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

MARFRIG ALIMENTOS S.A.

Individual and consolidated interim financial statements for the quarter ended March 31, 2012 and the independent auditors' review report of the interim financial statements

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

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Individual and consolidated interim financial statements for the quarter ended March 31, 2012 and the 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"),** which include the balance sheet as of March 31, 2012 and the respective income statement, statements of comprehensive income, statements of changes in shareholders' equity and cash flows for the quarter ended March 31, 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 interim financial statements 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 interim financial statements and presented according to the accounting standards adopted in Brazil.

Other issues

Interim statements of value added

We have also reviewed the interim statements of value added, Company and Consolidated, for the period ended March 31, 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 quarter ended March 31, 2011, presented for comparative purposes, were previously audited and review by other independent auditors, whose reports thereon, dated March 25, 2012 and May 13, 2011, respectively, were unqualified.

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

São Paulo, May 14, 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 MARCH 31, 2012 AND DECEMBER 31, 2011
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
ASSETS	Note	03/31/12	12/31/11	03/31/12	12/31/11
Current assets					
Cash and cash equivalents	4	619,503	422,367	1,211,295	1,076,820
Marketable securities	5	947,612	877,065	2,109,833	2,400,140
Trade accounts receivable - domestic	6	148,050	193,588	1,075,827	1,032,510
Trade accounts receivable - foreign	6	122,998	187,634	249,398	270,396
Inventories of goods and merchandise	7	473,643	533,513	2,530,387	2,526,827
Biological assets	8	33,393	25,609	697,952	711,169
Recoverable taxes	9	487,108	467,002	1,107,206	1,025,496
Prepaid expenses		11,291	6,143	102,078	85,689
Notes receivable	10	455,135	405,193	19,397	28,362
Advances to suppliers		17,833	17,179	36,650	33,166
Other receivables		12,901	19,954	170,108	168,538
Total current assets		3,329,467	3,155,247	9,310,131	9,359,113
Non-current assets					
Marketable securities	5	100	100	897	897
Court deposits		24,491	23,375	26,337	24,901
Notes receivable	10	1,510,259	1,594,075	31,517	37,912
Deferred income and social contribution taxes	11	742,547	721,548	1,489,040	1,443,536
Recoverable taxes	9	618,731	618,731	1,222,082	1,188,552
Other receivables		5,278	5,341	80,998	85,294
		2,901,406	2,963,170	2,850,871	2,781,092
Investments	12	4,636,335	4,728,944	13,528	13,195
Property, plant and equipment	13	1,478,662	1,448,238	7,026,302	7,095,302
Biological assets	8	-	-	214,005	219,783
Intangible assets	14	968,430	968,775	4,297,248	4,354,956
		7,083,427	7,145,957	11,551,083	11,683,236
Total non-current assets		9,984,833	10,109,127	14,401,954	14,464,328
Total assets		13,314,300	13,264,374	23,712,085	23,823,441

		Parent		Consolidated	
LIABILITIES	Note	03/31/12	12/31/11	03/31/12	12/31/11
Current liabilities					
Trade accounts payable		267,527	344,484	2,521,147	2,783,120
Accrued payroll and related charges	15	49,634	50,507	476,932	483,685
Taxes payable	16	20,757	23,398	161,846	171,246
Loans and financing	17	1,011,985	900,473	2,625,317	2,277,035
Notes payable	20	316,389	237,583	398,572	434,158
Lease payable	18	2,785	3,970	54,584	59,911
Dividends payable	23.5	-	412	-	412
Interest on equity capital	23.6	-	14,465	-	14,465
Debentures payable	19	199,400	-	199,400	-
Interest on debentures	19	197,657	180,299	197,657	180,299
Advances from customers		84,888	84,350	116,610	106,918
Other payables		8,735	14,706	167,739	161,850
Total current liabilities		2,159,757	1,854,647	6,919,804	6,673,099
Non-current liabilities					
Loans and financing	17	4,170,691	4,205,854	8,239,795	8,326,043
Taxes payable	16	81,038	78,921	248,185	244,048
Deferred income and social contribution taxes	22	113,036	128,737	1,376,585	1,415,676
Provisions for contingencies	21	12,055	12,055	210,660	188,725
Lease payable	18	4,087	4,756	235,485	242,823
Debentures payable	19	395,205	593,951	395,205	593,951
Notes payable	20	653,211	651,745	5,676	30,537
Other payables		-	-	199,719	210,018
Total non-current liabilities		5,429,323	5,676,019	10,911,310	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		2,460,085	2,460,085	2,460,085	2,460,085
Debentures convertible into shares	23.2	2,500,000	2,500,000	2,500,000	2,500,000
Charges on the issue of convertible debentures	23.2	(20,693)	(20,693)	(20,693)	(20,693)
Acquisition of shares in subsidiaries		(19,222)	(19,222)	(19,222)	(19,222)
Profit reserves		31,552	38,122	31,552	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	(20,272)	(13,702)	(20,272)	(13,702)
Other comprehensive income	23.4	429,804	508,844	429,804	508,844
Asset and liability valuation adjustment	23.4.1	(65,018)	(51,359)	(65,018)	(51,359)
Cumulative translation adjustment	23.4.2	494,822	560,203	494,822	560,203
Accumulated losses		(1,182,739)	(1,259,861)	(1,182,739)	(1,259,861)
Controlling shareholders' equity		5,725,220	5,733,708	5,725,220	5,733,708
Non-controlling interest	23.7	-	-	155,751	164,813
Total shareholders' equity		5,725,220	5,733,708	5,880,971	5,898,521
Total liabilities and shareholders' equity		13,314,300	13,264,374	23,712,085	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 MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
	Note	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011
NET SALES	24	966,503	1,067,893	5,232,539	5,252,145
Cost goods sold	25	(687,657)	(840,209)	(4,429,253)	(4,523,377)
GROSS PROFIT		278,846	227,684	803,286	728,768
OPERATING INCOME (EXPENSES)		(281,069)	(219,325)	(828,387)	(748,778)
Sales expenses	25	(66,226)	(66,715)	(362,701)	(351,115)
General and administrative expenses	25	(49,129)	(42,318)	(211,007)	(195,907)
Equity in earnings (losses) of subsidiaries		(49,493)	(43,532)	-	-
Other operating income (expenses)		20,958	6,921	(5,190)	(22,846)
Financial income (expenses)	26	(137,179)	(73,681)	(249,489)	(178,910)
Financial income		35,437	134,720	85,648	143,851
Exchange gain		140,450	91,037	217,314	93,066
Financial expenses		(247,286)	(284,581)	(429,802)	(370,581)
Exchange loss		(65,780)	(14,857)	(122,649)	(45,246)
(LOSS) INCOME FROM OPERATIONS		(2,223)	8,359	(25,101)	(20,010)
(LOSS) INCOME BEFORE TAXES		(2,223)	8,359	(25,101)	(20,010)
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES		36,699	15,143	54,388	45,225
Income tax	32	26,985	11,135	42,575	34,193
Social contribution tax	32	9,714	4,008	11,813	11,032
NET INCOME		34,476	23,502	29,287	25,215
ATTRIBUTABLE TO:					
Controlling shareholders		34,476	23,502	34,476	23,502
Non-controlling interest		-	-	(5,189)	1,713
		34,476	23,502	29,287	25,215
Basic earnings per share - common shares		0.10	0.07	0.10	0.07

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 PERIODS ENDED MARCH 31, 2012 AND 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 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 gain (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
Exchange gains (losses) on net investments	-	-	-	-	-	-	28,987	-	-	28,987	28,987	(3,873)	25,114
Exchange gain (losses) from balance sheet translation	-	-	-	-	-	-	-	(65,381)	-	(65,381)	(65,381)	-	(65,381)
Realization of deemed cost	-	-	-	-	-	-	(42,646)	-	42,646	-	-	-	-
Write-off (acquisition) of treasury shares	-	-	-	-	-	(6,570)	-	-	-	(6,570)	(6,570)	-	(6,570)
Income (loss) for the period	-	-	-	-	-	-	-	-	34,476	34,476	34,476	(5,189)	29,287
AT MARCH 31, 2012	4,061,478	(74,960)	2,460,085	44,476	7,348	(20,272)	(65,018)	494,822	(1,182,739)	5,725,220	5,725,220	155,751	5,880,971

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 MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011
NET (LOSS) INCOME ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	34,476	23,502	34,476	23,502
Non-cash items	168,095	171,886	389,110	417,596
Depreciation	17,354	17,398	121,716	116,780
Amortization	522	-	64,596	61,616
Non-controlling interest	-	-	(5,189)	1,713
Provision for contingencies	-	-	2,149	(1,687)
Deferred taxes	(36,699)	(15,144)	(55,841)	(41,486)
Equity in earnings (losses) of subsidiaries	49,493	43,532	-	-
Exchange gains (losses) on loans and financing	(138,456)	(72,792)	(153,356)	(77,010)
Exchange gains (losses) on other asset and liability accounts	63,786	(3,388)	58,691	45,440
Interest expense on financing debts	106,316	109,928	214,005	176,208
Interest expense on finance lease	2,610	7,403	5,816	10,090
Interest expense on debentures	100,146	90,794	100,146	90,794
Lease adjustment to present value	2,627	(5,845)	2,627	(5,845)
Write-off of property, plant and equipment	396	-	33,750	40,983
Changes in shareholders' equity	95,617	(1,011,424)	(564,931)	(800,803)
Trade accounts receivable	110,712	(11,843)	(34,783)	6,747
Inventories	52,085	(100,454)	(20,850)	(284,104)
Court deposits	(1,116)	(6)	(1,451)	4,797
Accrued payroll and related charges	(873)	(4,144)	(978)	1,225
Trade accounts payable	(77,610)	(51,613)	(231,299)	56,376
Current and deferred taxes	(20,631)	(113,264)	(121,768)	(233,784)
Notes receivable and payable	120,867	(745,920)	(57,837)	(206,794)
Other asset and liability accounts	(87,817)	15,820	(95,965)	(145,266)
Net cash provided by (used in) operating activities	298,188	(816,036)	(141,345)	(359,705)
Cash flows from investing activities				
Investments	(1)	-	(680)	-
Acquisition of property, plant and equipment and biological assets	(48,174)	(29,159)	(189,489)	(278,359)
Acquisition of intangible assets	(177)	986	(1,308)	(5,629)
Net cash provided by (used in) investing activities	(48,352)	(28,173)	(191,477)	(283,988)
Cash flows from financing activities				
Dividends / interest on equity capital paid in the year	(14,877)	(61,936)	(14,877)	(61,936)
Debentures	654	592,643	654	592,643
Interest on debentures - settled	(62,759)	-	(62,759)	-
Loans and financing	108,490	(314,581)	321,384	(558,371)
New loans	323,542	207,794	1,443,914	860,724
Settled loans	(215,052)	(522,375)	(1,122,530)	(1,419,095)
Lease payable	(7,091)	(18,823)	(17,566)	(18,102)
New leases	-	-	6,398	13,384
Settled leases	(7,091)	(18,823)	(23,964)	(31,486)
Shares held in treasury	(6,570)	1,366	(6,570)	1,366
Net cash provided by (used in) financing activities	17,847	198,669	220,266	(44,400)
Exchange gains (losses) on cash and cash equivalents	-	-	(43,276)	(25,068)
Cash flow in the period	267,683	(645,540)	(155,832)	(713,161)
Cash and cash equivalents				
End of period	1,567,115	1,608,480	3,321,128	3,163,195
Beginning of period	1,299,432	2,254,020	3,476,960	3,876,356
Changes in the period	267,683	(645,540)	(155,832)	(713,161)

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 MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011
REVENUES	960,308	1,073,194	5,229,920	5,295,779
Sales of goods and services	966,503	1,067,893	5,232,539	5,252,145
Other revenues	-	652	72,390	39,527
Allowance for doubtful accounts - Reversal (recognition)	(6,195)	4,649	(75,009)	4,107
SUPPLIES PURCHASED FROM THIRD PARTIES (including taxes - ICMS, IPI, PIS and Cofins)	437,447	476,128	3,747,514	3,918,792
Cost of goods sold and services rendered	321,849	355,602	2,124,515	2,790,841
Material, energy, outsourced services and other	115,598	120,526	1,553,011	1,004,322
Loss / Recovery of assets	-	-	69,988	123,629
GROSS VALUE ADDED	522,861	597,066	1,482,406	1,376,987
DEPRECIATION AND AMORTIZATION	17,876	17,398	186,312	178,396
NET VALUE CREATED BY COMPANY	504,985	579,668	1,296,094	1,198,591
VALUE ADDED RECEIVED THROUGH TRANSFER	126,394	182,225	298,219	238,176
Equity in earnings (losses) of subsidiaries	(49,493)	(43,532)	-	-
Financial income and exchange rate gains	175,887	225,757	302,963	236,917
Other	-	-	(4,744)	1,259
TOTAL VALUE ADDED TO BE DISTRIBUTED	**631,379**	**761,893**	**1,594,313**	**1,436,767**
VALUE ADDED DISTRIBUTION	**631,379**	**761,893**	**1,594,313**	**1,436,767**
Employees	76,523	135,760	550,284	515,095
Direct compensation	61,532	110,528	427,502	366,068
Benefits	10,131	15,203	113,289	108,834
FGTS (severance pay fund)	4,860	10,029	9,493	40,193
Taxes	128,064	226,561	355,846	448,995
Federal	74,452	170,222	245,541	357,214
State	53,603	56,339	108,296	89,630
Municipal	9	-	2,009	2,151
Value distributed to providers of capital	392,316	376,070	658,896	449,175
Interest	388,159	358,622	630,048	379,804
Rentals	4,157	17,448	28,848	69,371
Value distributed to shareholders	34,476	23,502	29,287	23,502
Income for the period	34,476	23,502	34,476	21,789
Non-controlling interest in retained earnings (losses)	-	-	(5,189)	1,713

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 MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	2012	2011	2012	2011
NET INCOME FOR THE PERIOD	34,476	23,502	29,287	25,215
Exchange losses on net investments	28,987	(63,560)	28,987	(63,560)
Exchange gains losses from balance sheet translation	(65,381)	(21,673)	(65,381)	(21,673)
	(36,394)	(85,233)	(36,394)	(85,233)
Total comprehensive loss	(1,918)	(61,731)	(7,107)	(60,018)
ATTRIBUTABLE TO:				
Controlling shareholders	(1,918)	(61,731)	(1,918)	(61,731)
Non-controlling shareholders			(5,189)	1,713

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

MARFRIG ALIMENTOS S.A.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED INTERIM FINANCIAL INFORMATION AS AT MARCH 31, 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 March 31, 2012, its subscribed and paid-in share capital is represented by 346,983,954 common shares, of which 164,422,038 shares, or 47.39% of the Company's capital, are held by the controlling shareholder, MMS Participações S.A., and its partners. On the same date, the free float was 182,561,916 shares, representing 52.61% of the Company's total 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 nine 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):

  - Quickfood S.A. (Argentina) is a publicly-traded company, registered at the Securities and Exchange Commission of Argentina, holder of PATY brand, producer and distributor of beef jerky in the US market and several other export destinations, and a leader in the Argentine, Uruguayan and Chilean hamburger markets, with five slaughter facilities, three beef processing facilities and one frozen legumes and vegetables plan. Marfrig's ownership interest is 90.05%. On May 1, 2011, the companies Argentine Breeders & Packers S.A., Best Beef S.A. and Mirab S.A. were merged into Quickfood S.A. Therefore, Estância Del Sur S.A. is directly controlled by Quickfood S.A., which now holds 99.96% of ownership interest;

  - 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 S.A. (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%;

    Poultry operations consist of seven poultry slaughter facilities and seven poultry processing facilities in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and the Federal District.

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

    The poultry and pork operations in Brazil produce and sell products under Seara, Mabella, Pena Branca and DaGranja trademarks, the last two pertaining to Marfrig Alimentos S.A.

- International (Moy Park, Kitchen Range and Keystone):

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

    ➢ 100% of Moy Park Holdings (Europe) Limited (company headquartered in Northern Ireland), which in turn holds 100% of Moy Park Group (Northern Ireland) and Kitchen Range Foods Ltd. (England), which operates three poultry slaughter facilities and eight processing facilities in England, Northern Ireland, France and the Netherlands;

    ➢ 100% 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;

  - Mckey Luxembourg Holdings S.a.r.l.:

  Marfrig Alimentos S/A holds the assets of Keystone in Europe and Asia by means of the subsidiary McKey Luxembourg Holdings 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.

  Together, Keystone divisions in United States, Europe and Asia serve more than 28,000 restaurants in 14 countries, including: USA, Europe (France and United Kingdom), Asia (China, Thailand, Malaysia and South Korea), Australia, New Zealand and Middle East (Arab Emirates, Kuwait, Bahrain, Qatar and Oman).

Regarding the material fact disclosed on March 20, 2012 with BRF - Brasil Foods S.A., in complement to the material fact disclosed on December 8, 2011, the Agreement for Exchange of Assets and Other Covenants was signed, establishing the main terms and conditions for trading certain assets arising from the Performance Commitment Statement (TCD), involving the following Company's assets:

a) Ownership interest of 90.05% in share capital of Quickfood, company headquartered in Argentina, which owns the Paty brand, leader in Argentinian hamburger market;

b) Transfer of property of cattle slaughtering facilities named Frigorifico San Jorge, located in Santa Fe province – Argentina;

c) Transfer of commercial operations with Paty brand in Uruguay and Chile;

Due to the fact that the Company and BRF have not concluded the preparation of all valuation reports at fair value of the assets involved in the transaction up to the reporting date, no adjustment or reclassification was recorded in this quarterly financial information as at March 31, 2012.

The transaction aims at strengthening SEARA brand position in the Brazilian market, doubling its processed and manufactured products production capacity, thus increasing its market share and reaching an even higher number of consumers, with quality, safety and agility.

The transaction is subject to approval of the Brazilian Antitrust Authority (CADE).

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.

The parent company and consolidated quarterly information as at March 31, 2012 was duly approved by the Company's Management on May 14, 2012.

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.

The poultry, pork and processed and manufactured products segment comprises activities relating to distribution to the international markets, which is not disclosed as a separate segment for not complying with all quantitative criteria necessary.

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 securtiess, 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 securtiess 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 securtiess, 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 securties

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

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 18.

- 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 porks 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 9.50% p.a., as at March 31, 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.

No business combinations occurred during the period ended March 31, 2012.

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 restated as if the operation was discontinued since the beginning of comparative period.

These assets are measured at the lower of the carrying amount and the fair value less selling expenses.

Held-for-sale intangible assets and property, plant and equipment are not amortized or depreciated. Held-for-sale investments measured at the equity in earnings (losses) of subsidiaries are not subject to the equity method of accounting.

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	03/31/12	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	90.05%	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	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 (2)	99.00%	-

(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) Company incorporated on March 19, 2012, under pre-operational stage.

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.

4. CASH AND CASH EQUIVALENTS

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

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Cash and banks	577,232	399,326	1,149,389	1,042,671
Cash and cash equivalents	42,271	23,041	61,906	34,149
	619,503	422,367	1,211,295	1,076,820

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

	Brazil		Abroad	
	03/31/12	12/31/11	03/31/12	12/31/11
Cash and banks	198,262	128,056	373,895	515,289
Cash and cash equivalents	19,635	11,108	-	-
	217,897	139,164	373,895	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	
	03/31/12	12/31/11	03/31/12	12/31/11
Cash and banks				
Brazilian Reais	498,007	243,506	527,469	292,537
US dollar	77,524	153,463	251,858	247,755
Euro	1,701	2,357	96,874	105,960
Pound sterling	-	-	112,027	207,482
Canadian dollar	-	-	379	1,204
Singapore dollar	-	-	83,618	81,128
Malaysian ringgit	-	-	10,292	9,645
Chinese yuan	-	-	2,529	24,890
Other	-	-	63,343	72,070
	577,232	399,326	1,148,389	1,042,671

4.2. CASH EQUIVALENTS

Cash equivalents by type are as follows:

					Parent	
	Maturities	PMPV (1)	Currency	Average interest rate p.a%	03/31/12	12/31/11
Automatic savings account (2)	Immediate	-	Real	6.42	30,332	1
Interest-bearing account (2)	3/31/2014	2.03	Dollar	0.35	11,619	17,753
Other (2)	Immediate	-	Real	-	320	5,287
Total					42,271	23,041

					Consolidated	
	Maturities	PMPV (1)	Currency	Average interest rate p.a%	03/31/12	12/31/11
Automatic savings account (2)	Immediate	-	Real	6.42	48,553	9,380
Interest-bearing account (2)	3/31/2014	2.28	Dollar	0.35	11,619	17,753
Other (2)	Immediate	-	Real	-	1,734	7,016
Total					61,906	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 SECURTIES

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Financial investments	947,712	877,165	2,110,730	2,401,037
	947,712	877,165	2,110,730	2,401,037

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

					Parent	
	Maturities	PMPV (1)	Currency	Average interest rate p.a%	03/31/12	12/31/11
Held-for-trading:						
Bank deposit certificates - CDB (2)	9/18/2015	3.38	Real	9.61	611,273	619,302
Repurchase and reverse repurchase agreements	9/4/2014	2.46	Euro	0.35	7,340	188,022
Foreign credit note	9/18/2015	2.85	Real	9.61	268,397	7,346
Brazilian prize-draw investment bonds	4/29/2014	2.11	Real	2.43	100	102
Credit-linked note - CLN	1/8/2013	0.79	Dollar	6.89	60,602	62,393
Total					947,712	877,165
Total current					947,612	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 03/31/12	12/31/11
Held-for-trading						
Bank deposit certidicates - CDB (2)	9/18/2015	1.78	Real	5.44	658,657	1,002,199
Bank deposit certificates - CDB (2)	Immediate	0.25	Dollar	0.35	10	37
Repurchase and reverse repurchase agreements	10/29/2015	2.67	Real	10.89	268,397	188,022
Bonds and shares	9/30/2012	0.10	Dollar	5.00	909	-
Fixed-income investment	9/30/2012	0.10	Dollar	0.11	7,222	20,148
Foreign credit note	9/4/2014	2.75	Euro	0.35	7,340	7,346
Circular Letter 1456	12/31/2012	0.49	Dollar	0.03	64,462	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	Dollar	6.89	1,103,633	1,115,823
					2,110,730	2,401,037
Total current					2,109,833	2,400,140
Total non-current					897	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 Uruguay.

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

5.8 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Trade accounts receivable - domestic	149,671	194,492	1,078,173	1,034,152
(-) Discount to present value	(1,621)	(904)	(2,346)	(1,642)
	148,050	193,588	1,075,827	1,032,510
Trade accounts receivable - foreign	238,481	451,855	620,006	924,177
(-) Advances on export contracts (ACEs)	(112,181)	(262,776)	(366,744)	(651,535)
(-) Discount to present value	(3,302)	(1,445)	(3,864)	(2,246)
	122,998	187,634	249,398	270,396
	271,048	381,222	1,325,225	1,302,906
Amounts not yet due	358,552	609,328	1,350,958	1,453,440
Amounts overdue				
From 1 to 30 days	22,317	32,638	216,578	347,777
From 31 to 60 days	4,158	1,844	71,723	58,142
From 61 to 90 days	3,125	2,537	54,132	95,996
More than 90 days	6,195	5,986	79,797	77,384
(-) Advances on export contracts (ACEs)	(112,181)	(262,776)	(366,744)	(651,535)
(-) Discount to present value	(4,923)	(2,349)	(6,210)	(3,888)
(-) Allowance for doubtful accounts	(6,195)	(5,986)	(75,009)	(74,410)
	271,048	381,222	1,325,225	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 March 31, 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	(549)	(25,436)
Credit recovered in the year	340	21,651
Written-off credits	-	3,379
Exchange rate variation	-	(193)
Balance on March 31, 2012	(6,195)	(75,009)

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	
	03/31/12	12/31/11	03/31/12	12/31/11
Finished products	459,755	528,015	2,004,054	2,016,342
Raw materials	1,350	2,048	312,787	321,875
Packaging material and storeroom supplies	21,210	21,516	241,181	220,320
(-) Valuation allowance	(8,672)	(18,066)	(27,635)	(31,710)
	473,643	533,513	2,530,387	2,526,827

In the period ended March 31, 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	46,646
Recognition of provision	(8,672)	(41,111)
Translation gains/losses	-	(1,460)
Balance on March 31, 2012	(8,672)	(27,635)

8. BIOLOGICAL ASSETS

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Biological assets - cattle	33,393	25,609	253,098	251,986
Biological assets - poultry	-	-	200,179	212,061
Biological assets - pigs	-	-	222,851	221,317
Translation gains/losses	-	-	21,824	25,805
Biological assets - current	33,393	25,609	697,952	711,169
Biological assets - cattle	-	-	20,323	21,826
Biological assets - poultry	-	-	164,522	167,154
Biological assets - pigs	-	-	20,755	20,946
Translation gains/losses	-	-	8,405	9,857
Biological assets - non-current	-	-	214,005	219,783
	33,393	25,609	911,957	930,952

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

Poultry and porks 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 porks 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, pork 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 porks 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:

	Parent	Consolidated
Balance on December 31, 2011	25,609	711,169
Increase due to purchases	14,785	333,022
(-) Write-off for slaughter	(19,893)	(1,331,134)
Costs of input for fattening	3,964	1,086,303
(-) Decrease due to sales	-	(103,791)
Net increase (decrease) due to births (deaths)	(194)	(280)
Change in fair value less estimated sale expenses*	9,122	6,644
Balance sheet translation	-	(3,981)
Balance on March 31, 2012	33,393	697,952

* Only applicable to cattle

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

Non-current biological assets:

	Parent	Consolidated
Balance on December 31, 2011	-	219,783
Increase due to purchases	-	42,795
(-) Write-off for slaughter	-	(10,377)
Costs of input for fattening	-	43,235
(-) Decrease due to sales	-	(15,603)
Change in fair value less estimated sales expenses*	-	(2,701)
Amortization	-	(60,445)
Balance sheet translation	-	(2,682)
Balance on March 31, 2012	-	214,005

* Only applicable to cattle

9. RECOVERABLE TAXES

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
ICMS (State VAT)	411,543	377,294	786,062	651,736
IPI (Federal VAT) deemed credit	61,559	61,516	63,108	69,301
PIS (tax on sales) credit	172,750	175,989	344,337	335,549
Cofins (tax on sales) credit	674,981	640,584	1,340,333	1,316,155
Income tax	73,275	75,456	142,174	125,664
Social contribution tax	12,824	12,716	23,441	22,095
IRRF (withholding income tax)	331	31,594	3,924	47,877
IVA (value-added tax)	-	-	58,218	62,800
Export certificates	-	-	25,189	23,314
ONCCA credits	-	-	7,963	9,063
Other	6,462	5,931	35,909	26,439
(-) Provision for non-realization	(307,886)	(295,347)	(501,370)	(475,945)
	1,105,839	1,085,733	2,329,288	2,214,048
Current assets	487,108	467,002	1,107,206	1,025,496
Non-current assets	618,731	618,731	1,222,082	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 period ended March 31, 2012.

9.5 WITHHOLDING INCOME TAX (IRRF)

Withholding income tax consists of income tax withheld from gains on marketable securtiess 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)
Reversal of provision	-	-
Recognition of provision	(12,539)	(25,425)
Balance on March 31, 2012	(307,886)	(501,370)

10. NOTES RECEIVABLE

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Related-party transactions	1,938,381	1,963,350	-	-
Other notes receivable	27,013	35,918	50,914	66,274
Total	1,965,394	1,999,268	50,914	66,274
Current assets	455,135	405,193	19,397	28,362
Non-current assets	1,510,259	1,594,075	31,517	37,912

The Parent 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 Parent and its wholly-owned subsidiaries as at March 31, 2012:

						Parent
				3/31/12		2012
March 31, 2012	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Agrofrango Ind. Com. Alim. Ltda.	-	-	3,286	-	-	-
Braslo Produtos de Carne Ltda	4,947	2,149	27,536	-	2,483	21,051
Cledinor S.A.	-	3,394	-	-	4,063	-
Dagranja Agroindustrial Ltda	-	-	227,475	-	-	-
Establecimientos Colonia S.A.	-	1,722	-	-	1,843	-
Frigorífico Tacuarembó S.A.	-	1,412	1,662	-	1,295	-
Grupo Mabella	-	-	21,818	469	-	-
Inaler S.A.	-	1,557	-	-	1,787	-
Keystone MC Lux	-	-	2,366	-	-	-
Keystone US	163	-	-	-	-	-
Marfood USA	2,828	-	97,111	-	-	1,328
Marfrig Chile Inversiones Ltda	15,204	-	-	-	-	22,948
Marfrig Holdings BV	-	-	59,906	618,110	-	-
Marfrig Overseas	-	-	143,829	-	-	-
MBL Alimentos Ltda	-	-	58	275	-	-
MFB Marfrig Frigorificos Brasil S.A	14,289	52,418	885,007	-	208,054	96,645
MFG Agropecuária	183	5,107	102,651	-	25,811	52
MFG (USA) Holdings.	-	-	8,085	-	-	-
Moy Park Holdings Europe Limited	-	-	41,755	-	-	-
Moy Park Limited	-	-	5,369	-	-	-
Pampeano Alimentos S.A.	8,500	2,995	150,074	-	22	22,765
Penasul Alimentos Ltda	-	-	5,447	-	-	-
Penasul UK	-	-	39	-	-	-
Quickfood S.A.	-	2,250	11,151	-	7,285	-
Seara Holding BV	260	1,075	114,491	99,993	1,206	919
Weston Importers Ltd.	44,284	-	-	-	-	32,905
Zendaleather S.A. (ZENDA)	-	-	29,265	-	-	847
Marcos Antonio Molina dos Santos	-	-	-	-	1,249	-
Marcia Aparecida Pascoal Marçal dos Santos	-	11,081	-	-	14,733	-
	90,658	85,160	1,938,381	718,847	269,831	199,460

	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 Inversiones Ltda	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	
	03/31/12	12/31/11	03/31/12	12/31/11
Marcos Antonio Molina dos Santos	-	-	1,249	55,839
Marcia Aparecida Pascoal Marçal dos Santos	11,081	2,993	14,733	3,188
	11,081	2,993	15,982	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 *in natura* 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Income tax	544,735	529,294	1,144,896	1,111,104
Social contribution tax	197,812	192,254	344,144	332,432
Non-current assets	742,547	721,548	1,489,040	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 period ended March 31, 2012:

	March 31, 2012			
	Parent		Consolidated	
Description	IRPJ	CSL	IRPJ	CSL
Opening balance on December 31, 2011	529,294	192,254	1,111,104	332,432
(-) Realization due to tax utilization of goodwill	(5,865)	(2,111)	(5,865)	(2,111)
(-) Realization of taxes on tax losses	-	-	(6,536)	-
Deferred taxes on tax losses	1,543	-	32,622	-
Deferred taxes on social contribution tax loss carryforwards	-	555	-	10,298
(-) Realization of deferred taxes on social contribution tax loss carryforw	-	-	-	(3,062)
Deferred taxes on temporary add-backs/deductions	19,763	7,114	26,270	9,034
(-) Realization of deferred taxes on temporary add-backs/deductions	-	-	(7,375)	(2,447)
Other	-	-	(5,324)	-
Closing balance on March 31, 2012	544,735	197,812	1,144,896	344,144

The expectation for recoverability of 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	559,652	975,030
	742,547	1,489,040

In the period ended March 31, 2012 the Company realised R$32,720 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Ownership interest in subsidiaries	4,636,200	4,728,809	-	-
Other investments	135	135	13,528	13,195
	4,636,335	4,728,944	13,528	13,195

11.1 INVESTMENTS (PARENT)

Investments in subsidiaries on March 31, 2012:

	No. of units of interest/shares	Ownership percentage in voting capital (1)	Trading on 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	Não	78,574	(41,020)	(8,197)	(41,114)
Marfrig Chile Inversiones Ltda	13,358,426,280	99.47	Não	45,328	42,605	3,994	42,379
Inaler S.A	66,247,320	100.00	Não	2,673	40,581	1,846	40,527
Frigorífico Tacuarembó S.A	166,925,258	93.69	Não	11,904	109,218	1,360	101,383
Weston Importers Ltd	1,338,278	100.00	Não	23,600	23,475	(9)	23,260
Masplen Limited	100	100.00	Não	6,726	40,236	2,248	36,405
Prestcott International S.A	79,638,916	100.00	Não	5,324	48,512	2,078	48,511
QuickFood S.A	21,419,606	90.05	Sim	28,470	173,533	(11,109)	155,531
Establecimientos Colonia S.A	80,647,477	100.00	Não	47,832	70,349	(871)	69,896
Columbus Netherlands BV	27,087,661	100.00	Não	51,084	92,218	(8,348)	92,219
Marfood USA, Inc	50,000	100.00	Não	6,739	(23,845)	(2,959)	(23,845)
Marfrig Overseas Ltd	1	100.00	Não	-	(82,971)	(6,733)	(82,970)
MFG Agropecuária Ltda.	10,000	99.99	Não	-	10,026	1,341	10,027
Marfrig Argentina Sociedad Anônima	-	99.00	-	1	1	-	1
MFG Comercializadora de Energia Ltda	150,000	99.99	Não	-	-	-	-
Secculum Participações Ltda	9,200,000	99.99	Não	9,200	8,719	(442)	8,716
União Frederiquense Partic. Ltda	552,031,080	99.99	Não	552,031	813,844	(41,238)	813,764
Marfrig Holdings(Europe) BV	3,509,714	100.00	Não	747,273	1,184,703	1,774	1,184,485
Seara Holding (Europe) BV	490,285,420	100.00	Não	1,261,248	1,565,142	11,149	1,564,262
Mckey Luxembourg Holdings S.a.r.l	500	100.00	Não	271,348	592,762	5,239	592,763
Total				3,149,355	4,668,088	(48,877)	4,636,200

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

	Total assets	Total liabilities	Minority interest	Net revenue	Group's profit/loss sharing
Columbus Netherlands BV	445,882	290,027	63,638	84,237	(8,348)
Establecimientos Colonia S.A	189,074	118,725	-	43,967	(871)
Frigorífico Tacuarembó S.A	174,915	64,779	918	65,192	1,274
Inaler S.A	72,905	32,323	-	63,285	1,846
Marfood USA, Inc	110,910	134,756	-	29,219	(2,959)
Marfrig Argentina Sociedad Anônima	1	-	-	-	-
Marfrig Chile Inversiones Ltda	126,201	83,595	1	54,615	3,973
Marfrig Holdings(Europe) BV	5,726,095	4,543,507	(2,114)	1,615,780	1,774
Marfrig Overseas Ltd	1,667,184	1,750,155	-	-	(6,733)
Masplen Limited	291,687	251,450	-	60,327	2,248
Mckey Luxembourg Holdings S.a.r.l	1,930,826	1,262,708	75,356	530,748	5,239
MFB Marfrig Frigorificos Brasil S.A.	974,471	1,015,492	-	430,052	(8,197)
MFG Agropecuária Ltda.	139,669	129,643	-	25,397	1,340
Prestcott International S.A	103,319	54,807	-	75,131	2,078
QuickFood S.A	617,321	443,789	-	343,238	(10,004)
Seara Holding (Europe) BV	5,172,887	3,607,745	-	1,438,924	11,149
Secculum Participações Ltda	25,590	16,939	(69)	2,742	(442)
União Frederiquense Partic. Ltda	2,388,523	1,581,124	(6,446)	255,895	(41,233)
Weston Importers Ltd	91,114	67,638	-	64,582	(9)
Total	20,248,574	15,449,202	131,284	5,183,331	(47,875)

12.2 BREAKDOWN OF INVESTMENTS (PARENT)

	Book balance on 12/31/2011	Asset valuation adjustment (1)	Acquisition / write-off	Total investment in the period	Equity in the earnings (losses) of subsidiaries	Balance sheet translation adjustment	Book balance on 03/31/2012
MFB Marfrig Frigorificos Brasil S.A (1)	(32,861)	-	-	-	(8,253)	-	(41,114)
Marfrig Chile Inversiones Ltda.	42,146	153	-	-	3,973	(3,892)	42,380
Inaler S.A.	39,590	82	-	-	2,020	(1,165)	40,527
Frigorífico Tacuarembó S.A.	103,362	598	-	-	948	(3,526)	101,382
Weston Importers Ltd.	23,142	414	-	-	133	(428)	23,261
Masplen Limited	35,258	472	-	-	1,128	(454)	36,404
Prestcott International S.A.	47,554	761	-	-	2,260	(2,064)	48,511
QuickFood S.A	173,943	(5,684)	-	-	(10,415)	(2,313)	155,531
Establecimientos Colonia S.A	72,861	371	-	-	(837)	(2,498)	69,897
Columbus Notherlands	103,491	(1,166)	-	-	(8,348)	(1,758)	92,219
Marfood USA	(21,397)	(3,019)	-	-	(2,959)	3,530	(23,845)
Marfrig Overseas	(78,271)	(3,981)	-	-	(6,733)	6,015	(82,970)
MFG Brasil	8,687	-	-	-	1,341	-	10,028
Marfrig Argentina S.A.	-	-	1	1	-	-	1
Secculum Participações Ltda.	9,069	91	-	-	(442)	(3)	8,715
União Frederiquense Partic. Ltda.	855,062	-	-	-	(41,084)	(214)	813,764
Marfrig Holdings(Europe) BV	1,203,005	28,723	-	-	1,735	(48,978)	1,184,485
Seara Holding BV	1,551,463	-	-	-	10,801	1,998	1,564,262
Mckey Luxembourg	592,705	4,450	-	-	5,239	(9,632)	592,762
Total	4,728,809	22,265	1	1	(49,493)	(65,382)	4,636,200

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

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	Company 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 March 2012 is as follows:

Changes in acquisition cost:

							Parent
							3/31/12
Description	Average annual depreciation rates	Cost	Additions	Write-offs	Transfers	Accumulated depreciation	Cost
Land	-	40,046	-	-	-	-	40,046
Constructions and buildings	1.6% - 10%	550,989	-	-	46,221	(63,616)	533,594
Machinery and equipment	3.6%-25%	289,101	4,240	(297)	(27)	(96,314)	196,703
Furniture and fixtures	5.6%-25%	10,856	646	(60)	(2)	(3,254)	8,186
Facilities	3.7%-14,3%	477,066	18	-	41,221	(57,637)	460,668
Vehicles	8.3%-25%	15,460	68	-	-	(13,566)	1,962
IT equipment	4.3%-20%	8,352	140	(39)	29	(5,912)	2,570
Aircraft	20%	382	-	-	-	(324)	58
Advance for acquisition of property, plant and equipment	-	13,395	431	-	-	-	13,826
Leasehold improvements	1,6% - 10%	3,037	-	-	-	(190)	2,847
Lease - vehicles	8,3%-25%	38,053	-	-	-	(13,140)	24,913
Lease - computer hardware	4,3%-20%	16,075	-	-	-	(10,128)	5,947
Lease - machinery	3,6%-25%	33,850	-	-	-	(7,798)	26,052
Lease - facilities	3,7%-14,3%	89,636	-	-	-	(16,942)	72,694
Lease - buildings	1,6% - 10%	43,685	-	-	-	(6,686)	36,999
Construction in progress	-	96,292	42,625	-	(87,442)	-	51,475
Other	5%-10%	223	6	-	-	(107)	122
		1,726,498	48,174	(396)	-	(295,614)	1,478,662

Changes in net balance:

								Parent
		12/31/11						03/31/12
Description	Average annual depreciation rates	Net	Additions	Write-offs	Transfers	Translation	Depreciation	Net
Land	-	40,046	-	-	-	-	-	40,046
Constructions and buildings	1.6% - 10%	491,209	-	-	46,221	-	(3,836)	533,594
Machinery and equipment	3.6%-25%	197,369	4,240	(297)	(27)	-	(4,582)	196,703
Furniture and fixtures	5.6%-25%	7,862	646	(60)	(2)	-	(260)	8,186
Facilities	3.7%-14,3%	424,494	18	-	41,221	-	(5,065)	460,668
Vehicles	8.3%-25%	2,058	68	-	-	-	(164)	1,962
IT equipment	4.3%-20%	2,743	140	(39)	29	-	(303)	2,570
Aircraft	20%	77	-	-	-	-	(19)	58
Advance for acquisition of property, plant and equipment	-	13,395	431	-	-	-	-	13,826
Leasehold improvements	1.6% - 10%	2,873	-	-	-	-	(26)	2,847
Lease - vehicles	8.3%-25%	25,501	-	-	-	-	(588)	24,913
Lease - computer hardware	4.3%-20%	6,387	-	-	-	-	(440)	5,947
Lease - machinery	3.6%-25%	26,501	-	-	-	-	(449)	26,052
Lease - facilities	3.7%-14,3%	73,757	-	-	-	-	(1,063)	72,694
Lease - buildings	1.6% - 10%	37,549	-	-	-	-	(550)	36,999
Construction in progress	-	96,292	42,625	-	(87,442)	-	-	51,475
Other	5%-10%	125	6	-	-	-	(9)	122
		1,448,238	48,174	(396)	-	-	(17,354)	1,478,662

Changes in acquisition cost:

								Consolidated
								3/31/12
Description	Average annual depreciation rates	Cost	Additions	Write-offs	Transfers	Translation	Depreciation	Cost
Land	-	373,725	729	-	(46)	(1,430)	-	372,978
Constructions and buildings	1.6%-10%	3,446,687	7,386	-	47,187	(7,822)	(597,278)	2,896,160
Machinery and equipment	3.6%-25%	2,900,608	29,966	(1,969)	6,184	205,479	(1,272,239)	1,868,029
Furniture and fixtures	5.6%-25%	160,624	3,549	(70)	179	(2,985)	(72,094)	89,203
Facilities	3.7%-14.3%	1,098,519	444	-	42,740	10,230	(153,152)	998,781
Vehicles	8.3%-25%	63,241	1,487	(118)	255	(364)	(38,508)	25,993
IT equipment	4.3%-20%	76,512	1,874	(93)	2,063	870	(62,899)	18,327
Aircraft	20%	382	-	-	-	(1)	(324)	57
Advance for acquisition of property, plant and equipment	-	20,118	683	(884)	-	(1)	-	19,916
Leasehold improvements	1.6%-10%	77,707	12	-	93	(546)	(14,376)	62,890
Lease - vehicles	8.3%-25%	40,278	-	-	-	(1)	(13,301)	26,976
Lease - computer hardware	4.3%-20%	16,541	-	-	-	(466)	(10,647)	5,428
Lease - machinery	3.6%-25%	151,255	545	(923)	-	(6,662)	(50,150)	94,065
Lease - facilities	3.7%-14.3%	92,987	-	-	-	(58)	(17,228)	75,701
Lease - buildings	1.6%-10%	205,948	-	-	-	(1,452)	(20,418)	184,078
Construction in progress	-	355,953	56,013	(392)	(98,576)	(43,254)	-	269,744
Other	1.7%-10%	215,582	772	(146)	(79)	(197,686)	(467)	17,976
		9,296,667	103,460	(4,595)	-	(46,149)	(2,323,081)	7,026,302

Changes in net balance:

		Consolidated						
		12/31/11						3/31/12
Description	Annual average depreciation rates	Net	Additions	Write-offs	Transfers	Translation	Depreciation	Net
Land	-	373,725	729	-	(46)	(1,430)	-	372,978
Construction and buildings	1,6%-10%	2,881,291	7,386	-	47,187	(7,822)	(31,882)	2,896,160
Machinery and equipment	3,6%-25%	1,683,069	29,966	(1,969)	6,184	205,479	(54,700)	1,868,029
Furniture and fixtures	5,6%-25%	94,407	3,549	(70)	179	(2,985)	(5,877)	89,203
Facilities	3,7%-14,3%	958,844	444	-	42,740	10,230	(13,477)	998,781
Vehicles	8,3%-25%	26,883	1,487	(118)	255	(364)	(2,150)	25,993
IT equipment	4,3%-20%	15,857	1,874	(93)	2,063	870	(2,244)	18,327
Aircraft	20%	77	-	-	-	(1)	(19)	57
Advance for acquisition of property, plant and equipment	-	20,118	683	(884)	-	(1)	-	19,916
Leasehold improvements	1,6%-10%	64,727	12	-	93	(546)	(1,396)	62,890
Lease - vehicles	8,3%-25%	27,644	-	-	-	(1)	(667)	26,976
Lease - computer hardware	4,3%-20%	6,387	-	-	-	(466)	(493)	5,428
Lease - machinery	3,6%-25%	106,286	545	(923)	-	(6,662)	(5,181)	94,065
Lease - facilities	3,7%-14,3%	76,840	-	-	-	(58)	(1,081)	75,701
Lease - buildings	1,6%-10%	187,950	-	-	-	(1,452)	(2,420)	184,078
Construction in progress	-	355,953	56,013	(392)	(98,576)	(43,254)	-	269,744
Other	1,7%-10%	215,244	772	(146)	(79)	(197,686)	(129)	17,976
		7,095,302	103,460	(4,595)	-	(46,149)	(121,716)	7,026,302

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 18.

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 March 31, 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:

	03/31/12	12/31/11
Intangible assets -Parent	968,430	968,775
Intangible assets - subsidiaries	3,328,818	3,386,181
	4,297,248	4,354,956

Changes in the Intangible assets accounts (parent and consolidated) for the period ended March 31, 2012 are as follows:

14.1 CHANGES IN INTANGIBLE ASSETS (PARENT)

	Balance on December 31, 2011	Acquisition / write-off	Reclassification / Amortization	Balance on March 31, 2012
Argentine Breeders & Packers S.A. - Goodwill	24,213	-	-	24,213
Inaler S.A. - Goodwill	38,379	-	-	38,379
Frigorífico Tacuarembó S.A. - Goodwill	57,824	-	-	57,824
Masplen Limited - Goodwill	17,258	-	-	17,258
Prestcott International S.A. -Goodwill	22,922	-	-	22,922
Secculum Participações Ltda. - Goodwill	16,188	-	-	16,188
União Frederiquense Partic. Ltda. - Goodwill	11,683	-	-	11,683
QuickFood S.A - Goodwill	223,872	-	-	223,872
Establecimientos Colonia S.A - Goodwill	114,479	-	-	114,479
Seara Holding (Europe) BV	21	-	-	21
Columbus Netherlands BV	22	-	-	22
Marfood USA Inc.	308	-	-	308
Keystone International	388,244	-	-	388,244
Software e sistemas	30,478	177	(522)	30,133
Trademarks and patents	22,884	-	-	22,884
Total	968,775	177	(522)	968,430

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

14.2 CHANGES IN INTANGIBLE ASSETS (SUBSIDIARIES)

	Book balance on December 31, 2011	Software/ Trademark/ Other	Exchange rate gain (loss) on translation	Amortization	Write-off	Book balance on March 31, 2012
Marfrig Chile S.A.	**15,167**	**-**	**(434)**	**-**	**-**	**14,733**
Goodwill	14,910	-	(427)	-	-	14,483
Trademark and patents/software/other	257	-	(7)	-	-	250
Weston Importers Ltd.	**9,968**	**-**	**(6)**	**-**	**-**	**9,962**
Goodwill	9,968	-	(6)	-	-	9,962
Marfrig Holding (Europe)BV	**1,557,223**	**-**	**(43,986)**	**(2,738)**	**-**	**1,510,499**
Goodwill	263,751	-	(12,165)	-	-	251,586
Relationship with clients	1,010,144	-	(24,147)	(2,679)	-	983,318
Trademark and patents/software/other	283,328	-	(7,674)	(59)	-	275,595
Masplen Limited	**475**	**6**	**-**	**(11)**	**-**	**470**
Trademark and patents/software/other	475	6	-	(11)	-	470
Quickfood S.A	**89,776**	**-**	**(4,065)**	**(32)**	**-**	**85,679**
Goodwill	89,241	-	(4,096)	-	-	85,145
Trademarks and patents/software/other	535	-	31	(32)	-	534
Prestcott International S.A	**8,611**	**-**	**(247)**	**(10)**	**-**	**8,354**
Goodwill	7,369	-	642	-	-	8,011
Trademarks and patents/software/other	1,242	-	(889)	(10)	-	343
Seara Holding (Europe) BV	**614,967**	**512**	**-**	**(760)**	**-**	**614,719**
Goodwill	**11,111**	-	-	-	-	11,111
Trademarks and patents/software/other	603,574	512	(1)	(718)	-	603,367
Porto License	282	-	1	(42)	-	241
Columbus Netherlands BV	**49,099**	**11**	**228**	**(310)**	**(259)**	**48,769**
Goodwill	48,608	-	(951)	-	-	47,657
Trademarks and patents/software/other	491	11	1,179	(310)	(259)	1,112
União Frederiquense Partic. Ltda.	**530,210**	**578**	**(130)**	**(239)**	**(212)**	**530,207**
Goodwill	515,870	-	(130)	-	-	515,740
Trademarks and patents/software/other	14,340	578	-	(239)	(212)	14,467
Secculum Participações Ltda.	**5,681**	**6**	**(1)**	**(3)**	**(2)**	**5,681**
Goodwill	5,527	-	(1)	-	-	5,526
Trademarks and patents/software/other	154	6	-	(3)	(2)	155
Marfood USA	**53,672**	**-**	**(1,540)**	**(149)**	**-**	**51,983**
Goodwill	**38,023**	-	(1,088)	-	-	36,935
Relationship with clients	**4,356**	-	(129)	(149)	-	4,078
Trademarks and patents/software/other	11,293	-	(323)	-	-	10,970
Frigoríficos Tacuarembó S.A	**448**	**-**	**(13)**	**(19)**	**-**	**416**
Trademarks and patents/software/other	448	-	(13)	(19)	-	416
Inaler S.A	**295**	**-**	**(9)**	**(8)**	**-**	**278**
Trademarks and patents/software/other	295	-	(9)	(8)	-	278
Establecimientos Colonia S.A	**581**	**15**	**(17)**	**(11)**	**-**	**568**
Trademarks and patents/software/other	581	15	(17)	(11)	-	568
MFB - Marfrig Frig. BR S.A.	**645**	**3**	**-**	**(20)**	**-**	**628**
Trademarks and patents/software/other	645	3	-	(20)	-	628
Mckey Lux Holdings S.a.r.l.	**449,345**	**-**	**(4,171)**	**681**	**-**	**445,855**
Marcas e patentes/software/outros	271,518	-	(10,636)	750	-	261,632
Relationship with clients	177,827	-	6,465	(69)	-	184,223
MFG Agropecuária Ltda	**18**	**-**	**-**	**(1)**	**-**	**17**
Trademarks and patents/software/other	18	-	-	(1)	-	17
Total	3,386,181	1,131	(54,391)	(3,630)	(473)	3,328,818

14.3. SUMMARY OF INTANGIBLE ASSETS

	Parent		Subsidiaries	
	03/31/12	12/31/11	03/31/12	12/31/11
Goodwill	915,612	915,612	986,152	1,004,376
Trademarks and patents	22,884	22,884	1,144,042	1,154,805
Software	29,934	30,279	6,035	6,532
Relationship with clients	-	-	1,171,622	1,192,289
Other intangible assets	-	-	20,967	28,179
	968,430	968,775	3,328,818	3,386,181

Consolidated breakdown of intangible assets

	Parent	Subsidiaries
Balance on December 31, 2011	968,775	3,386,181
(+) Addition	177	1,131
(-) Write-off	-	(473)
(-) Amortization	(522)	(3,630)
(+/-) Exchange variation	-	(54,391)
Balance on March 31, 2012	968,430	3,328,818

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 March 31, 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	
	03/31/12	12/31/11	03/31/12	12/31/11
INSS (social security contribution) payable	3,295	6,164	50,658	55,419
Salaries and payroll provisions	43,948	39,994	316,098	299,423
Other social charges and benefits payable	2,391	4,349	110,176	128,843
	49,634	50,507	476,932	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 March 31, 2012, the Company does not offer post-employment benefit with actuarial liability characteristics.

16 TAXES PAYABLE

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
ICMS (State VAT) payable	-	-	17,388	15,564
Special installment program - Law 11941/2009	58,118	55,894	234,000	232,239
Income tax payable	-	-	22,147	19,442
Social contribution payable	-	-	6,984	8,580
PIS and COFINS (taxes on sales) payable	-	-	2,094	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	6,076	6,058
Other taxes payable	8,329	11,077	92,052	101,725
	101,795	102,319	410,031	415,294
Current liabilities	20,757	23,398	161,846	171,246
Non-current liabilities	81,038	78,921	248,185	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	
	03/31/12	12/31/11	03/31/12	12/31/11
Opening balance	55,894	107,028	232,239	312,290
(+) Adhesion to installment payment	-	-	-	8,127
(-) Offsetting of fine and interest using income and social contribution tax loss carryforwards	-	-	-	(3,511)
(+) Interest rates	2,708	15,277	7,292	37,002
(-) Waiver of installment payment program	-	(29,844)	-	(29,844)
(-) Discount to present value	4,174	(23,397)	4,174	(68,390)
(-) Payments made	(4,658)	(13,170)	(9,705)	(23,435)
Debt balance	58,118	55,894	234,000	232,239
Current liabilities	13,023	12,322	28,606	28,302
Non-current liabilities	45,095	43,572	205,394	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 03/31/12	Balance 12/31/11
Local currency:					
FINAME	TJLP + Fixed rate	4.83	3.79	1,111	1,193
BNDES Finem	TJLP + 1.80%	8.05	0.85	3,713	4,517
FINEP	TJLP + 1%	7.25	1.53	29,539	31,859
NCE	Fixed rate+%CDI	11.82	1.67	695,392	726,527
Working capital	CDI + Fixed rate	11.64	3.39	655,907	386,675
Procer	Fixed rate	11.25	0.55	67,063	117,280
Revitalizar	Fixed rate	5.52	1.00	24,997	-
Total local currency		11.50		1,477,722	1,268,051
Foreign currency:					
Financing industrial complex (US$)	Libor+Fixed rate+FX	3.98	0.26	806	1,661
Prepayment (US$)	Libor+Fixed rate+FX	7.18	3.52	2,412,012	2,551,897
BNDES Finem	Currency basket + 1.30%	1.30	0.85	713	878
NCE (US$) / ACC	Fixed rate+ FX (US$)+Libor	8.14	4.05	1,291,423	1,283,840
Total foreign currency		7.51		3,704,954	3,838,276
Total indebtedness		8.65		5,182,676	5,106,327
Current liabilities				1,011,985	900,473
Non-current liabilities				4,170,691	4,205,854

				Consolidated	
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 03/31/12	Balance 12/31/11
Local currency:					
FINAME	TJLP + fixed rate	6.41	3.12	4,925	5,961
BNDES Finem	TJLP + 1.80	8.24	1.99	7,929	9,331
FINEP	TJLP + 1%	6.41	2.13	43,441	45,755
NCE	Fixed rate+%CDI	11.92	2.16	950,647	1,028,946
Working capital (R$)	Fixed rate+%CDI	11.64	3.39	655,907	386,675
Rural credit note (R$)	Fixed rate	6.80	0.95	202,553	274,868
FCO - Mid-West Region Fund	Fixed rate	10.00	3.00	5,038	5,755
Procer	Fixed rate	9.77	0.81	160,354	234,501
Revitalizar	Fixed rate	5.52	1.00	24,997	-
Total local currency		10.93		2,055,791	1,991,792
Foreign currency:					
Financing of industrial complex (US$)	Libor+Fixed rate + FX	2.27	0.63	4,391	5,994
Prepayment (US$)	Libor+Fixed rate + FX	7.10	3.46	2,483,515	2,595,233
Bonds (US$)	Fixed rate + FX	9.60	6.75	2,959,842	2,976,158
BNDES Finem	Currency basket + 1.30	1.30	0.85	713	878
NCE (US$) / ACC	%CDI+Fixed rate+FX (US$)+Libor	7.08	4.10	1,853,145	1,644,355
Working capital (US$)	Fixed rate + Libor	5.07	1.07	204,570	205,561
Working capital (Pesos)	Development unit	2.00	0.50	1,877	1,837
Bank loan (US$)	Fixed rate + FX	3.81	0.73	763,663	745,954
Revolving credit facility	Libor + 2.50	3.10	2.70	451,299	362,015
PAE (US$)	Fixed rate + FX	0.20	0.30	16,371	-
Financing agreements (US$)	Fixed rate + FX	1.10	0.30	16,079	15,976
Tradeable liabilities	Fixed rate	6.69	2.50	53,856	57,325
Total foreign currency		7.37		8,809,321	8,611,286
Total indebtedness		8.04		10,865,112	10,603,078
Current liabilities				2,625,317	2,277,035
Non-current liabilities				8,239,795	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 USD, 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 February 2013.

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 USD, 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 Parent 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 Parent´s wholly-owned subsidiary, of USD375 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 Parent 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 USD500 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 USD750 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 Parent´s working capital.

Considering that the Senior Notes issued in 2006, 2010 and 2011 represent 27.24% of the Company's consolidated indebtedness as at March 31, 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 were paid up to December 31, 2012.

17.13 BNDES PROCER – Working capital financing

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

17.14 Bank borrowings

Funds raised under this credit line are used as working capital financing. The Company holds transactions in US dollars and pesos, which, in some cases, may only be applied to pay inventories and fixed assets. These transactions are guaranteed by 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.

17.15 Revolving Credit Facility

Multi-currency credit facility with repurchase commitments by several banks at the disposal of subsidiary Keystone Foods, in the amount of USD500 million for 3 years. The interest rate applicable to this revolving credit facility is limited to LIBOR + 3.25% p.a.

17.16 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.

17.17 Maturity schedule:

Below is a debt maturity schedule:

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Local currency				
1Q12	-	101,861	-	405,614
2Q12	146,665	133,260	209,558	192,199
3Q12	41,692	35,354	198,104	130,109
4Q12	28,074	38,694	54,033	48,234
1Q13	102,902	-	256,829	-
2013	397,086	543,740	566,858	769,159
2014	363,053	214,798	364,167	239,440
2015	249,238	100,843	250,534	102,139
2016	83,990	34,479	85,286	35,775
2017	32,498	32,498	33,794	33,794
2018	32,498	32,498	33,794	33,793
2019	13	13	1,309	1,308
2020	12	12	1,308	227
2021	1	1	217	1
	1,477,722	1,268,051	2,055,791	1,991,792

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Foreign currency				
1Q12	-	174,743	-	728,270
2Q12	139,276	114,857	593,873	282,159
3Q12	161,842	223,579	677,449	291,804
4Q12	122,298	78,125	248,407	198,646
1Q13	269,236	-	387,064	-
2013	774,467	1,055,441	923,012	1,233,542
2014	995,501	1,025,021	1,776,544	1,699,960
2015	931,222	958,765	965,210	994,396
2016	201,786	207,745	923,732	915,067
2017	109,326	-	118,207	9,636
2018	-	-	1,315,092	1,352,636
2020	-	-	880,731	905,170
	3,704,954	3,838,276	8,809,321	8,611,286
Total indebtedness	5,182,676	5,106,327	10,865,112	10,603,078

17.18 Guarantees for loans and financing:

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Balance of financing	5,182,676	5,106,327	10,865,112	10,603,078
Guarantees:				
Promissory notes	1,974,651	2,155,087	2,124,945	2,301,707
Trade notes	150,968	42,532	212,105	101,591
Bank guarantees	4,426	5,394	51,408	43,520
Supply agreement	-	-	1,877	1,833
Surety	1,676,592	1,673,858	2,865,575	2,746,919
Leased asset	1,149	1,233	9,179	10,815
Export document	-	-	32,824	26,489
Facilities	30,346	33,520	30,346	33,520
Mortgage	-	-	48,425	47,074
Financial investment	186,439	237,099	202,518	259,956
Export credit	-	-	37,096	45,421
No guarantees	1,158,105	957,604	5,248,814	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.

18 LEASE PAYABLE

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

18.1 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 03/31/12 (at present value)	Future payments 03/31/12	Balance on 12/31/11 (at present value)
Domestic currency						
Finance lease of vehicles	CDI + Rate	11.6%	1.6	3,645	3,153	4,279
Finance lease of IT equipment	CDI + Rate	8.8%	0.7	3,205	3,246	4,377
Finance lease of machinery and equipment	CDI + Rate	12.3%	1.3	12,501	11,086	14,319
Finance lease of industrial facilities	CDI + Rate	13.4%	0.6	7,440	7,562	10,907
Finance lease of buildings	CDI + Rate	-	-	-	-	-
Interest due				(15,864)		(18,473)
Finance lease - discount to present value				(4,055)		(6,683)
Total domestic currency				6,872	25,047	8,726
Total Company				6,872	25,047	8,726
Current liabilities				2,785		3,970
Non-current liabilities				4,087		4,756

					Consolidated	
Credit facility	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance on 03/31/12 (at present value)	Future Payments 03/31/12	Balance on 12/31/11 (at present value)
Domestic currency						
Finance lease of vehicles	CDI + Rate	5.5%	1.0	9,982	10,027	11,898
Finance lease of IT equipment	CDI + Rate	8.8%	0.7	3,205	3,221	4,377
Finance lease of machinery and equipment	CDI + Rate	12.6%	1.8	14,811	15,077	16,895
Finance lease of industrial facilities	CDI + Rate	13.2%	0.6	7,802	7,851	11,330
Interest due				(17,345)	-	(20,668)
Finance lease - discount to present value				(4,055)	-	(6,683)
Total domestic currency				14,400	36,176	17,149
Foreign currency						
Finance lease of vehicles	Rate	5.7%	4.7	1,930	1,972	2,114
Finance lease of machinery and equipment	Rate	4.2%	6.1	173,930	177,606	181,340
Finance lease of industrial facilities	Rate	12.0%	1.5	1,319	1,338	1,535
Finance lease of buildings	Rate	6.2%	16.6	98,490	107,036	100,596
Total foreign currency				275,669	287,952	285,585
Total Consolidated				290,069	324,128	302,734
Current liabilities				54,584		59,911
Non-current liabilities				235,485		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	
	03/31/12	12/31/11	03/31/12	12/31/11
Local currency				
1Q12	-	1,143	-	2,896
2Q12	1,027	1,143	3,142	2,942
3Q12	1,075	1,134	3,219	2,957
4Q12	452	550	1,719	1,637
1Q13	231	-	802	-
2013	2,264	3,281	2,863	4,389
2014	819	669	1,273	1,133
2015	683	605	958	900
2016	285	201	387	295
2017	36	-	37	-
Total local currency	6,872	8,726	14,400	17,149
Foreign currency				
1Q12	-	-	-	15,851
2Q12	-	-	12,033	11,625
3Q12	-	-	11,525	10,948
4Q12	-	-	11,460	11,055
1Q13	-	-	10,684	-
2013	-	-	32,253	38,237
2014	-	-	37,014	36,494
2015	-	-	44,442	43,787
2016	-	-	27,362	26,486
2017	-	-	7,420	7,226
2018	-	-	49,904	83,876
2019	-	-	31,572	-
Total foreign currency	-	-	275,669	285,585
Total lease amount	6,872	8,726	290,069	302,734

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

	Parent	
	03/31/12	12/31/11
Domestic currency		
Up to one year	2,785	3,970
From one to five years	4,087	4,756
	6,872	8,726

	Consolidated	
	03/31/12	12/31/11
Domestic currency		
Up to one year	8,882	10,432
From one to five years	5,518	6,717
	14,400	17,149
Foreign currency		
Up to one year	45,702	49,479
From one to five years	148,491	152,230
More than five years	81,476	83,876
	275,669	285,585
	290,069	302,734

Following are the guarantees for the leases:

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Domestic currency				
Guarantees:				
Financed asset	6,872	8,726	14,400	17,149
Total domestic currency	6,872	8,726	14,400	17,149
Foreign currency				
Guarantees:				
Financed asset	-	-	275,669	285,585
Total foreign currency	-	-	275,669	285,585
Total	6,872	8,726	290,069	302,734

18.2 OPERATING LEASE

Operating lease as at March 31, 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 03/31/12
	Local currency					
CSI LATINA A. M. S.A	IT equipment	8/2/2008	13.50%	0.8	1,640	990
CSI LATINA A. M. S.A	IT equipment	11/21/2009	13.39%	0.6	1,206	971
CSI LATINA A. M. S.A	IT equipment	2/21/2010	15.02%	0.8	4,790	3,474
CSI LATINA A. M. S.A	IT equipment	5/19/2010	15.02%	1.1	5,429	3,524
CSI LATINA A. M. S.A	IT equipment	5/19/2010	10.37%	1.1	1,718	1,110
CSI LATINA A. M. S.A	IT equipment	5/9/2010	9.77%	1.0	2,651	1,638
CSI LATINA A. M. S.A	IT equipment	5/23/2010	12.54%	1.1	1,759	1,102
CSI LATINA A. M. S.A	IT equipment	5/9/2010	8.09%	1.0	1,571	870
CSI LATINA A. M. S.A	IT equipment	5/21/2010	12.54%	1.1	260	241
CSI LATINA A. M. S.A	IT equipment	1/18/2011	10.64%	1.7	7,247	2,878
CSI LATINA A. M. S.A	IT equipment	1/21/2011	10.50%	1.7	1,216	507
CSI LATINA A. M. S.A	IT equipment	1/21/2011	10.50%	2.3	2,699	727
CSI LATINA A. M. S.A	IT equipment	10/12/2011	10.50%	2.4	28	5
CSI LATINA A. M. S.A	Machinery and equipment	7/10/2008	13.50%	0.7	5,691	3,445
LEASEPLAN ARR. MERC. S A	Vehicle	1/20/2012	IGP-M year	2.8	394	33
Frigorifico Extremo Sul	Meat packaging plant	10/1/2009	IGP-M year	0.4	4,966	4,013
	Total local currency				43,265	25,527
	Foreign currency					
AVN AIR LLC	Aircraft	12/1/2007	libor + 3%	4.4	3,907	1,555
AVN AIR LLC	Aircraft	12/1/2007	libor + 3%	4.4	9,767	3,888
AVN AIR LLC	Aircraft	12/1/2008	libor + 3%	6.4	6,364	2,007
	Total foreign currency				20,038	7,450
	Total local and foreign currency				63,303	32,977

					Consolidated	
Financial institution	Leased asset	Start date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense at 03/31/12
	Local currency					
CSI LATINA A. M. S.A	IT equipment	8/2/2008	13.50%	0.8	1,640	990
CSI LATINA A. M. S.A	IT equipment	11/21/2009	13.39%	0.6	1,206	971
CSI LATINA A. M. S.A	IT equipment	2/21/2010	15.02%	0.8	4,790	3,474
CSI LATINA A. M. S.A	IT equipment	5/19/2010	15.02%	1.1	5,429	3,524
CSI LATINA A. M. S.A	IT equipment	5/19/2010	10.37%	1.1	1,718	1,110
CSI LATINA A. M. S.A	IT equipment	5/9/2010	9.77%	1.0	2,651	1,638
CSI LATINA A. M. S.A	IT equipment	5/23/2010	12.54%	1.1	1,759	1,102
CSI LATINA A. M. S.A	IT equipment	5/9/2010	8.09%	1.0	1,571	870
CSI LATINA A. M. S.A	IT equipment	5/21/2010	12.54%	1.1	260	241
CSI LATINA A. M. S.A	IT equipment	1/18/2011	10.64%	1.7	7,247	2,878
CSI LATINA A. M. S.A	IT equipment	1/21/2011	10.50%	1.7	1,216	507
CSI LATINA A. M. S.A	IT equipment	1/21/2011	10.50%	2.3	2,699	727
CSI LATINA A. M. S.A	IT equipment	10/12/2011	10.50%	2.4	28	5
CSI LATINA A. M. S.A	Machinery and equipment	7/10/2008	13.50%	0.7	5,691	3,445
LEASEPLAN ARR. MERC. S A	Vehicle	1/20/2012	IGP-M year	2.8	394	33
Frigorifico Extremo Sul	Meat packaging plant	10/1/2009	IGP-M year	0.4	4,965	4,012
Frigorifico Mercosul	Meat packaging plant	9/21/2009	IGP-M year	3.8	100,000	12,178
Frigorifico Margem	Meat packaging plant	10/9/2009	IGP-M year	3.8	164,500	25,808
Frigorifico 4 Rios	Meat packaging plant	12/1/2009	IGP-M year	3.8	9,600	4,736
Frigorfico Boivi	Meat packaging plant	12/29/2009	IGP-M year	4.8	6,001	2,380
	Total local currency				323,365	70,629
	Foreign currency					
AVN AIR LLC	Aircraft	12/1/2007	libor + 3%	4.4	3,907	1,555
AVN AIR LLC	Aircraft	12/1/2007	libor + 3%	4.4	9,767	3,888
AVN AIR LLC	Aircraft	12/1/2008	libor + 3%	6.4	6,364	2,007
	Total foreign currency				20,038	7,450
	Total local and foreign currency				343,403	78,079

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

	Parent
	03/31/12 (at present value)
Local currency	
Up to 1 year	14,098
From 1 to 5 years	3,639
	17,737
Foreign currency	
Up to 1 year	1,574
From 1 to 5 years	10,334
More than 5 years	681
	12,589
	30,326

	Consolidated
	03/31/12 (at present value)
Local currency	
Up to 1 year	79,949
From 1 to years	172,786
	252,735
Foreign currency	
Up to 1 year	1,574
From 1 to years	10,334
More than 5 years	682
	12,590
	265,325

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 opt for purchasing the goods at market value or returning them.

19 DEBENTURES PAYABLE AND INTEREST ON DEBENTURES

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Debentures payable	598,200	598,200	598,200	598,200
(-) Cost with debenture issue	(3,595)	(4,249)	(3,595)	(4,249)
Interest on convertible debentures	247,571	225,874	247,571	225,874
(-) Withholding income tax on debenture interest	(49,914)	(45,575)	(49,914)	(45,575)
	792,262	774,250	792,262	774,250
Current liabilities - interest on debentures	197,657	180,299	197,657	180,299
Current liabilities - debentures payable	199,400	-	199,400	-
Non-current liabilities - debentures payable	395,205	593,951	395,205	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.

Debentures and interest on debentures fall due as follows:

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Domestic currency				
1Q12	-	65,041	-	65,041
3Q12	172,584	115,258	172,584	115,258
1Q13	224,473	199,400	224,473	199,400
2014	199,400	199,400	199,400	199,400
2015	195,805	195,151	195,805	195,151
	792,262	774,250	792,262	774,250

20 NOTES PAYABLE

	Parent		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Notes payable for investment in Europe (a)	-	-	121,261	164,695
Notes payable for investments in Brazil	35,028	56,835	35,028	56,835
Notes payable - Sponsorshps (b)	-	-	6,312	263
Derivatives payable (c)	217,544	209,185	243,361	243,888
Related parties (d)	718,847	623,382	-	-
Other	-	1,745	105	833
Discount to present value	(1,819)	(1,819)	(1,819)	(1,819)
	969,600	889,328	404,248	464,695
Current liabilities	316,389	237,583	398,572	434,158
Non-current liabilities	653,211	651,745	5,676	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 USD220 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 – 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 the amount that would be disbursed for said contingent payment, which will be settled in 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 de Football Association) to sponsor the 2010 FIFA World Cup™, FIFA Confederations Cup 2013 and 2014 FIFA World Cup™. The agreement permits the use of Marfrig Group brands, such as: SEARA, PATY, PEMMICAN and MOY PARK, and also the use of the tournament logo in advertisements and products and its distribution.

On 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

20.1 The Parent 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Labor and social security	5,775	5,775	38,571	38,537
Tax	1,446	1,446	140,299	111,735
Civil	4,834	4,834	31,790	38,453
	12,055	12,055	210,660	188,725

21.1.1 LABOUR AND SOCIAL SECURITY

As at March 31, 2012, the Parent and its subsidiaries are parties to various labour claims. Based on the Parent´s and its subsidiaries' payment history, a provision of R$38,571 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$100,157, 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$15,188, of which R$12,945 corresponds to administrative proceedings referring to: i) IRPJ/CSLL in the amount of R$4,450; 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$8,020; 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$226; and v) R$2,243 of tax risks immaterialised to date.

- Seara also recorded provisions of R$8,776 for attorney fees on tax claims, R$51,812 for income and social contribution taxes on tax credits and R$12,586 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$38,696 which individually are not material.

21.1.3 CIVIL

Based on the opinion of legal advisors, the Management recognised on March 31, 2012 a provision for the amount of shares considered to be of probable risk, totalling R$31,790.

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	
	03/31/12	12/31/11	03/31/12	12/31/11
Labor and social security	60,995	79,684	169,363	187,037
Tax	360,314	336,942	676,146	614,554
Civil	10,020	11,845	74,254	78,346
	431,329	428,471	919,763	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$24,730. 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 Parent and its subsidiaries.

Federal Taxes and Contributions

As of March 31, 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 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$18,064, 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$45,490. 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$685. 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$11,249.

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$209,098. 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$73,847. 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 Parent 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	-	-	-	-	2,094	25,868	795	28,757
Reversal	-	-	-	-	(1,444)	(1,057)	(1,163)	(3,664)
Reclassification	-	-	-	-	(509)	3,919	(6,295)	(2,885)
Translation gains/losses	-	-	-	-	(107)	(166)	-	(273)
Balance on March 31, 2012	5,775	1,446	4,834	12,055	38,571	140,299	31,790	210,660

22 DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES - LIABILITIES

	Company		Consolidated	
	03/31/12	12/31/11	03/31/12	12/31/11
Income tax	83,115	94,660	1,073,221	1,106,219
Social contribution	29,921	34,077	303,364	309,457
	113,036	128,737	1,376,585	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 – business combination.

Below are the changes in deferred taxes in the period ended March 31, 2012:

	Company		Consolidated	
Description	IRPJ	CSL	IRPJ	CSL
Balance on December 31, 2011	94,660	34,077	1,106,219	309,457
Realization of revaluation reserve	(439)	(158)	(4,828)	(1,930)
Realization of deemed cost	(11,106)	(3,998)	(11,278)	(4,060)
Deferred taxes on temporary differences	-	-	14,846	5,623
Reversal of deferred taxes on temporary differences	-	-	(2,933)	(454)
Other	-	-	(13,989)	(5,272)
Translation gains/losses	-	-	(14,816)	-
Balance on March 31, 2012	83,115	29,921	1,073,221	303,364

23 SHAREHOLDERS' EQUITY

23.1 SHARE CAPITAL

Subscribed and paid-in share capital as at March 31, 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, 2010).

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 Parent 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 Parent, 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 Parent 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 Parent´s net income, as defined in its by-laws and current legislation.

In 2011, the Parent 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 Shares held in treasury

Share Buyback Programme

The Board of Directors' Meeting held on February 7, 2011 approved the Parent´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 programme 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 are 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 March 31, 2012, Marfrig acquired eight hundred sixty-five thousand (865,000) shares for R$7,074, recorded as acquisition of treasury shares in shareholders' equity.

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

Period	Type	Number of shares repurchased (shares)	Buyback trading price (R$)			Market closing price[1] (R$)	Market capitalization (R$ thousand)
			Minimum	Average	Maximum		
2011	Common	1,100,000	8.42	8.51	8.66	8.54	9,394.0
1Q12	Common	865,000	8.04	8.18	8.39	11.50	9,947.5

[1] Trading closing price, as disclosed by BM&FBOVESPA, relating to Marfrig's common shares, under the ticker MRFG3.

Shares held in treasury

As of December 31, 2011, Marfrig held one million, three hundred thirty-two thousand and five hundred ninety-eight (1,332,598) common shares issued by itself in treasury, representing 0.38% of Parent´stotal shares. Shares were booked at the amount of R$13, which corresponds to an average cost of ten reais and twenty-eight centavos (R$10.28) per share.

In the quarter ended March 31, 2012, 53,350 common shares were transferred to the Management of the Company, in compliance with the stock option plan described in note 27.5.

On March 31, 2012, Marfrig held 2,144,248 common shares in treasury, representing 0.62% of the Company's total shares. Shares were already booked at the amount of 20,272, which corresponds to the average cost of 9.45 per share.

Changes in shares held in treasury are shown in the table below:

	Number of shares	Amount (R$ thousand)
Balance at December 31, 2011:	**1,332,598**	**R$13,702**
(+) Acquisition of shares – Buyback Programme	865,000	R$7,074
(-) Sale of shares – Stock Option	(53,350)	(R$504)
Balance on March 31, 2012:	**2,144,248**	**R$20,272**

23.4 OTHER COMPREHENSIVE INCOME

23.4.1 ASSET AND LIABILITY VALUATION ADJUSTMENT

Considering CVM Resolution No. 640/10, the Parent 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 Parent. 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 Parent.

23.5 DIVIDENDS PAYABLE

The Parent´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 Parent´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	
	03/31/12	03/31/11	03/31/12	03/31/11
Revenue from sales of products				
Domestic sales	683,041	767,897	3,787,449	3,628,326
Foreign sales	344,931	368,985	1,700,664	1,940,817
	1,027,972	1,136,882	5,488,113	5,569,143
Deductions from gross sales				
Taxes on sales	(27,032)	(34,615)	(150,988)	(195,278)
Returns and discounts	(34,437)	(34,374)	(104,586)	(121,720)
	(61,469)	(68,989)	(255,574)	(316,998)
NET SALES	966,503	1,067,893	5,232,539	5,252,145

25 RESULTS BY NATURE

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

	Parent		Consolidated	
	03/31/12	03/31/11	03/31/12	03/31/11
Cost of sales				
Inventory costs	629,112	785,742	3,587,503	3,751,705
Depreciation	16,007	16,082	112,283	107,243
Amortization	522	-	61,192	59,207
Employee salaries and benefits	42,016	38,385	668,275	605,222
	687,657	840,209	4,429,253	4,523,377
Administrative expenses				
Depreciation	1,286	1,249	7,451	7,933
Amortization	-	-	3,276	2,156
Employee salaries and benefits	13,668	18,114	90,250	71,318
Other	34,175	22,955	110,030	114,500
	49,129	42,318	211,007	195,907
Selling expenses				
Depreciation	61	67	1,976	1,604
Amortization	-	-	128	253
Employee salaries and benefits	4,552	6,569	43,952	43,926
Other	61,613	60,079	316,645	305,332
	66,226	66,715	362,701	351,115

26 NET FINANCIAL RESULT

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

	Parent		Consolidated	
	03/31/12	03/31/11	03/31/12	03/31/11
Financial income				
Financial results with derivatives	10,243	65,531	30,819	65,531
Interest received, earnings from financial investments	18,649	49,284	48,561	70,726
Discounts, other	6,545	19,905	6,268	7,594
Total financial income	35,437	134,720	85,648	143,851
Exchange rate gains	140,450	91,037	217,314	93,066
Financial expense				
Interest	(109,262)	(119,833)	(237,290)	(183,964)
Interest on debentures	(100,146)	(90,794)	(100,146)	(90,794)
Interest on lease	(2,610)	(7,403)	(5,816)	(7,442)
Derivatives	(21,987)	(48,918)	(38,293)	(54,385)
Bank expenses, commissions, fees	(4,451)	(15,021)	(36,514)	(27,829)
Other	(8,830)	(2,612)	(11,743)	(6,167)
Total financial expense	(247,286)	(284,581)	(429,802)	(370,581)
Exchange rate losses	(65,780)	(14,857)	(122,649)	(45,246)
NET FINANCIAL RESULT	(137,179)	(73,681)	(249,489)	(178,910)

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 four 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 March 31, 2012, 53,350 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:

	Number of shares exercised	**Average Market Price[1] (R$ per share)**
Options Exercised - 2011	**161,600**	
January 2012	125	8.52
February 2012	1,100	9.00
March 2012	52,125	11.31
Options Exercised - 2012	**53,350**	

[1] Monthly average price disclosed by BM&FBOVESPA, relating to Marfrig's common shares, under the ticker MRFG3.

Consolidated Change	**1Q12**	**2011**	**2010**
(Shares)			
Opening balance	**617,814**	**899,972**	**752,880**
Options granted	571,105	-	320,700
Options exercised	53,350	161,600	173,608
Options cancelled and overdue	-	120,558	-
Closing balance	**1,135,569**	**617,814**	**899,972**

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 0.50%, as detailed in the table below:

1Q12

	Master Plan 07-08	Master Plan 08-09	ESP I LP Plan 07-08	ESP II CP Plan 08-09	ESP III LP Plan 08-09	ESP IV LP Plan 09-10	ESP V LP Plan 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	
Outstanding agreements	27,600	55,300	41,600	-	209,114	-	565,355	**898,969**
Outstanding shares								**180,202,312**
Dilution - %	**0.02%**	**0.03%**	**0.02%**	**0.00%**	**0.12%**	**0.00%**	**0.31%**	**0.50%**

On March 31, 2012, the fair value of options was recorded in Marfrig's shareholders' equity at the amount of R$20,272 (R$13,702 on December 31, 2011). The Company recognised expenses relating to granting of plans in effect at the negative net amount of R$224.4, as detailed in the table below:

Effects resulting from the exercise of options (R$ thousand)	***1Q12***	***2011***
Value received through the sale of shares – Options exercised	280.0	556.2
(-) Cost of treasury shares sold	(504.4)	(3,012.2)
Effect on the sale of shares	**(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: 111.3%. 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 March 31, 2011 to March 31, 2012, in comparison to Ibovespa Index, which represents the Brazilian stock market.

The fair value per share as of March 31, 2012 in the different programs and maturities ranged between a maximum of R$6.6649 and a minimum of R$2.0870 negative per share for MASTER plans, specific for board members, and between a maximum of R$10.8616 and a minimum of R$0.4740 per share for SPECIAL plans, specific for executive officers.

Options granted are broken down as follows:

Total options granted:

Plans	Granting date	Performance (grace) period	Option expiration date	Total options granted	Total vested options	Options exercised in the period	Options cancelled and/or overdue in the period	Options exercised and/or cancelled in prior periods	Outstanding 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	**12/31/2011**			**1,198,580**	**623,316**	**161,600**	**120,558**	**298,608**	**617,814**			**-3,392.9**	**-378.5**	**-3,771.4**
MASTER 07-08	3/3/2008	3/4/2009	3/3/2010	13,800	13,800	0	0	13,800	0	R$ 13.58700	-R$ 13.58700	0.0	0.0	0.0
MASTER 07-08	3/3/2008	3/4/2010	3/3/2011	13,800	13,800	0	0	13,800	0	R$ 13.58700	-R$ 13.58700	0.0	0.0	0.0
MASTER 07-08	3/3/2008	3/4/2011	3/3/2012	13,800	13,800	0	0	0	13,800	R$ 13.58700	-R$ 13.58700	0.0	-187.5	-187.5
MASTER 07-08	3/3/2008	3/4/2012	3/3/2013	13,800	13,800	0	0	0	13,800	R$ 13.58700	-R$ 13.58700	0.0	-187.5	-187.5
				55,200	**55,200**	**0**	**0**	**27,600**	**27,600**			**0.0**	**-375.0**	**-375.0**
MASTER 08-09	7/28/2009	3/4/2010	3/3/2011	27,900	27,900	0	0	27,900	0	R$ 6.77830	-R$ 6.77830	0.0	0.0	0.0
MASTER 08-09	7/28/2009	3/4/2011	3/3/2012	27,675	27,675	27,675	0	0	0	R$ 6.77830	-R$ 6.77830	0.0	0.0	0.0
MASTER 08-09	7/28/2009	3/4/2012	3/3/2013	27,650	27,650	0	0	0	27,650	R$ 6.77830	-R$ 6.77830	0.0	-187.4	-187.4
MASTER 08-09	7/28/2009	3/4/2013	3/3/2014	27,650	0	0	0	0	27,650	R$ 6.77830	-R$ 6.77830	-187.4	0.0	-187.4
				110,875	**83,225**	**27,675**	**0**	**27,900**	**55,300**			**-187.4**	**-187.4**	**-374.8**
ESP I LP 07-08	7/28/2009	7/28/2009	11/30/2009	50,000	50,000	0	0	50,000	0	R$ 0.75485	-R$ 0.75485	0.0	0.0	0.0
ESP I LP 07-08	7/28/2009	3/3/2010	9/2/2010	50,000	50,000	0	0	50,000	0	R$ 0.75485	-R$ 0.75485	0.0	0.0	0.0
ESP I LP 07-08	7/28/2009	3/3/2011	9/2/2011	50,000	50,000	0	0	50,000	0	R$ 0.75485	-R$ 0.75485	0.0	0.0	0.0
ESP I LP 07-08	7/28/2009	3/3/2012	9/2/2012	50,000	50,000	8,400	0	0	41,600	R$ 0.75485	-R$ 0.75485	0.0	-31.4	-31.4
				200,000	**200,000**	**8,400**	**0**	**150,000**	**41,600**			**0.0**	**-31.4**	**-31.4**
ESP II CP 08-09	7/28/2009	7/28/2009	11/30/2009	80,200	80,200	0	0	80,200	0	R$ 1.03823	-R$ 1.03823	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	7/28/2009	3/3/2010	9/2/2010	108,083	108,083	0	0	108,083	0	R$ 0.67783	-R$ 0.67783	0.0	0.0	0.0
ESP III LP 08-09	7/28/2009	3/3/2011	9/2/2011	108,083	108,083	0	0	107,258	825	R$ 0.67783	-R$ 0.67783	0.0	-0.6	-0.6
ESP III LP 08-09	7/28/2009	3/3/2012	9/2/2012	108,082	108,082	7,875	0	0	100,207	R$ 0.67783	-R$ 0.67783	0.0	-67.9	-67.9
ESP III LP 08-09	7/28/2009	3/3/2013	9/2/2013	108,082	0	0	0	0	108,082	R$ 0.67783	-R$ 0.67783	-73.3	0.0	-73.3
				432,330	**324,248**	**7,875**	**0**	**215,341**	**209,114**			**-73.3**	**-68.5**	**-141.7**
ESP IV LP 09-10	7/1/2010	3/3/2011	9/2/2011	80,000	80,000	125	0	79,725	150	R$ 11.02605	-R$ 11.02605	0.0	-1.7	-1.7
ESP IV LP 09-10	7/1/2010	3/3/2012	9/2/2012	80,000	80,000	3,550	0	0	76,450	R$ 11.02605	-R$ 11.02605	0.00	-842.94	-842.94
ESP IV LP 09-10	7/1/2010	3/3/2013	9/2/2013	80,000	0	0	0	0	80,000	R$ 11.02605	-R$ 11.02605	-882.08	0.00	-882.08
ESP IV LP 09-10	7/1/2010	3/3/2014	9/2/2014	80,000	0	0	0	0	80,000	R$ 11.02605	-R$ 11.02605	-882.08	0.00	-882.08
				320,000	**160,000**	**3,675**	**0**	**79,725**	**236,600**			**-1764.17**	**-844.60**	**-2608.76**
ESP V LP 10-11	4/20/2011	3/3/2012	9/2/2012	142,770	142,770	4,900	0	0	137,870	R$ 7.02510	-R$ 7.02510	0.00	-968.55	-968.55
ESP V LP 10-11	4/20/2011	3/3/2013	9/2/2013	142,770	142,770	275	0	0	142,495	R$ 7.02510	-R$ 7.02510	0.00	-1001.04	-1001.04
ESP V LP 10-11	4/20/2011	3/3/2014	9/2/2014	142,770	142,770	275	0	0	142,495	R$ 7.02510	-R$ 7.02510	0.00	-1001.04	-1001.04
ESP V LP 10-11	4/20/2011	3/3/2015	9/2/2015	142,770	142,770	275	0	0	142,495	R$ 7.02510	-R$ 7.02510	0.00	-1001.04	-1001.04
				571,080	**571,080**	**5,725**	**0**	**0**	**565,355**			**0.00**	**-3971.68**	**-3971.68**
Total on	**3/30/2012**			**1,769,685**	**1,473,953**	**53,350**	**0**	**580,766**	**1,135,569**			**-2024.85**	**-5478.58**	**-7503.43**

28 EARNINGS (LOSS) PER SHARE

The following table shows the calculation of earnings (loss) per share for the period ended March 31, 2012 and 2011 (in thousands, unless otherwise stated):

	03/31/12	03/31/11
Income attributable to shareholders	34,476	23,502
Weighted average number of shares in the period (in units)	346,983,954	346,983,954
Weighted average number of treasury shares, including stock option effect (in units)	2,144,248	320,923
Weighted average number of outstanding common shares (in units)	344,839,706	346,663,031
Basic and diluted earnings (loss) (in R$)	0.1000	0.0678

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

26 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;
- 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 balance sheet and statement of operations summarized by information segment are as follows:

	03/31/12			12/31/11		
	Cattle, lamb and leather	Poultry, pork and prepared and processed products	Total	Cattle, lamb and leather	Poultry, pork and prepared and processed products	Total
Assets						
Current assets	5,487,694	3,822,437	9,310,131	5,426,750	3,932,363	9,359,113
Long-term receivables	1,635,667	1,215,204	2,850,871	1,607,345	1,173,747	2,781,092
Investments	210	13,318	13,528	213	12,982	13,195
Property, plant and equipment	2,511,931	4,514,371	7,026,302	2,494,871	4,600,431	7,095,302
Biological assets	22,561	191,444	214,005	24,773	195,010	219,783
Intangible assets	1,190,285	3,106,963	4,297,248	1,187,559	3,167,397	4,354,956
	10,848,348	12,863,737	23,712,085	10,741,511	13,081,930	23,823,441
Current liabilities	3,014,206	3,905,598	6,919,804	2,723,165	3,949,934	6,673,099
Non-current liabilities	6,605,743	4,305,567	10,911,310	6,959,509	4,292,312	11,251,821
	9,619,949	8,211,165	17,831,114	9,682,674	8,242,246	17,924,920

	03/31/12			03/31/11		
	Cattle, lamb and leather	Poultry, pork and prepared and processed products	Total	Cattle, lamb and leather	Poultry, pork and prepared and processed products	Total
Net revenue	1,737,339	3,495,200	5,232,539	1,923,779	3,328,366	5,252,145
COGS	(1,365,366)	(3,063,887)	(4,429,253)	(1,574,923)	(2,948,454)	(4,523,377)
Financial income (loss)	(176,070)	(73,419)	(249,489)	(94,044)	(84,866)	(178,910)
Income tax and social contribution	56,512	(2,124)	54,388	31,518	13,707	45,225
Interest held by controlling shareholders in income (loss)	54,772	(20,296)	34,476	66,730	(43,228)	23,502
Minority interest	6,777	(1,588)	5,189	(436)	(1,277)	(1,713)
Depreciation/Amortization	34,590	151,722	186,312	27,607	150,789	178,396

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	03/31/12	12/31/11	03/31/12	12/31/11
Buildings and meat packing plants	874,105	874,105	4,736,285	5,111,425
Inventories and loss of profit	203,973	203,973	2,131,269	2,261,180
Third-party warehouse	76,712	76,712	118,172	152,682
Vehicles	21,731	10,630	31,720	20,709
Transportation of goods	41,442	42,088	1,548,302	1,580,375
Officers' guarantees	54,663	56,274	102,493	104,952
Civil liability	10,000	10,000	381,329	377,115
Other	1,337,801	1,337,354	1,396,255	1,395,482
	2,620,427	2,611,136	10,445,825	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 securtiess. 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Cash and cash equivalents	577,232	399,326	42,271	23,041
Financial investments		-	947,712	877,165
Trade accounts receivable	271,048	381,222	-	-
Notes receivable - derivatives	-	-	-	2,388
Related parties	1,938,381	1,963,350	-	-
Total financial assets	2,786,661	2,743,898	989,983	902,594

Financial liabilities

	Financial liabilities at amortized cost		Measured at fair value through profit or loss	
	03/31/12	12/31/11	03/31/12	12/31/11
Trade accounts payable	267,527	344,484	-	-
Loans and financing	5,182,676	5,106,327	-	-
Derivatives	-	-	217,544	209,185
Interest on debentures	197,657	180,299	-	-
Total financial liabilities	5,647,860	5,631,110	217,544	209,185

Consolidated

Financial assets

	Loans and receivables		Held for trading	
	03/31/12	12/31/11	03/31/12	12/31/11
Cash and cash equivalents	1,149,389	1,042,671	61,906	34,149
Financial investments	-	-	2,110,730	2,401,037
Trade accounts receivable	1,325,225	1,302,906	-	-
Notes receivable - derivatives	-	-	12,631	24,585
Total financial assets	2,474,614	2,345,577	2,185,267	2,459,771

Financial liabilities

	Financial liabilities at amortized cost		Measured at fair value through profit or loss	
	03/31/12	12/31/11	03/31/12	12/31/11
Trade accounts payable	2,521,147	2,783,120	-	-
Loans and financing	10,865,112	10,603,078	-	-
Derivatives		-	243,361	243,888
Interest on debentures	197,657	180,299	-	-
Total financial liabilities	13,583,916	13,566,497	243,361	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

	Mar-12		Dec-11	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	1,211,295	1,211,295	1,076,820	1,076,820
Financial investments	2,110,730	2,110,730	2,401,037	2,401,037
Trade accounts receivable	1,325,225	1,325,225	1,302,906	1,302,906
Trade accounts payable	2,521,147	2,521,147	2,783,120	2,783,120
Loans and financing	10,865,112	10,866,182	10,675,095	10,675,095
Derivatives	243,361	243,361	243,888	243,888
Interest on debentures	197,657	197,657	180,299	180,299
Debentures	598,200	594,605	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 Parent and its subsidiaries decide to prepay them.

31.4 LIQUIDITY RISK

Liquidity risk arises from the Parent´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 Parent 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	
	03/31/12	12/31/11
Short-term cash and cash equivalents and financial investments	3,321,128	3,476,960
Short-term loans and financing	2,625,317	2,277,035
Modified liquidity ratio	1.27	1.53
Leverage ratio	4,42x	4,39x

The purpose of capital management is to define the best financing structure for the Parent 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 Parent´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
Suppliers	2,783,120	-	-	-	-	2,783,120
Loans and financing	2,277,033	2,002,701	1,939,400	1,096,535	3,287,407	10,603,076
Derivative financial liabilities	8,171	3,845	14,285	132,484	85,103	243,888
Interest on debentures	180,299	-	-	-	-	180,299
Total	5,248,623	2,006,546	1,953,685	1,229,019	3,372,510	13,810,383

March 31, 2012	2012	2013	2014	2015	Após	Total
Suppliers	2,521,147	-	-	-	-	2,521,147
Loans and financing	1,981,424	2,133,763	2,140,711	1,215,744	3,393,470	10,865,112
Derivative financial liabilities	13,561	15,383	11,551	118,922	83,944	243,361
Interest on debentures	172,584	25,073	-	-	-	197,657
Total	4,688,716	2,174,219	2,152,262	1,334,666	3,477,414	13,827,277

31.5 INTEREST RATE RISK MANAGEMENT

Interest rate risk refers to the Parent´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 Parent´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 Parent 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 Parent and its subsidiaries as at December 31, 2011 and March 31, 2012 is as follows:

Exposure to CDI rate:

	Consolidated	
	03/31/12	12/31/11
NCE (R$ and US$) / Working capital (R$)	3,459,699	3,059,976
(-) CDB-DI (R$)	(658,657)	(1,002,199)
Subtotal	2,801,042	2,057,777
Exposure to LIBOR rate		
Prepayment (US$)	2,483,515	2,595,233
Working capital (US$)	204,570	205,561
Financing of industrial complex (US$) / Overdraft-facility account (US$)	4,391	5,994
Subtotal	2,692,476	2,806,788
Exposure to TJLP rate:		
FINAME / FINEM / FINEP	56,295	61,047
Subtotal	56,295	61,047
TOTAL	5,549,813	4,925,612

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

							03/31/12	12/31/11
Instrument	Register	Maturity	Receivable	Payable	Notional value in US$ (2)	Fair value R$ (1)	Amount receivable (-) payable	Amount receivable (-) payable
Interest Swap Rate	CETIP	2012	Hiher Libor 2.10%	Lower Libor 2.10%	36,720	45,312	(547)	(1,027)
Interest Swap Rate	CETIP	2013	Higher Libor 2.38%	Higher Libor 2.38%	50,000	91,904	(1,406)	(1,958)
Interest Swap Rate	CETIP	2014	Higher Libor 3.30%	Lower Libor 3.30%	323,889	444,444	(11,551)	(14,285)
Interest Swap Rate	CETIP	2015	Higher Libor 2.75%	Lower Libor 2.75%	97,500	190,014	(7,898)	(109,291)
Interest Swap Rate	CETIP	2015	Higher Fx USD + 7.13%	Lower Fx USD + 7.13%	50,163	84,093	(17,097)	(14,518)
Interest Swap Rate	CETIP	2015	Lower Fx USD + 9.5%	Higher Fx USD + 9.5%	390,864	607,630	(80,085)	(8,675)
Interest Swap Rate	CETIP	2015	Lower Libor Fx USD + 5.5%	Higher Libor Fx USD + 5.5%	225,000	362,070	(13,842)	(58,866)
Interest Swap Rate	CETIP	2016	Lower Fx + 8.825%	Higher Fx + 8.825%	100,000	183,340	(28,521)	-
Interest Swap Rate	CETIP	2018	Higher Fx USD + 8%	Lower Fx USD + 8%	119,654	208,507	(55,423)	-
					1,393,790	2,217,314	(216,370)	(208,620)
Interest Swap Rate	(3)	2012	Lower Libor 2.26%	Higher Libor 2.26%	100,000	156,110	(3,985)	(1,424)
Interest Swap Rate	(3)	2012	Lower 2.75%	Higher 2.75%	25,000	39,028	(572)	(5,720)
Interest Swap Rate	(3)	2013	Lower Libor 3.0025%	Higher Libor 3.0025%	34,576	53,976	(1,889)	-
Interest Swap Rate	(3)	2013	Hiher Fx USD + 5.72%	Lower Fx USD + 5.72%	106,552	182,061	(12,087)	(1,887)
					266,128	431,175	(18,533)	(9,031)
					1,659,918	2,648,489	(234,903)	(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 Parent and its subsidiaries purchase some commodities, such as: cattle, grains and energy, which are the biggest individual components of the production cost and are subject to certain variables.

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

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

There are exposures to variation in the price of gasoline and diesel fuel ("energy"), whose movements are due to factors out of Management’s control.

So as to reduce the impact over commodities, the Parent 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, whose physical deliveries ("deliverable") of non-financial items are accomplished. As at March 31, 2012, financial instruments covered 5% of expected needs for the purchase of cattle in Brazil; in Keystone 74.5% of exposures of energy and 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 Parent 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 Parent 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Cash and cash equivalents	619,503	422,367	1,211,295	1,076,820
Financial investments	947,612	877,065	2,109,833	2,400,140
Receivables from domestic	148,050	193,588	1,075,827	1,032,510
Receivables from foreign clients	122,998	187,634	249,398	270,396
Other receivables	12,901	19,954	170,108	168,538
Total	1,851,064	1,700,608	4,816,461	4,948,404

31.8 EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Parent 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 74% of the Company's revenues are denominated in currencies other than the Brazilian real, the Parent 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 securtiess with solid financial institutions.

We believe that the Parent´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	03/31/12	12/31/11	2012
OPERATING			
Trade accounts receivable	238,481	451,855	(56,325)
ACE (advance on export contracts)	(112,181)	(262,776)	449
Imports payable	(26,573)	(45,560)	1,545
Subtotal	99,727	143,519	(54,331)
FINANCIAL			
Loans and financing	(3,704,954)	(3,838,276)	138,456
Notes payable	(3,517)	(3,517)	(540)
Balance of banks and financial investments (*)	158,785	243,312	(8,915)
Subtotal	(3,549,686)	(3,598,481)	129,001
TOTAL	(3,449,959)	(3,454,962)	74,670
Exchange rate gains			140,450
Exchange rate losses			(65,780)
Exchange rate gains (losses), net			74,670

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

			Consolidated
EXPOSURE			Effects of exchange rate gains (losses)
Description	03/31/12	12/31/11	2012
OPERATING			
Trade accounts receivable	620,006	924,177	(101,873)
ACE (advance on export contracts)	(366,744)	(651,535)	449
Imports payable	(149,250)	(116,832)	5,031
Other	10,492	4,125	(10,366)
Subtotal	114,504	159,935	(106,759)
FINANCIAL			
Loans and financing	(8,809,321)	(8,611,286)	153,356
Notes payable	(30,288)	(25,187)	57,614
Balance of banks and financial investments (*)	364,459	637,696	(10,410)
Other	(1,679)	(11,436)	864
Subtotal	(8,476,829)	(8,010,213)	201,424
TOTAL	(8,362,325)	(7,850,278)	94,665
Exchange rate gains			217,314
Exchange rate losses			(122,649)
Exchange rate gains (losses), net			94,665

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

As at March 31, 2012, outstanding derivatives are as follows:

								3/31/2012
Instrument	Register	Maturity	Forward	Long position	Short position	Notional value in USD	Notional value in R$	Fair galue receivable (-) payable (1) - R$ - '000
NDF	CETIP	4/30/2012	1.820	R$	US$	20,000	36,467	(318)
NDF	CETIP	5/31/2012	1.829	R$	US$	20,000	36,441	(383)
NDF	CETIP	6/29/2012	1.835	R$	US$	20,000	36,403	(472)
					Total	60,000	109,311	(1,173)

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

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 March 31, 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 Parent and its subsidiaries are exposed to as at March 31, 2012, three scenarios are considered and the probable scenario is the fair value as at March 31, 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 March 31, 2012 was applied for currencies, with notional value of R$/USD1.8221. The interest rate considered the value as at March 31, 2012 for 1 month Libor at 0.241%, for 3-month Libor at 0.468%, and for 6-month Libor at 0.733%.

Sensitivity scenarios are below:

STRESS SCENARIO - SWAP

Instrument	Probable scenario	Possible scenario	Remote scenario
Parent	(216,371)	(270,463)	(324,556)
Subsidiaries	(18,533)	(23,166)	(27,800)
	(234,904)	(293,629)	(352,356)

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

STRESS SCENARIO - CURRENCY FORWARD

Instrument	Probable scenario	Possible scenario	Remote scenario
Parent	(1,173)	(29,332)	(41,065)
	(1,173)	(29,332)	(41,065)

**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 March 31, 2012, a net expense of R$11,744 was incurred with derivatives, of which R$21,987 corresponded to expenses and R$10,243 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	
	03/31/12	12/31/11	03/31/12	12/31/11
Swap	(216,371)	(208,620)	(234,904)	(217,651)
Currency forward	1,173	1,830	-	(1,043)
Other	(2,346)	(2,395)	(8,457)	(25,194)
	(217,544)	(209,185)	(243,361)	(243,888)

31.11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Parent 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 Parent 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 Parent 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	1,211,295	-	-
Financial investments - held for trading	-	2,109,833	-
Non-current liabilities			
Derivatives	-	(234,904)	-
Total	1,211,295	1,874,929	-

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

	Parent		Consolidated	
Tax	03/31/12	03/31/11	03/31/12	03/31/11
Income (loss) before tax effects	(2,223)	8,359	(25,101)	(20,010)
Add-backs				
Add-backs of corporate income tax (IRPJ)	171,557	130,205	222,586	252,249
Add-backs of social contribution tax (CSL)	171,557	130,205	196,709	240,015
(-) Deductions				
(-) Deductions from IRPJ	(175,505)	(140,517)	(244,516)	(323,464)
(-) Deductions from CSL	(175,505)	(140,517)	(247,509)	(323,463)
Tax base				
Income tax base	(6,171)	(1,953)	(47,031)	(91,225)
Social contribution base	(6,171)	(1,953)	(75,901)	(103,458)
Companies with income tax loss	-	-	55,811	113,353
Companies with social contribution tax loss carryforwards	-	-	60,390	113,638
Calculation base after carry forwards of IRPJ	(6,171)	(1,953)	8,780	(20,743)
Calculation base after carry forwards of CSLL	(6,171)	(1,953)	(15,511)	(32,691)
(-) Tax loss carryforwards	-	-	(3,428)	(2,139)
(-) Social contribution negative basis	-	-	(3,428)	(2,139)
Calculation base after carry forwards				
Calculation base after carry forwards of IRPJ	(6,171)	(1,953)	5,352	(21,688)
Calculation base after carry forwards of CSLL	(6,171)	(1,953)	(18,939)	(33,885)
Income tax (15%)	-	-	1,180	(3,058)
Surtax (10%)	-	-	(99)	288
(-) PAT	-	-	190	(14)
Total income tax	-	-	1,271	(2,784)
Social contribution (9%)	-	-	720	203
	-	-	1,991	(2,581)
Rate difference on foreign results	-	-	4,194	1,584
Total taxes	-	-	6,185	(1,924)
Effect on statement of operations	-	-	6,185	(1,924)

Tax	Group	03/31/12	03/31/11	03/31/12	03/31/11
(-) Income tax - current	Current liabilities	-	-	(5,465)	(4,369)
Income tax paid abroad	Liabilities	-	-	4,732	-
Deferred income tax - Assets (1)	Non-current assets	15,440	11,135	39,116	33,643
Deferred income tax - liabilities (1)	Non-current liabilities	11,545	-	4,192	4,919
Net	Income (loss)	26,985	11,135	42,575	34,193
(-) Social contribution tax - current	Current liabilities	-	-	(720)	(731)
Deferred social contribution tax - Assets (1)	Non-current assets	5,558	-	11,712	10,831
Deferred contribution tax - Liabilities (1)	Non-current liabilities	4,156	4,008	821	932
Net	Income (loss)	9,714	4,008	11,813	11,032

(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 12.

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.

34 EVENTS AFTER THE REPORTING PERIOD

- On May 2, 2012, following up on the material fact disclosed on February 13, 2012, the Company announced to the shareholders and the market in general the settlement on April 30, 2012 of sale of its quick service restaurants (QSR) logistics assets and businesses in the United States, Europe, Oceania and Asia of its subsidiaries Keystone Foods LLC and McKey Luxembourg Sarl. to The Martin-Brower Company, L.L.C, for USD390.1 million, whose funds are already available in the Company's cash.

  The Company also announced that the residual value corresponding to USD9.9 million will be settled after the corporate and legal approval under analysis of operations in Dubai, Arab Emirates and Malaysia, expected for the following weeks.

  The sale of these logistics assets will allow the Marfrig Group to strategically focus on its core business of developing, producing and selling industrialized food and value added based on poultry, beef, pork, lamb and fish, on a global scale.

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