FOODS - INTERNATIONAL	**372,802**	**351,875**	**354,969**	**5.9%**	**5.0%**
Domestic Market	**324,893**	**313,473**	**312,495**	**3.6%**	**4.0%**
Fresh Meat	33,072	38,699	29,898	-14.5%	10.6%
Processed and Elaborated Products	291,821	274,774	282,597	6.2%	3.3%
Exports	**47,909**	**38,402**	**42,474**	**24.8%**	**12.8%**
Fresh Meat	5,472	7,300	5,013	-25.0%	9.2%
Processed and Elaborated Products	42,437	31,102	37,461	36.4%	13.3%
Other	92,313	139,988	147,182	-34.1%	-37.3%
TOTAL SEARA FOODS	**816,690**	**840,681**	**834,369**	**-2.9%**	**-2.1%**
Fresh Meat	295,025	310,808	270,939	-5.1%	8.9%
Processed and Elaborated Products	429,352	389,885	416,248	10.1%	3.1%
Other	92,313	139,988	147,182	-34.1%	-37.3%
TOTAL MARFRIG PROTEINS	**1,124,262**	**1,185,673**	**1,118,149**	**-5.2%**	**0.5%**
Fresh Meat	423,838	461,773	388,614	-8.2%	9.1%
Processed and Elaborated Products	462,475	418,430	456,486	10.5%	1.3%
Other	237,949	305,470	273,049	-22.1%	-12.9%
TOTAL MARFRIG PROTEINS	**1,124,262**	**1,185,673**	**1,118,149**	**-5.2%**	**0.5%**
Domestic Market	547,427	541,472	542,571	1.1%	0.9%
Exports	338,886	338,731	302,529	0.0%	12.0%
Other	237,949	305,470	273,049	-22.1%	-12.9%

AVERAGE PRICES (R$/KG)	2Q12	2Q11	1Q12	2Q12 / 2Q11	2Q12 / 1Q12
MARFRIG BEEF - BRAZIL	**9.29**	**8.54**	**9.26**	**8.7%**	**0.3%**
Domestic Market	**9.11**	**8.21**	**9.40**	**11.0%**	**-3.0%**
Fresh Meat	7.98	8.07	8.17	-1.2%	-2.4%
Processed and Elaborated Products	12.87	9.08	13.24	41.8%	-2.8%
Exports	**9.60**	**9.07**	**8.98**	**5.9%**	**6.9%**
Fresh Meat	9.30	8.97	8.60	3.6%	8.1%
Processed and Elaborated Products	12.17	10.60	11.82	14.8%	3.0%
MARFRIG BEEF - INTERNATIONAL	**9.48**	**7.60**	**8.65**	**24.6%**	**9.6%**
Domestic Market	**7.68**	**5.95**	**6.85**	**29.1%**	**12.2%**
Fresh Meat	6.30	5.94	7.03	6.1%	-10.3%
Processed and Elaborated Products	10.82	5.97	6.61	81.4%	63.7%
Exports	**12.00**	**11.47**	**12.49**	**4.6%**	**-3.9%**
Fresh Meat	12.03	11.58	12.71	3.9%	-5.3%
Processed and Elaborated Products	11.81	9.42	10.96	25.3%	7.8%
Lamb, Leather and Other	**2.62**	**2.31**	**2.50**	**13.3%**	**4.8%**
TOTAL MARFRIG BEEF	**6.17**	**5.39**	**6.12**	**14.3%**	**0.7%**
Fresh Meat	8.67	8.36	8.71	3.7%	-0.4%
Processed and Elaborated Products	12.01	7.59	9.89	58.2%	21.5%
Lamb, Leather and Other	2.62	2.31	2.50	13.3%	4.8%
SEARA FOODS - BRAZIL	**4.43**	**4.08**	**4.04**	**8.7%**	**9.7%**
Domestic Market	**4.56**	**3.94**	**4.30**	**15.8%**	**6.0%**
Fresh Poultry	4.65	3.80	3.71	22.3%	25.4%
Fresh Pork	5.26	3.74	4.58	40.7%	15.0%
Processed and Elaborated Products	4.47	4.02	4.46	11.4%	0.3%
Exports	**4.36**	**4.14**	**3.89**	**5.3%**	**12.3%**
Fresh Poultry	4.19	3.99	3.74	5.0%	12.0%
Fresh Pork	5.13	4.56	4.47	12.5%	14.7%
Processed and Elaborated Products	6.94	6.92	5.54	0.2%	25.2%
SEARA FOODS - INTERNATIONAL	**6.00**	**4.87**	**5.14**	**23.2%**	**16.7%**
Domestic Market	**6.14**	**4.79**	**5.20**	**28.1%**	**18.0%**
Fresh Meat	9.78	7.48	9.39	30.7%	4.2%
Processed and Elaborated Products	5.73	4.42	4.76	29.7%	20.3%
Exports	**5.04**	**5.47**	**4.68**	**-7.8%**	**7.7%**
Fresh Meat	5.92	5.74	5.75	3.2%	3.1%
Processed and Elaborated Products	4.93	5.41	4.54	-8.8%	8.6%
Other	1.38	2.33	2.23	-40.9%	-38.2%
TOTAL SEARA FOODS	**4.80**	**4.12**	**4.19**	**16.6%**	**14.6%**
Fresh Meat	4.98	4.47	4.47	11.4%	11.4%
Processed and Elaborated Products	5.41	4.47	4.70	21.0%	15.2%
Other	1.38	2.33	2.23	-40.9%	-38.2%
TOTAL MARFRIG PROTEINS	**5.18**	**4.49**	**4.68**	**15.3%**	**10.6%**
Fresh Meat	6.11	5.75	5.76	6.3%	6.1%
Processed and Elaborated Products	5.89	4.69	5.16	25.6%	14.2%
Other	2.14	2.32	2.35	-7.9%	-9.3%
TOTAL MARFRIG PROTEINS	**5.18**	**4.49**	**4.68**	**15.3%**	**10.6%**
Domestic Market	6.24	5.17	5.63	20.7%	10.8%
Exports	5.59	5.36	5.08	4.4%	10.1%
Other	2.14	2.32	2.35	-7.9%	-9.3%

MARFRIG ALIMENTOS S.A.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED QUARTERLY FINANCIAL INFORMATION AS AT JUNE 30, 2012 AND 2011
(In thousands of Brazilian reais)

1. OPERATIONS

Marfrig Alimentos S.A. (the "Company") is a publicly-traded company that carries out (i) foodstuff production and meat packing activities consisting of cattle, pork, lamb and poultry slaughter and (ii) industrial processing, distribution, importing, exporting and marketing of animal products and by-products, whether edible or not, at its own or third parties' facilities.

Marfrig Alimentos S.A. was set up on June 6, 2000 and became a corporation on March 26, 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20.788 on June 18, 2007 and made its initial public offering (IPO) on June 29, 2007. Its shares were listed on the New Market of São Paulo Stock Exchange (BM&FBovespa) under code No. MRFG3. On June 30, 2012, its subscribed and paid-in share capital is represented by 346,983,954 common shares, of which, as at June 30, 2012, 168,556,873, or 48.58% of the share capital, are controlled by MMS Participações S.A. and its partners. On the same date, the outstanding free float was 176,185,977 shares, or 50.78% of the Company's share capital. MMS Participações S.A. is controlled by Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

As a participant in BM&FBOVESPA's New Market, the Company is subject to arbitration under the Market Arbitration Chamber, pursuant to an arbitration clause included in its by-laws.

Company's shares are also part of the main performance indicators of the Brazilian capital market, such as Ibovespa (the most important indicator of the Brazilian stock market's average quotation performance), IBrX-50 (theoretical portfolio composed of 50 shares selected amongst the most traded on BM&FBOVESPA in terms of liquidity) and ICO2 (theoretical portfolio composed of companies that adopted transparent practices regarding their GHG emissions). Marfrig shares also comprise the following indexes of the Brazilian stock exchange: Brazil Index - IBrX; Bovespa Index - IVBX-2; Small Cap Index - SMLL, MidLarge Cap Index - MLCX; Industrial Sector Index - INDX; Consumption Index - ICON; Share Index with Differentiated Tag Along - ITAG and Share Index with Differentiated Corporate Governance - IGC.

The Company's financial and equity position should be considered within the context of the integrated activities of the following segments, organized according to business from which revenue is derived, with own structures established and segmented into:

- MARFRIG BEEF - cattle, lamb and leather, with animal slaughtering operations located in South America (Brazil, Argentina, Uruguay and Chile) and a trading company located in Europe;
- SEARA FOODS - poultry, pork and manufactured and processed products, with operations in Brazil, Europe, United States, Middle East and Asia.

BUSINESS SEGMENT – MARFRIG BEEF (CATTLE, LAMB AND LEATHER)

- Beef - Brazil:

  - Marfrig Alimentos S.A. (Brazil), which is made up of 9 cattle slaughtering and beef processing facilities, one of which is also used for slaughtering of sheep, two tanneries, one factory which produces cleaning and hygiene products and one feedlot, located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to three Distribution Centres in the State of São Paulo.

  - MFB Marfrig Frigoríficos Brasil S.A., composed of 14 cattle slaughtering and beef processing facilities, one of which is also used for slaughtering of sheep and three for industrialization of beef, located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia. Marfrig's ownership interest is 100%.

  - Masplen Ltd. (Jersey Island), (company which holds 100% of Pampeano Alimentos S.A. (Brazil)). Pampeano produces canned meat and other processed products in the State of Rio Grande do Sul. Marfrig's ownership interest is 100%.

  - Marfrig Overseas Ltd. (Cayman Islands), company set up for raising funds abroad by issuing Notes. Marfrig's ownership interest is 100%.

  - Marfood USA Inc. (USA), producer and distributor of beef jerky for the US market. It holds 100% of the Pemmican trademark. Marfrig's ownership interest is 100%.

  - MFG Agropecuária Ltda. develops livestock activities comprising the breed, treatment, handling, fatstock, purchase and sale and transportation of cattle, horses, pork, goat, lamb, poultry and buffaloes - living and embryos, with nine feedlots. Marfrig's ownership interest is 99.99%;

  - MFG Comercializadora de Energia Ltda., which trades energy, provides services associated or related to or necessary for the trade of energy, and makes researches on solutions for quality and efficiency of electric energy. Marfrig's ownership interest is 99.99%;

- Beef - Abroad (Argentina, Uruguay, Chile and Europe):

  - Marfrig Argentina S.A. is a closely-held company, registered at the Securities and Exchange Commission of Argentina, whose purposes are (i) the development of meat packing activities, consisting of cattle slaughter and industrial processing and marketing of animal products and by-products, whether edible or not; (ii) purchase, sale, distribution, representation, importing and exporting of foodstuff; (iii) purchase and sale of live cattle; (iv) development of livestock activities; (v) holding interest as partner or shareholder in any merchandising or civil entity; (vii) distribution and marketing of foodstuff – Marfrig's ownership interest is 99%.

  - Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughter and beef processing facility - Marfrig's ownership interest is 93.69%;

  - Inaler S.A. (Uruguay), a cattle and lamb slaughter facility - Marfrig's ownership interest is 100%;

  - Marfrig Chile S.A. (Chile), which operates a meat deboning and a trading facility, both in the Chilean market - Marfrig holds a 99.47% ownership interest. On December 21, 2009, Marfrig Chile took over Quinto Cuarto S.A. and PBP Chile Limitada, which were previously its subsidiaries. In addition, Marfrig Chile S.A. holds 100% of Frigorífico Patagonia S.A. (Chile), which operates a lamb packing plant in Patagonia;

  - Prestcott International S.A. (Uruguay) which holds 100% of Cledinor S.A. (Uruguay), which operates a beef and lamb packing plant in the city of Salto - Marfrig's ownership interest is 100%;

  - Establecimientos Colonia S.A. (Uruguay), a beef packing plant in the city of Colonia – Marfrig's ownership interest is 100%;

  - Columbus Netherlands B.V. (Netherlands) – Marfrig holds a 100% interest, which holds 59.17% of Gideny S.A., which is a holding company that controls 100% of Zenda Group, which operates in Uruguay producing and selling finished and cut leather, besides its affiliated companies in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

  - Weston Importers Ltd. (United Kingdom), trading company which operates in the European market and holds 100% of CDB Meats Ltd. (United Kingdom), a producer of processed meat – Marfrig's ownership interest is 100%

BUSINESS SEGMENT – SEARA FOODS (POULTRY, PORK AND MANUFACTURED AND PROCESSED PRODUCTS)

- Seara Brasil:

  - Seara Holdings (Europe) BV, which holds 99.9% of Babicora Holding Participações Ltda., that holds 99.9% of Seara Alimentos Ltda. (Brazil) besides its affiliated companies in Europe and Asia - Marfrig's ownership interest is 100%.

  - Secculum Participações Ltda. (Brazil) Marfrig's ownership interest is 99.99% and União Frederiquense Participações Ltda. (Brazil) Marfrig's ownership interest is 99.99%, which together hold 100% of Frigorífico Mabella Ltda. Mabella operates a pork slaughter facility in the State of Santa Catarina and one pork slaughter and pork processing facility in the State of Rio Grande do Sul. It is also responsible for Marfrig's poultry and pork operations, and has the following percentages of ownership interest in the companies:

    - DaGranja Agroindustrial Ltda. – Mabella's indirect ownership interest is 94%;

    - Braslo Produtos de Carnes Ltda. – Mabella's ownership interest is 99.99%;

    - MAS Frangos Participações Ltda. – Mabella's ownership interest is 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda.;

    - Penasul Alimentos Ltda. – Mabella's ownership interest is 100%.

    - MBL Alimentos S.A., company that is engaged in pork raising – Mabella's ownership interest is 100%.

  - Athena Alimentos S.A. – Marfrig Alimentos S.A. holds a direct interest of 100%. Under the material fact disclosed by both BRF - Brasil Foods S.A. and Marfrig on June 13, 2012, and under the executed Asset Exchange Agreement, Athena is the company that received the assets previously held by BRF and now owned by Marfrig pursuant to said exchange agreement. Athena Alimentos S.A. owns the following units all of them leased and operated by Seara Alimentos Ltda.: 2 chicken slaughter units, 1 hog slaughter unit, 8 food processing units, 3 feed plants, 6 distribution centers and a production line of margarine, located in the states of Rio de Janeiro, Santa Catarina, Rio Grande do Sul, Mato Grosso, Distrito Federal and Bahia. Athena is also the owner of the following brands: "Rezende", "Confiança", "Wilson", "Texas", "Tekitos", "Patitas", "Escolha Saudável", "Light Ellegant", "Fiesta", "Freski", "Doriana," and "Delicata".

- Excelsior Alimentos S.A. - Marfrig Alimentos S.A. holds a direct and indirect interest of 64.57%. It is a publicly-held company listed on the BM&FBOVESPA, which specializes in the processing and trading of poultry, pork, and beef products, with operations based in the South of Brazil. Under the material fact disclosed by both BRF – Brasil Foods S.A. and Marfrig on June 13, 2012, Marfrig has acquired, among other assets, an interest of 64.57% at Excelsior Alimentos S.A. ("Excelsior"), previously held, directly and indirectly, by Sadia S.A. This interest, representing Excelsior's control, consists of the 46.01% interest directly held by Sadia in that company, in addition to an indirect interest of 18.56% referring to the assignment of rights of Sadia in the Agreement for the Purchase and Sale of Shares of Baumhardt Comércio e Participações Ltda. Excelsior has one food processing unit and is the owner of the "Excelsior" brand.

- Baumhardt Comércio e Participações Ltda – Marfrig holds an interest of 73.94% through the assignment of the rights of Sadia in the Agreement for the Purchase and Sale of Shares of Baumhardt, under the Asset Exchange Agreement executed by and between BRF – Brasil Foods S.A. and Marfrig. Baumhardt is a limited liability company whose business purpose is to hold interest in other companies (holding) and it holds 25.10% of the capital stock of Excelsior Alimentos S.A., of which 18.54% have been transferred to Marfrig under the aforementioned Asset Exchange Agreement.

  The Asset Exchange Agreement with BRF also included the lease of 1 hog slaughter unit located in the State of Santa Catarina, and 2 distribution centers located in the States of Rio de Janeiro and Paraná. These units are also operated by Seara Alimentos Ltda.

  The SEARA BRASIL operation consists of 17 chicken slaughter units, 6 hog slaughter units, and 20 meat and food processing units in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Rio de Janeiro, Minas Gerais, Mato Grosso, Mato Grosso do Sul, Bahia, and Distrito Federal.

  The SEARA BRASIL operation produces and trades products under the following brands: Seara, Mabella, Pena Branca, Nhô Bento, and DaGranja, the latter two owned by Marfrig Alimentos S.A.; Rezende, Confiança, Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light Ellegant, Fiesta, Freski, Doriana, and Delicata, owned by Athena Alimentos S.A.; and Excelsior, owned by Excelsior Alimentos S.A.

- International (Moy Park, Kitchen Range and Keystone)

  - Marfrig Holdings (Europe) – B.V. (Netherlands) – Marfrig holds 100% interest:

    - 100% of MFG (USA) Holdings Inc., which holds the assets of Keystone in the United States; that, jointly with other Keystone units, operates worldwide in the development, production, sale and distribution of poultry, fish, pork and beef-based food, specialized in the Food Services channel.

    - Holds 100% interest at Mckey Luxembourg Holdings S.a.r.l, which holds the assets of Keystone in Europe and Asia by means of the subsidiary McKey Luxembourg S.a.r.l. Both operate in the development, production, sale and distribution of poultry, fish, pork and beef-based food, and are specialized in Food Services channel. In June 2012, Mckey Luxembourg S.a.r.l became holder of 100% of Moy Park Holdings (Europe) Limited - company headquartered in Northern Ireland), which in turn holds 100% of Moy Park Group (Northern Ireland) and Kitchen Range Foods Ltd. (England), which operates three poultry slaughter facilities and eight processing facilities in England, Northern Ireland, France and the Netherlands, continuing with the plan to restructure the Poultry Division, as announced to the market on February 27, 2012.

2. PREPARATION AND PREPARATION OF QUARTERLY FINANCIAL INFORMATION

2.1. STATEMENT OF COMPLIANCE

Consolidated quarterly financial information

The consolidated quarterly financial information was prepared and is presented in accordance with accounting practices adopted in Brazil, including the statements issued by the *Comitê de Pronunciamentos Contábeis* (CPC) (Accounting Pronouncements Committee) and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Parent company quarterly financial information

The parent company quarterly financial information was prepared according to the accounting practices adopted in Brazil issued by CPC and disclosed together with the consolidated quarterly financial information. The Brazilian accounting practices applied to the parent company quarterly financial information differ from the IFRS only for the measurement of investments in subsidiaries and affiliated companies through the equity method of accounting, while these investments would be carried at fair value or cost for IFRS purposes.

However, there is no difference between the Group's shareholders' equity and consolidated income (loss) and the parent company's shareholders' equity and income (loss) disclosed in the parent company quarterly financial information. Thus, the Group's consolidated quarterly financial information and the parent company's quarterly financial information are being presented in the same document.

2.2. BASIS OF PRESENTATION

The parent company and consolidated quarterly financial information is denominated in Brazilian reais, which is the reporting currency, and all amounts are rounded to thousands of Brazilian reais, unless otherwise stated.

The consolidated quarterly financial information has been prepared on the historical cost basis, unless otherwise stated, such as certain non-current assets and financial instruments, stated at fair value.

The preparation of parent company and consolidated quarterly financial information in accordance with IFRS and CPCs requires Management to make certain accounting estimates. The areas involving considerable judgment or use of estimates for the parent company and consolidated quarterly financial information is stated in note 3.1.3.

2.2.1. Foreign currency translation

Functional and reporting currency

The quarterly financial information of each consolidated subsidiary and those used as a basis for accounting for investments under the equity method are prepared using the functional currency of each entity.

Under CPC 02 (R2), functional currency is the currency of the primary economic environment in which the entity operates. To define the functional currency of each subsidiary, Management considered which currency significantly influences the sale price of their goods and services and the currency in which most of their production input costs are paid or incurred. The consolidated quarterly financial information is expressed in Brazilian reais (R$), which is the functional and reporting currency of Marfrig Alimentos S.A.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate in effect at the transaction date. Gains and losses resulting from the difference between the asset and liability balance translation at the year-end and the translation of the transaction balances are recognised in the statement of operations.

Group companies

The results of operations and the financial position of all consolidated subsidiaries and investments accounted for under the equity method, whose functional currency differs from the reporting currency, are translated from the reporting currency, as follows:

i. asset and liability balances are translated using the exchange rate in effect at the date of the consolidated quarterly financial information;

ii. statement of operation accounts are translated using the monthly average exchange rate; and

iii. all differences arising from the foreign currency translation are recognised in Shareholders' Equity in Consolidated Comprehensive loss under "Cumulative translation adjustments."

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1. SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted to prepare this quarterly financial information are as follows:

3.1.1. Results of operations

Results of operations are recorded on the accrual basis.

- Revenue

Revenue arising from the sale of goods is recognised when the Group transfers all risks and benefits of ownership of the asset to the buyer and it is probable that the Group will receive the agreed payment. The property of risks and benefits is transferred when the products are shipped with the corresponding sales invoice, taking into account the incoterms. These conditions are met when the goods are delivered to the buyer, complying with main freights modalities used by the Company.

Revenue is shown net of taxes on returns, rebates and discounts and the consolidated quarterly financial information is also net of intercompany sales eliminations including unrealized profits on inventories.

- Financial revenue and expenses

Revenue comprises gains on changes in the value of financial assets measured at fair value through profit or loss, as well as interest income obtained with the effective interest method.

They include interest income on invested amounts (including financial assets available for sale), gains on the disposal of financial assets available for sale and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognised in the statement of operations using the effective interest method.

Financial expenses basically comprise interest on loans. Loan costs not directly attributable to acquisition, construction or manufacture of a qualified asset are recognised in the statement of operations using the effective interest method.

3.1.2. Segment Reporting

The information by operating segment is based on internal reporting to the chief operating decision maker, according to CPC 22. The chief operating decision maker is a Board, which included the Chief Executive Officer, the Operating Officer and the Chief Financial Officer.

This Board identified the two main reportable segments that are strategically organised according to animal protein, namely (i) beef, sheep and leather; and (ii) poultry, pork and manufactured and processed products, which meet the quantitative and qualitative thresholds for reportable segments, as per note 29.

3.1.3. Accounting estimates

The preparation of the parent company and consolidated quarterly financial information in accordance with Brazilian accounting practices and IFRS requires Management to make estimates and assumptions that, in its best judgment, affect the reported amounts of assets and liabilities. These estimates and assumptions include, when applicable, the determination of the residual value of property, plant and equipment, allowance for doubtful accounts, inventories, deferred income and social contribution tax assets and provisions for tax, labour and civil contingencies. Transaction settlement involving those estimates may result in values different from estimates, due to the inherent inaccuracy of the process. The Company and its subsidiaries review estimates and assumptions at least quarterly.

The issues requiring Company's estimates are as follows:

- useful life of property, plant and equipment and intangible assets with finite useful lives;
- measurement of the fair value of biological assets;
- impairment of taxes;
- loss on impairment of intangible assets with undefined life, including goodwill;
- measurement of items arising from business combinations at fair value;

- fair value of financial instruments and derivatives;
- losses on doubtful accounts;
- provision for inventory obsolescence;
- deferred income and social contribution tax assets;
- provision for contingencies (legal, tax, labour and civil proceedings);
- stock option plan; and
- discount to present value.

3.1.4. Financial instruments

Non-derivative financial instruments include marketable securities, debt and equity instruments, accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognised at their fair values plus, for instruments which are not recognised at fair value through profit or loss, any directly attributable transaction costs. Regarding marketable securities and instruments classified as cash and cash equivalents, after initial recognition, non-derivative financial instruments are measured according to their respective classification, as follows:

- Measured at fair value through profit or loss

An instrument is measured at fair value through profit or loss if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages these investments and makes decisions to buy and sell the investments based on the investment's fair value according to the Company's investment and risk Management strategy. After initial recognition, transaction costs that are attributable to the acquisition of the investment are recognised in the statement of operations when incurred. Financial instruments stated at fair value through profit or loss are measured at fair value and changes in fair value are recognised in the statement of operations. The Company's instruments recorded in this category are described in note 5.

- Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, excluding any impairment loss.

- Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method, adjusted for any reductions in the settlement value.

- Derivative financial instruments

Derivative financial instruments are measured at fair value and are derivative financial instruments traded in an active organized market and their fair value is determined based on quoted market prices at the date of the quarterly financial information. Upon initial recognition, they are recognised as other financial assets and/or liabilities with an offsetting entry in the statement of operations under the captions "financial income (expenses)".

3.1.5. Foreign currency

Management defined the Brazilian real as the Company's and its Brazilian subsidiaries' functional currency, according to the provisions of CPC Technical Pronouncement 02 (R2) – *Effects on Changes in Foreign Exchange Rates and Translation of Quarterly Financial Information*, approved by CVM Resolution No. 640/10. The functional currency of foreign companies is the legal tender of the country in which they operate, except for companies located in Uruguay, whose functional currency is the US dollar. Translations into the reporting currency are also in accordance with CPC Technical Pronouncement 02 (R2).

Foreign currency transactions, i.e., all transactions not made in the functional currency, are translated using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. Non-monetary assets and liabilities acquired or entered into in foreign currency are translated using the exchange rates on the transaction dates or the dates at which they are stated at fair value when fair value is used. Exchange rate variation gains or losses on monetary and non-monetary assets and liabilities are recognized in the statement of income.

3.1.6. Current and non-current assets

- Cash and cash equivalents

Cash and cash equivalents consist of cash, banks and highly liquid marketable securities, whose maturities, at acquisition, are equal to or lower than 90 days, i.e., that are readily converted to known amounts of cash and that are subject to an insignificant risk of changes in value.

- Marketable Securities

These are the investments maturing over 90 days as from the contracting date.

- Trade accounts receivable

Trade accounts receivable are recorded at the fair value and when applicable, discounted to present value, according to CPC 12.

The allowance for doubtful accounts is set up in an amount deemed sufficient by Management to cover possible losses on the realisation of receivables, calculated on an individual basis.

- Inventories

Inventories are stated at the average acquisition or production cost, adjusted at net realizable value, if lower than the average cost.

- Investments

The Parent company's investments in subsidiaries and affiliates are accounted for using the equity method in the parent company quarterly information.

- Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less depreciation calculated using the straight-line method at the rates mentioned in note 13 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements incurred when property, plant and equipment items are being built are capitalized until the asset begins its operations.

Other expenditures are capitalized only if the economic benefits associated with the property, plant and equipment item increase. Another type of cost is recognised as an expense when incurred.

Pursuant to CPC 01 (R1), an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

- Lease

  - Finance lease

  Certain lease agreements transfer substantially all risks and benefits of ownership of an asset to the Company. These agreements are finance leases and are initially recognised as property, plant and equipment with an offsetting entry to liabilities at the lowest of present or fair values, according to CPC 06 (R 1).

  - Operating lease

  Certain agreements are classified as operating leases when its substance does not meet the finance lease requirements. Payments of these agreements are recognised as expenses in the statement of operations on a straight-line basis over the period the agreements are effective and the asset is used.

The Company's lease transactions are described in note 19.

- Intangible assets

Intangible assets consist of assets acquired from third parties, including through business combinations, and those generated internally by the Company. They are stated at acquisition or formation cost, less amortisation calculated using the straight-line method, according to the terms of the lease agreements and recovery estimated periods.

Intangible assets with indefinite useful lives and goodwill resulting from expected future profitability are not amortized and are tested annually for impairment.

The goodwill represents the excess of total consideration paid over the difference between the fair value of acquired assets and liabilities assumed on the takeover date of the acquired company.

Goodwill is capitalized as an intangible asset and any impairment is recognised in the statement of operations. Whenever the fair value of the acquired assets and assumed liabilities exceeds total consideration paid, the full difference will be recognised in the consolidated comprehensive loss on the acquisition date.

3.1.7. Biological assets

According to CPC 29, agricultural activity is the management of the biological transformation of assets (living animals and/or plants) for sale, into agricultural products or into additional biological assets. The Company classifies living cattle, poultry and hogs as biological assets.

The Company recognises biological assets when it controls these assets as a result of past events and it is probable that future economic benefits will flow to the Company and the fair value of the asset can be reliably measured.

Under CPC 29, biological assets should be measured on initial recognition and at the end of each reporting period at fair value less costs to sell, unless fair value cannot be reliably measured.

The Company values cattle at its fair value based on market prices, while poultry and pork are valued at the acquisition cost since there is no market for poultry and pork.

3.1.8. Impairment

Impairment tests on goodwill and other intangible assets with indefinite economic useful life are annually conducted at the end of the year. Other non-financial assets are submitted to impairment tests whenever events or changes in circumstances indicate that its book value may not be recoverable. Once the book value of an asset exceeds its recoverable value (i.e., the highest between the use and fair value minus selling costs), a provision is recognised to bring the book value to its recoverable value.

When it is not possible to estimate the impairment of an individual asset, the impairment test is conducted in its cash generating unit (CGU): the smallest group of assets to which the asset belongs and for which there are cash flows separately identifiable. Goodwill is allocated in the initial recording of each CGU of the group that expects to benefit from combination synergies that originated the goodwill.

Impairment losses are included in the statement of operations. An impairment loss recorded as goodwill is not reversed.

3.1.9. Current and non-current liabilities

Current and non-current liabilities are stated at known or estimated amounts, plus the related charges, exchange rate gains (losses) and/or monetary changes incurred through the balance sheet date, when applicable.

3.1.10. Provisions

Provisions are recognised as a result of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognised when losses are considered probable, based on the best estimates of risks involved.

3.1.11. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognised in the balance sheet and the statement of operations as contract conditions are met and as commented in note 27.5.

3.1.12. Income and social contribution taxes

Income tax is calculated on taxable income. Income and social contribution taxes are paid monthly on estimated calculation bases, at the rates and in the manners provided for in prevailing legislation.

Deferred tax assets recognised for income and social contribution tax losses and temporary differences are recognised pursuant to tax legislation and CVM Resolution No. 599/09 – Income Taxes ("CPC 32"). They take into consideration the Company's history of profitability and the expected future generation of taxable income supported by an annually reviewed technical feasibility study.

The Company and its subsidiaries opted for the Transition Tax System (RTT) established by Executive Act No. 449/08, converted into Law No. 11.941, of May 27, 2009, declaring their irrevocable option for RTT in the Corporate Income Tax Return of 2009.

Deferred tax assets and liabilities are recognised when the carrying amount of an asset or liability differs from their tax base, except for the differences that arise from:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither book income or taxable income; and
- the investments in subsidiaries and joint ventures where the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax asset is recognised only if it is probable that taxable income will be available against which the difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised and the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on the following cases:

- for the same entity of the taxable group; or
- for different entities of the group that intend to settle on a net basis or realise the asset and settle the liability at the same time, in each future year in which significant amounts of deferred tax assets and deferred tax liabilities are to be realised or settled.

3.1.13. Dividends and interest on equity

Management's proposal for distribution of dividends and interest on equity within the mandatory minimum dividend amount is recorded as current liabilities since it is considered a legal obligation set forth in the bylaws. However, the amount that exceeds mandatory minimum dividend, which is declared by Management before the end of the reporting period and has not yet been approved by the shareholders, is recorded as proposed additional dividend in shareholders' equity.

3.1.14. Earnings per share

Basic

Basic earnings per share is calculated by dividing the earnings attributable to the Company's controlling and non-controlling shareholders by the weighted average number of common shares outstanding during the period, pursuant to CVM Resolution No. 636/10 (CPC 41 – Earnings per share), excluding the common shares held as treasury shares.

Diluted

Diluted earnings (loss) per share is calculated by dividing the earnings attributed to the Company's common shareholders by the weighted average number of common shares, which would be issued in the conversion of all diluted potential common shares into common shares. The effect of dilution of earnings (loss) per share does not generate significant difference between basic and diluted earnings (loss). The dilution percentage is shown in note 28.

3.1.15. Discount to present value

In accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/2008, non-current assets and liabilities, as well as current assets and liabilities, when material, are recorded at present value, on the respective transaction date, according to interest rates that reflect each transaction's term, currency and risk. The offsetting entry to discounts to present value is made to the accounts that originated the asset or the liability. The difference between the present value of a transaction and the face value of an asset or liability is recorded in the statement of operations during the assets or liabilities' life according to the amortized cost and effective interest method.

Discounts to present value were determined using the average between Selic (Central Bank overnight rate) used by the Company to compensate the shareholders (established as the rate of return on equity) and the average rate at which funds are raised in financial markets (rate established as that of return on debt capital), thus reaching the average rate of 8.73% p.a., as at June 30, 2012 (10.32% p.a. as at December 31, 2011).

The terms adopted for determining discounts to present value vary according to the operating activity and correspond to the average expected period to settle it, for example: average sales collection term, average payment term, tax debt instalment payment terms and others deemed necessary.

The established rates and periods in relation to the risk factors involved in the Company's operations are perfectly reflected on the discount to present value.

3.1.16. Share issuance expenses

In accordance with Technical Pronouncement CPC No. 8 (R1), approved by CVM Resolution No. 649/2010, transaction costs incurred with the raising of funds through the issuance of equity securities should be separately recorded in a valuation allowance which reduces shareholders' equity, less possible tax effects.

3.1.17. Treasury shares

Treasury shares are Company shares acquired by the Company itself and kept in the treasury with the specific purpose of carrying out the Company's stock option plan, as per note 23.3.2. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

3.1.18. Business combination

Business combinations are recognised using the acquisition method. Cost of an acquisition is the sum of the consideration transferred, measured at fair value on the acquisition date, and any non-controlling interest in the acquiree. For each business combination, the acquirer should measure the non-controlling interest in the acquiree at the fair value or based on the acquirer's share in fair value of the acquiree's identifiable net assets. Costs that are directly attributable to the acquisition should be recorded as an expense when incurred.

In a business acquisition, Management assesses the assets acquired and the liabilities assumed with the objective of classifying and allocating them according to contractual provisions, economic circumstances and relevant conditions on the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred in the business combination over the fair value of the net assets acquired (identifiable assets and liabilities assumed, net). If the consideration is less than the fair value of the net assets acquired, the difference should be recognised as a gain in the statement of operations.

3.1.19. Consolidation

Accounting practices are uniformly applied to all consolidated companies and are consistent with those applied in previous periods.

Description of the main consolidation procedures:

- Elimination of the balances of intercompany assets and liabilities;
- Elimination of ownership interest, reserves and retained earnings of subsidiaries;
- Elimination of the balances of intercompany revenues and expenses and unrealised profits resulting from intercompany transactions.

3.1.20. Discontinued operations

An operation is classified as discontinued operation when it is sold or it complies with criteria for classification as held-for-sale, if it occurs first. When an operation is classified as a discontinued operation, the statements of income and cash flows are presented as if the operation was discontinued since the beginning of comparative period, for which reason the note "Reclassified" was included in the statements as at June 30, 2011.

These assets are measured at the lower of: carrying value and the fair value, decreased by the selling expenses incurred.Whenever classified as held to sale, intangibles, and fixed assets are not liable to amortization or depreciation. Investments evaluated by the equity method are no longer subjected to the equity method when classified as held to sale.

The result from discontinued operations is presented as a single amount in the statement of income, and includes the total result after these operations' income tax less any impairment loss, and is presented in note 34.

3.1.21. Statement of value added

The Company prepared the parent company and consolidated statement of value added in accordance with CPC technical pronouncement 09 – Statement of Value Added, which is an integral part of the quarterly financial information under BRGAAP applicable to publicly-held companies, while it represents additional financial information for IFRS standards.

3.1.22. New standards and interpretations not adopted yet

The following interpretations and amendments to prevailing standards, applicable to the next accounting periods, were published by IASB and their application in the Company's quarterly financial information to be filed at CVM only will occur if the Brazilian authority so deliberates. Therefore, these standards were not early adopted.

IAS 19 – Employee benefits

In June 2011, IASB issued amendment to IAS 19, covering aspects related to the accounting and disclosure of employee benefits. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impacts of this standard on its quarterly financial information.

IAS 1 – Presentation of Items of Other Comprehensive Income

In June 2011, IASB issued amendment to IAS 1 covering aspects related to the disclosure of items of other comprehensive income and creates the need of separating items which are not reclassified in the future to statement of operations and items that may be reclassified in the future to statement of operations. This standard is effective for annual periods beginning on or after July 1, 2012. The Company is assessing the impacts of this standard on its quarterly financial information.

IFRS 10 – Consolidated Quarterly Financial Information

In May 2011, IASB issued the standard IFRS 10. This standard establishes principles for the presentation and preparation of consolidated quarterly financial information when an entity controls one or more entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impacts of this standard on its quarterly financial information.

IFRS 11 – Joint Ventures

In May 2011, IASB issued the standard IFRS 11 covering aspects related to the accounting treatment of entities with shared control and shared operations. This standard also restricts the use of proportional consolidation only for companies with shared operations then only accepting the equity method for companies with shared control. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impacts of this standard on its quarterly financial information.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, IASB issued the standard IFRS 12 covering aspects related to the disclosure of the nature and risks associated with interests in subsidiaries, joint ventures, associates. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impacts of this standard on its quarterly financial information.

IFRS 13 – Fair Value Measurement

In May 2011, IASB issued the standard IFRS 13, which defines fair value and concentrates in a single standard the fair value measurement aspects and establishes reporting requirements related to fair value. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impacts of this standard on its quarterly financial information.

IAS 27 – Separate Quarterly Financial Information

In May 2011, IASB issued an amendment to IAS 27 covering aspects related to investments in subsidiaries, shared control entities or associates when an entity prepares separate quarterly financial information. This amendment is effective for annual periods beginning on or after January 1, 2013. According to the Company, this amendment will not affect its consolidated quarterly financial information as it does not report separate quarterly financial information.

IAS 28 – Investments in associates and joint ventures

In May 2011, IASB issued an amendment to IAS 28 covering aspects related to the accounting for investments in associates and establishes the requirements to apply the equity method in the accounting for investments in associates and joint ventures. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impacts of this standard on its quarterly financial information.

IFRS 9 – Financial instruments

In October 2010, IASB issued an amendment to IFRS 9, which introduces new requirements to classify and measure financial assets. This standard shall be effective as of January 1, 2013. The Company is assessing the impacts of this amendment and any differences in relation to IAS 39 on its quarterly financial information.

CPC has not yet issued pronouncements equivalent to IFRSs above mentioned, but it is expected to before the date they come into force. Early adoption of IFRSs is subject to previous approval disclosed in a CVM Normative Act.

3.2. CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The consolidated quarterly financial information includes the accounts of the Company and the following subsidiaries:

	Equity Interest (%)	
SUBSIDIARIES	06/30/12	12/31/11
MFB Marfrig Frigoríficos Brasil S.A	100.00%	100.00%
Marfrig Chile S.A	99.47%	99.47%
Inaler S.A	100.00%	100.00%
Frigorífico Tacuarembó S.A	93.69%	93.68%
Weston Importers Ltd	100.00%	100.00%
Masplen Limited	100.00%	100.00%
Prestcott International S.A	100.00%	100.00%
Secculum Participações Ltda	99.99%	99.00%
União Frederiquense Partic. Ltda	99.99%	99.99%
QuickFood S.A (3)	-	90.05%
Establecimientos Colonia S.A	100.00%	100.00%
Marfrig Holdings (Europe) BV	100.00%	100.00%
Seara Holding (Europe) BV	100.00%	100.00%
Columbus Netherlands BV	100.00%	100.00%
Marfrig Overseas Ltd	100.00%	100.00%
Marfood USA Inc.	100.00%	100.00%
Mckey Luxembourg Holdings S.a.r.l (2)	100.00%	100.00%
MFG Agropecuária Ltda.	99.99%	99.99%
MFG Comercializadora de Energia Ltda (1)	99.99%	99.99%
Marfrig Argentina S.A	99.00%	-
Athena Alimentos S.A	100.00%	-
Excelsior Alimentos S.A. (4)	64.57%	-
Baumhardt Comércio e Participações Ltda. (5)	73.94%	-

(1) This company, under pre-operational stage, trades energy, provides services associated or related to or necessary for the trade of energy, and makes researches on solutions for quality and efficiency of electric energy.

(2) Continuing the restructuring process of the Marfrig Group, in the Poultry Division, Marfrig Alimentos S.A. transferred its whole interest in Mckey Luxembourg Holdings S.a.r.l. to Marfrig Holdings (Europe) B.V. in June. Marfrig Alimentos S.A. did not lose the controlling interest of this subsidiary after this transaction.

(3) As disclosed in a Material Fact, the asset exchange transaction between BRF – Brasil Foods S.A. and Marfrig Alimentos S.A. was completed on 6/13/2012. In this transaction, BRF received the whole interest Marfrig Alimentos S.A. held at Quickfood S.A.

(4) As disclosed in a Material Fact, the asset exchange transaction between BRF – Brasil Foods S.A. and Marfrig Alimentos S.A. was completed on 6/13/2012, but due to the transition process, we did not take over the control of Excelsior Alimentos S.A. until 7/2/2012. The interest disclosed includes the indirect interest Baumhardt Comércio e Participações Ltda. holds at Excelsior Alimentos S.A.

(5) As disclosed in a Material Fact, the asset exchange transaction between BRF – Brasil Foods S.A. and Marfrig Alimentos S.A. was completed on 6/13/2012, but due to the transition process, we took over the control of Baumhardt Comércio e Participações Ltda. on 7/2/2012. Baumhardt Comércio e Participações Ltda. holds a 25.10% interest at Excelsior Alimentos S.A.

The quarterly financial information of subsidiaries located abroad was originally prepared in domestic currency, according to the applicable laws of each country where the companies are located. They were converted into the International Financial Reporting Standards (IFRS) at their relating functional currencies. Later, those financial statements were translated into Brazilian reais, using the exchange rate prevailing on the balance sheet date.

3.3. RECLASSIFICATION IN THE 2011 STATEMENT OF INCOME AND STATEMENT OF CASH FLOW

As disclosed in a material fact dated May 2, 2012, the Company has partially completed the sale of Keystone's logistics assets to Martin-Brower. Therefore, in order to meet the requirements of CPC 31 and to ensure comparability, the Company and its subsidiaries are restating the statements of income, cash flow and comprehensive income for fiscal year 2011.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, banks and cash equivalents, as shown below:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Cash and banks	229,121	399,326	830,776	1,042,671
Cash equivalents	105,994	23,041	126,436	34,149
	335,115	422,367	957,212	1,076,820

The subsidiaries' cash and cash equivalents are consolidated as follows:

	Brazil		Abroad	
	06/30/12	12/31/11	06/30/12	12/31/11
Cash and banks	202,942	128,056	398,713	515,289
Cash equivalents	20,442	11,108	-	-
	223,384	139,164	398,713	515,289

The Company adopts the policy of presenting the following items within the cash and cash equivalents group:

- Cash on hand;
- Demand deposits;
- Cash in transit.

4.1. CASH BY CURRENCY

Cash by currency are as follows:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Cash and banks:				
Brazilian real	152,162	243,506	196,211	292,537
US dollar	76,959	153,463	291,808	247,755
Euro	-	2,357	9,106	105,960
Pound sterling	-	-	128,405	207,482
Canadian dollar	-	-	923	1,204
Singapore dollar	-	-	110,840	81,128
Malaysian ringgit	-	-	16,818	9,645
Chinese yuan	-	-	1,853	24,890
Other	-	-	74,812	72,070
	229,121	399,326	830,776	1,042,671

4.2. CASH EQUIVALENTS

Cash equivalents by type are as follows:

					Parent	
	Maturities	PMPV [1]	Currency	Average interest rate p.a.%	06/30/12	12/31/11
Automatic savings account (2)	Immediate	-	Real	6.42	1,710	1
Interest-bearing account (2)	03/31/2014	1.78	USD	0.35	75,791	17,753
Other (2)	Immediate	-	Real	-	28,493	5,287
Total					105,994	23,041

					Consolidated	
	Maturities	PMPV [1]	Currency	Average interest rate p.a.%	06/30/12	12/31/11
Automatic savings account (2)	Immediate	-	Real	6.42	21,923	9,380
Interest-bearing account (2)	03/31/2014	1.78	USD	0.35	75,791	17,753
Other (2)	Immediate	-	Real	-	28,722	7,016
Total					126,436	34,149

(1) Weighted average maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity refers to the corresponding instrument.

4.2.1 Automatic savings account

The remaining balances in checking accounts, in Brazilian reais, are automatically transferred to a savings account, which bears interest at financial market rates.

4.2.2 *Interest-bearing account*

The interest-bearing account consists of amounts received in US dollars from exports and financial transactions, kept in accounts abroad. It bears interest at a fixed rate.

5. MARKETABLE SECURITIES

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Financial investments	710,480	877,165	2,072,057	2,401,037
	710,480	877,165	2,072,057	2,401,037

The Company's marketable securities by type are as follows:

					Parent	
	Maturities	PMPV [1]	Currency	Average interest rate p.a.%	06/30/12	12/31/11
Held-for-trading:						
Bank deposit certificates - CDB (2)	9/18/2015	2.83	Real	8.38	522,839	619,302
Repurchase and reverse repurchase agreements	9/18/2015	3.09	Real	8.38	112,408	188,022
Foreign credit note	9/4/2014	2.21	Euro	0.35	7,741	7,346
Brazilian prize-draw investment bonds	4/29/2014	1.86	Real	2.43	100	102
Credit-linked note - CLN	1/8/2013	0.53	USD	6.89	67,392	62,393
Total					710,480	877,165
Total current					710,380	877,065
Total non-current					100	100

(1) Weighted average maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the collateral.

	Maturities	PMPV (1)	Currency	Average interest rate p.a.%	Consolidated 06/30/12	Consolidated 12/31/11
Held-for-trading						
Bank deposit certificates - CDB (2)	9/18/2015	1.78	Real	8.38	676,740	1,002,199
Bank deposit certificates - CDB (2)	Immediate	0.25	Dolar	0.35	-	37
Repurchase and reverse repurchase agreements	10/29/2015	2.67	Real	8.38	112,408	188,022
Bonds and shares	9/30/2012	0.10	Dolar	5.00	924	-
Fixed-income investment	9/30/2012	0.10	Dolar	0.11	-	20,148
Foreign credit note	9/4/2014	2.21	Euro	0.35	7,741	7,346
Circular Letter 1456	12/31/2012	0.49	Dolar	0.03	69,665	67,350
Brazilian prize-draw investment bonds	4/29/2014	1.68	Real	1.25	100	112
Credit-linked note - CLN (2)	12/31/2015	2.75	Dolar	6.89	1,204,479	1,115,823
					2,072,057	2,401,037
Total current					2,071,171	2,400,140
Total non-current					886	897

(1) Weighted average maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any time. Said maturity is the maturity of the collateral.

The Company maintains the following types of marketable securities:

5.1 *Bank Deposit Certificate (CDB)*

This investment is made in Brazilian reais and bears interest at the CDI (Interbank Deposit Rate), which ranges from 99% to 107%.

5.2 *Repurchase and reverse repurchase agreements*

Repurchase and reverse repurchase agreements are transactions denominated in Brazilian reais and guaranteed by debentures that bear interest at the CDI (Interbank Deposit Rate), which ranges from 100% to 102.4%. This operation has immediate liquidity, for it can be early redeemed without yield loss.

5.3 *Fixed-income investment*

This investment is made in US dollars and does not bear interest. This is a specific transaction made in Argentina.

5.4 *Foreign credit note*

The investments of this type are made in Euro and US dollar and bear interest at a fixed rate.

5.5 *Circular Letter 1456*

The investments of this type consist of exports denominated in US dollars with the Central Bank of Uruguay that bear interest at fixed rates, and are made between 180 and 270 days before the export.

5.6 *Brazilian prize-draw investment bonds*

The investments of this type are made in Brazilian reais and bear interest at the benchmark rate (TR).

5.7 *Securities and stocks*

Marketable securities in U.S. dollar of immediate liquidity with Banco Galicia, with annual yields of 5%.

5.8 CLN -Credit linked note

The Credit Linked Notes "CLN" comprise a financial instrument exclusively used to generate resources among the Group's companies located in jurisdictions different from Brazilian jurisdictions and correspond to a credit note comprising the Company's risk.

The resources applied in these instruments derive from funds raised in the international capital markets issued by Marfrig Group's foreign subsidiaries, which due to cash management and liquidity strategy are maintained at the issuing foreign subsidiaries. The average yield rate is 6.89% p.a.

Once these operations are recorded at market fair value in the quarterly financial information, all and any related risk is already duly recognized.

6. TRADE ACCOUNTS RECEIVABLE – DOMESTIC AND FOREIGN CUSTOMERS

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Trade accounts receivable - domestic	270,756	194,492	879,718	1,034,152
(-) Discount to present value	(2,788)	(904)	(3,571)	(1,642)
	267,968	193,588	876,147	1,032,510
Trade accounts receivable - foreign	286,605	451,855	630,812	924,177
(-) Advances on export contracts (ACE's)	(167,796)	(262,776)	(398,256)	(651,535)
(-) Discount to present value	(2,975)	(1,445)	(3,126)	(2,246)
	115,834	187,634	229,430	270,396
	383,802	381,222	1,105,577	1,302,906
Amounts not yet due	514,611	609,328	1,096,233	1,453,440
Amounts overdue				
From 1 to 30 days	37,095	32,638	287,192	347,777
From 31 to 60 days	1,014	1,844	60,317	58,142
From 61 to 90 days	4,641	2,537	57,757	95,996
More than 90 days	6,385	5,986	80,850	77,384
(-) Advances on export contracts (ACE's)	(167,796)	(262,776)	(398,256)	(651,535)
(-) Discount to present value	(5,763)	(2,349)	(6,697)	(3,888)
(-) Allowance for doubtful accounts	(6,385)	(5,986)	(71,819)	(74,410)
	383,802	381,222	1,105,577	1,302,906

The allowance for doubtful accounts was set up in an amount deemed sufficient by Management to cover possible losses on the realisation of receivables.

Aiming to achieve the best estimate possible, concerning the realization of such credits, and therefore duly set up an allowance for doubtful accounts as at June 30, 2012, the Company's Management analysed particular aspects about its customers, such as business activity, general credit situation, the market's economic situation and notes due for more than ninety days and whose settlement is not considered as possible.

The Company does not have a history of relevant problems with collection, and the Accounts Receivable Department rates each customer upon acceptance and credit granting.

Changes in provision for credit risks are as follows:

	Parent	Consolidated
Balance on December 31, 2011	(5,986)	(74,410)
Credit accrued in the year	(975)	(52,738)
Credit recovered in the year	576	44,149
Written-off credits	-	14,499
Exchange rate variation	-	(3,319)
Balance on June 30, 2012	(6,385)	(71,819)

For sales paid in instalments, the Company uses working capital financing lines available in financial markets.

The current economic situation presents a trend of improvement in relation to sales and volume of credit in the market, which increases the purchasing power of customers and leads to timely payments.

Receivables were discounted to present value in accordance with CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/2008, as described in note 3.1.6.

7. INVENTORIES OF PRODUCTS AND MERCHANDISE

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Finished products	437,900	528,015	1,887,525	2,016,342
Raw materials	1,139	2,048	308,515	321,875
Packaging material and storeroom supplies	20,046	21,516	254,959	220,320
(-) Provision	(7,821)	(18,066)	(36,114)	(31,710)
	451,264	533,513	2,414,885	2,526,827

In the period ended June 30, 2012 and year ended December 31, 2011, inventories of finished products were carried at average purchase and/or production cost, lower than realisation values, as explained in note 3.1.6.

	Parent	Consolidated
Balance on December 31, 2011	(18,066)	(31,710)
Use of provision	18,066	47,910
Recognition of provision	(7,821)	(49,257)
Translation gains/losses	-	(3,057)
Balance on June 30, 2012	(7,821)	(36,114)

8. BIOLOGICAL ASSETS

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Biological assets - beef	34,871	25,609	257,025	251,986
Biological assets - poultry	-	-	215,290	212,061
Biological assets - hogs	-	-	254,462	221,317
Translation gains/losses	-	-	41,200	25,805
Biological assets - current	34,871	25,609	767,977	711,169
Biological assets - beef	-	-	17,802	21,826
Biological assets - poultry	-	-	167,065	167,154
Biological assets - hogs	-	-	32,884	20,946
Translation gains/losses	-	-	17,831	9,857
Biological assets - non-current	-	-	235,582	219,783
	34,871	25,609	1,003,559	930,952

The Company's current biological assets are composed of live animals segregated among the categories: poultry, hog and cattle. Animals classified in this group are those intended for slaughtering for production of fresh meat and/or processed products.

Poultry and hogs are considered immature until they reach the appropriate weight for slaughter. The slaughter process occurs sequentially in a short period of time and thus only live animals transferred to slaughter are classified as mature.

Due to the short formation period of poultry and pork, as well as not having a quotation to poultry and hogs market, the Company evaluated these biological assets based on a discounted cash flow model and identified no material adjustments in relation to acquisition cost. In this case, the Company believes that the fair value of biological assets is substantially represented by the formation cost, given the short life cycle of the animals.

With respect to cattle, these are animals kept in confinement for fattening and slaughter, whose life cycle is an average of 3 years. The Company valued these animals at fair value, based on the "mark to market - MTM" concept, considering the market prices of the "arroba"[1] of cattle, and recognized the effects of these valuations directly in the statement of operations.

The Company's non-current biological assets are composed of live animals segregated among the categories: poultry, hog and cattle. Animals classified in this group are those intended for reproduction. These assets are amortized on a straight-line basis over the useful life of the animals. Poultry for reproduction have an average useful life of 36 weeks, while hogs are amortized at an average rate of 33% p.a. Cattle for reproduction have a useful life of five years.

The changes in biological assets are as follows:

Current biological assets:

	Parent	Consolidated
Balance on December 31, 2011	25,609	711,169
Increase due to purchases	27,271	775,593
(-) Write-off for slaughter	(37,455)	(2,682,725)
Costs of input for fattening	13,398	2,218,290
(-) Decrease due to sales	-	(267,107)
Net increase (decrease) due to births (deaths)	(279)	(466)
Change in fair value less estimated sale expenses*	6,327	(2,171)
Balance sheet translation	-	15,394
Balance on June 30, 2012	34,871	767,977

* Only applicable to beef

Non-current biological assets:

	Parent	Consolidated
Balance on December 31, 2011:	-	219,783
Increase due to purchases	-	109,974
(-) Write-off for slaughter	-	(28,423)
Costs of input for fattening	-	77,252
(-) Decrease due to sales	-	(15,953)
Change in fair value less estimated sale expenses	-	(5,583)
Amortization	-	(121,882)
Balance sheet translation	-	414
Balance on June 30, 2012:	-	235,582

* Only applicable to beef

[1] Arroba = A unit of weight equivalent to 15 Kg.

9. RECOVERABLE TAXES

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
ICMS (State VAT)	443,471	377,294	844,904	651,736
IPI (Federal VAT) deemed credit	61,597	61,516	70,493	69,301
PIS (tax on sales) credit	167,491	175,989	347,778	335,549
Cofins (tax on sales) credit	682,372	640,584	1,364,234	1,316,155
Income tax	58,061	75,456	112,469	125,664
Social contribution tax	12,918	12,716	22,128	22,095
IRRF (Withholding Income Tax)	3,406	31,594	3,974	47,877
IVA (value-added tax)	-	-	74,724	62,800
Export certificates	-	-	22,692	23,314
ONCCA credits	-	-	-	9,063
Other	7,063	5,931	25,300	26,439
(-) Provision for non-realization	(321,570)	(295,347)	(526,970)	(475,945)
	1,114,809	1,085,733	2,361,726	2,214,048
Current assets	469,892	467,002	1,114,700	1,025,496
Non-current assets	644,917	618,731	1,247,026	1,188,552

9.1. ICMS (State VAT)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging and other materials, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. Credit realisation is made through offsetting against debts generated in domestic sales or through transfers to third parties.

9.2. IPI (Federal VAT) DEEMED CREDIT

IPI deemed credit consists of the refund of PIS and COFINS levied on input acquired domestically and used in the processing of products actually exported.

9.3. PIS AND COFINS (TAXES ON SALES)

Pursuant to Laws No. 10.637/02 and 10.833/03, this line item consists of noncumulative PIS and COFINS credits on the acquisition of raw, packaging, and other materials used in the goods sold in foreign markets.

9.4. INCOME AND SOCIAL CONTRIBUTION TAXES

This line item consists of income and social contribution taxes prepaid in the year ended June 30, 2012.

9.5. WITHHOLDING INCOME TAX (IRRF)

Withholding income tax consists of income tax withheld from gains on marketable securities made by the Company.

9.6 .IVA – VALUE ADDED TAX

This caption refers to balances of recoverable value added tax of foreign subsidiaries resulting from the tax difference between purchases and sales, given that the difference in the food rate is lower than most transactions.

9.7. EXPORT CERTIFICATES

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax paid by exporters.

9.8. ONCCA CREDITS (*OFICINA NACIONAL DE CONTROLE COMERCIAL AGROPECUÁRIO*)

Oncca credits are a benefit granted in Argentina by the *Ministério de Agricultura Ganadeira y Pesca* to companies which invest in feedlots.

9.9. PROVISION FOR NON-REALIZATION

The provisions for non-realization were calculated based on the best expectation of realization of the Company's recoverable taxes balances, in which main credits are mainly from PIS/COFINS.

Changes in the provision for non-realisation of tax credits are as follows:

	Parent	Consolidated
Balance on December 31, 2011	(295,347)	(475,945)
Revision of provision	-	631
Recognition of provision	(26,223)	(51,656)
Balance on June 30, 2012	(321,570)	(526,970)

10. NOTES RECEIVABLE

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Related-party transactions	2,227,079	1,963,350	-	-
Derivatives receivable	47,075	2,388	51,647	24,585
Other notes receivable	45,724	33,530	52,543	41,689
Total	2,319,878	1,999,268	104,190	66,274
Current assets	702,507	405,193	72,870	28,362
Non-current assets	1,617,371	1,594,075	31,320	37,912

The Company's notes receivable mostly consist of balances resulting from transactions with its subsidiaries (related parties), as described in note 10.1.

10.1 RELATED-PARTY TRANSACTIONS

The following tables, except for transactions with Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Aparecida Pascoal Marçal dos Santos, sole partners of MMS Participações S.A., show the transactions between the Company and its wholly-owned subsidiaries as at June 30, 2012:

						Parent
			06/30/12			2012
June 30, 2012	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Agrofrango Ind. Com. Alim. Ltda.	-	-	3,286	-	-	-
Braslo Produtos de Carne Ltda	8,608	1,278	27,878	1,481	7,311	59,847
Cledinor S.A.	-	9,604	-	-	9,755	-
Dagranja Agroindustrial Ltda	-	-	229,979	-	-	-
Establecimientos Colonia S.A.	-	1,898	-	-	1,849	-
Frigorífico Tacuarembó S.A.	-	7,067	3,655	-	6,909	-
Grupo Mabella	-	-	21,834	-	-	-
Inaler S.A.	-	4,893	-	-	4,885	-
Keystone MC Lux	-	2	5,249	-	-	-
Marfood USA	-	-	108,655	-	-	1,392
Marfrig Argentina S.A	-	224	271,014	-	16,407	-
Marfrig Chile S.A.	15,083	-	-	-	-	53,380
Marfrig Holdings BV	-	-	6,738	894,682	-	-
Marfrig Overseas	-	-	4,105	-	-	-
MBL Alimentos Ltda	8	-	211	275	-	-
MFB Marfrig Frigorificos Brasil S.A	33,060	62,780	957,375	-	428,464	189,755
MFG (USA) Holdings.	-	-	9,056	-	-	-
MFG Agropecuária	2	3,071	122,348	-	48,536	471
Moy Park Limited	-	-	2,988	-	-	-
Pampeano Alimentos S.A.	11,904	5	157,740	-	1,798	46,957
Penasul Alimentos Ltda	-	-	5,447	-	-	-
Penasul UK	-	-	43	-	-	-
Seara Holding BV	1,258	956	256,644	131,382	4,483	3,142
Weston Importers Ltd.	101,250	-	-	-	-	94,777
Zendaleather S.A. (ZENDA)	840	12	32,834	-	-	2,224
Marcos Antonio Molina dos Santos	-	408	-	-	4,762	-
Marcia Aparecida Pascoal Marçal dos Santos	-	2,322	-	-	6,157	-
	172,013	94,520	2,227,079	1,027,820	541,316	451,945

	Parent					
				12/31/11		2011
December 31, 2011	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Agrofrango Ind. Com. Alim. Ltda.	-	-	3,286	-	-	284
Braslo Produtos de Carne Ltda	8,131	1,896	27,536	-	19,443	87,187
Cledinor S.A.	-	2,674	-	-	8,987	-
Dagranja Agroindustrial Ltda	-	-	225,316	-	122	1
Establecimientos Colonia S.A.	-	1,187	-	-	7,550	-
Frigorífico Tacuarembó S.A.	-	640	29	-	1,884	-
Grupo Mabella	-	190	21,809	-	7,075	737
Inaler S.A.	-	1,882	-	-	3,779	-
Keystone APMEA	-	-	-	-	-	1,055
Keystone MC Lux	482	-	-	-	-	-
Marfood USA	1,502	-	99,131	-	-	1,511
Marfrig Chile S.A.	24,656	-	-	-	-	58,434
Marfrig Holdings BV	-	-	59,648	623,107	-	-
Marfrig Overseas			146,782	-		
MBL Alimentos Ltda	-	-	49	275	-	838
MFB Marfrig Frigorificos Brasil S.A	21,353	54,232	950,095	-	801,199	235,223
MFG Agropecuária	3	4,346	97,662	-	14,656	11,683
MFG (USA) Holdings	-	-	4,293	-	-	-
Moy Park Holdings Europe Limited	-	-	44,994	-	-	-
Pampeano Alimentos S.A.	16,430	40	140,348	-	1,543	93,137
Penasul Alimentos Ltda	-	-	5,447	-	2	-
Penasul UK	-	-	27	-	-	-
Quickfood S.A.	-	6,599	10,364	-	19,892	-
Seara Holding BV	355	1,876	96,725	-	6,780	5,153
Weston Importers Ltd.	16,524	-	-	-	-	27,693
Zendaleather S.A. (ZENDA)	897	7	29,809			5,076
Marcos Antonio Molina dos Santos	-	-	-	-	5,091	-
Marcia Aparecida Pascoal Marçal dos Santos	-	2,993	-	-	3,188	-
	90,333	78,562	1,963,350	623,382	901,191	528,012

	Consolidated			
	Accounts payable		Total purchases in the period	
	06/30/12	12/31/11	06/30/12	12/31/11
Marcos Antonio Molina dos Santos	408	-	4,762	55,839
Marcia Aparecida Pascoal Marçal dos Santos	2,322	2,993	6,157	3,188
	2,730	2,993	10,919	59,027

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements of the Company. No amounts were paid to the controlling shareholder or to its partners for the collaterals offered. In case of default, creditors can demand payment directly from the controlling shareholder and from its partners and, if they make the payment, they will be entitled to reimbursement from the Company.

According to the Company's by-laws, the Board of Directors should approve any transactions or group of transactions involving the Company and any direct or indirect related parties, whose annual value exceeds the limit defined by the Board of Directors. Related party should be understood as any manager, employee or shareholder of the Company that holds, directly or indirectly, more than a 10% interest in the Company's share capital. Under this limit, the Board of Executive Officers and the Financial Committee approve the transactions between related parties, depending on the value.

No relations are maintained with other officers and shareholders of Marfrig Group.

The nature of related-party transactions between Marfrig Group companies are represented by commercial transactions (purchases and sales) and sending of cash for payment of such transactions, as well as for working capital.

Intercompany loans (instruments receivable and payable) are taken out under contracts establishing different rates and terms. The agreement terms are of approximately two years. Loan rates vary from 1% p.a. to 3% p.a. + LIBOR (London Interbank Offered Rate), the latter applied to transactions with foreign subsidiaries.

Purchases and sales of products are made at market values. No guarantees or allowances for doubtful accounts are required. These transactions involve purchase and sale of fresh meat and cattle, poultry, lamb and pork processed products.

Transactions between subsidiaries do not have an impact on consolidated quarterly financial information, given that they are eliminated in consolidation.

11. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES - ASSETS

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Income tax	631,615	529,294	1,220,711	1,111,104
Social contribution tax	229,088	192,254	388,688	332,432
Non-current assets	860,703	721,548	1,609,399	1,443,536

Tax credits consist of deferred income and social contribution taxes, calculated on temporary add-backs that were added to the taxable income and the social contribution tax basis in prior and current years and calculated on tax losses, temporary add-backs and future utilization for tax purposes of goodwill paid due to future profitability, which will be realised from 2012 onwards.

Tax credits recognised for income and social contribution tax losses are supported by taxable income projections based on feasibility studies that are annually reviewed by the Company's Management. These studies consider the profitability history of the Company and its subsidiaries and the prospect of maintaining in the future the current profitability, allowing an estimate of recovery of tax credits. Other tax credits, which are based on temporary differences, especially tax contingencies and provision on losses, were recognized according to the expected realization.

Below are the changes in deferred taxes in the year ended June 30, 2012:

	June 30, 2012			
	Parent		Consolidated	
Description	IRPJ	CSL	IRPJ	CSL
Opening balance on December 31, 2011	529,294	192,254	1,111,104	332,432
(-) Realisation due to tax utilization of goodwill	(19,135)	(6,889)	(19,135)	(6,889)
(-) Realisation of taxes on tax losses	-	-	(12,125)	-
Deferred taxes on tax losses	97,856	-	185,559	-
Deferred taxes on social contribution tax loss carryforwards	-	35,228	-	58,384
(-) Realization of deferred taxes on social contribution tax loss c	-	-	-	(5,056)
Deferred taxes on temporary add-backs/deductions	23,600	8,495	34,577	12,434
(-) Realization of deferred taxes on temporary add-backs/deduct	-	-	(32,859)	(2,617)
Other	-	-	(46,410)	-
Closing balance on June 30, 2012	631,615	229,088	1,220,711	388,688

*The balance under “Other” includes the write-off of deferred tax assets of Quickfood S.A., as a result of the completion of the Asset Exchange Agreement between Marfrig and BRF.

The expectation for recoverability of the Company's and its subsidiaries' deferred asset balances is based on an appraisal reports and internal analyses prepared by skilled professionals. The value in use for credits is estimated based on the future estimated taxable income, which results of the Company's best estimates for future generations of taxable income. The projections considered the changes in the economy involving the Company's business markets, as well as assumptions for expected results and history of profitability for each segment. Discount rates ranged from 8.4% to 10.5% p.a. depending on the business specific characteristics and the countries where it operates.

The expected realisation of "Deferred Tax Assets" is as follows:

Year	Parent	Consolidated
2012	-	122,770
2013	51,943	117,915
2014	60,873	141,151
2015	70,079	132,174
2016 to 2020	677,808	1,095,389
	860,703	1,609,399

In the period ended June 30, 2012 the Company realised R$125,091 of deferred tax assets by utilising the goodwill for tax purposes and offsetting it against income and social contribution tax losses.

12. INVESTMENTS

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Owership interest in subsidiaries	5,231,543	4,728,809	-	-
Investment acquisition in progress	4,122	-	4,122	-
Other investments	135	135	7,480	13,195
	5,235,800	4,728,944	11,602	13,195

12.1 INVESTMENTS (PARENT)

Investments in subsidiaries on June 30, 2012:

	No. of units of interest/shares	Ownership percentage in voting capital (1)	Trading on the stock exchange	Share capital	Equity	Net income (loss) for the year	Equity value according to % interest
MFB Marfrig Frigorificos Brasil S.A.	78,573,743	100.00	No	78,575	(47,016)	(14,191)	(47,097)
Marfrig Chile S.A.	13,358,426,280	99.47	No	50,283	47,701	2,611	47,448
Inaler S.A	66,247,320	100.00	No	2,965	45,013	1,943	44,991
Frigorífico Tacuarembó S.A	166,925,258	93.69	No	13,205	122,371	2,554	112,675
Weston Importers Ltd	1,338,278	100.00	No	25,686	24,145	(1,313)	24,047
Masplen Limited	100	100.00	No	7,462	38,672	662	34,826
Prestcott International S.A	79,638,916	100.00	No	5,906	49,711	(1,595)	49,711
QuickFood S.A	-	-	-	-	-	(7,027)	-
Establecimientos Colonia S.A	80,647,477	100.00	No	53,062	71,890	(6,596)	71,605
Columbus Netherlands BV	27,087,661	100.00	No	56,668	89,510	(20,783)	89,510
Marfood USA, Inc	50,000	100.00	No	7,476	(30,284)	(6,630)	(30,284)
Marfrig Overseas Ltd	1	100.00	No	-	(103,353)	(17,546)	(103,353)
MFG Agropecuária Ltda.	10,000	99.99	No	-	6,174	(2,512)	6,173
Marfrig Argentina Sociedad Anônima	-	99.00	-	30,305	13,744	(6,866)	13,972
MFG Comercializadora de Energia Ltda	150,000	99.99	-	-	-	-	-
Secculum Participações Ltda	9,200,000	99.99	No	9,200	8,493	(692)	8,493
União Frederiquense Partic. Ltda	552,031,080	99.99	No	552,031	792,691	(64,629)	792,693
Marfrig Holdings(Europe) BV	3,509,714	100.00	No	1,955,271	2,236,221	(38,287)	2,236,219
Seara Holding (Europe) BV	490,285,420	100.00	No	1,261,248	1,357,263	(206,620)	1,355,723
Mckey Luxembourg Holdings S.a.r.l	-	-	-	-	-	424,230	-
Athena Alimentos S.A.	551,238,135	100.00	No	551,238	524,191	-	524,191
Total				4,660,581	5,247,137	36,713	5,231,543
Investment acquisition in progress							
Excelsior Alimentos S.A.	3,373,033	64.57	Yes	-	4,122	-	4,122
Baumhardt Comércio e Participações Ltda.	9,168	73.93	No	-		-	-
				-	4,122	-	4,122

(1) The subsidiaries' total capital equals their voting capital.

	Total assets	Total liabilities	Non-controlling interest	Net Revenue	Group's profit/loss sharing
MFB Marfrig Frigorificos Brasil S.A.	1,058,885	1,105,900	-	898,003	(14,191)
Marfrig Chile S.A.	121,197	73,495	253	110,325	2,611
Inaler S.A	96,865	51,852	-	140,299	1,943
Frigorifico Tacuarembó S.A	212,578	89,896	7,722	194,276	2,554
Weston Importers Ltd	131,051	106,906	-	155,553	(1,313)
Masplen Limited	291,186	252,514	-	132,285	662
Prestcott International S.A	112,420	62,709	-	158,581	(1,595)
QuickFood S.A	-	-	-	672,259	(7,027)
Establecimientos Colonia S.A	205,308	133,418	-	117,003	(6,596)
Columbus Netherlands BV	477,925	326,622	-	183,223	(20,783)
Marfood USA, Inc	117,373	147,656	-	55,089	(6,630)
Marfrig Overseas Ltd	1,642,344	1,745,697	-	-	(17,546)
MFG Agropecuária Ltda.	156,290	150,116	1	49,166	(2,512)
Marfrig Argentina Sociedad Anônima	418,455	404,694	137	44,680	(6,866)
MFG Comercializadora de Energia Ltda	-	-	-	-	-
Secculum Participações Ltda	25,092	16,675	1	4,651	(692)
União Frederiquense Partic. Ltda	2,342,035	1,556,398	79	434,144	(64,629)
Marfrig Holdings(Europe) BV	7,229,864	4,933,713	-	3,595,035	(38,287)
Seara Holding (Europe) BV	5,505,062	4,147,799	-	3,057,554	(206,620)
Mckey Luxembourg Holdings S.a.r.l	-	-	-	882,101	424,230
Athena Alimentos S.A.	524,191	-	-	817	-
Total	20,668,121	15,306,060	8,193	10,885,044	36,713

12.2 BREAKDOWN OF INVESTMENTS (PARENT)

	Book balance on 12/31/11	Asset valuation adjustment (1)	Acquisition/ write-off	Capital increase/ decrease	Total investment in the period	Equity in earnings (losses) of subsidiaries	Balance sheet translation effect	Book balance on 06/30/12
MFB Marfrig Frigorificos Brasil S.A (1)	(32,861)	-	-	-	-	(14,236)	-	(47,097)
Marfrig Chile S.A.	42,146	6,597	-	-	-	2,597	(3,892)	47,448
Inaler S.A.	39,590	4,416	-	-	-	2,150	(1,165)	44,991
Frigorífico Tacuarembó S.A.	103,362	11,802	-	-	-	1,036	(3,525)	112,675
Weston Importers Ltd.	23,142	2,388	-	-	-	(1,055)	(428)	24,047
Masplen Limited	35,258	(136)	-	-	-	(472)	176	34,826
Prestcott International S.A.	47,554	5,634	-	-	-	(1,413)	(2,064)	49,711
QuickFood S.A (2)	173,943	(21,161)	(151,997)	-	(151,997)	(6,332)	5,547	-
Establecimientos Colonia S.A	72,861	7,636	-	-	-	(6,394)	(2,498)	71,605
Columbus Notherlands	103,491	8,560	-	-	-	(20,783)	(1,758)	89,510
Marfood USA	(21,397)	(5,786)	-	-	-	(6,631)	3,530	(30,284)
Marfrig Overseas	(78,271)	(13,551)	-	-	-	(17,546)	6,015	(103,353)
MFG Brasil	8,687	(1)	-	-	-	(2,513)	-	6,173
Marfrig Argentina S.A.	-	912	1	28,057	28,058	(6,431)	(8,567)	13,972
Secculum Participações Ltda.	9,069	120	-	-	-	(689)	(7)	8,493
União Frederiquense Partic. Ltda.	855,062	2,725	-	-	-	(64,393)	(701)	792,693
Marfrig Holdings(Europe) BV	1,203,005	(6,558)	1,126,860	-	1,126,860	(38,110)	(48,978)	2,236,219
Seara Holding BV	1,551,463	9,890	-	-	-	(207,628)	1,998	1,355,723
Mckey Luxembourg Holdings S.a.r.l	592,705	74,418	(1,081,719)	-	(1,081,719)	424,230	(9,634)	-
Athena Alimentos S.A.	-	-	524,191	-	524,191	-	-	524,191
						-	-	
Total	4,728,809	87,905	417,336	28,057	445,393	35,387	(65,951)	5,231,543
Investment acquisition in progress								
Excelsior Alimentos S.A.	-	-	4,122	-	4,122	-	-	4,122
Baumhardt Comércio e Participações Ltda.	-	-	-	-	-	-	-	-
						-	-	
	-	-	4,122	-	4,122	-	-	4,122

(1) Effect of equity in the earnings (losses) included in the shareholders' equity of subsidiaries.

12.3 ASSET EXCHANGE TRANSACTION BETWEEN BRASIL FOODS AND MARFRIG ALIMENTOS S.A.

On June 11, 2012, the Company completed the asset exchange and other covenants transaction with BRF - Brasil Foods S.A., Sadia S.A. and Sadia Alimentos S.A., according to the material fact disclosed by the Company and BRF - Brasil Foods S.A. on June 13, 2012.

On that date, Marfrig acquired a business that includes the following assets: (a) all shares of Athena Alimentos S.A., which includes the main plants and distribution centers that were transferred; (b) and the direct, indirect interest of 64.57% held by the publicly held company Excelsior Alimentos S.A., and (c) the shares of Baumhardt Comércio e Participação Ltda. In return, Marfrig transferred to BRF its whole interest in Quickfood S.A., plus R$350 million in cash. The payment of R$ 350 million will be made in stages: the first and second payments in the amount of R$25 million each, the third, in the amount of R$50 million, and the remaining R$ 250 million will be paid in 72 installments restated at a fixed rate of 12.11% p.a.

As provided for in the contract, the transfer of the shares of Excelsior Alimentos S.A. and the shares of Baumhardt Comércio e Participação Ltda. will be completed on July 2, 2012, reason why the investment in those companies have been classified as "investment acquisition in progress."

The surplus (fair value of assets and liabilities received in the transaction) resulting from this operation was R$304 million. However, as of the reporting date, the Company has not completed the valuation of the fair value of acquired assets and assumed liabilities, and, therefore, has not allocated the surplus to the corresponding assets and liabilities, as per CPC 15 (R1) - Business Combination. The management of the Company assessed that any previous valuation of these valued of assets and liabilities would not properly reflect the transaction as of this reporting date. Since the valuation of the fair value of assets and liabilities was not concluded, there are not deferred tax effects to be recognized. The amounts in the table below show what was mentioned above:

		R$ thousand
Assets of Athena Alimentos S.A.	(a)	524,191
Fixed assets		523,332
Intangible assets		42
Accounts receivable		817
Inventories	(b)	125,689
Labor provisions	(c)	(18,710)
Controlling shareholder interest at Companhia Excelsior Alimentos S/A	(d)	6,384
Interest held by non-controlling shareholders at Excelsior Alimentos S.A.	(e)	(2,262)
Book value of acquired assets and assumed liabilities		635,292
Business value according to specialized appraisal report	(f)	939,635
Surplus assessed at market value – as per appraisal report		304,343
Agreed amount for business acquisition		798,867
(-) Adjustment to acquisition price	(g)	(54,319)
Amount effectively paid for business - adjusted		744,548
(=) Bargain purchase – Gain in the operation	(h)	195,087
Income and Social Contribution tax rate		34%
Income and Social Contribution taxes		66,330

(a) Athena Alimentos S.A., company to which the assets previously held by BRF and its associated companies were transferred, as per the TCD. These assets were composed of: (1) brands and intellectual property rights related thereto, such as: Rezende,

Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light & Elegant, Fiesta, Freski, Confiança, Doriana and Delicata; (2) all assets and rights related to the six (6) distribution centers located in: Salvador - BA, Brasília – DF, Campinas – SP, Bauru – SP, Ribeirão Preto – SP and Cubatão – SP, and two (2) leased distribution centers, located in Duque de Caxias – RJ and São José dos Pinhais – PR; (3) all assets and rights (including properties, facilities and equipment) related to the following production units:

Type	Location
Processed food plant	Duque de Caxias - RJ
Processed food plant	Lages – SC
Processed food plant	Bom Retiro do Sul – RS
Processed food plant	Salto Veloso – SC
Processed food plant	Brasília – DF
Processed food plant	São Gonçalo – BA
Hog slaughter unit	Três Passos – RS
Poultry slaughter unit	Brasília – DF
Poultry slaughter unit	São Gonçalo – BA
Animal feed plant	Brasília – DF
Animal feed plant	Feira de Santana – BA
Animal feed plant	Três Passos – RS
Poultry breeding units	Viamão – RS
Three (3) poultry breeding units	Feira de Santana – BA
Grandparent stock unit	Uberlândia – MG
Poultry incubator	Brasília – DF
Poultry incubator	São Gonçalo – BA
Industrial equipment to produce margarine	Valinhos – SP
Processed food plant	Várzea Grande – MT

(b) Under the asset exchange agreement, specifically for the purpose of preparation of Athena's Estimated Balance Sheet, the amount of R$ 125,689 thousand was considered and added to Athena's assets, referring to the purchase and sale of BRF Parties' Inventories to Marfrig or any of its Affiliates.

(c) Labor provisions of R$ 18,710 thousand included in Athena's Estimated Balance Sheet correspond to employees currently being transferred from BRF to Marfrig or any of its Affiliates.

(d) Shareholding interest equivalent to sixty-four point fifty-seven percent (64.57%) of the capital stock of Excelsior Alimentos S.A., to be effectively transferred to Marfrig on July 2, 2012.

(e) Shareholding interest by the non-controlling shareholders of Excelsior Alimentos S.A., to be effectively transferred to Marfrig on July 2, 2012.

(f) Specialized consultants were contracted by the Management of BRF - Brasil Foods S.A., Sadia S.A., and Sadia Alimentos S.A., together with Marfrig Alimentos S.A., to prepare the Economic-Financial Appraisal Report of selected BRF assets (TCD Assets) comprising the acquired business. Therefore, the consolidated economic value of the TCD Assets was evaluated at nine hundred and thirty-nine million, six hundred and thirty-five thousand reais (R$939,635 thousand).

(g) Financial Adjustment deriving from the Estimated Balance Sheets in the amount of R$ 54,319 thousand referring to working capital, cash and banks, and financial indebtedness negotiated on a zero basis in the asset exchange agreement.

(h) The acquisition resulted in a bargain purchase, the effect of which gain was recorded in the income statement under “Other operating revenue (expenses)”. Tax effects were also recognized.

12.4 PARTIAL SALE OF KEYSTONE’S LOGISTICS ASSETS TO MARTIN-BROWER

On April 30, 2012, the Company partially completed the sale of the specialized logistics service business of its subsidiary Keystone Foodss to The Martin-Brower Company, LLC’s fast food service network.

As provided for under CPC 31 – Non-current assets held for sale and discontinued operation, this sale resulted in the write-off of a business unit of the subsidiary Keystone, and therefore, all gains and losses generated by the transaction are stated in the Company’s income statement of discontinued operations. Therefore, the gain from the sale, amounting to R$194 million, is recorded in the consolidated income statement for the year under “Net income (loss) from discontinued operations in the period”, and its effects under the “consolidated cash flow statement”.

Gains and losses in the comparative period related to the logistics business sold were reclassified to “Net income (loss) from discontinued operations in the period”, when necessary, in accordance with CPC 31 – Non-current assets held for sale and discontinued operation.

In addition, following that transaction, the goodwill generated on the acquisition of the Keystone group, referring to the logistics assets, has been written off. No impairment risk has been identified for the remaining goodwill related to the protein business.
The table below presents a summary of the sale:

	R$ thousand
Selling price	713,451
(-) Adjustment in selling price	(31,187)
(-) Expenses with legal advisers and consultants	(8,208)
Adjusted selling price	674,056
Keystone Distribuiçao's net assets	366,806
(=) Gain in the logistics assets sale transaction	307,250
(-) Write-off of the goodwill in the logistics transaction *	(113,494)
(=) Net gain in the transcation before taxes	193,756

* Goodwill from the Logistics Operation (Keystone Distribuição) was recorded in the Parent Company - Marfrig Alimentos S.A.

12.5 CORPORATE RESTRUCTURING OF THE POULTRY DIVISION

As reported to the market, the Company and its poultry, hogs and processed foods subsidiaries have been going through an organizational restructuring process with the purpose of ensuring greater integration and, therefore, the creation of more operating synergies in this segment.
In line with this process, in June 2012, Marfrig Alimentos S.A. transferred its whole interest in subsidiary Mckey Luxembourg Holdings S.a.r.l to subsidiary Marfrig Holdings (Europe) B.V. The Company points out that this operation did not result in loss of controlling interest, but in a reorganization, as mentioned above.

In addition to that transaction, Marfrig Holdings (Europe) B.V. transferred its whole direct interest in MoyPark Holdings (Europe) Limited to Mckey Luxembourg Holdings S.a.r.l. The purpose of this transaction is to gather all operations in Europe under the same structure.

13. PROPERTY, PLANT AND EQUIPMENT

Below are the annual depreciation rates according to the straight-line method, defined based on the useful lives of assets:

Class of property, plant and equipment	Parent and Consolidated Average annual depreciation rates
Plots of land	0%
Constructions and buildings	1.6% to 10.0%
Machinery and equipment	3.6% to 25.0%
Furniture	5.6% to 25.0%
Industrial facilities	3.7% to 14.3%
IT equipment	4.3% to 20.0%
Vehicles	8.3% to 25.0%

Balance of property, plant and equipment for June 2012 is as follows:

Changes in acquisition cost:

		Parent					
		06/30/12					
Description	Average annual depreciation rates	Cost	Additions	Write-offs	Transfers	Accumulated depreciation	Cost
Plots of land	-	40,046	-	-	-	-	40,046
Constructions and buildings	1.6% - 10%	550,989	-	-	90,119	(68,321)	572,787
Machinery and equipment	3.6%-25%	289,101	18,858	(361)	(61)	(101,059)	206,478
Furniture and fixtures	5.6%-25%	10,856	1,254	(65)	(4)	(3,522)	8,519
Facilities	3.7%-14.3%	477,066	286	-	82,224	(63,320)	496,256
Vehicles	8.3%-25%	15,460	144	(5)	100	(13,977)	1,722
IT equipment	4.3%-20%	8,352	304	(39)	47	(6,210)	2,454
Aircraft	20%	382	-	-	-	(344)	38
Advance for acquisition of property, plant and equipment	-	13,395	431	-	-	-	13,826
Leasehold improvements	1.6% - 10%	3,037	-	-	(59)	(216)	2,762
Lease - vehicles	8.3%-25%	38,053	-	(18)	(151)	(13,532)	24,352
Lease - computer hardware	4.3%-20%	16,075	2,218	-	-	(10,612)	7,681
Lease - machinery	3.6%-25%	33,850	-	-	-	(8,262)	25,588
Lease - facilities	3.7%-14.3%	89,636	-	-	(33,891)	(17,649)	38,096
Lease - buildings	1.6% - 10%	43,685	-	-	(36,230)	(6,592)	863
Construction in progress	-	96,292	66,133	-	(102,152)	-	60,273
Other	5%-10%	223	10	-	58	(117)	174
		1,726,498	89,638	(488)	-	(313,733)	1,501,915

Changes in net balance:

		Parent					
		12/31/2011					06/30/2012
Description	Average annual depreciation rates	Net	Additions	Write-offs	Transfers	Depreciation	Net
Plots of land	-	40,046	-	-	-	-	40,046
Constructions and buildings	1.6% - 10%	491,209	-	-	90,119	(8,541)	572,787
Machinery and equipment	3.6%-25%	197,369	18,858	(361)	(61)	(9,327)	206,478
Furniture and fixtures	5.6%-25%	7,862	1,254	(65)	(4)	(528)	8,519
Facilities	3.7%-14.3%	424,494	286	-	82,224	(10,748)	496,256
Vehicles	8.3%-25%	2,058	144	(5)	100	(575)	1,722
IT equipment	4.3%-20%	2,743	304	(39)	47	(601)	2,454
Aircraft	20%	77	-	-	-	(39)	38
Advance for acquisition of property, plant and equipment	-	13,395	431	-	-	-	13,826
Leasehold improvements	1.6% - 10%	2,873	-	-	(59)	(52)	2,762
Lease - vehicles	8.3%-25%	25,501	-	(18)	(151)	(980)	24,352
Lease - computer hardware	4.3%-20%	6,387	2,218	-	-	(924)	7,681
Lease - machinery	3.6%-25%	26,501	-	-	-	(913)	25,588
Lease - facilities	3.7%-14.3%	73,757	-	-	(33,891)	(1,770)	38,096
Lease - buildings	1.6% - 10%	37,549	-	-	(36,230)	(456)	863
Construction in progress	-	96,292	66,133	-	(102,152)	-	60,273
Other	5%-10%	125	10	-	58	(19)	174
		1,448,238	89,638	(488)	-	(35,473)	1,501,915

Changes in acquisition cost:

		Consolidated								
		06/30/12								
Description	Average annual depreciation rates	Cost	Assets BR Foods	Aditions	Write-offs	Discontinued Operations	Transfers	Conversions	Depreciation	Cost
Plots of land	-	373,725	16,981	802	(777)	(14,506)	30,000	(16,044)	-	390,181
Constructions and buildings	1.6%-10%	3,446,687	286,942	10,487	(1,066)	(51,490)	183,119	176,157	(634,488)	3,416,348
Machinery and equipment	3.6%-25%	2,900,608	177,202	66,437	(7,603)	(33,597)	98,149	(9,288)	(1,334,490)	1,857,418
Furniture and fixtures	5.6%-25%	160,624	3,644	6,063	(1,184)	(30,889)	9,553	(10,396)	(76,943)	60,472
Facilities	3.7%-14.3%	1,098,519	-	805	(273)	-	93,781	(6,392)	(167,535)	1,018,905
Vehicles	8.3%-25%	63,241	302	2,688	(799)	(4,434)	3,875	1,135	(40,705)	25,303
IT equipment	4.3%-20%	76,512	-	3,340	(156)	-	2,324	(275)	(65,165)	16,580
Aircraft	20%	382	-	-	-	-	-	(1)	(343)	38
property, plant and equipment	-	20,118	-	683	(252)	-	(2,253)	(1)	-	18,295
Leasehold improvements	1.6%-10%	77,707	-	146	-	(48,250)	45,712	(9,336)	(15,383)	50,596
Lease - vehicles	8.3%-25%	40,278	-	-	(18)	-	(151)	2	(13,801)	26,310
Lease - computer hardware	4.3%-20%	16,541	-	2,218	-	-	-	-	(11,077)	7,682
Lease - machinery	3.6%-25%	151,255	-	595	(974)	-	-	983	(54,816)	97,043
Lease - facilities	3.7%-14.3%	92,987	-	-	-	-	(33,891)	165	(17,982)	41,279
Lease - buildings	1.6%-10%	205,948	-	-	-	(145,674)	(8,855)	(27,942)	(21,053)	2,424
Construction in progress	-	355,953	33,751	140,668	(293)	(528)	(224,023)	29,647	-	335,175
Other	1.7%-10%	215,582	5,326	957	(170)	-	(197,340)	(4,570)	(1,112)	18,673
		9,296,667	524,148	235,889	(13,565)	(329,368)	-	123,844	(2,454,893)	7,382,722

Changes in net balance:

										Consolidated
		12/31/2011								06/30/12
Description	Average annual depreciation rates	Net	Assets BR Foods	Aditions	Write-offs	Discontinued Operations	Transfers	Conversions	Depreciation	Net
Plots of land	-	373,725	16,981	802	(777)	(14,506)	30,000	(16,044)	-	390,181
Constructions and buildings	1.6%-10%	2,881,291	286,942	10,487	(1,066)	(51,490)	183,119	176,157	(69,092)	3,416,348
Machinery and equipment	3.6%-25%	1,683,069	177,202	66,437	(7,603)	(33,597)	98,149	(9,288)	(116,951)	1,857,418
Furniture and fixtures	5.6%-25%	94,407	3,644	6,063	(1,184)	(30,889)	9,553	(10,396)	(10,726)	60,472
Facilities	3.7%-14.3%	958,844	-	805	(273)	-	93,781	(6,392)	(27,860)	1,018,905
Vehicles	8.3%-25%	26,883	302	2,688	(799)	(4,434)	3,875	1,135	(4,347)	25,303
IT equipment	4.3%-20%	15,857	-	3,340	(156)	-	2,324	(275)	(4,510)	16,580
Aircraft	20%	77	-	-	-	-	-	(1)	(38)	38
Advance for acquisition of	-	20,118	-	683	(252)	-	(2,253)	(1)	-	18,295
Leasehold improvements	1.6%-10%	64,727	-	146	-	(48,250)	45,712	(9,336)	(2,403)	50,596
Lease - vehicles	8.3%-25%	27,644	-	-	(18)	-	(151)	2	(1,167)	26,310
Lease - computer hardware	4.3%-20%	6,387	-	2,218	-	-	-	-	(923)	7,682
Lease - machinery	3.6%-25%	106,286	-	595	(974)	-	-	983	(9,847)	97,043
Lease - facilities	3.7%-14.3%	76,840	-	-	-	-	(33,891)	165	(1,835)	41,279
Lease - buildings	1.6%-10%	187,950	-	-	-	(145,674)	(8,855)	(27,942)	(3,055)	2,424
Construction in progress	-	355,953	33,751	140,668	(293)	(528)	(224,023)	29,647	-	335,175
Other	1.7%-10%	215,244	5,326	957	(170)	-	(197,340)	(4,570)	(774)	18,673
		7,095,302	524,148	235,889	(13,565)	(329,368)	-	123,844	(253,528)	7,382,722

The main changes were made to the balance of property, plant and equipment of the Company and its subsidiaries, mainly as a result of the partial sale of Keystone Distribuição's logistics assets (column "Discontinued Operations"), as well as the asset exchange between Marfrig Alimentos and BRF (column "Assets BR Foods").

According to CPC 6(R1) – lease operations, the assets acquired by the Company under a finance lease started to be recorded as property, plant and equipment, including their respective depreciation, as mentioned above, with an offsetting entry to lease payable, shown in note 19.

Pursuant to CPC 01 (R1), an asset is tested for impairment on an annual basis. The asset's value must be estimated only if there is any indication of impairment.

If any indication of impairment is found, recoverability analysis comprises projecting the profitability and future cash of the Company's plants, which are discounted to present value to identify the degree of recoverability of the asset.

During the period ended June 30, 2012, the book values of the Company's assets were not higher than the amounts which could be obtained by use or sale.

14. INTANGIBLE ASSETS

Pursuant to CPC 4 (R1) and CPC 13, the Company created the "Intangible Assets" account in non-current assets, as shown below:

	06/30/12	12/31/11
Intangible assets - Company	912,540	968,775
Intangible assets - Subsidiaries	3,194,134	3,386,181
	4,106,674	4,354,956

Changes in the Intangible assets accounts (parent company and consolidated) for the period ended June 30, 2012 are as follows:

14.1 CHANGES IN INTANGIBLE ASSETS (PARENT)

	Balance on December 31, 2011	Acquisition/ write-off	Reclassification / amortization	Balance on June 30, 2012
Argentine Breeders & Packers S.A. - Ágio	24,213	(24,213)	-	-
Inaler S.A. - Ágio	38,379	-	-	38,379
Frigorífico Tacuarembó S.A. - Ágio	57,824	-	-	57,824
Masplen Limited - Ágio	17,258	-	-	17,258
Prestcott International S.A. -Ágio	22,922	-	-	22,922
Secculum Participações Ltda. - Ágio	16,188	-	-	16,188
União Frederiquense Partic. Ltda. - Ágio	11,683	-	-	11,683
QuickFood S.A - Ágio [2]	223,872	(223,872)	-	-
Establecimientos Colonia S.A - Ágio	114,479	-	-	114,479
Seara Holding (Europe) BV	21	-	-	21
Columbus Netherlands BV	22	-	-	22
Marfood USA Inc.	308	-	-	308
Keystone International [3]	388,244	(113,494)	-	274,750
Athena Alimentos S.A. / Excelsior Alimentos S.A. [1]	-	304,344	-	304,344
Software and systems	30,478	2,032	(1,032)	31,478
Trademarks and patents	22,884	-	-	22,884
Total	968,775	(55,203)	(1,032)	912,540

(1) The amount presented under Athena Alimentos S.A. and Excelsior Alimentos S.A. relates to the surplus from the "Asset exchange between Marfrig and BRF". As described in Note 12.3, the Company has not yet concluded the appraisal report for "Allocation of the acquisition price".

(2) The write-off of Quickfood S.A.'s goodwill resulted from the conclusion of the "Asset exchange between Marfrig and BRF".

(3) The partial reduction in the balance of goodwill at Keystone International is related to the goodwill from the "Logistics Operation", generated from the acquisition of the Keystone Group, as described in Note 12.4

The goodwill generated in the business acquisitions concluded before the adoption of all CPCs is expressed in the Company's functional currency.

14.2 CHANGES IN INTANGIBLE ASSETS (SUBSIDIARIES)

	Book balance on December 31, 2011	Reclassification	Goodwill	Software/ Trademark/ Other	Exchange variation on translation	Amortization	Write-off	Book balance on June 30, 2012
Marfrig Chile S.A.	**15,167**	**-**	**-**	**-**	**1,175**	**(7)**	**-**	**16,335**
Goodwill	14,910	-	-	-	1,154	-	-	16,064
Brands and patents/software/other	257	-	-	-	21	(7)	-	271
Weston Importers Ltd.	**9,968**	**-**	**-**	**-**	**875**	**-**	**-**	**10,843**
Goodwill	9,968	-	-	-	875	-	-	10,843
Masplen Limited	**475**	**-**	**-**	**17**	**-**	**(22)**	**-**	**470**
Brands and patents/software/other	475	-	-	17	-	(22)	-	470
Quickfood S.A [1]	**89,776**	**(93,731)**	**-**	**(207)**	**4,430**	**(53)**	**(215)**	**-**
Goodwill	89,241	(93,645)	-	-	4,404	-	-	-
Brands and patents/software/other	535	(86)	-	(207)	26	(53)	(215)	-
Prestcott International S.A	**8,611**	**-**	**-**	**(1)**	**668**	**(21)**	**-**	**9,257**
Goodwill	7,369	-	-	-	572	-	-	7,941
Brands and patents/software/other	1,242	-	-	(1)	96	(21)	-	1,316
Columbus Netherlands BV	**49,099**	**-**	**-**	**12**	**2,867**	**(497)**	**(230)**	**51,251**
Goodwill	48,608	-	-	-	1,558	-	-	50,166
Brands and patents/software/other	491	-	-	12	1,309	(497)	(230)	1,085
Marfood USA	**53,672**	**-**	**-**	**-**	**4,137**	**(315)**	**-**	**57,494**
Goodwill	38,023	-	-	-	2,949	-	-	40,972
Client relationship	4,356	-	-	-	312	(315)	-	4,353
Brands and patents/software/other	11,293	-	-	-	876	-	-	12,169
Frigoríficos Tacuarembó S.A	**448**	**-**	**-**	**-**	**31**	**(40)**	**-**	**439**
Brands and patents/software/other	448	-	-	-	31	(40)	-	439
Inaler S.A	**295**	**-**	**-**	**-**	**21**	**(17)**	**-**	**299**
Brands and patents/software/other	295	-	-	-	21	(17)	-	299
Establecimientos Colonia S.A	**581**	**-**	**-**	**(27)**	**88**	**(22)**	**-**	**620**
Brands and patents/software/other	581	-	-	(27)	88	(22)	-	620
Marfrig Argentina [2]	**-**	**93,731**	**-**	**(417)**	**-**	**(1)**	**-**	**93,313**
Goodwill	-	93,645	-	(417)	-	-	-	93,228
Brands and patents/software/other	-	86	-	-	-	(1)	-	85
MFB - Marfrig Frig. BR S.A.	**645**	**-**	**-**	**6**	**-**	**(41)**	**-**	**610**
Brands and patents/software/other	645	-	-	6	-	(41)	-	610
MFG Agropecuária Ltda	**18**	**-**	**-**	**7**	**-**	**(2)**	**-**	**23**
Brands and patents/software/other	18	-	-	7	-	(2)	-	23
Marfrig Holding (Europe)BV	**1,557,223**	**227,494**	**-**	**-**	**50,923**	**(7,284)**	**(90,923)**	**1,737,433**
Goodwill	263,751	-	-	-	8,625	-	-	272,376
Client relationship	1,010,145	157,711	-	-	33,033	(7,407)	(29,976)	1,163,506
Brands and patents/software/other	283,327	69,783	-	-	9,265	123	(60,947)	301,551
Mckey Luxembourg	**449,345**	**(227,494)**	**-**	**-**	**(1,725)**	**901**	**(221,027)**	**-**
Client relationship	177,827	(157,711)	-	-	31,828	(134)	(51,810)	-
Brands and patents/software/other	271,518	(69,783)	-	-	(33,553)	1,035	(169,217)	-
Athena	**-**	**-**	**-**	**42**	**-**	**-**	**-**	**42**
Goodwill	-	-	-	-	-	-	-	-
Brands and patents/software/other	-	-	-	42	-	-	-	42
União Frederiquense Partic. Ltda.	**530,210**	**-**	**-**	**1,126**	**351**	**(486)**	**(257)**	**530,944**
Goodwill	515,870	-	-	-	351	-	-	516,221
Brands and patents/software/other	14,340	-	-	1,126	-	(486)	(257)	14,723
Secculum Participações Ltda.	**5,681**	**-**	**-**	**12**	**4**	**(5)**	**(3)**	**5,689**
Goodwill	5,527	-	-	-	4	-	-	5,531
Brands and patents/software/other	154	-	-	12	-	(5)	(3)	158
Seara Holding (Europe) BV	**614,967**	**-**	**-**	**66,224**	**-**	**(2,101)**	**(18)**	**679,072**
Goodwill	11,111	-	-	-	-	-	-	11,111
Brands and patents/software/other	603,574	-	-	16,224	-	(2,016)	(18)	617,764
Right of use	-		-	50,000	-	-	-	50,000
Port license	282	-	-	-	-	(85)	-	197
Total	3,386,181	-	-	66,794	63,845	(10,013)	(312,673)	3,194,134

14.3. SUMMARY OF INTANGIBLE ASSETS

	Parent		Subsidiaries	
	06/30/12	12/31/11	06/30/12	12/31/11
Goodwill	858,377	915,612	1,024,451	1,004,376
Trademark and patents	22,884	22,884	903,054	1,154,805
Software	31,279	30,279	8,908	6,532
Client relationship	-	-	1,167,776	1,192,289
Right of use	-	-	50,000	-
Other intangible assets	-	-	39,945	28,179
	912,540	968,775	3,194,134	3,386,181

Consolidated breakdown of intangible assets

	Parent	Subsidiaries
Balance on December 31, 2011	968,775	3,386,181
(+) Addition	306,376	66,796
(-) Write-off	(361,579)	(312,673)
(-) Amortization	(1,032)	(10,015)
(+/-) Exchange variation	-	63,845
Balance on June 30, 2012	912,540	3,194,134

Goodwill from the acquisition of businesses by September 30, 2008 (last acquisition previous to transition date as of January 1, 2009, referring to complete adoption of CPCs) was calculated based on the accounting standards previous to the concept of business combination according to CPC 15. According to "IFRS Optional Exemptions", the Company decided to adopt IFRS in all business acquisitions as from September 30, 2008. The goodwill amounts referred to above were based on expected future profitability, and supported by valuation reports from experts. The trademarks acquired from third parties, prior to December 31, 2009, were measured at the paid amount, while trademarks and list of clients acquired as part of business combination after September 30, 2008 were calculated at fair value pursuant to CPC 15.

According to CPC 1 (R1), the impairment test of goodwill and intangible assets with indefinite useful lives is conducted annually, and other intangible assets with finite useful lives are tested whenever there is evidence of non-realisation of those items. Intangible assets represented by patents and a list of clients are amortized at their respective useful lives, if applicable. Certain intangible assets of the Company have undefined useful lives, according to the experts' valuation, and are annually tested for impairment.

Such analysis comprised projecting the profitability and future cash of the Company's plants, which are discounted to present value to identify the degree of recoverability of the asset.

Discounted cash flows were prepared using the Company's 2012-2016 budget and growth projections based on past information and market projections prepared by non-governmental agencies and entities, such as ABIEC, ABIPECS, USDA, among others.

In the period ended June 30, 2012, the Company did not identify any indications of asset recorded at an amount higher than that recoverable through use or sale.

15 ACCRUED PAYROLL AND RELATED CHARGES

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
INSS (social security contribution) payable	3,152	6,164	51,220	55,419
Salaries and payroll provisions	71,774	39,994	342,883	299,423
Other social charges and benefits payable	2,055	4,349	89,353	128,843
	76,981	50,507	483,456	483,685

On November 21, 2005, Law No. 11.196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Interministry Ordinance No. 23 dated February 2, 2006.

In addition, article 2 of Law 11.457/07 establishes responsibility to the Brazilian Federal Revenue Service concerning the employees' social security contributions levied on their contribution salaries, according to item c, sole paragraph, Article 11 of Law 8.212/91 and Article 104 of Law 11.196/05.

The Company obtained favourable court decision ruling the suspension of enforceability of outstanding social security debts as of the date the requests for indemnity/offset of PIS and COFINS credits against these social security debts have been filed.

Thus, based on the opinion of its external legal counsellors, Marfrig Group has been offsetting social security debts against PIS/COFINS credits.

In the period ended June 30, 2012, the Company does not offer post-employment benefit with actuarial liability characteristics.

16 TAXES PAYABLE

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
ICMS (State VAT) payable	-	-	19,571	15,564
Special tax debt installment payment plan - Law No. 11.941/2009	57,474	55,894	232,371	232,239
Income tax payable	-	-	24,465	19,442
Social contribution tax payable	-	-	6,444	8,580
PIS and COFINS (tax on sales) payable	-	-	1,988	2,396
Social contribution payable - PGFN [1]	7,897	7,897	7,897	7,897
Income tax payable - PGFN [1]	21,393	21,393	21,393	21,393
Withholding income tax payable- PGFN [1]	6,058	6,058	6,335	6,058
Other taxes payable	8,651	11,077	70,138	101,725
	101,473	102,319	390,602	415,294
Current liabilities	21,337	23,398	144,909	171,246
Non-current liabilities	80,136	78,921	245,693	244,048

(1) Office of the General Counsel to the National Treasury

Special Tax Debt Instalment Payment Plan – Law 11.941/2009

On September 30, 2009, the Company adhered to the Special Tax Debt Instalment Payment Plan (New REFIS), established by Law No. 11.941, of May 27, 2009. It provides for the payment in instalments of debts due to the Brazilian Federal Revenue Service (SRF), the Office of the National Treasury Attorney-General (PGNF), and the Brazilian Social Security Institute (INSS). The Company declared debts with those agencies and transferred to the plan debts included in other payment plans (Special Tax Debt Instalment Payment Plan - Law No. 10.684/03 – PAES and Extraordinary Tax Debt Instalment Payment Plan – Executive Act No. 303/06 – PAEX), to be settled within 180 months, as follows:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Opening balance	55,894	107,028	232,239	312,290
(+) Adhesion to instalment payment	-	-	-	8,127
(-) Offsetting of fine and interest using income and social contribution tax losse carryforwards	-	-	-	(3,511)
(+) Interest rates	4,930	15,277	13,649	37,002
(-) Waiver of installment payment program	-	(29,844)	-	(29,844)
(-) Discount to present value	6,052	(23,397)	6,052	(68,390)
(-) Payments made	(9,402)	(13,170)	(19,569)	(23,435)
Debt balance	57,474	55,894	232,371	232,239
Current liabilities	13,435	12,322	28,658	28,302
Non-current liabilities	44,039	43,572	203,713	203,937

On December 31, 2011, the Company and its subsidiaries consolidated the adhesion to the special instalment payment program set forth by Law 11.941/09, in compliance with normative acts issued by the Brazilian Federal Revenue Service.

During the consolidation process of the abovementioned program, the Company decided not to include the lawsuit 10880.720.016/2008-93, totalling R$29,844, which was reclassified to taxes payable, under non-current liabilities.

In view of the waiver of the instalment payment program, debits were adjusted in accordance with law in effect on the date of the taxable event, resulting in additional fine and interest amounting to R$5,504 and a total debit of R$35,348, as presented below:

	Debits - REFIS	Fine and interest (waiver of installment payment program)	Debits reclassified to taxes payable
Social contribution payable- PGFN	6,667	1,230	7,897
Income tax payable - PGFN	18,062	3,331	21,393
Withholding income tax payable - PGFN	5,115	943	6,058
	29,844	5,504	35,348

17 LOANS AND FINANCING

				Parent	
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 06/30/12	Balance on 12/31/11
Local currency					
FINAME	TJLP + Fixed Rate	4.85	3.57	1,130	1,193
BNDES Finem	TJLP + 1.80%	8.05	0.60	2,908	4,517
FINEP	TJLP + 1%	7.25	1.27	27,212	31,859
NCE	Fixed Rate+%CDI	10.8	1.55	584,202	726,527
Working Capital	CDI + Fixed Rate	10.32	3.16	646,688	386,675
Procer	Fixed Rate	11.25	0.30	16,815	117,280
BNDES Revitaliza	Fixed Rate	5.52	1.00	25,014	-
Total local currency		10.38		1,303,969	1,268,051
Foreign currency:					
Financing of industrial complex (US$)	Libor+Fixed Rate+FX	3.98	0.26	-	1,661
Prepayment (US$)	Libor+Fixed Rate+FX	7.16	3.28	2,434,020	2,551,897
BNDES Finem	Currency Basket + 1.30%	1.30	0.60	548	878
NCE (US$) / ACC	Fixed Rate+ FX (US$)+Libor	8.15	3.76	1,286,278	1,283,840
Total foreign currency		7.50		3,720,846	3,838,276
Total indebtedness		8.25		5,024,815	5,106,327
Current liabilities				916,567	900,473
Non-current liabilities				4,108,248	4,205,854

				Consolidated	
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 06/30/12	Balance on 12/31/11
Local currency					
FINAME	TJLP + Fixed Rate	6.37	3.11	4,024	5,961
BNDES Finem	TJLP + 1.80	8.24	1.94	6,566	9,331
FINEP	TJLP + 1%	6.68	1.88	41,114	45,755
NCE	Fixed Rate+%CDI	11.23	2.15	845,527	1,028,946
Working capital (R$)	Fixed Rate+%CDI	10.32	3.16	646,688	386,675
Rural credit note (R$)	Fixed Rate	6.80	0.76	328,495	274,868
FCO - Mid-West Region Fund	Fixed Rate	10.00	3.00	14,961	5,755
Procer	Fixed Rate	9.05	0.70	84,111	234,501
BNDES Revitaliza	Fixed Rate	5.52	1.00	25,014	-
Total local currency		9.92		1,996,500	1,991,792
Foreign currency					
Financing of industrial complex (US$)	Libor+Fixed Rate + FX	1.74	0.65	2,830	5,994
Prepayment (US$)	Libor+Fixed Rate + FX	7.17	3.24	2,513,511	2,595,233
Bonds (US$)	Fixed Rate + FX	9.47	6.32	3,193,911	2,976,158
BNDES Finem	Currency Basket + 1.30	1.30	0.60	548	878
NCE (US$) / ACC	%CDI+Fixed Rate+FX (US$)+Libor	7.32	0.71	1,909,851	1,644,355
Working capital (US$)	Fixed Rate + Libor	5.49	1.27	214,679	205,561
Working capital (Pesos)	Development Unit	2.00	3.00	2,170	1,837
Bank loan (US$)	Fixed Rate + FX	3.74	1.58	524,708	745,954
Revolving credit facility	Libor + 2.50	3.07	2.25	470,701	362,015
PAE (US$)	Fixed Rate + FX	2.00	0.30	21,043	-
Financing agreements (US$)	Fixed Rate + FX	1.00	0.50	3,641	15,976
Tradeable liabilities	Fixed Rate	6.50	2.30	41,083	57,325
Total foreign currency		7.55		8,898,676	8,611,286
Total indebtedness		7.98		10,895,176	10,603,078
Current liabilities				2,641,709	2,277,035
Non-current liabilities				8,253,467	8,326,043

The Company's types of loans and financing can be described as follows:

17.1 FINAME – Machinery and Equipment Finance

BNDES (National Development Bank) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust amounts is URTJLP (benchmark long-term interest rate), according to the TJLP (Long-Term Interest Rate). These transactions are guaranteed by the acquired asset itself. Repayments will be made until January 2021.

17.2 BNDES FINEM – Business Finance

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. This finance agreement is partially adjusted using the TJLP and the remaining amount is adjusted using the UMBNDES (Monetary unit of the National Development Bank), which consists of a basket of currencies which reflects daily fluctuation of the currencies in which BNDES raises loans. This type of financing is secured by bank guarantees given by Banco Bradesco. A portion of the principal plus interest will be repaid in monthly instalments maturing by February 2013.

17.3 FINEP – Fund for Financing Studies and Projects

FINEP credit line for financing studies and projects. FINEP is a public institution linked to the Ministry of Science and Technology. The currency used for adjusting the finance agreement is URTJ01 (monetary unit used by FINEP), which is based on TJLP. The finance agreement is guaranteed by a contract with Bradesco. It will be repaid in monthly instalments until April 2016.

17.4 NCE – Export Credit Note

Credit line which grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, denominated in R$ and US$, are guaranteed by trade notes, sureties and supply contracts; in some cases, no guarantee is given. The rates used for adjustment of those transactions in U.S. dollars are: LIBOR and/or fixed rate, and for transactions in Brazilian reais, CDI and/or fixed rate. Repayments will be made until April 2018.

17.5 Working capital

Funds raised under this credit line are used for working capital financing. There are transactions conducted in Brazilian reais, dollars and pesos. They are guaranteed by sureties and mortgages. The adjustment indexes used for that operation are CDI and/or fixed rate. Repayments will be made until March 2016.

17.6 Rural credit note

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in Brazilian reais and linked to production. This finance is guaranteed by surety and adjusted using a fixed rate. Repayments will be made until November 2012.

17.7 ACC - Advance on exchange contracts

This is a foreign credit line for export companies. Funds raised under this credit line are used for export financing.

ACC transactions are conducted in US dollars. Payment is linked to exports and guaranteed by promissory notes. The adjustment rate used for those transactions is a fixed rate. Repayments will be made until June 2012.

17.8 Financing of industrial complex

Foreign credit line for acquisition of equipment. This transaction is conducted in US dollars, and is guaranteed by the financed equipment itself. The adjustment rates used for those transactions are Libor, plus a fixed rate and exchange variation. Repayment is scheduled up to July 2012, with quarterly instalments of the principal and interest.

17.9 Prepayment

Foreign credit line for export companies. Funds raised under this credit line are used for export financing. This transaction is conducted in US dollars and guaranteed by promissory notes, sureties, supply contracts and export documents. In some cases no collaterals are offered. The adjustment rates used for those transactions are Libor, plus a fixed rate. Repayments will be made until March 2017.

17.10 FCO - Centre Western Fund

It is a line of credit to support enterprises located exclusively in the States of Goiás, Mato Grosso do Sul and Distrito Federal. The financing periods are established according to the item to be financed. This finance is guaranteed by mortgage and adjusted using a fixed rate. The repayment schedule is monthly, plus interest, until December 2013.

17.11 Senior Notes - Bonds

Long-term debts, in US$, through debt securities issued abroad (Bonds) exclusively for qualified institutional investors (Rule 144A/Reg S) not listed on the CVM, under the Securities Act of 1933, as amended.

The Company has conducted three raising operations of this nature since 2006, which were classified by Moody's under B1 risk rating in foreign currency and by Standard&Poors and Fitch under B+ rating, described as follows:

- The first operation with Bonds was concluded in November 2006, upon the issue by Marfrig Overseas Ltd., a Company's wholly-owned subsidiary, of US$375 million Senior Notes, with a 9.625% p.a. coupon, with semi-annual interest payment beginning in May 2007 and maturity of principal in ten years (November 2016). Funds raised in this issue were allocated to the acquisition of business units by the Company in Argentina and Uruguay.

  In March 2010, Senior Note holders approved the amendment of certain clauses included in the indenture that rules this issue, including the change in and/or omission of restrictions applicable to the guarantees provided by the Company and its subsidiaries, as well as the inclusion of surety granted by Marfrig Alimentos S.A. and its subsidiaries União Frederiquense Participações Ltda., Marfrig Holdings (Europe) B.V. and Seara Alimentos S.A. in guarantee of the issuer's obligations to holders of outstanding Bonds. Said amendment did not comprise any change in the financial conditions of this debt, which maintained the same maturity term and interest rate originally set forth.

- The second raising was conducted in April 2010, upon the issue by Marfrig Overseas Ltd. of US$500 million Senior Notes, with a 9.50% p.a. coupon, semi-annual interest payment beginning in November 2010 and maturity of principal in ten years (May 2020). This operation also had the guarantee of Marfrig Alimentos S.A., União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A. and their funds raised were used principally to extend the maturity of the Company's debt.

- The third operation was concluded in May 2011 and comprised the issue by Marfrig Holdings (Europe) B.V. of US$750 million Senior Notes, with a 8.375% p.a. coupon, semi-annual interest payment beginning in November 2011 and maturity of principal in seven years (May 2018). This operation had the guarantee of Marfrig Alimentos S.A., União Frederiquense Participações Ltda., Marfrig Overseas Limited and Seara Alimentos S.A. and their funds raised were used principally to extend the maturity of the Company's debt and reinforce the Company's working capital.

Considering that the Senior Notes issued in 2006, 2010 and 2011 represent 29.32% of the Company's consolidated indebtedness as at June 30, 2012 (28.07% as of December 31, 2011), the obligation of maintaining a net adjusted debt ratio for EBITDA in the last twelve months not higher than 4.75 times, set forth in the Senior Notes indenture, justify the other Company's outstanding loans and financing at the end of the period, as well as debentures described in note 23.2.

17.12 PAE – Export Loan

Chile's credit line for export companies. The purpose of the loans raised under this credit line, which may be used for any export contract, is to finance exports of lamb, food fish and other products brought to Brazil. The difference between this line and a normal one is that it is exempt from ITE – *Impuesto de Timbre y Estampilla* (equivalent to the tax on financial transactions in Brazil). Lines are raised in US dollars and are collateralised by bank guarantees. These operations will be paid up by December 31, 2012.

17.13 PROCER – Working capital financing

BNDES credit line for working capital loans to boost the competitiveness of companies in the agriculture and livestock and agribusiness industries. This loan bears annual interest of 11.25%. A portion of the principal plus interest will be repaid in monthly instalments maturing by July 2012.

17.14 *BNDES Revitaliza*

BNDES credit facility to fund the revitalization of Brazilian companies that operate in sectors that have been adversely affected by the international economic crisis, prioritizing the addition of value to the national product, the adoption of more efficient production methods, brand strengthening, and the expansion of the presence of Brazilian goods and services in the international market.

17.15 Bank Loan

Funds raised under this credit line are used as working capital financing. The Company holds transactions in US dollars and pesos, which, in some cases, may only be applied to pay inventories and fixed assets. These transactions are guaranteed by sureties and mortgages, although, in some cases, no guarantee is given. The transactions in pesos are restated at the BADLAR (Buenos Aires Deposits of Large Amount Rate), and credit lines in US dollars have fixed rates. Repayments will be made until October 2016.

17.16 Revolving Credit Facility

A multi-currency credit facility granted by a group of banks, available to subsidiary Keystone Foods in the amount of USD 600 million until November 2014. The interest rate applicable to this revolver facility is limited to LIBOR +3.25% p.a.

17.17 Negotiable Liabilities

Funding in U.S. dollars raised by our subsidiaries in Argentina and Uruguay. These operations are concerned with working capital needs, unsecured and to mature until September 2016.

17.18 Guarantees for loans and financing:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Balance of financing	5,024,815	5,106,327	10,895,176	10,603,078
Guarantees:				
Promissory notes	1,942,135	2,155,087	2,096,674	2,301,707
Trade notes	175,927	42,532	175,927	101,591
Bank guarantee	3,456	5,394	44,539	43,520
Supply Agreement	-	-	73,952	1,833
Surety	1,603,120	1,673,858	2,967,582	2,746,919
Leased asset	1,165	1,233	7,717	10,815
Export document	-	-	40,516	26,489
Facilities	27,212	33,520	27,212	33,520
Mortgage	-	-	61,503	47,074
Financial Investment	158,955	237,099	162,596	259,956
Export Credit	-	-	40,340	45,421
No guarantees	1,112,845	957,604	5,196,618	4,984,233

17.19 Covenants

All loan agreements are ruled by covenant of 4.75, in its most restrictive form, in relation to consolidated indebtedness level, as maximum quotient of Net Debt/EBITDA ratio.

The schedule of maturities is presented in note 18.

18 DEBENTURES PAYABLE AND INTEREST ON DEBENTURES

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Debentures payable	598,200	598,200	598,200	598,200
(-) Cost with debenture issue	(3,432)	(4,249)	(3,432)	(4,249)
Interest on convertible and non-convertible debenture s	328,436	225,874	328,436	225,874
(-) Withholding income tax on debenture interest	(66,087)	(45,575)	(66,087)	(45,575)
	857,117	774,250	857,117	774,250
Current Liabilities - Interest on debentures	262,349	180,299	262,349	180,299
Current Liabilities - Debentures payable	199,400	-	199,400	-
Non-Current Liabilities - Debentures payable	395,368	593,951	395,368	593,951

After approval at the Board of Directors' Meeting held on January 14, 2011, the Company carried out its 3rd issue of non-convertible unsecured debentures, with security interest and personal guarantee, as well as restricted efforts, pursuant to CVM Resolution No. 476/2009, with the following characteristics: par value of R$598,200,000, divided into 598,200 debentures, at the unit par value of R$1,000, issue date of January 18, 2011, with maturity on January 18, 2018, divided into two series, (i) the First Series, by issuing 360,000 debentures, remunerated by par value as of the issue of 127.6% of DI rate p.a., basis of 252 days, without monetary restatement and (ii) the Second Series, by issuing 238,200 debentures, remunerated by par value as of the issue date adjusted by IPCA – Extended Consumer Price Index, published by the Brazilian Institute of Geography and Statistics, calculated by Getúlio Vargas Foundation, plus 9.5% p.a., basis of 252 days; secured by the fiduciary assignment of the Company's receivables flow, corresponding to 20% of the balance of debentures issued and personal guarantee (surety) of the following subsidiaries: (i) União Frederiquense Participações Ltda.; (ii) Seara Alimentos S/A; and (iii) Marfrig Holdings (Europe) B.V.

The abovementioned operations had their flows translated into U.S. dollar exchange variation, plus annual rates of 6.75% for the entire period of the operation.

Convertible debentures interest rates were accrued as per note 23.2.

Debt, debentures and interest on debentures were as follows:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Local currency				
Loans and financing - Note 17	1,303,969	1,268,051	1,996,500	1,991,792
Interest on debentures	262,349	180,299	262,349	180,299
Debentures payable	594,768	593,951	594,768	593,951
	2,161,086	2,042,301	2,853,617	2,766,042
Foreign currency				
Loans and financing - Note 17	3,720,846	3,838,276	8,898,676	8,611,286
	3,720,846	3,838,276	8,898,676	8,611,286
	5,881,932	5,880,577	11,752,293	11,377,328

Debentures fall due and pay interest as follows:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Local currency				
1Q12	-	166,902	-	470,655
2Q12	-	133,260	-	192,199
3Q12	274,384	150,612	489,812	245,367
4Q12	41,710	38,694	271,394	48,234
1Q13	346,239	199,400	504,553	199,400
2Q13	28,435	-	48,146	-
2013	313,600	543,740	322,456	769,159
2014	562,485	414,198	600,800	438,840
2015	445,221	295,994	448,110	297,290
2016	83,990	34,479	86,379	35,775
2017	32,498	32,498	35,387	33,794
2018	32,498	32,498	35,254	33,793
2019	13	13	9,803	1,308
2020	12	12	1,307	227
2021	1	1	216	1
	2,161,086	2,042,301	2,853,617	2,766,042

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Foreign currency				
1Q12	-	174,743	-	728,270
2Q12	-	114,857	-	282,159
3Q12	163,259	223,579	361,124	291,804
4Q12	159,335	78,125	380,050	198,646
1Q13	356,310	-	389,348	-
2Q13	8,644	-	659,031	-
2013	774,866	1,055,441	777,338	1,233,542
2014	1,002,856	1,025,021	1,788,297	1,699,960
2015	938,416	958,765	1,005,458	994,396
2016	207,834	207,745	989,903	915,067
2017	109,326	-	128,118	9,636
2018	-	-	1,441,363	1,352,636
2020	-	-	978,646	905,170
	3,720,846	3,838,276	8,898,676	8,611,286
Total	5,881,932	5,880,577	11,752,293	11,377,328

19 LEASE PAYABLE

The Company is a lessee in various agreements, classified as operating or finance leases.

19.1 FINANCE LEASE

According to CVM Resolution No. 645/10 (CPC 06 (R1)), finance lease operations are now recognized under the Company's current and non-current liabilities, with an offsetting entry of the asset recorded in property, plant and equipment, according to note 13.

Transactions agreed before the issue of the decision referred to above are not considered in the calculation of the covenants.

						Parent
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 06/30/12	Future payments 06/30/12	Balance on 12/31/11
Domestic currency						
Finance lease of vehicles	CDI + Rate	11.6%	1.4	1,893	2,224	4,279
Finance lease of IT equipment	CDI + Rate	8.7%	1.5	5,342	4,946	4,377
Finance lease of machinery and equipment	CDI + Rate	13.3%	1.1	8,710	8,331	14,319
Finance lease of industrial facilities	CDI + Rate	12.7%	0.3	3,939	4,041	10,907
Interest due				(7,637)		(18,473)
Finance lease - adjustment to present value				(1,955)		(6,683)
Total domestic currency				10,292	19,542	8,726
Total Company				10,292	19,542	8,726
Current liabilities				6,795		3,970
Non-current liabilities				3,497		4,756

				Consolidated		
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 06/30/12	Future Payments 06/30/12	Balance on 12/31/11
Domestic currency						
Finance lease of vehicles	CDI + Rate	11.5%	1.3	5,073	10,027	11,898
Finance lease of IT equipment	CDI + Rate	8.7%	1.5	5,342	3,221	4,377
Finance lease of machinery and equipment	CDI + Rate	13.5%	1.7	10,914	15,077	16,895
Finance lease of industrial facilities	CDI + Rate	12.5%	0.3	4,240	7,851	11,330
Interest due				(9,911)	-	(20,668)
Finance lease - adjustment to present value				(1,955)	-	(6,683)
Total domestic currency				13,703	36,176	17,149
Foreign currency						
Finance lease of vehicles	Rate	5.7%	4.5	3,054	3,118	2,114
Finance lease of machinery and equipment	Rate	4.8%	4.2	148,950	151,414	181,340
Finance lease of industrial facilities	Rate	12.0%	1.5	1,237	1,255	1,535
Finance lease of buildings	Rate			-	-	100,596
Total foreign currency				153,241	155,787	285,585
Total Consolidated				166,944	191,963	302,734
Current liabilities				47,029		59,911
Non-current liabilities				119,915		242,823

According to CPC Technical Pronouncement No. 12, approved by CVM Resolution No. 564/08, finance lease payable was discounted to present value, at the initial recognition date, as described in note 3.1.6.

Lease contracts fall due as follows:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Local currency				
1Q12	-	1,143	-	2,896
2Q12	-	1,143	-	2,942
3Q12	3,681	1,134	4,267	2,957
4Q12	1,605	550	2,193	1,637
1Q13	868	-	1,414	-
2Q13	641	-	1,145	-
2013	1,159	3,281	1,747	4,389
2014	1,326	669	1,589	1,133
2015	762	605	996	900
2016	222	201	324	295
2017	28	-	28	-
Total local currency	10,292	8,726	13,703	17,149
Foreign currency				
1Q12	-	-	-	15,851
2Q12	-	-	-	11,625
3Q12	-	-	9,045	10,948
4Q12	-	-	8,830	11,055
1Q13	-	-	10,761	-
2Q13	-	-	9,374	-
2013	-	-	13,426	38,237
2014	-	-	17,774	36,494
2015	-	-	27,383	43,787
2016	-	-	16,674	26,486
2017	-	-	2,204	7,226
2018	-	-	2,335	83,876
2019	-	-	35,435	-
Total foreign currency	-	-	153,241	285,585
Total lease amount	10,292	8,726	166,944	302,734

The present value schedule for total future minimum payments of the finance lease is as follows:

	Parent	
	06/30/12	12/31/11
Domestic currency		
Up to one year	6,795	3,970
From one to five years	3,497	4,756
	10,292	8,726

	Consolidated	
	06/30/12	12/31/11
Domestic currency		
Up to one year	9,019	10,432
From one to five years	4,684	6,717
	13,703	17,149
Foreign currency		
Up to one year	38,010	49,479
From one to five years	77,461	152,230
More than five years	37,770	83,876
	153,241	285,585
	166,944	302,734

Following are the guarantees for the leases:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Domestic currency				
Guarantees:				
Financed asset	10,292	8,726	13,703	17,149
Total domestic currency	10,292	8,726	13,703	17,149
Foreign currency				
Guarantees:				
Financed asset	-	-	153,241	285,585
Total foreign currency	-	-	153,241	285,585
Total	10,292	8,726	166,944	302,734

19.2 OPERATING LEASE

Operating lease as at June 30, 2012 is as follows:

Parent

Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount financed	Expense at 06/30/12
	Local currency					
CSI LATINA A. M. S.A	IT Equip.	02/16/11	11.72%	1.0	32,774	4,849
HP FIN SER ARREND	IT Equip.	06/19/12	14.00%	2.9	1,309	36
CSI LATINA A. M. S.A	Machinery and Equip.	07/10/08	15.89%	1.0	5,691	701
Frigorifico Extremo Sul	Meatpacking plant	10/01/09	IGP-M year	0.2	4,965	726
	Total Local currency				44,739	6,312
	Foreign currency					
AVN AIR LLC	Aircraft	12/01/07	libor + 3%	4.8	20,038	858
	Total Foreign currency				20,038	858
	Total Local currency e estrangeira				64,777	7,170

Consolidated

Financial institution	Leased asset	Start date	Weighted average interest rate (p.a)	Weighted average maturity (years)	Total amount financed	Expense at 06/30/12
	Local currency					
CSI LATINA A. M. S.A	IT Equip.	02/16/11	11.72%	1.0	32,774	4,849
HP FIN SER ARREND	IT Equip.	06/19/12	14.00%	2.9	1,309	36
CSI LATINA A. M. S.A	Machinery and Equip.	07/10/08	15.89%	1.0	5,691	701
Frigorifico Extremo Sul	Meatpacking plant	10/01/09	IGP-M year	0.2	4,965	726
Frigorifico Mercosul	Meatpacking plant	09/21/09	IGP-M year	3.8	100,000	13,729
Frigorifico Margem	Meatpacking plant	10/09/09	IGP-M year	3.8	164,500	29,197
Frigorifico 4 Rios	Meatpacking plant	12/01/09	IGP-M year	3.8	9,600	5,347
Frigorfico Boivi	Meatpacking plant	12/29/09	IGP-M year	4.8	6,001	2,747
brf-Brasil Food's S/A	Meatpacking plant	06/18/12	IGP-M year	2.9	57,879	654
	Total local currency				382,719	57,986
	Foreign currency					
AVN AIR LLC	Aircraft	12/01/07	libor + 3%	4.8	20,038	858
	Total Foreign currency				20,038	858
	Total local and foreign currency				402,757	58,844

The financed balance of the operating lease payable falls due as follows:

	Parent
	06/30/12 (at present value)
Domestic currency	
Up to one year	10,713
From one to five years	1,620
	12,333
Foreign currency	
Up to one year	1,133
From one to five years	7,593
Over five years	450
	9,176
	21,509

	Consolidated
	06/30/12
	(at present value)
Domestic currency	
Up to one year	96,184
From one to five years	204,089
	300,273
Foreign currency	
Up to one year	1,133
From one to five years	7,593
Over five years	450
	9,176
	309,449

The operating leases the Company enters into have no restrictions or contingencies, follow market practices and include, in some cases, price adjustment clauses during their effective term.

The value of the leased assets is calculated at total definitive cost, which includes costs of transportation, taxes and documentation.

Finance lease obligations are calculated on the total definitive cost, by applying a predefined percentage for each agreement.

In the event of termination, the lessor will have the option of cumulatively: (i) unilaterally cancelling all rights arising from the lease agreement; (ii) claiming the return of the leased goods; and (iii) accelerating the maturity of the lease agreement. In that case, the lessee undertakes to pay unsettled debts, including instalments overdue and falling due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debt balance. The lessee, without prejudice to the lessor, may file a claim for damages.

In relation to the renewal option, the lessee should previously communicate their intention to renew the lease agreement, otherwise the renewal is automatic, the conditions of which should be agreed upon between the parties. In the event the parties do not reach an agreement, the lessee should option for purchasing the goods at market value or returning them.

20 NOTES PAYABLE

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Notes payable for investments in Europe (a)	-	-	85,905	164,695
Notes payable for investments in Brazil	337,937	56,835	337,937	56,835
Notes payable - Sponsorships (b)	-	-	31,432	263
Derivatives payable (c)	266,185	209,185	300,317	243,888
Related parties (d)	1,027,820	623,382	-	-
Other (e)	-	1,745	35	833
Adjustment to present value	(227)	(1,819)	(227)	(1,819)
	1,631,715	889,328	755,399	464,695
Current liabilities	477,652	237,583	543,593	434,158
Non-current liabilities	1,154,063	651,745	211,806	30,537

(a) On June 23, 2008 the Company disclosed to the market that Marfrig acquired companies in Europe and Brazil. The acquisition agreement included an expected potential contingent payment of up to US$220 million based on future performance of the businesses located in Europe. This acquisition was approved at a meeting of the Company's Board of Directors held on October 31, 2008 and an Annual Shareholders' Meeting held on December 1, 2008. Obligation was recorded pursuant to CPC 15 (R1) – Business combination and disclosed according to CVM Resolution No. 603/2009, with due effects on the financial statements for January 1, 2009, date of transition to CPCs/IFRS. In September 2011, the Company and acquirees' former shareholders agreed on the amount that would be disbursed for said contingent payment, to be settled in fiscal year 2012.

(b) On March 8, 2010, the Company signed a sponsorship agreement with the Brazilian Football Confederation (CBF) to sponsor the Brazilian football teams, including men's and women's national association football teams administered by CBF ("TEAMS").

The agreement allows the disclosure of the sponsorship of the "TEAMS" through display and associations with the SEARA, MONTANA, BASSI, DAGRANJA, PALATARE and other brands owned by MARFRIG. Image rights of athletes and members of the technical commissions of the teams and third parties, use of the CBF logo in advertising campaigns of the products, including in-store actions, gifts and packaging of products in Brazil and abroad are also allowed. CBF must make backdrop displays of MARFRIG brands at press conferences in Brazil and abroad, disclose the trademark's logo on the back of training and leisure uniforms, used by players of the team. This agreement is valid from the date of execution to December 31, 2026.

On March 29, 2010, the Company signed a sponsorship agreement with FIFA (Fédération Internationale of Football Association) to sponsor the 2010 FIFA World Cup™, FIFA Confederations Cup 2013 and 2014 FIFA World Cup™. The agreement permits the use of Marfrig Group brands, such as: SEARA, PEMMICAN and MOY PARK, and also the use of the tournament logo in advertisements and products and its distribution.

On February 1, 2012, the Company signed a sponsorship agreement with Santos Futebol Clube to sponsor the club's professional men's football team. Under the agreement, the sponsor's brand is set to appear on the shoulder of the shirts of the teams participating in the São Paulo championship and Brazilian Championship in 2012.

(c) In the note 31, we break down financial instrument operations practiced by the Company. The Company and its subsidiaries are subject to market risks related to foreign exchange variations, interest rates fluctuations and commodities prices variations. These represent the amount of derivatives payable.

(d) The breakdown of balance can be seen in note 10.1.

21 PROVISIONS FOR CONTINGENCIES

21.1 The Company and its subsidiaries are involved in several civil, administrative, tax, social security and tax proceedings, in the ordinary course of business, for which provisions based on legal counsellors' estimates have been set up. The principal information about these proceedings is presented below:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Labor and social security	5,775	5,775	45,690	38,537
Tax	1,446	1,446	144,317	111,735
Civil	4,834	4,834	29,401	38,453
	12,055	12,055	219,408	188,725

21.1.1 LABOUR AND SOCIAL SECURITY

As at June 30, 2012, the Company and its subsidiaries are parties to various labour claims. Based on the Company's and its subsidiaries' payment history, a provision of R$45,690 was set up. In the opinion of the Management and legal counsellors, this provision is sufficient to face probable losses. Most of the labour claims filed against the Company and its subsidiaries refer to matters usually questioned in this industry, such as dismissal for cause, preparation time, break time for personnel who work in refrigerated environments, commuting time and ergonomic risk, among others.

21.1.2 TAX

Tax contingencies refer mostly to the following taxes:

State VAT - ICMS

According to the Management and its legal counsellors, the provision for tax contingencies of the Company are rated as a probable unfavourable outcome, totalling R$1,446. They refer to ICMS in the State of Mato Grosso and arise from the issuance of electronic invoices.

FEDERAL TAXES AND CONTRIBUTIONS

Subsidiary Seara has provision for tax contingencies totalling R$105,716, comprising the following:

- Subsidiary Seara has administrative proceedings discussing the disallowance of refund requests of PIS/COFINS credits, totalling R$8,002. They refer to credits on depreciation expenses, on goods acquired for resale, freight expenses, transportation of cargo, deemed PIS and COFINS credit of agribusiness activities, rent expenses and commission expenses.

- Seara has also filed administrative proceedings discussing the disallowance of IPI deemed credits taken as refund of PIS/COFINS levied on exports, corresponding to R$3,793. That company has a tax provision in the amount of R$15,347, of which R$13,082 corresponds to administrative proceedings referring to: i) IRPJ/CSLL escrow deposits (CPMF) in the amount of R$4,506; ii) disallowance of PIS/COFINS credits on inputs taxed at a zero rate, monophase products, freight expenses and deemed credits of agribusiness activities amounting to R$8,098; iii) ICMS on transfer margins in the amount of R$249; iv) ITR (real estate tax) on the value of bare land corresponding to R$229; and v) R$2,265 of tax risks immaterialised to date.

- Seara also recorded provisions of R$10,100 for attorney fees on tax claims, R$52,318 for income and social contribution taxes on tax credits and R$16,156 for interest on offsetting of social security tax debits with federal tax credits.

In addition, the subsidiaries Zenda, DaGranja, Mabella, Penasul, Agrofrango and Braslo jointly maintain a provision for tax contingency totalling R$37,155 which individually are not material.

21.1.3 CIVIL

Based on the opinion of legal advisors, the Management recognised on June 30, 2012 a provision for the amount of shares considered to be of probable risk, totalling R$29,401.

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities. None of those proceedings is individually material.

21.2 Contingent liabilities, which are not recorded in the books of account, according to prevailing legislation, are shown below:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Labor and social security	53,432	79,684	169,556	187,037
Tax	406,223	336,942	814,413	614,554
Civil	13,649	11,845	114,126	78,346
	473,304	428,471	1,098,095	879,937

21.2.1 Labour and social security

Among labour class actions, we emphasize those from subsidiary Seara which, in the opinion of the legal counsellors, are possible losses, in the estimated amount of R$27,085. They refer to preparation time and overtime, Articles 253 of CLT (a 20-minute break every one hundred and forty minutes for the personnel who work at refrigerated environments), commuting time, outsourcing of the core activity, health hazard premium and ergonomic risk, among others.

Furthermore, most labour claims filed against the Company and its subsidiaries which, in the opinion of the legal counsellors are possible losses, refer to matters usually questioned in this industry, such as dismissal for cause, preparation time, break time for personnel who work in refrigerated environments and commuting time, among others. However, Management points out that no labour claim is individually relevant.

21.2.2 Tax

We list below the main tax matters discussed at court that in the opinion of the Management and legal counsellors are rated as possible losses for the Company and its subsidiaries.

Federal Taxes and Contributions

As of June 30, 2012, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R$189,518, claiming:

(i) differences in payments of PIS and COFINS debts and accessory obligations, and (ii) fine for release of goods due to formal error in documentation. The total historic amount involved of items i) and ii) totalled R$1,172, for which no provision was accrued given that legal counsellors consider the likelihood of unfavourable outcome possible, (iii) IPI deemed credit, with a historic cost of R$293 and an administrative decision recognising the origin of the company's credit/ (iv) deduction of ICMS from PIS and COFINS tax bases. This last lawsuit refers to a refund request at the historical value of R$68,552, for which a provision was not set up, given that according to the opinion of the legal counsellors, they are rated only as possible losses. The Company has filed administrative defences, which are pending final judgment, alleging its non-enforceability due to miscalculation of their tax bases, and that inspectors estimated the amounts according to assumptions; v) contributions destined to Social Security (FUNRURAL and GILLRAT) and other entities and funds (SENAR) at the historical amount of R$82,223, which already is subject-matter of administrative defence alleging the non-constitutionality of said contribution based on the Federal Supreme Court's decision, the application of which at the administrative level is supported by Article 26 – A of Decree 70,235/72 and vi) Income and Social Contribution Taxes verified due to measurement of profits of foreign subsidiaries at the historical amount of R$37,278, subject-matter of administrative defence under the allegation of failure to comply with the accrual basis principle, non-constitutionality of law provision (Article 74 of Provisional Measure 2158-35/2011) and infringement to double taxation treaties signed by Brazil, where also no provision was recorded, in view of chances of success.

The Parent company and its subsidiaries have administrative proceedings associated with federal tax credits offset against social security debts. The amounts are the following: Marfrig R$19,517, Penasul R$3,026, Dagranja R$20,059, Mabella R$19,373, Seara R$68,175, Pampeano R$5,243 and Agrofrango R$6,458. These companies are parties to court actions discussing their right to the offset under those terms.

PIS and COFINS on imports

In November 2004, the Company filed a lawsuit challenging the enforceability of PIS and COFINS on imports and claimed the non-payment of those contributions. A provisional remedy was granted and confirmed in a sentence that is currently in effect, against which the Federal Government has filed an appeal that will be judged at the Federal Court of Appeals - 3rd Region. That action generates favourable effects on cash flows, as it allows the payment of those taxes during the sale of the goods, and not in advance during the import.

STATE VAT – ICMS

The discussions on ICMS involving the Company in administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia, Rio Grande do Sul and Ceará that question the credits from the transfer of goods, the allocation of presumed tax credit arising from slaughtering activities, non-fulfilment of accessory obligations and wrong issuance of invoices and credit granted, which amount to the historical value of R$45,496. From such amount, the amount of R$13,226 was the subject matter of a legal claim on the credit granted by the State of São Paulo, with an interim relief that suspended its mandatory payment. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R$968. In the State of Mato Grosso, the actions refer to the disregard of the tax regimen established with the State, the absence of issuance of electronic invoice, irregular issue of tax document and export evidence corresponding to R$11,591.

The most significant proceedings regarding ICMS were filed by the Finance Department of the State of São Paulo claiming amounts related to deemed credit taken on transfer invoices of goods sent by the branch located in the State of Mato Grosso do Sul to the branches in the State of São Paulo, that is, a "Tax War". The assessed amounts correspond to the difference between the amount separately identified in the goods receiving documents at the distribution centre and that paid to the State of origin. The total historical amount claimed in these administrative proceedings is R$220,172. The discussion at the administrative level is in the total amount is R$91,020. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, totalling R$98,635. Among these, three are court claims for taxes at the historical amount of R$91,020. Subsidiary Dagranja is a party to administrative proceedings also filed by the Finance Department of the State of São Paulo claiming the ICMS on the tax benefit granted by the States of Minas Gerais and Paraná. They total the historical amount of R$27,821, and are in discussion at the administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

IPI CREDIT – Premium

The Company has refund requests at the administrative level pleading IPI Credit – Premium amounting to R$671,899 already judged at the 1st Administrative Level but pending judgment on the appeal level. Said requests refer to credits the Company did not use.

21.2.3 Civil

The civil suits of the Company and its subsidiaries involve disputes typically related to business agreements and indemnities, which are not individually relevant.

21.3 Changes in provisions

	Parent				Consolidated			
	Labor and social security	Tax	Civil	TOTAL	Labor and social security	Tax	Civil	TOTAL
Balance on December 31, 2011	5,775	1,446	4,834	12,055	38,537	111,735	38,453	188,725
Addition	-	-	-	-	10,348	10,116	4,462	24,926
Reversal	-	-	-	-	(5,511)	13,469	(3,168)	4,790
Reclassification	-	-	-	-	2,024	8,546	(10,346)	224
Translation gains/losses	-	-	-	-	292	451	-	743
Balance on June 30, 2012	5,775	1,446	4,834	12,055	45,690	144,317	29,401	219,408

22 DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES - LIABILITIES

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Income Tax	82,004	94,660	989,123	1,106,219
Social Contribution	29,521	34,077	301,341	309,457
	111,525	128,737	1,290,464	1,415,676

Refer to (i) deferred taxes recorded when property, plant and equipment items adopted deemed cost as of January 1, 2009 in accordance with CPC 27 and ICPC 10, which will be settled as revalue assets are sold, written off, depreciated or amortized, according to their respective useful lives established in the appraisal report, and (ii) the effect of deferred federal taxes calculated on the effects of CPC 15 (R1) – business combination.

Below are the changes in deferred taxes in the year ended June 30, 2012:

	Parent		Consolidated	
Description	IRPJ	CSL	IRPJ	CSL
Balance on December 31, 2011	94,660	34,077	1,106,219	309,457
Realization of deemed cost	(877)	(316)	(10,612)	(3,711)
Revaluation of the appreciation of property, plant and equipment	(11,779)	(4,240)	(12,134)	(4,364)
Deferred taxes on temporary differences	-	-	(110,341)	5,795
Reversal of deferred taxes on temporary differences	-	-	(1,035)	(494)
Other	-	-	(15,292)	(5,342)
Translation gains/losses	-	-	32,318	-
Balance on June 30, 2012	82,004	29,521	989,123	301,341

23 SHAREHOLDERS' EQUITY

23.1 SHARE CAPITAL

Subscribed and paid-in share capital as at June 30, 2012 totals R$4,061,478 and is represented by 346,983,954 common shares without par value (R$4,061,478 as of December 31, 2011). Capital, less expenditure on public and private share issue, is R$3,986,518 (3,986,518 as of December 31, 2011).

Based on CVM Resolution No. 649/10, the Company recorded under shareholders' equity the costs incurred with raising funds through public issue of shares and the private issue of shares.

Pursuant to the Company's by-laws, at the discretion of the Board of Directors, share capital can be increased through issuance of up to five hundred million (500,000,000) common shares, including share capital, regardless of amendments to the by-laws.

Also at discretion of the Board of Directors, the Company can issue shares and debentures convertible into shares or subscription warrants without pre-emptive rights or with the period reduction provided for in paragraph 4 of article 171 of Law No. 6.404/76. Their placement should be made through sale on stock exchange or public subscription, or by means of exchange for shares in a public offering for control acquisition, under the terms of the law and within the limit of authorised capital.

The Board of Directors defines issuance conditions (prices and periods).

The call option of shares, the conditions under which shareholders will have pre-emptive rights to subscription, or the inexistence of such right in relation to Management, employees, or individuals who render services to the Company or other companies under its control are presented in note 27.5.

23.2 CAPITAL RESERVE – CONVERTIBLE DEBENTURES

According to the "Indenture for the Second Issue of Debentures Convertible into Shares of Marfrig Alimentos S/A", the Company issued two hundred and fifty thousand (250,000) debentures, mainly convertible into shares, with unit par value of R$10, amounting to R$2,500,000. The debentures were issued on July 15, 2010 through private subscription, with maturity within 60 months, annually restated at the interest rate at 100% of the accumulated variation of average interbank deposit rates of a day, plus spread of one per cent (1%). Debenture remuneration is recognised as current liabilities and collateralised by a bank guarantee provided by Banco Itaú BBA S/A. The total amount of the two hundred and fifty thousand (250,000) debentures was subscribed on various dates during September, and the main debenture holder is BNDES Participações S/A.

The Company, based on the characteristics of the transactions, recorded a capital reserve of issued debentures. As defined in the Indenture and except for the cases of voluntary conversion, the conversion price will be lower than the following items: (i) R$21.50, plus the percentage of interest paid to debenture holders over the par value of the issues, less earnings distributed to each share, both restated at CDI as from the actual payment, in the case of interest on debentures, or the date of debentures less earnings, in the case of earnings, until the conversion date; and (ii) the higher between the market price and R$24.50, the latter without adjustment for earnings in cash or monetary restatement.

Should the conversion be conducted at the amount of R$24.50, 102,040,816 common shares would be issued.

The Company spent R$12,328 to issue debentures, which was recorded as a valuation allowance to the capital reserve account, according to accounting rules for capital instruments. In August 2011, surety was renewed in the amount of R$8,365; accordingly, share issue expenses amount to R$20,693.

Because of the paying in of such debentures made by BNDES Participações S/A, MMS Participações S/A and BNDES Participações S/A have entered into a shareholders' agreement with the purpose of regulating the relationship between the parties as shareholders of Marfrig Alimentos S.A.

23.3 INCOME RESERVES

23.3.1 Legal reserve

It is 5% (five per cent) of the Company's net income, as defined in its by-laws and current legislation.

In 2011, the Company did not recognize legal reserve given that it recorded loss in the year. Accordingly, the balance as of December 31, 2011 remained at R$44,476.

23.3.2 Treasury shares

Share Buyback Programme

The Board of Directors' Meeting held on February 7, 2011 approved the Company's Share Buyback Programme, with the purpose of maximizing value generation to shareholders through an efficient capital structure management, as well as subsidising the Company's Stock Option Plan.

The program was effective up to February 7, 2012 and provides for the use of up to one hundred million reais (R$100,000) for acquisition of up to five million and eight hundred thousand (5,800,000) common shares issued by the Company, accounting for 2.97% of total outstanding shares.

Shares repurchased were held in treasury for exercise of stock options by the beneficiaries of the Company's Stock option Plan and/or subsequent cancellation or sale.

Acquisitions are made at market price on the BM&FBOVESPA S.A. – Securities, Commodities and Futures Exchange, respecting the legal and regulatory prohibition periods, mainly the restriction to trading of securities provided for in Article 12 of CVM Rule 476, of January 16, 2009, and Article 48 of CVM Rule 400, of December 29, 2003.

In the quarter ended June 30, 2012, no shares were purchased.

Information on acquisitions of shares issued by the Company is shown in the table below:

Period	Type	Repurchased shares	Repurchase Price (R$)			Quote at Closing[1] (R$)	Market Value (R$)
			Minimum	Average	Maximum		
2011	Common	1,100,000	8.42	8.51	8.66	8.54	9,394,000.00
1Q12	Common	865,000	8.04	8.18	8.39	11.50	9,947,500.00
2Q12	Common	0	n/a	n/a	n/a	9.34	n/a

[1] Closing quote at trading floor as diclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., related to Marfrig's common shares, traded under the ticker MRFG3.

Treasury shares

As of December 31, 2011, Marfrig held 1,332,598 common shares issued by itself in treasury, representing 0.38% of the Company's total shares. Shares were booked at the amount of R$13,702, which corresponds to an average cost of ten reais and twenty-eight centavos (R$10.28) per share.

In the quarter ended June 30, 2012, 125,175 common shares were transferred to the Management of the Company, in compliance with the stock option plan described in note 27.5.

On June 30, 2012, Marfrig held 2,019,073 common shares in treasury, representing 0.58% of the Company's total shares. Shares were already booked at the amount of 19,088, which corresponds to the average cost of R$9.45 per share.

Changes in treasury shares are shown in the table below:

Held in treasury

	Number of shares	Value (R$ thousand)
Balance as at 12/31/2011:	**1,332,598**	**13,702**
(+) Acquisition - Repurchase program	865,000	7,074
(-) Disposal – Stock options	(53,350)	(504)
Balance as at 03/31/2012:	**2,144,248**	**20,272**
(-) Disposal – Stock options	(125,175)	(1,184)
Balance as at 06/30/2012:	**2,019,073**	**19,088**

23.4 OTHER COMPREHENSIVE INCOME

23.4.1 ASSET AND LIABILITY VALUATION ADJUSTMENT

Considering CVM Resolution No. 640/10, the Company created the account subgroup "Asset and Liability Valuation Adjustments" to record exchange rate gains (losses) on investments in subsidiaries abroad directly and indirectly held by the Company. Such accumulated effect will be transferred to the statement of operations for the year as gain or loss only upon the disposal or write-off of the investment.

This account also recognises the effects of adoption of deemed cost.

23.4.2 CUMULATIVE TRANSLATION ADJUSTMENT

According to Circular Letter CVM/SNC/SEP No. 01, of January 30, 2009, and CVM Resolution No. 640/10, the Company created a caption called "Cumulative Translation Adjustments" to record exchange rate gains (losses) resulting from the translation of the foreign subsidiaries' quarterly financial information. The investee's functional currency is different from that of the Company.

23.5 DIVIDENDS PAYABLE

The Company's mandatory dividend is at least 25% of the adjusted net income determined in the Company's quarterly financial information, pursuant to Brazilian Corporate Law and the Company's by-laws. The annual statement of dividends, including their payment, in addition to mandatory minimum dividends, are approved at an Annual Shareholders' Meeting by majority voting of Marfrig's shareholders and will depend on various factors. Among these factors are the Company's operating results, financial conditions, cash needs, future prospects and others which Marfrig's Board of Directors and shareholders deem relevant.

At the Annual Shareholders' Meeting held on April 30, 2012, the 2011 Financial Statements was approved, which shows that the Company incurred a loss in 2011, therefore, no proposal for distribution of dividends for 2011 was made.

23.6 INTEREST ON EQUITY CAPITAL

Article 9 of Law No. 9.249 of December 26, 1995, with the modifications introduced by article 88, XXVI of Law No. 9.430/96 allowed the deductibility, for purposes of income and social contribution taxes, of interest on equity capital paid to shareholders, calculated according to the variation of the long-term interest rate – TJLP.

The Company did not recognized interest on shareholders' equity in 2011.

23.7 NON-CONTROLLING INTEREST

Refers to the interest of non-controlling shareholders in the Company's equity.

24 NET SALES

	Parent		Consolidated	
	06/30/12	06/30/11	06/30/12	06/30/11
Revenue from sales of products				
Domestic sales	1,394,013	1,495,502	7,450,248	6,821,871
Foreign sales	835,424	858,387	3,779,125	3,911,790
	2,229,437	2,353,889	11,229,373	10,733,661
Deductions from gross sales				
Taxes on sales	(63,821)	(56,803)	(302,197)	(337,286)
Returns and discounts	(71,190)	(73,469)	(215,439)	(237,494)
	(135,011)	(130,272)	(517,636)	(574,780)
NET SALES	2,094,426	2,223,617	10,711,737	10,158,881

25 RESULTS BY NATURE

The Company has decided to present the statements of income by function. The breakdown by nature is below:

	Parent		Consolidated	
	06/30/12	06/30/11	06/30/12	06/30/11
Cost of sales				
Inventory costs	1,358,965	1,573,100	7,424,603	7,257,263
Depreciation [1]	32,680	32,984	228,719	207,350
Amortization	1,032	-	124,916	113,026
Employee salaries and benefits	85,825	113,642	1,340,089	1,211,453
	1,478,502	1,719,726	9,118,327	8,789,092
Administrative expenses				
Depreciation	2,671	2,535	10,737	14,694
Amortization	-	-	7,769	5,110
Employee salaries and benefits	31,427	41,048	174,200	156,243
Other	69,157	27,882	171,874	178,626
	103,255	71,465	364,580	354,673
Selling expenses				
Depreciation [1]	123	134	4,481	3,365
Amortization	-	-	242	368
Employee salaries and benefits	8,166	14,078	100,301	88,444
Other	126,414	134,782	638,822	647,646
	134,703	148,994	743,846	739,823

(1) the difference in the balance of Consolidated accumulated depreciation between this note the Cash Flow Statement, amounting to R$9,591, is related to the reclassification of Discontinued Operation, in compliance with CPC 31 – Non-current assets held for sale and discontinued operation.

26 NET FINANCIAL RESULT

The Company's net financial income (expenses) is as follows:

	Parent		Consolidated	
	06/30/12	06/30/11	06/30/12	06/30/11
Financial income				
Financial results with derivatives	51,777	64,090	79,377	64,090
Interest received, earnings from financial investments	38,347	89,823	103,527	127,579
Discounts, other	7,325	13,246	7,250	15,954
Total financial income	97,449	167,159	190,154	207,623
Exchange rate gains	203,993	162,529	360,804	230,425
Financial expense				
Interest	(223,461)	(257,743)	(478,364)	(440,685)
Interest on debentures	(181,011)	(196,987)	(181,011)	(196,987)
Interest on lease	(5,592)	(12,926)	(11,218)	(13,006)
Derivatives	(44,826)	(32,586)	(94,355)	(41,376)
Bank expenses, commissions, fees	(20,634)	(26,330)	(84,337)	(50,140)
Other	(2,052)	(6,372)	(14,738)	(16,319)
Total financial expense	(477,576)	(532,944)	(864,023)	(758,513)
Exchange rate losses	(472,284)	(26,074)	(787,480)	(84,254)
NET FINANCIAL RESULT	(648,418)	(229,330)	(1,100,545)	(404,719)

27 MANAGEMENT'S COMPENSATION

The compensation policy is designed to establish the criteria, responsibilities and directions for the short- and long-term compensation program of Marfrig Group's Management (Bonus and Stock Option).

The purpose of this policy is to motivate the Company's executive officers to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward pay-out.

The Corporate Governance and Compensation Committee is responsible for evaluating/analysing Management's compensation. The Committee is made up of a coordinator (Member of the Board of Directors), President and HR Officer. Meetings are held monthly to discuss strategic HR issues.

The parameters used to determine Management's compensation are based on market practices.

27.1 BOARD OF DIRECTORS

The Board of Directors' compensation consists of a fixed and variable pay.

Fixed pay – An annual amount is set for each member and paid on a monthly basis.

Variable pay – Short-term bonus or stock option-based payment. An annual amount convertible into stock is set for each member (Stock Option) – only long-term. The price of the share is based on the average of the last 20 trading sessions prior to March 3 of each year. There is no subsidy by the Company.

The option exercise is in 4 years (25% per year), in the same way as for officers appointed as per by-laws.

The board members' compensation is determined through market research with the major companies in the industry whereby a compensation base is defined and submitted to Marfrig's corporate governance and compensation committee for validation.

27.2 OFFICERS APPOINTED AS PER BY-LAWS

Fixed pay – An annual amount is set for each member and paid on a monthly basis.

Variable pay – Consists of short-term (bonus) and long-term (Stock Option) compensation. In general the goals set by the Company for Management evaluation refer to economic objectives (Division's EBITDA and Marfrig Group's net income) and individual goals.

The gain on the Stock Option Plan is tied to the appreciation of the market price of the share, i.e. the value added to the Company by the performance of the individual and the Management as a whole will reflect on the gain on the stock option plan. At the same time the employees' interests are aligned with the Company's interests in the long term.

The exercise price of the stock options is the average of the last 20 trading sessions prior to March 3 of each year and the grant price with a 50% discount starting with the grants in 2010.

The vesting period follows these criteria:

- 25% after 12 months of the grant;
- 25% after 24 months of the grant;
- 25% after 36 months of the grant;
- 25% after 48 months of the grant.

The officers' compensation is determined through market research with the major companies in the industry whereby measurement criteria are established according to the significance of the position within the organisation. The macro policies are approved by the corporate governance and compensation committee.

27.3 AUDIT COMMITTEE

The Company's Audit Committee was set up after approval at the Annual Shareholders' Meeting held on April 30, 2010. In the by-laws amended by the Special Shareholders' Meeting held on March 11, 2011, the Audit Committee became a permanent body.

Fixed pay – An annual amount is set for each member and paid on a monthly basis. There is no variable pay.

27.4 CONSOLIDATED COMPENSATION

Management and Board members compensation is made up of the compensation of three members of the Board of Directors (the other five opted for not receiving compensation as board members), six members of the Audit Committee (the other three are alternate members) and the officers appointed as per the Company's by-laws.

The added value of the compensation received by the Company's Management and Board members for their services is defined through market practices, with the participation of the Corporate Governance and Compensation Committee, made up of one Member of the Board of Directors (coordinator), President and Human Resources Officer.

27.5 STOCK OPTION PLAN

On May 29, 2009, the Annual Shareholders' Meeting approved the amendment and restatement of the Stock Option Plan (Plan), with the purpose of: (i) promoting value generation to the Company's shareholders, through alignment of their interests with those of the Management, employees and outsourced employees of Marfrig or its subsidiaries and (ii) enabling a higher level of attraction, retention and motivation of strategic employees.

The Plan is managed by the Board of Directors, within the limits established in the general guidelines and applicable legislation, which are disclosed in details in the Company's Reference Form.

The exercise price of options granted under the Plan terms is determined by the Board of Directors, based on the weighted average price of shares practiced in the last twenty (20) trading sessions of the São Paulo Stock Exchange immediately prior to the option granting date and a discount of up to 20% on the amount calculated.

During the quarter ended June 30, 2012, 125,175 shares were transferred to the Management of the Company under the stock option plans. The changes in options exercised throughout the year are shown in the tables below:

Total options exercised by month

	Number of shares exercised	Average Market Price[1] (R$ per share)
Options exercised - 2011	**161,600**	
January/12	125	8.52
February/12	1,100	9.00
March/12	52,125	11.31
April/12	110,600	11.32
May/12	12,425	9.54
June/12	2,150	9.20
Options exercised - 2012	**178,525**	

[1] Average monthly quote disclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., related to Marfrig's common shares, traded under ticker MRFG3.

Consolidated Changes	2Q12	1Q12	2011
(Shares)			
Opening balance	**1,141,019**	**637,064**	**899,972**
Options granted	-	571,105	-
Options exercised	125,175	53,350	161,600
Options canceled and expired	-	13,800	101,308
Closing balance	**1,015,844**	**1,141,019**	**637,064**

The expected dilution of ownership interest of current shareholders, when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose, is 0.58%, as detailed in the table below:

Percentage of Dilution *2Q12*

	Plan Master 07-08	Plan Master 08-09	Plan ESP I LP 07-08	Plan ESP II CP 08-09	Plan ESP III LP 08-09	Plan ESP IV LP 09-10	Plan ESP V LP 10-11	Total
Granting date	03/03/08	07/28/09	07/28/09	07/28/09	07/28/09	07/01/10	04/20/11	
Unexercised	13,800	55,300	20,400	-	152,914	235,850	537,580	**1,015,844**
Outstanding shares								**176,185,977**
Percentage of dilution	**0.01%**	**0.03%**	**0.01%**	**0.00%**	**0.09%**	**0.13%**	**0.31%**	**0.58%**

On June 30, 2012, the fair value of options was recorded in Marfrig's shareholders' equity at the amount of R$19,088 (R$13,702 on December 31, 2011). The Company recognised expenses relating to granting of plans in effect at the net amount of R$224.4, as detailed in the table below:

Effects from the exercise of options (R$ '000)	*2Q12*	*1Q12*	*2011*
Amount received fromsale of shares - Exercised options	269.1	280.0	556.2
(-) Cost of treasury shares disposed of	(1,183.4)	(504.4)	(3,012.2)
Effect on disposal of shares	(914.3)	(224.4)	(2,456.0)

The fair value of the options was measured on an indirect basis, according to the Black-Scholes pricing method, based on the following assumptions:

Risk-free interest rate: 6% p.a. The Company uses as risk-free interest rate the Long Term Interest Rate (TJLP) annualised on calculation date and available on the federal revenue service website – www.receita.fazenda.gov.br/pessoajuridica/refis/tjlp.htm.

Volatility: 112.0%. Volatility is measured using the adjusted historical beta, taking into consideration the daily prices of Company's shares traded on BM&FBOVESPA under the ticker MRFG3, from June 30, 2011 to June 30, 2012, in comparison to Ibovespa Index, which represents the Brazilian stock market.

The fair value per share as of June 30, 2012 in the different programs and maturities ranged between a maximum of R$4.42 and a minimum of R$4.25 negative per share for MASTER plans, specific for board members, and between a maximum of R$8.69 and a minimum of negative R$1.69 per share for SPECIAL plans, specific for executive officers.

Options granted are broken down as follows:

Total options granted:

Plans	Granting date	Performance (vesting) period	Option expiration date	Total options granted	Total vested options	Options exercised in the period	Options cancelled and/or expired in the period	Options exercised and/or cancelled in prior periods	Unexercised agreements	Option exercise price	Value of option in the period (Black Scholes) in R$	Market value of unvested options (R$ thousand)	Market value of outstanding vested options (R$ thousand)	Effects in the result in case of accounting (R$ thousand)
Total on	**12/31/11**			**1,198,580**	**623,316**	**161,600**	**101,308**	**298,608**	**637,064**			**3,023.4**	**137.6**	**2,766.0**
Total on	**03/30/12**			**1,769,685**	**1,046,468**	**53,350**	**13,800**	**561,516**	**1,141,019**			**5,614.9**	**2,505.1**	**3,459.6**
MASTER 07-08	03/03/08	03/04/09	03/03/10	13,800	13,800	0	0	13,800	0	R$ 13.58700	-R$ 4.2470	0.0	0.0	0.0
MASTER 07-08	03/03/08	03/04/10	03/03/11	13,800	13,800	0	0	13,800	0	R$ 13.58700	-R$ 4.2470	0.0	0.0	0.0
MASTER 07-08	03/03/08	03/04/11	03/03/12	13,800	13,800	0	0	13,800	0	R$ 13.58700	-R$ 4.2470	0.0	0.0	0.0
MASTER 07-08	03/03/08	03/04/12	03/03/13	13,800	13,800	0	0	0	13,800	R$ 13.58700	-R$ 4.2470	0.0	-58.6	-57.0
				55,200	**55,200**	**0**	**0**	**41,400**	**13,800**			**0.0**	**-58.6**	**-57.0**
MASTER 08-09	07/28/09	03/04/10	03/03/11	27,900	27,900	0	0	27,900	0	R$ 6.77830	R$ 2.5617	0.0	0.0	0.0
MASTER 08-09	07/28/09	03/04/11	03/03/12	27,675	27,675	0	0	27,675	0	R$ 6.77830	R$ 2.5617	0.0	0.0	0.0
MASTER 08-09	07/28/09	03/04/12	03/03/13	27,650	27,650	0	0	0	27,650	R$ 6.77830	R$ 2.5617	0.0	70.8	74.0
MASTER 08-09	07/28/09	03/04/13	03/03/14	27,650	0	0	0	0	27,650	R$ 6.77830	R$ 4.4246	122.3	0.0	74.0
				110,875	**83,225**	**0**	**0**	**55,575**	**55,300**			**122.3**	**70.8**	**148.0**
ESP I LP 07-08	07/28/09	07/28/09	11/30/09	50,000	50,000	0	0	50,000	0	R$ 0.75485	R$ 8.5852	0.0	0.0	0.0
ESP I LP 07-08	07/28/09	03/03/10	09/02/10	50,000	50,000	0	0	50,000	0	R$ 0.75485	R$ 8.5852	0.0	0.0	0.0
ESP I LP 07-08	07/28/09	03/03/11	09/02/11	50,000	50,000	1,775	0	48,225	0	R$ 0.75485	R$ 8.5852	0.0	0.0	0.0
ESP I LP 07-08	07/28/09	03/03/12	09/02/12	50,000	50,000	21,200	0	8,400	20,400	R$ 0.75485	R$ 8.5852	0.0	175.1	177.5
				200,000	**200,000**	**22,975**	**0**	**156,625**	**20,400**			**0.0**	**175.1**	**177.5**
ESP II CP 08-09	07/28/09	07/28/09	11/30/09	80,200	80,200	0	0	80,200	0	R$ 1.03823	R$ 8.3018	0.0	0.0	0.0
				80,200	**80,200**	**0**	**0**	**80,200**	**0**			**0.0**	**0.0**	**0.0**
ESP III LP 08-09	07/28/09	03/03/10	09/02/10	108,083	108,083	0	0	108,083	0	R$ 0.67783	R$ 8.6622	0.0	0.0	0.0
ESP III LP 08-09	07/28/09	03/03/11	09/02/11	108,083	108,083	18,450	0	89,633	0	R$ 0.67783	R$ 8.6622	0.0	0.0	0.0
ESP III LP 08-09	07/28/09	03/03/12	09/02/12	108,082	108,082	55,375	0	7,875	44,832	R$ 0.67783	R$ 8.6622	0.0	388.3	393.5
ESP III LP 08-09	07/28/09	03/03/13	09/02/13	108,082	0	0	0	0	108,082	R$ 0.67783	R$ 8.6902	939.3	0.0	948.5
				432,330	**324,248**	**73,825**	**0**	**205,591**	**152,914**			**939.3**	**388.3**	**1,342.0**
ESP IV LP 09-10	07/01/10	03/03/11	09/02/11	80,000	80,000	0	0	80,000	0	R$ 11.02605	-R$ 1.6861	0.0	0.0	0.0
ESP IV LP 09-10	07/01/10	03/03/12	09/02/12	80,000	80,000	600	0	3,550	75,850	R$ 11.02605	-R$ 1.6861	0.0	-127.9	-119.2
ESP IV LP 09-10	07/01/10	03/03/13	09/02/13	80,000	0	0	0	0	80,000	R$ 11.02605	R$ 2.9364	234.9	0.0	-125.8
ESP IV LP 09-10	07/01/10	03/03/14	09/02/14	80,000	0	0	0	0	80,000	R$ 11.02605	R$ 4.8182	385.5	0.0	-125.8
				320,000	**160,000**	**600**	**0**	**83,550**	**235,850**			**620.4**	**-127.9**	**-370.8**
ESP V LP 10-11	04/20/11	03/03/12	09/02/12	142,770	142,770	27,775	0	4,900	110,095	R$ 7.02510	R$ 2.3149	0.0	254.9	267.4
ESP V LP 10-11	04/20/11	03/03/13	09/02/13	142,770	275	0	0	275	142,495	R$ 7.02510	R$ 4.3090	614.0	0.0	346.1
ESP V LP 10-11	04/20/11	03/03/14	09/02/14	142,770	275	0	0	275	142,495	R$ 7.02510	R$ 5.7826	824.0	0.0	346.1
ESP V LP 10-11	04/20/11	03/03/15	09/02/15	142,770	275	0	0	275	142,495	R$ 7.02510	R$ 6.6892	953.2	0.0	346.1
				571,080	**143,595**	**27,775**	**0**	**5,725**	**537,580**			**2,391.2**	**254.9**	**1,305.7**
Total em	**06/30/12**			**1,769,685**	**1,046,468**	**125,175**	**0**	**628,666**	**1,015,844**			**4,073.1**	**702.7**	**2,545.4**

28 EARNINGS (LOSS) PER SHARE

The following table shows the calculation of earnings (loss) per share for the period ended June 30, 2012 and 2011 (in thousands, unless otherwise stated):

	06/30/12	06/30/11
(Loss) attributable to shareholders of continued operations	(207,008)	(77,655)
Profit attributable to shareholders of discontinued operations	256,935	10,192
(units)	346,983,954	346,983,954
Weighted average number of treasury shares, including stock option (units)	2,081,661	295,586
Weighted average number of outstanding common shares in the period (units)	344,902,293	346,688,368
Profit (Loss) basic and diluted (in R$) from continued operations	(0.6002)	(0.2240)
Profit (Loss) basic and diluted (in R$) from discontinued operations	0.7450	0.0294

The Company has debentures convertible into common shares, which are not added to the calculation of diluted earnings per share.

29 SEGMENT REPORTING

Marfrig Alimentos S.A. is a multinational Brazilian-originated company dedicated to the production, processing and sale in domestic and foreign markets of diversified food products, focussing on products of animal protein.

The Company has built an integrated business model, geographically diverse, consisting of production bases located in places with significant competitive advantages in cost and a distribution network with access to major consumer markets in the world.

The Company is strategically organised into two main presentable areas, organised according to the animal protein that gives rise to revenue, with their own structures and professionalised and segmented into:

- Cattle, sheep and leather, with slaughter operations of animals found in South America (Brazil, Argentina, Uruguay and Chile) and Europe; and
- Poultry, pork and prepared & processed food products, with operations in Brazil, Europe, USA, Middle East and Asia.

The group's global platform is present in all five continents, with 150 industrial complexes and offices in South and North America, Asia, Africa, Europe, Middle East and Oceania, with a distribution system that allows us to export to over 140 countries.

The Company provides information to the market, combined by segment of activity similar to that considered by its managers when taking strategic decisions.

The Company informs that the transactions that occurred in this quarter are no longer included in the respective segments in the statement below. The asset exchange agreement and other covenants between Marfrig and BRFOODS impacted the beef, lamb and leather segment, and the sale of Keystone's logistics assets to Martin-Brower impacted the poultry, hogs, and processed foods segment.

The balance sheet and statement of operations summarized by information segment are as follows:

	06/30/2012			12/31/2011		
	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total
Assets						
Current assets	5,133,398	3,663,500	8,796,898	5,426,750	3,932,363	9,359,113
Long-term receivables	1,737,498	1,240,133	2,977,631	1,607,345	1,173,747	2,781,092
Investments	135	11,467	11,602	213	12,982	13,195
Property, plant and equipment	2,545,737	4,836,985	7,382,722	2,494,871	4,600,431	7,095,302
Biological assets	22,518	213,064	235,582	24,773	195,010	219,783
Intangible assets	1,153,491	2,953,183	4,106,674	1,187,559	3,167,397	4,354,956
	10,592,777	12,918,332	23,511,109	10,741,511	13,081,930	23,823,441
Current liabilities	2,799,207	3,844,342	6,643,549	2,723,165	3,949,934	6,673,099
Non-current liabilities	6,861,004	4,060,114	10,921,118	6,959,509	4,292,312	11,251,821
	9,660,211	7,904,456	17,564,667	9,682,674	8,242,246	17,924,920

	06/30/2012			06/30/2011		
	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total	Beef, lamb and leather	Poultry, pork and processed and elaborated products	Total
Net Revenue	3,633,627	7,078,110	10,711,737	3,784,734	6,374,147	10,158,881
COGS	(2,852,180)	(6,266,147)	(9,118,327)	(3,165,202)	(5,623,890)	(8,789,092)
Financial income (loss)	(794,285)	(306,260)	(1,100,545)	(296,411)	(108,308)	(404,719)
Income and social contribution taxes	198,576	50,063	248,639	46,972	44,870	91,842
Controlling interest in profits (losses) - continued operations	(7,923)	(199,085)	(207,008)	(13,139)	(64,516)	(77,655)
Controlling interest in profits (losses) - discontinued operations	(113,494)	370,429	256,935	-	10,192	10,192
Non-controlling interest - continued operations	14,930	(3,951)	10,979	(2,304)	(2,145)	(4,449)
Non-controlling interest - discontinued operations	-	613	613	-	(788)	(788)
Depreciation/amortization (1)	70,242	306,621	376,863	58,447	285,466	343,913

(1) the difference in the balance of Consolidated accumulated depreciation between this note the Cash Flow Statement, amounting to R$9,591, is related to the reclassification of Discontinued Operation, in compliance with CPC 31 – Non-current assets held for sale and discontinued operation.

30 INSURANCE COVERAGE

The Company's policy is to insure its property, plant and equipment and inventories subject to risk, at amounts deemed sufficient to cover possible losses, taking into consideration the nature of its activities and the insurance advisors' opinion.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not reviewed by the Company's independent auditors.

Below is a summary of the amounts insured by the Company:

	Parent		Consolidated	
Description	06/30/12	12/31/11	06/30/12	12/31/11
Buildings and meat packing plants	1,232,103	874,105	5,719,856	5,111,425
Inventories and loss of profit	310,081	203,973	2,285,644	2,261,180
Third-party warehouse	120,218	76,712	167,521	152,682
Vehicles	21,304	10,630	34,307	20,709
Transportation of goods	45,426	42,088	1,737,537	1,580,375
Officers' guarantees	60,639	56,274	113,698	104,952
Civil liability	10,000	10,000	338,069	377,115
Other	1,333,121	1,337,354	1,396,743	1,395,482
	3,132,892	2,611,136	11,793,375	11,003,920

31 FINANCIAL INSTRUMENTS - DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

31.1 OVERVIEW

The Company and its subsidiaries are exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to their business. In order to minimise these risks, the Company has policies and procedures to minimise these exposures and may use hedging instruments, as long as previously approved by the Board of Directors.

Among the Company's policies we highlight: Monitoring levels of exposure to each market risk; measuring these risks; setting limits for making decisions and using hedging mechanisms, always aiming at minimising the foreign exchange exposure of its debts, cash flows and interest rates.

Management is authorised to perform any and all acts listed below up to the amount equivalent to ten per cent (10%) of the Company's equity based on the last quarterly financial information disclosed in the market, except that for amounts higher than five per cent (5%) of shareholder's equity, an additional authorisation from the Company's Finance Committee is necessary.

The Company's acts mentioned in the previous paragraph are as follows: (a) Offer guarantee for the obligations of the Company's subsidiaries and/or wholly-owned subsidiaries; (b) approve the acquisition and/or sale of permanent asset items; (c) Approve financial transactions, including leases; and (d) Approve single or group of transactions involving the Company and related parties, directly or indirectly.

The Company does not enter into leveraged transactions with derivatives or similar instruments which do not offer a minimum protection against its exposure to other currencies, and also adopts a conservative policy of not entering into transactions that could affect its financial position.

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

31.2 FINANCIAL INSTRUMENTS BY CATEGORY

The Company's financial assets and liabilities are classified as below:

				Parent
Financial assets				
	Loans and receivables		**Held for trading**	
	06/30/12	**12/31/11**	**06/30/12**	**12/31/11**
Cash and cash equivalents	229,121	399,326	105,994	23,041
Marketable securities	-	-	710,480	877,165
Trade accounts receivable	383,802	381,222	-	-
Notes receivable - derivatives	-	-	47,075	2,388
Related parties	2,227,079	1,963,350	-	-
Total financial assets	2,840,002	2,743,898	863,549	902,594

Financial liabilities				
	Financial liabilities at amortized cost		**Held for trading**	
	06/30/12	**12/31/11**	**06/30/12**	**12/31/11**
Trade accounts payable	194,068	344,484	-	-
Loans and financing	5,024,815	5,106,327	-	-
Derivatives	-	-	266,185	209,185
Interest on debentures	262,349	180,299	-	-
Total financial liabilities	5,481,232	5,631,110	266,185	209,185

	Consolidated			
Financial assets				
	Loans and receivables		**Held for trading**	
	06/30/12	**12/31/11**	**06/30/12**	**12/31/11**
Cash and cash equivalents	830,776	1,042,671	126,436	34,149
Marketable securities	-	-	2,072,057	2,401,037
Trade accounts receivable	1,105,577	1,302,906	-	-
Notes receivable - derivatives	-	-	51,647	24,585
Total financial assets	1,936,353	2,345,577	2,250,140	2,459,771

Financial liabilities				
	Financial liabilities at amortized cost		**Held for trading**	
	06/30/12	**12/31/11**	**06/30/12**	**12/31/11**
Trade accounts payable	2,027,090	2,783,120	-	-
Loans and financing	10,895,176	10,603,078	-	-
Derivatives	-	-	300,317	243,888
Interest on debentures	262,349	180,299	-	-
Total financial liabilities	13,184,615	13,566,497	300,317	243,888

Details of the accounting policies and methods used (including criteria for recognition, measurement bases and criteria for recognition of gains and losses) for each class of financial instruments and equity are presented in Note 3.

31.3 COMPARISON OF MARKET VALUE AND RESPECTIVE FAIR VALUES

Market values for the financial instruments are shown below:

	Consolidated			
	Jun/12		Dec/11	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	957,212	957,212	1,076,820	1,076,820
Financial investments	2,072,057	2,072,057	2,401,037	2,401,037
Trade accounts receivable	1,105,577	1,105,577	1,302,906	1,302,906
Trade accounts payable	2,027,090	2,027,090	2,783,120	2,783,120
Loans and financing	10,895,176	10,895,176	10,675,095	10,675,095
Derivatives	300,317	300,317	243,888	243,888
Interest on debentures	262,349	262,349	180,299	180,299
Debentures	594,768	594,768	598,200	593,951

The fair value of financial instruments is similar to the book value and largely reflects the values that would be obtained if they were traded in the market. However, due to the lack of an active market, variations may occur if the Company and its subsidiaries decide to prepay them.

31.4 LIQUIDITY RISK

Liquidity risk arises from the Company's and its subsidiaries' working capital management and the amortisation of the principal and finance charges of debt instruments. This is the risk that the Company and its subsidiaries will find to settle its falling due payables.

The Company and its subsidiaries manage their capital based on parameters to optimise the shareholding structure focused on liquidity and leverage metrics that enable a return to shareholders over the medium term, consistent with the risks assumed in the transaction.

31.4.1 Capital management

	Consolidated	
	06/30/12	12/31/11
Short-term cash and cash equivalents and financial investment	3,028,383	3,476,960
Short-term loans and financings	2,641,709	2,277,035
Modified liquidity ratio	1.15	1.53
Leverage ratio	3.64x	4.39x

The purpose of capital management is to define the best financing structure for the Company and its subsidiaries.

The main indicators for monitoring such management is the modified immediate liquidity ratio, which is the ratio between cash and cash equivalents and the leverage ratio - current indebtedness (short term) and the leverage ratio - monitoring the ratio of net debt (total debt indebtedness less cash and cash equivalents) to EBITDA at levels considered to be manageable for continuity of operations.

Based on the analysis of these indices, the management of working capital is defined so as to keep Company's and its subsidiaries' natural leverage at levels equal or lower than the leverage ratio deemed adequate.

The following table presents contractual terms (representing undiscounted contractual cash flows) of financial liabilities:

						Consolidated
December 31, 2011	2012	2013	2014	2015	Onwards	Total
Trade notes payable	2,783,120	-	-	-	-	2,783,120
Loans, financing and debentures	2,277,035	2,202,101	2,138,800	1,291,686	3,287,407	11,197,029
Interest on debentures	180,299	-	-	-	-	180,299
Derivative financial liabilities	8,171	3,845	14,285	132,484	85,103	243,888
Total	5,248,625	2,205,946	2,153,085	1,424,170	3,372,510	14,404,336

June 30, 2012	2012	2013	2014	2015	Onwards	Total
Trade notes payable	2,027,090	-	-	-	-	2,027,090
Loans, financing and debentures	1,629,331	2,261,572	2,409,097	1,483,568	3,706,376	11,489,944
Interest on debentures	223,325	39,024	-	-	-	262,349
Derivative financial liabilities	62	27,679	4,090	185,566	82,920	300,317
Total	3,879,808	2,328,275	2,413,187	1,669,134	3,789,296	14,079,700

31.5 INTEREST RATE RISK MANAGEMENT

Interest rate risk refers to the Company's risk of incurring economic losses due to negative changes in interest rates. This exposure basically refers to changes in market interest rates which affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR (London Interbank Offered Rate) or CDI (interbank deposit rate).

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

The risk of exposure to interest rate for the Company and its subsidiaries as at December 31, 2011 and June 30, 2012 is as follows:

Exposure to CDI rate:

	Consolidated	
	06/30/12	12/31/11
NCE (R$ and US$) / ACC / Working capital (R$)	3,402,066	3,059,976
(-) CDB-DI (R$)	(676,740)	(1,002,199)
Subtotal	2,725,326	2,057,777
Exposure to LIBOR rate:		
Prepayment (US$)	2,513,511	2,595,233
Working capital (US$)	214,679	205,561
Financing of industrial complex - (US$) / Overdraft-facility account (US$)	473,531	5,994
Subtotal	3,201,721	2,806,788
Exposure to TJLP rate:		
FINAME / FINEM / FINEP	51,704	61,047
Subtotal	51,704	61,047
TOTAL	5,978,751	4,925,612

The Company entered into non-speculative swap contracts to minimize the effects of exchange rates fluctuations on the settlement of its loans and financing, as below:

							06/30/12	12/31/11
Instrument	Register	Maturity	Receivable	Payable	Notional value in US$ (2)	Fair value R$ (1)	Amount receivable (-) payable	Amount receivable (-) payable
Interest Rate Swap	CETIP	2012	Higher Libor 2.10%	Lower Libor 2.10%	9,360	18,978	(62)	(1,027)
Interest Rate Swap	CETIP	2013	Higher Libor 2.38%	Lower Libor 2.38%	50,000	102,788	(772)	(1,958)
Interest Rate Swap	CETIP	2014	Higher Libor 3.30%	Lower Libor 3.30%	216,716	465,205	10,831	(14,285)
Interest Rate Swap	CETIP	2015	Higher Libor 5.50%	Lower Libor 5.50%	86,250	183,938	2,174	(109,291)
Interest Rate Swap	CETIP	2015	Higher FX USD + 7.13%	Lower FX USD + 7.13%	-	-	-	(14,518)
Interest Rate Swap	CETIP	2015	Lower FX USD + 6.75%	Higher FX USD + 6.75%	426,241	767,910	(169,861)	(8,675)
Interest Rate Swap	CETIP	2015	Lower Libor VC USD + 5.5%	Higher Libor VC USD + 5.5%	225,000	445,549	(13,982)	(58,866)
Interest Rate Swap	CETIP	2016	Higher FX + 8.825%	Lower FX + 8.825%	100,000	209,040	32,347	-
Interest Rate Swap	CETIP	2018	Higher FX USD + 8%	Lower FX USD + 8%	120,000	201,556	(79,784)	-
					1,233,567	2,394,964	(219,109)	(208,620)
Interest Rate Swap	CETIP	2012	Lower Libor 5.50%	Higher Libor 5.50%	20,000	41,827	(1,248)	(5,720)
Interest Rate Swap	CETIP	2013	Lower Libor 2.26%	Higher Libor 2.26%	100,000	195,432	(26,906)	(1,424)
Interest Rate Swap	(3)	2013	Higher FX USD + 5.72%	Lower FX USD + 5.72%	-	-	-	(1,887)
					120,000	237,259	(28,154)	(9,031)
					1,353,567	2,632,223	(247,263)	(217,651)

(1) This value is calculated using the "Market to Market" (MtM) method, plus any premium, which consists of calculating the future value based on contracted conditions and determining the present value based on market curves, extracted from Bloomberg and BM&FBovespa database.

(2) The notional value is not related to a hedge transaction, but it is only the basis for payment flows, which are linked to Libor (Libor Interbank Offered Rate), which is fixed.

(3) Bilateral/over-the-counter operation. There is no record in the custody/settlement chamber.

31.6 COMMODITY PRICE RISK MANAGEMENT

During its activities, the Company and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

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

Maize and soya bean meal (“grains”) are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others, which is not under Management’s control.

So as to reduce the impact over commodities, the Company and its subsidiaries manage inventory levels, keeps cattle in feedlots and trade derivative financial instruments in the futures market.

The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company and its subsidiaries purchase financial instruments to reduce the price risk related to the needs for commodities within 12 months.

A substantial part of these financial instruments of protection come from the futures market, having the CBTO - Chicago Board of Trade as counterpart. As at June 30, 2012, financial instruments covered 5% of expected needs for the purchase of cattle in Brazil; in Keystone 95.3% for the exposure of grain, for an anticipated need by 2012. In the last two cases they are made on behalf of customers.

31.7 CREDIT RISK MANAGEMENT

The Company and its subsidiaries are subject to credit risk. Credit risk deals with group's financial losses if a client or counterpart in a financial instrument fails to comply with contractual obligations, which arise from most receivables.

The Company and its subsidiaries limit their exposure by analysing credit and managing client's portfolio, seeking to minimise the economic exposure to a certain client and/or market that may represent significant losses.

The Global Credit Risk Policy determines the guideline for financial credit risk management based on the following:

- Limit of counterparty's credit risk concentration to 15% of total current assets;
- Investments in solid and prime financial institutions, based on their financial rating;
- Balance between assets and liabilities.

Conducted evaluations are based on information flows and follow-up of the volume of purchases in the market. The internal controls cover the assignment of credit limits.

The maximum exposure to credit risk for the Company and its subsidiaries are the trade accounts receivable shown in note 6, where the value of the effective risk of possible losses is presented as provision for credit risk is also shown.

Values subject to credit risk:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Cash and cash equivalents	335,115	422,367	957,212	1,076,820
Marketable securities	710,380	877,065	2,071,171	2,400,140
Receivables from domestic clients	267,968	193,588	876,147	1,032,510
Receivables from foreign clients	115,834	187,634	229,430	270,396
Other receivables	12,439	19,954	167,113	168,538
Total	1,441,736	1,700,608	4,301,073	4,948,404

31.8 EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company and its subsidiaries to incur losses and causing a reduction in the values of assets or an increase in the values of liabilities. The Company's main current exchange rate exposure relates to the US dollar fluctuation against the Brazilian real.

Given that approximately 76% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural *hedge* against the maturities of future obligations in foreign currency. The internal controls used when managing the risk and the cover are made through calculation spreadsheets with the appropriate follow-up of transactions conducted and the calculation of VaR (Value at Risk) for one day, with a confidence interval of 95%.

The Company also has a sound financial policy, maintaining a high level of cash balance and short-term marketable securities with solid financial institutions.

We believe that the Company's and its subsidiaries' consistent financial policy, grounded in a well-distributed capital structure, allows it to consolidate synergies achieved through the acquisitions made.

Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

			Parent
EXPOSURE			Effects of exchange rate gains (losses)
Description	06/30/12	12/31/11	2012
OPERATING			
Trade accounts receivable	286,605	451,855	(13,993)
ACE (advance on export contracts)	(167,796)	(262,776)	(29,225)
Imports payable	(32,451)	(45,560)	(1,568)
Subtotal	86,358	143,519	(44,786)
FINANCIAL			
Loans and financing	(3,720,846)	(3,838,276)	(233,327)
Notes payable	(3,790)	(3,517)	273
Balance of banks and marketable securities (*)	227,883	243,312	9,549
Subtotal	(3,496,753)	(3,598,481)	(223,505)
TOTAL	(3,410,395)	(3,454,962)	(268,291)
Exchange rate gains			203,993
Exchange rate losses			(472,284)
Exchange rate gains (losses), net			(268,291)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

	Consolidated		
EXPOSURE			Effects of exchange rate gains (losses)
Description	06/30/12	12/31/11	2012
OPERATING			
Trade accounts receivable	630,812	924,177	27,030
ACE (advance on export contracts)	(398,256)	(651,535)	(29,225)
Imports payable	(163,206)	(116,832)	(951)
Other	(4,368)	4,125	(16,924)
Subtotal	64,982	159,935	(20,070)
FINANCIAL			
Loans and financing	(8,898,676)	(8,611,286)	(403,728)
Notes payable	(12,886)	(25,187)	2,317
Balance of banks and marketable securities (*)	401,371	637,696	8,821
Other	229	(11,436)	(5,753)
Subtotal	(8,509,962)	(8,010,213)	(398,343)
TOTAL	(8,444,980)	(7,850,278)	(418,413)
Exchange rate gains			365,448
Exchange rate losses			(783,861)
Exchange rate gains (losses), net			(418,413)
Exchange rate gains (losses) - discontinued			(8,263)
Final exchange rate gains (losses), net			(426,676)

(*) Refers only to banks and marketable securities that generated exchange rate gains (losses).

31.9 MARGINS GIVEN AS GUARANTEE

The Company has no monetary assets as collateral for derivative transactions conducted on futures and commodities exchanges as at June 30, 2012.

At the same time, the Company does not have any collateral linked to financial assets.

31.10 SENSITIVITY ANALYSIS

To provide information about the behaviour of market risks that the Company and its subsidiaries are exposed to as at June 30, 2012, three scenarios are considered and the probable scenario is the fair value as at June 30, 2012 and two more scenarios with deterioration of 25% and 50% of the risk variable taken into account, denominated as Possible and Remote, respectively. The source of information was Bloomberg.

The market future curve of June 30, 2012 was applied for currencies, with notional value of R$/US$2.0213. The interest rate considered the value as at June 30, 2012 for 1 month Libor at 0.246%, for 3-month Libor at 0.461%, and for 6-month Libor at 0.734%.

Sensitivity scenarios are below:

STRESS SCENARIO - SWAP			
Instrument	Probable scenario	Possible scenario	Remote scenario
Company	(219,110)	(273,887)	(328,664)
Subsidiaries	(34,132)	(42,665)	(51,198)
	(253,242)	(316,552)	(379,862)

**Future curves from Bloomberg and deteriorated curves were used in the calculation of these scenarios. This result was discounted to present value

In the period ended June 30, 2012, a net loss of R$14,978 was incurred with derivatives, of which R$94,355 corresponded to expenses and R$79,377 to revenues.

Assets and liabilities presented on the balance sheet under “securities receivable” and "trade accounts payable" regarding derivative transactions, which are intended for equity hedging, are shown below:

	Parent		Consolidated	
	06/30/12	12/31/11	06/30/12	12/31/11
Swap	(219,110)	(208,620)	(249,519)	(217,651)
Currency forward	-	1,830	-	(1,043)
Other	-	(2,395)	849	(25,194)
	(219,110)	(209,185)	(248,670)	(243,888)

31.11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company and its subsidiaries use the Bloomberg's market curves for each derivative, brought to present value at the date of calculation, to obtain fair value, except for futures market derivatives whose fair values are calculated based on the on daily adjustments of variations in market prices of commodities and futures acting as consideration. The fair value of swap contracts for interest rate is obtained by calculating independently the active and liability positions, bringing them to their present value.

According to IFRS 7, the Company and its subsidiaries classify the measurement of fair value according to hierarchical levels which reflect the importance of indices used in such measurement, as follows:

Level 1: Prices quoted in (non-adjusted) active market for identical assets and liabilities;

Level 2: Other available information, except those of Level 1, where quoted prices relate to similar assets and liabilities, whether directly, by obtaining prices in active markets, or indirectly, such as evaluation techniques using active market data.

Level 3: Indices used for the calculation do not derive from an active market. The Company and its subsidiaries do not have instruments at this measurement level.

As previously mentioned, the fair value of financial instruments, except for those falling due in the short term, equity instruments without an active market and agreements with discretionary characteristics, where fair value cannot be reliably measured, are presented by hierarchical levels, according to the table below:

	Level 1	Level 2	Level 3
Current assets			
Cash and cash equivalents	957,212	-	-
Marketable securities - held for trading	-	2,071,171	-
Non-current liabilities			
Derivatives	-	(248,670)	-
Total	957,212	1,822,501	-

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

32 INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated according to prevailing legislation and the Transition Tax System, provided for in Executive Act No. 449/2008.

Income and social contribution tax calculations and returns, when required, are open to review by tax authorities for varying statutory years in relation to the payment or filing date.

Reconciliation of income and social contribution tax account records with the Taxable Income Computation Book is as follows:

Tax		Parent		Consolidated	
		06/30/12	06/30/11	06/30/12	06/30/11
Income (loss) before tax effects		(106,439)	(74,633)	(455,648)	(169,498)
Add-backs					
Add-backs of corporate income tax (IRPJ)		204,106	274,438	305,781	294,802
Add-backs of social contribution tax (CSLL)		204,106	274,438	213,406	262,998
(-) Deductions					
(-) Deductions from IRPJ		(294,129)	(174,817)	(107,156)	(351,969)
(-) Deductions from CSLL		(294,129)	(174,817)	(119,292)	(350,162)
Tax base					
Income tax base		(196,462)	24,988	(257,023)	(226,665)
Social contribution tax base		(196,462)	24,988	(361,534)	(256,662)
Companies with income tax loss		-	-	209,772	311,909
Companies with social contribution tax loss carryforwards		-	-	213,756	332,689
Calculation base after carry forwards of IRPJ		(196,462)	24,987	(47,251)	85,244
Calculation base after carry forwards of CSLL		(196,462)	24,987	(147,778)	76,027
(-) Tax loss carryforwards		-	(7,496)	(3,338)	(11,097)
(-) Social contribution negative basis		-	(7,496)	(3,334)	(10,459)
Calculation base after carry forwards					
Calculation base after carry forwards of IRPJ		(196,462)	17,491	(50,589)	74,147
Calculation base after carry forwards of CSLL		(196,462)	17,491	(151,112)	65,568
Income tax (15%)		-	2,624	60,658	4,420
Surtax (10%)		-	1,737	(289)	2,201
(-) PAT		-	(105)	176	(148)
Total income tax		-	4,256	60,545	6,473
Social contribution tax (9%)		-	1,574	(300)	2,011
		-	5,830	60,245	8,484
Rate difference on foreign results		-	-	(168,589)	(9,858)
Total taxes		-	5,830	(108,344)	(1,374)
Effect on Statement of Operations		-	5,830	(108,343)	(1,374)
Tax	Group	30/06/12	30/06/11	30/06/12	30/06/11
(-) Income tax - current	Current liabilities	-	(4,256)	(107,529)	638
Tax - provision for contingencies	Non-current liabilities	-	-	7,815	-
Deferred income tax - Assets (1)	Non-current assets	102,320	6,951	156,016	57,200
Deferred income tax - Liabilities (1)	Non-current liabilities	12,655	2,608	134,123	15,671
Net	Income (loss)	114,975	5,303	190,425	73,509
(-) Social contribution tax - current	Current liabilities	-	(1,574)	(815)	(2,011)
Deferred social contribution tax - Assets (1)	Non-current assets	36,835	2,484	56,256	17,695
Deferred social contribution tax - Liabilities (1)	Non-current liabilities	4,556	957	2,773	2,649
Net	Income (loss)	41,391	1,867	58,214	18,333

(1) Refer to deferred income and social contribution taxes calculated on: taxes whose payment has been suspended (provisions), and which were added to the calculation of the taxable income and the social contribution tax basis; utilisation for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in notes 11 and 22.

33 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company has been fulfilling its social development role in all countries where it operates. In 2007 the Company created the Social Action Department responsible for developing social projects.

The Company has been contributing annually, with an increasing amount of funds and human resources, to hospitals, charitable entities and social projects, allocating part of its production to poor communities in various Brazilian regions.

To assure the sustainability of Marfrig Group's operations, the Company takes all the measures to preserve environmental conditions and generate a positive effect on the communities where the Company has activities.

Meetings are held with the presence of the Company's officers, where environmental projects are defined and goals established. Among the projects for reducing the emission of greenhouse gases (carbon credits) the following stand out: (i) electricity generation using biomass; (ii) the replacement of fossil fuel for tallow in the boilers of its facilities; and (iii) the treatment of wastewater in anaerobic reactors (bio-digesters) capturing and burning methane gas. In addition, we implemented the treatment of wastewater by means of bio-digesters in the industrial complexes of Bataguassu, Porto Murtinho, Tangará da Serra, Promissão I and II and, if found feasible by the development researches, it will also be implemented in the industrial complexes of Mineiros, Chupinguaia, Paranatinga and São Gabriel.

In July 2011, Marfrig Group concluded the first GHG report comprising all facilities established in 22 countries. The report contains information on the Group's CO2 emission and will be the main guide for the development of studies, realization of projects and expansion of acts with the purpose of reducing emissions. The report allowed the Company to make available its consolidated information on emissions in the GHG Protocol Brasil in Brazil and at the international CDP – Carbon Disclosure Project.

In relation to the purchase of cattle in Brazil, the Company follows the policy of not acquiring it from farms included in the list of areas embargoed by Administrative Act No. 19, of IBAMA (Brazilian Institute of Environment and Natural Resources) of July 2, 2008 and Decree No. 6.321 of December 21, 2007 and respective amendments, as well as those included in the Black List of Slave-Like Work from the Labour Ministry (Administrative Act 540/2004 of October 15, 2004), proactively acting in relation to producers who violate current laws and arranging for their prompt withdrawal from the list of suppliers of animals for slaughter.

The Company adopts adequate practices in relation to prevailing environmental and labour regulations, besides being one of the parties to the National Agreement for Eradication of Slave-Like Working Conditions and the *Pacto Conexões Sustentáveis* (sustainability agreement) since October 2008, whereby it undertakes to inspect and keep its business relations under ethic and human respect codes.

Starting June 22, 2009, the Company undertook not to acquire, slaughter or sell cattle from the Amazonian Biome area that has been deforested, starting on that date, demonstrating the commitment to search for a sustainable development of livestock. In relation to that, beginning on the mentioned date, the Company requested independent auditors to conduct specific procedures to review cattle acquisitions and confirm the commitment undertaken.

The Company is committed to working in partnership with state governments, in special with the government of the State of Mato Grosso, in the MT Legal Program and with the Brazilian society in the development of a program to guarantee the origin of the animals, including the adhesion of the suppliers that make the fattening of cattle with animals from other properties, with the objective of:

- Assuring that the cattle for slaughter is not from areas embargoed by IBAMA or included in the black list of slave-like work of the Brazilian Labour Ministry.

- Implementing a plan of control over properties of suppliers, so that they do not acquire animals from farms included in the list of areas embargoed or black listed.

The following is also among Marfrig's purposes, as part of its sustainability:

- Developing good social and environmental practices with cattle farmers.

- Implementing a Cattle Raising Boosting Program, which encourages and enhances training and recognition of good practices to improve productivity in the field, as already happens in the subsidiaries in Argentina and Uruguay.

- Making the results of the above-mentioned programmes available for consultation.

- Implementing a social and environmental mapping of the properties that supply cattle, increasing adequacy standards and assuring the commitment to sustainability in the whole chain.

The Company confirms that it already follows the strict conduct of not acquiring cattle from farms included in the list of embargoed areas, proactively acting in relation to producers that violate current laws and immediately excluding them from the list of suppliers of animals for slaughter and that it already adopts appropriate practices in relation to environmental and labour laws in effect.

Reinforcing our real journey for the sake of sustainability, in April 2011 we created the *Instituto Marfrig de Sustentabilidade* (Marfrig Sustainability Institute), a non-profit entity with the purpose of supporting sustainable projects in communities.

In June 2012, Marfrig Beef became the world's first food company in the animal protein segment to track its entire beef production cycle in accordance with the standards developed by the Agriculture and Forest Management and Certification Institute (Imaflora) and the Rainforest Alliance, a U.S.-based organization created 25 years ago that was one of the first to create forest-protection protocols. The Rainforest Alliance Certified (RAC) seal authorizes the Tangará da Serra unit to produce and sell products with the "green cattle farm seal" in the international market.

34 RESULT FROM DISCONTINUED OPERATIONS

On April 30, 2012, the Company completed the sale of Keystone's logistics assets to The Martin-Brower Company, LLC. Following that sale, and under CPC 31, the key assets and liabilities, including the results from discontinued operations and the cash flow for the quarter ended June 30, 2012 are summarized below:

ASSETS	04/30/12	LIABILITIES	04/30/12
Current		Current	
Cash and cash equivalents	159,934	Suppliers	788,430
Amounts receivable	402,537	Personnel, charges and social benefits	65,642
Inventories	186,718	Taxes and contributions	11,831
Notes receivable	2,770	Notes payable	10,104
Other amounts receivable	44,709	Lease payable	7,191
	796,668	Other liabilities	18,859
			902,057
Non-current			
Notes receivable	21	Non-current	
Deferred income tax and social contribution	44,001	Deferred income tax and social contribution	130,082
Loans and financings	25,979	Loans and financings	25,586
Other amounts receivable	9,179	Lease payable	122,005
	79,180	Other	33,210
			310,883
Investments	10,483	Non-controlling interest	5,154
Property, plant and equipment	362,526		
Intangible assets	336,043		
	709,052	Total liabilities	1,218,094
		Net assets	366,806
Total assets	1,584,900	Total liabilities and net assets	1,584,900

Result from discontinued operations

	06/30/12	06/30/11
Net Revenue	339,017	415,270
Cost of goods sold	(276,243)	(344,005)
Gross Income	62,774	71,265
Selling, general and administrative expenses	(57,539)	(51,548)
Other revenues: income from sale of assets	266,211	-
Financial result	4,825	(4,007)
Income before tax effects	276,271	15,710
Income tax	93,545	(4,730)
Net income before discontinued operations	369,816	10,980
Non-controlling interest	613	(788)
Income from discontinued operation	370,429	10,192

Cash flow from Discontinued Operations

	06/30/12	06/30/11
From operating activities	2,287	(15,072)
Used in investing activities	(22,995)	(8,275)
Used in financing activities	(161,016)	(5,787)
Change	(181,724)	(29,134)

35 EVENTS AFTER THE REPORTING PERIOD

- On July 31, 2012, the Company announced to its shareholders and the general market that the members of the Board of Directors decided, by unanimous vote, to proceed with the cancellation of one million, two hundred thirty-six thousand, five hundred and forty-nine (1,236,549) registered common shares that were held in treasury. The shares were acquired through the Company's stock buyback plans.

  There was no change in the Company's capital stock of four billion, sixty-one million, four hundred seventy-eight thousand and fifty-one Brazilian reais (R$4,061,478,051.00), which is now divided into three hundred forty-five million, seven hundred forty-seven thousand, four hundred and five (345,747,405) common shares.

  An Extraordinary Shareholders' Meeting will be called to amend Article 5 of the Bylaws to ratify and register the number of shares representing the capital stock of the Company following the cancellation of shares.

- On August 2, 2012, the Company received approval from CAIXA ECONÔMICA FEDERAL (CEF) for a financing line in the aggregate amount of three hundred and fifty million Brazilian reais (R$350,000,000.00).

The transactions are part of the Capital Structure Management strategy of the Company and will help lengthen its debt profile.